

a better kao

Kao Corporation

4452.JP

www.abetterkao.com

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Oasis Management

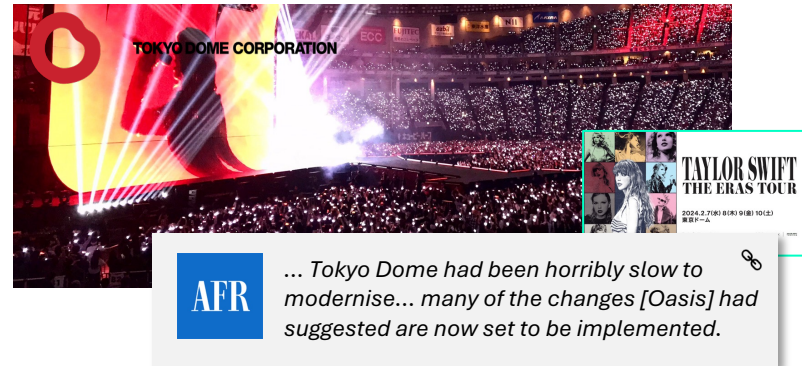
22-year track record of supporting portfolio company transformation

Founded in 2002, Oasis invests globally across capital structures with a focus on Asia. Our objective is to produce consistent, superior risk-adjusted returns across all market cycles for our investors.

Our 22-year track record includes several high-profile public engagements in Japan where Oasis has promoted stronger accountability through a focus on shareholder value. Two such campaigns include **Fujitec** (beginning in 2022), and **Tokyo Dome** (beginning in 2019).

Oasis' Engagement with Kao Corp

Oasis has been privately meeting with Kao since June 2021, escalating our engagement from September 2023. Throughout all stages, representatives of Kao Corp and executive management have been obstinate in response.



I. Executive Summary

II. Introduction to Kao

III. Growth Allergy

- Reluctant Global Expansion
- Lackluster Marketing Strategy
- Poor Distribution Channels
- Bloated Brand Portfolio

IV. Global Sharp Top?

- Kao's (Lack of) Strategic Vision
- "Global Sharp Top" Disappoints
- Lacking Leadership and Oversight

V. Growth is Everywhere

- Untapped Potential – Curél + freeplus
- Untapped Potential – Bioré
- Untapped Potential – Molton Brown
- Untapped Potential – Sensai
- Untapped Potential – Oribe
- Untapped Potential – Kate Tokyo

VI. Beiersdorf

- A Success Story

VII. a better kao

- Commit to Global Expansion
- Refine Brand Portfolio
- Embrace Marketing Strategy
- Strengthen Oversight & Transparency

VIII. Appendix

Executive Summary

Oasis believes it is time for a better Kao

Kao has the resources and the brands to grow. Oasis proposes brand focus, global expansion, and an embrace of marketing to ignite Kao's potential and lead to long-term future growth.

Kao is a “Sleeping Giant” with top decile brands

Kao owns many well-loved brands like Curél, Bioré, and Molton Brown. Despite the strong portfolio, Kao has failed to take advantage, underperformed operationally and has seen its stock price lag competitors due to low investor confidence.

Current management have a growth allergy

Kao's management appear to lack the ambition and focus to grow high-potential brands globally and market them effectively.

Growth is everywhere for high potential brands

Kao has a foothold in growth areas like derma-cosmetics. With focus and ambition, Kao could stimulate global growth well in excess of current forecasts.

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Introduction

Top Decile Brands



Kao is a Sleeping Giant

Untapped International Growth

Founded in 1890 Kao Corp is Japan's largest Fast Moving Consumer Goods ("FMCG") company with a diversified product portfolio spanning everything from children's diapers to luxury skincare.

In addition to its core consumer products business, Kao retains a sizable chemicals business focused primarily around oleochemicals.

Within its FMCG business lies considerable growth potential. The **Cosmetics and Health & Beauty** divisions give exposure to international growth runways that would allow Kao to compete with global leaders like L'Oréal and Beiersdorf.

To date, this growth potential has not been capitalized on.

Market Capitalization	Enterprise Value
2,660Bn Yen 17.6Bn USD	2,660Bn Yen 17.6Bn USD
Group Revenue (FY12/23)	Average Daily Volume
1,530Bn Yen 10.9Bn USD	70Mn USD

Kao's Four Key Segments

Hygiene & Living Care (“HLC”)

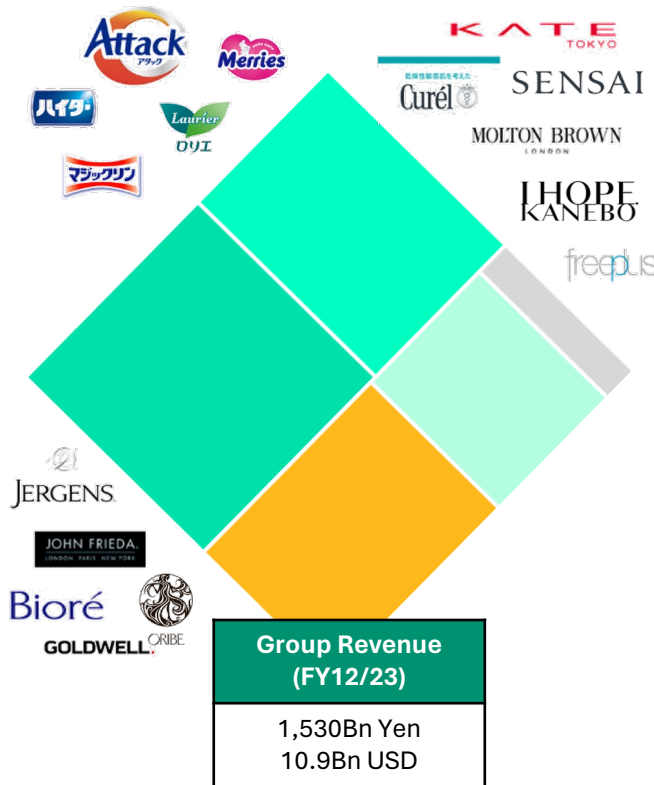
Fabric Detergents & Cleaning Products, and Diapers & Sanitary Towels

- HLC accounts for 34.1% of FY12/23 Group revenue, and 36.5% of Core operating profit. HLC has historically underpinned Kao's cash flow.
- Attack is Japan's leading laundry detergent.

Health & Beauty (“H&B”)

Mass-Market Skin Care, and Haircare Products (Professional/Salon and Retail)

- H&B accounts for 25.6% of FY12/23 Group revenue, and 37.3% of Core operating profit.



Cosmetics

Prestige, Mass, and Derma Cosmetics

- Cosmetics accounts for 15.6% of FY12/23 Group revenue, and 4.6% of Core operating profit.

Chemicals

- Chemicals accounts for 23.9% of FY12/23 Group revenue, and 21.6% of Core operating profit.
- Chemicals is Kao's business outside of the FMCG sector. The business dynamics are different, and it faces different challenges to the FMCG divisions.

Kao has exciting brands

SENSAI

Prestige Cosmetics

freedus

Derma-Cosmetics



JERGENS.

Mass Market Skincare



BY APPOINTMENT TO HER MAJESTY THE QUEEN
SUPPLIER OF TOILETRIES MOLTON BROWN LONDON

MOLTON BROWN
LONDON

Prestige Cosmetics

Curél[®]

Derma-Cosmetics



ORIBE

Professional Haircare

Bioré[®]

Mass Market Skincare

KANEBO

Prestige Cosmetics

K A T E
TOKYO

Mass Market Cosmetics

... which are loved globally



MakeupAlley

Curel

"This s**t is magic (...) It's so **healing, nourishing, and moisturizing.**"

USA

Try&Review

freeplus

"This product is **so innovative.**"

Singapore

cult BEAUTY

MOLTON BROWN LONDON

"Would eat it if I could. Gorgeous! A lovely **treat** to use."

UK

Kokoro Japanese product store

Bioré

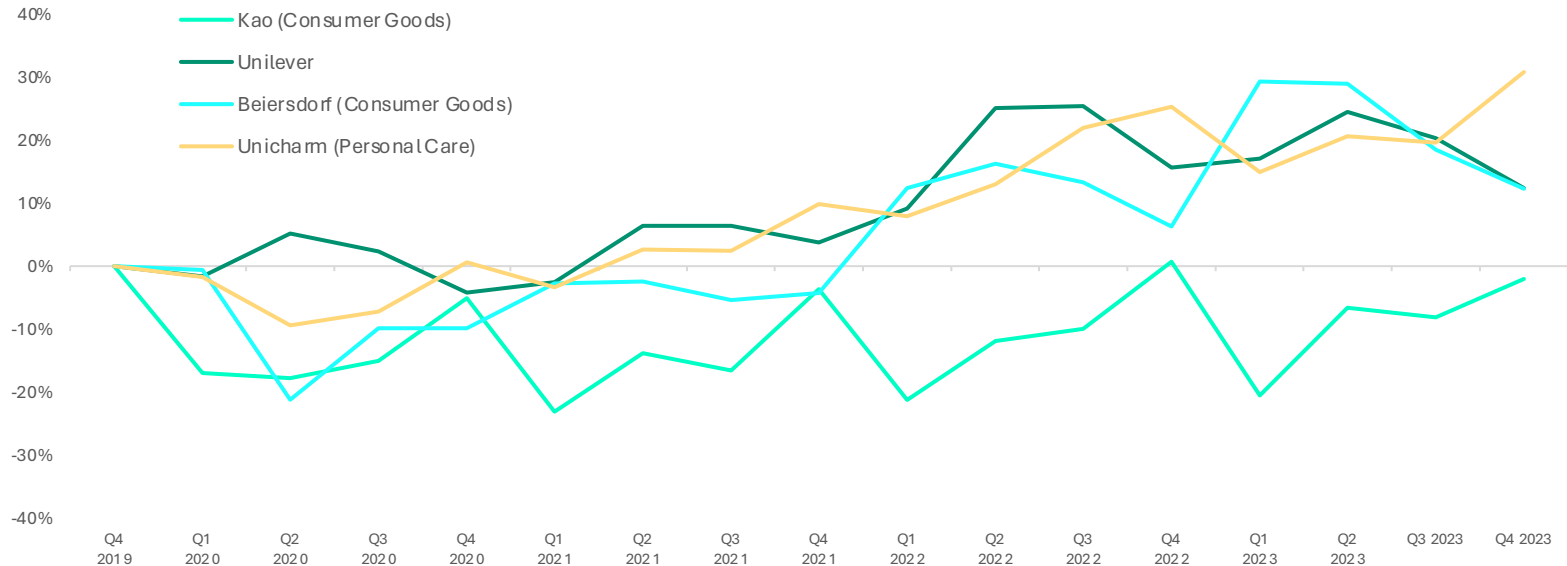
"I love this sunscreen! This is the first sunscreen that I wear everyday."

Japan

Performance has been poor...

Consumer Products Sales have failed to rebound since COVID

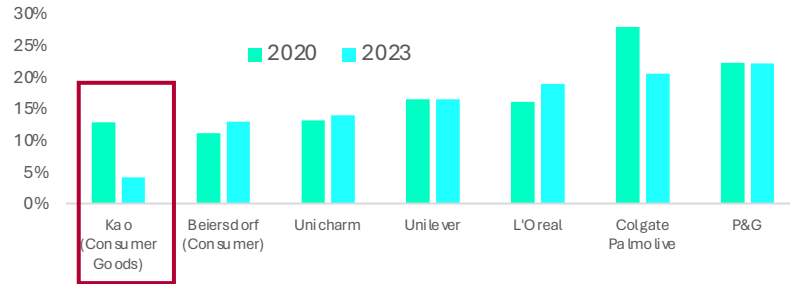
Kao's Consumer Products sales have yet to return to pre-COVID levels. Peers have grown their consumer goods revenues by over 10% on a quarterly basis over the same period.



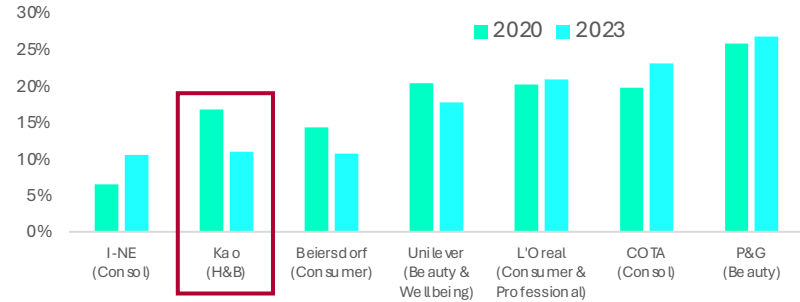
... in all Consumer Goods divisions

Operating Profit Margins by Consumer Products Segment

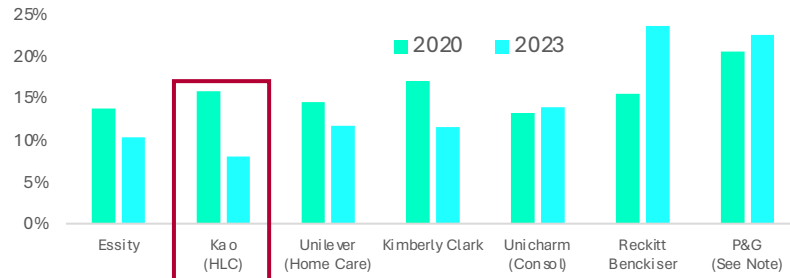
Consumer Products (Total)



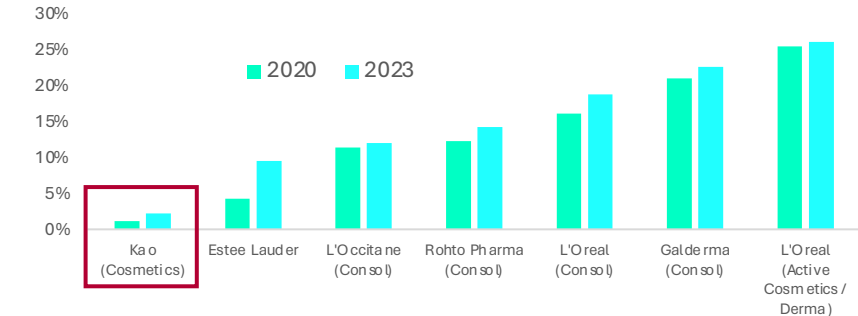
Health & Beauty



Hygiene & Living Care

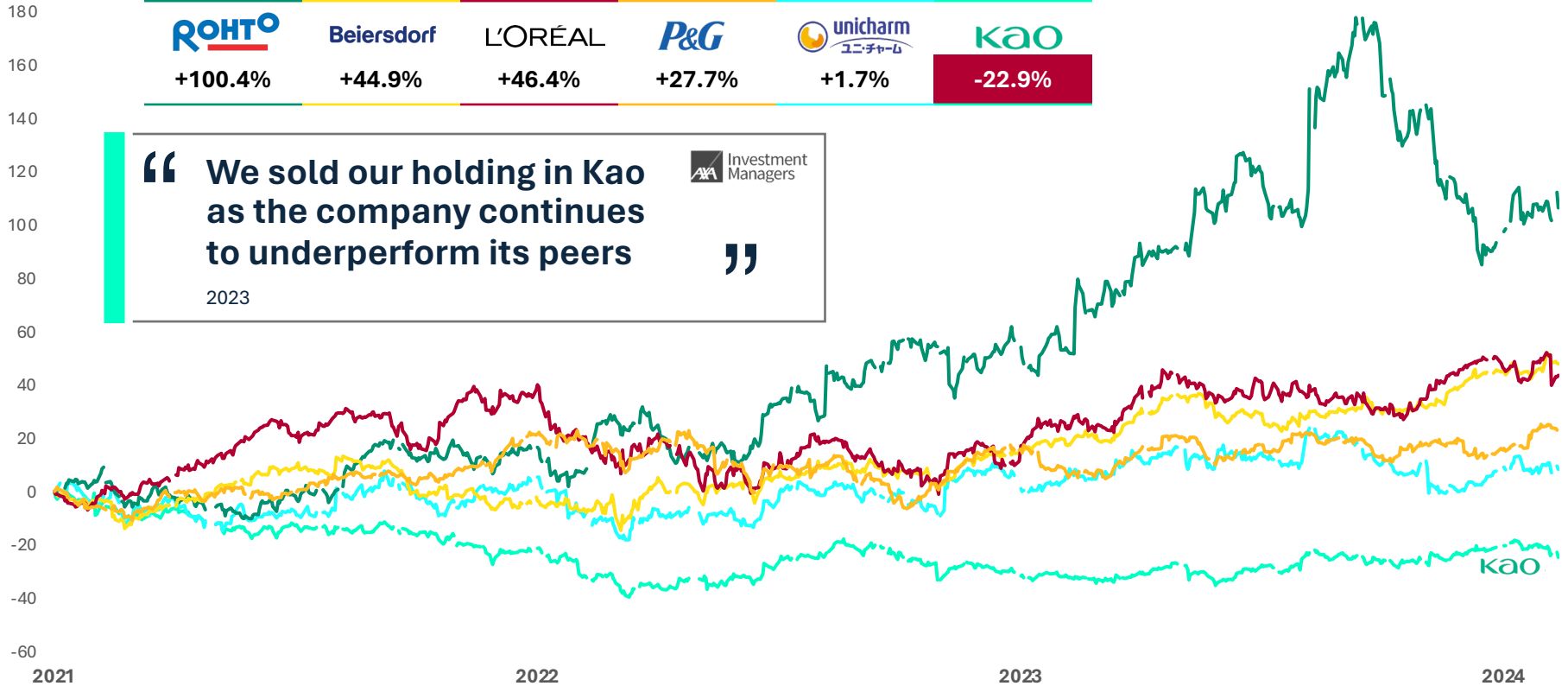


Cosmetics



Note: Fabric & Home; Baby, Feminine & Family

Kao's shares have underperformed



“ We sold our holding in Kao as the company continues to underperform its peers ”

2023

kao

OASIS

“ **NOW is the time for Kao to focus on growth**

Kao has been struggling to maintain a high ROE. In fact, it has been in decline since 2017, and has recently accelerated below 5%. Kao's own 'restructuring' plans are a short-term fix that will not solve underlying growth issues.

”

OASIS

NOW is the time for a better Kao

Japan is pushing its companies to focus on growth

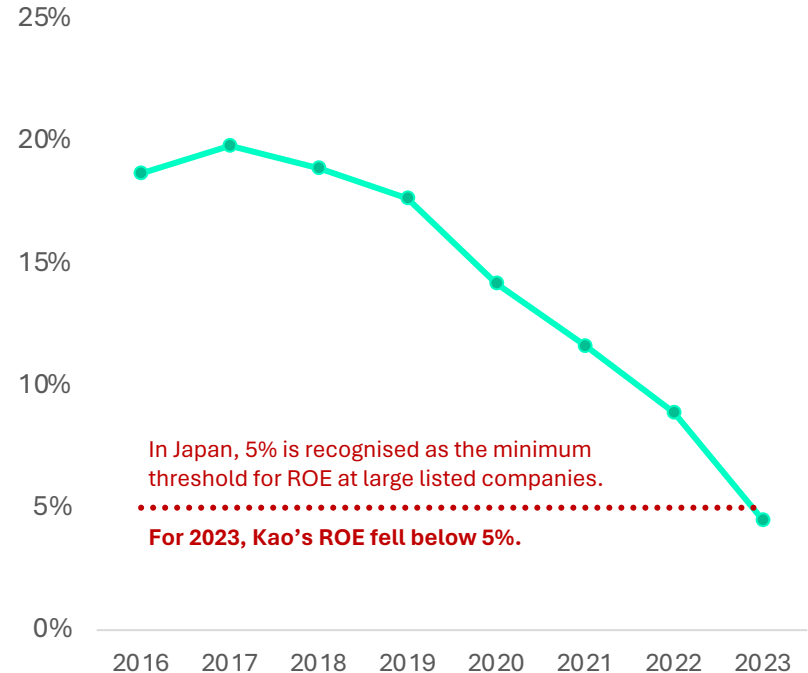
Reforms in the Japanese market have called on companies to improve their **return on equity (ROE)**. This has triggered wide behavioural changes from management to improve capital efficiency, and investors have sought to hold management teams and board directors accountable on this basis.

As short-term solutions to the ROE problem expire, the issue that emerges for companies is how to sustain a high ROE.

Put simply – **Kao must start and continue to grow.**

While we expect ROE to rebound in 2024 following some small scale-restructuring in 2023, we think without a sustainable growth story Kao is unlikely to achieve high teen ROEs that are common in the global FMCG sector.

Kao Corp Return on Equity (ROE)¹



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Growth Allergy

Letting down all stakeholders

How did we get here?

Oasis identified four key factors contributing to Kao's stagnation

<p>1 Reluctant GLOBAL EXPANSION </p>	<p>Kao owns several brands with considerable and under-exploited international growth runways. Curél, Freeplus, Bioré and Molton Brown are just some of the brands with clear opportunities.</p>	<p>Slides 19- 21</p>
<p>2 Lackluster MARKETING STRATEGY </p>	<p>Kao's marketing spend is much lower than global FMCG peers, and marketing leadership is lacking. Failings are apparent in critical channels, resulting in market share being handed to competitors</p>	<p>Slides 22–27</p>
<p>3 Poor DISTRIBUTION CHANNELS </p>	<p>Kao has many brands with world-class potential, yet these are often only sold in a handful of countries outside of Japan and even then, products are often sold out or not available in leading retail channels.</p>	<p>Slides 28-29</p>
<p>4 Bloated BRAND PORTFOLIO </p>	<p>Kao's brand portfolio is bloated, and the number of SKUs handled by Kao has doubled in the last decade. This is uneconomical, and distracting attention away from select brands with global potential.</p>	<p>Slides 30-32</p>

1. Reluctant Global Expansion

Kao is overly reliant on the domestic market

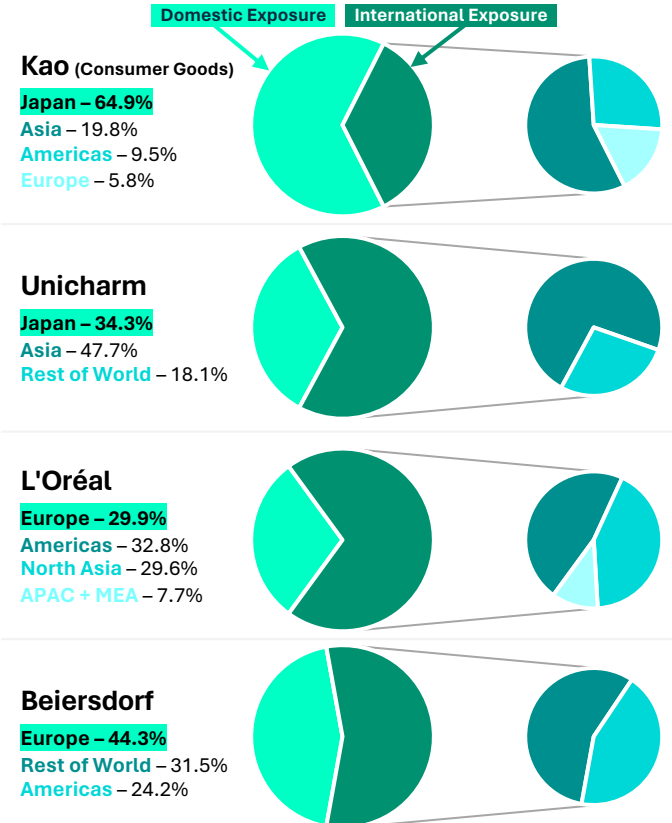
Sales of Kao's Consumer Goods outside of Japan represent just 35.4% of the total for 2023. Despite Japan sales bottoming out in 2021, revenues have failed to recover post-pandemic:

Region	2019 Revenue	2023 Revenue	Change
Japan	USD 6415.3 mn	USD 5574.5 mn	-13.1%
Non-Japan	USD 2548.0 mn	USD 3056.5 mn	+19.9%

Other global peers have considerably lower domestic exposure – Unilever's revenue outside of Europe is 80.1%, and P&G records 52.8% of revenues outside of the US. *More are shown on the right.*

This 65/35 split is reflected in Cosmetics and suggests a large runway for further overseas expansion. However, Kao is seeking an overseas CAGR of just 3.5% (including Chemicals) between 2022-27, underscoring the lack of urgency management attaches to geographical diversification.

Revenue Exposure (Domestic vs International)



1. Reluctant Global Expansion

Self-Imposed Constraints – Derma Cosmetics

Kao only distributes its Curél and freeplus products to select Asian countries; peers far exceed this total:

Brand	Parent	Retail Jurisdictions
Eucerin	Beiersdorf	46+
La Roche-Posay	L’Oreal	60+
Neutrogena	Kenvue	70+
Cetaphil	Galderma	70+
Curél	Kao	12
freeplus	Kao	10

Kao cosmetics brands are also largely absent from two key overseas retail channels: **Sephora and Space NK**.

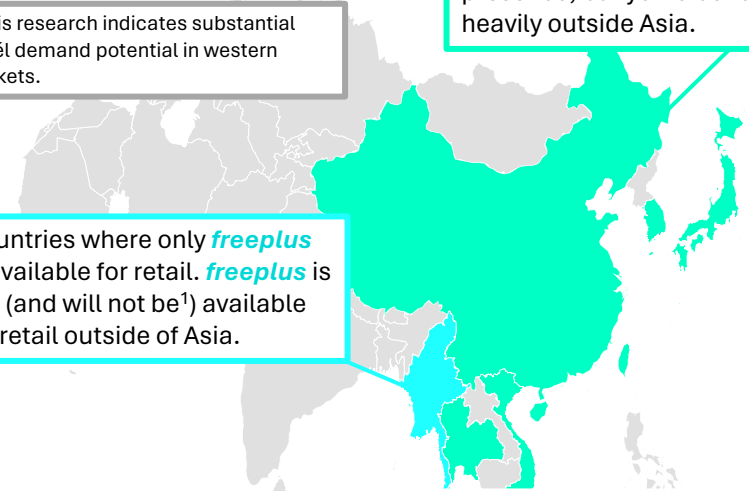
Oasis believes this fact alone demonstrates the significant limitations facing Kao brands to expand and diversify their revenue streams.

Oasis research indicates substantial Curél demand potential in western markets.

Countries where **Curél** and **freeplus** are available for retail. **freeplus** has a strong China presence, but yet to be rolled heavily outside Asia.

Countries where only **freeplus** is available for retail. **freeplus** is not (and will not be¹) available for retail outside of Asia.

Kao’s own conservative estimate for the size of the global derma cosmetics market by 2027 is USD37.9bn.²



1. Reluctant Global Expansion

Self-Imposed Constraints – Mass-Derma

There is a significant opportunity in Latin America (LatAm) for mass market skin, body and sun care (Kao brands like *Bioré* and *Jergens*) that Kao Americas could be doing more to pursue.

Beiersdorf

Beiersdorf has grown its LatAm sales in its consumer division at 17.0% CAGR since 2019 to USD 1315.1mn at end 2023.

L'ORÉAL

L'Oréal's CEO Nicolas Heronimus earmarked LatAm as one of the key growth drivers in his 2023 presentation.

Kao Has it Wrong in LatAm

Within Kao's *Skin Protection Business Growth Strategy* from September 2023, the Company envisages that by 2027, the LatAm region will remain the region with the smallest revenue contribution, only accounting for 3.4% of total sales in the skin protection area.

Brazil is the world's fourth largest cosmetics market and due to its population mix has some of the greatest diversity in skin and hair types of any nation globally making it potentially a very interesting market for mass market sun care.



Bioré

2. Lackluster Marketing Strategy

Why is Kao Failing to Achieve its Potential?



President Yoshihiro Hasebe, 2023 AGM



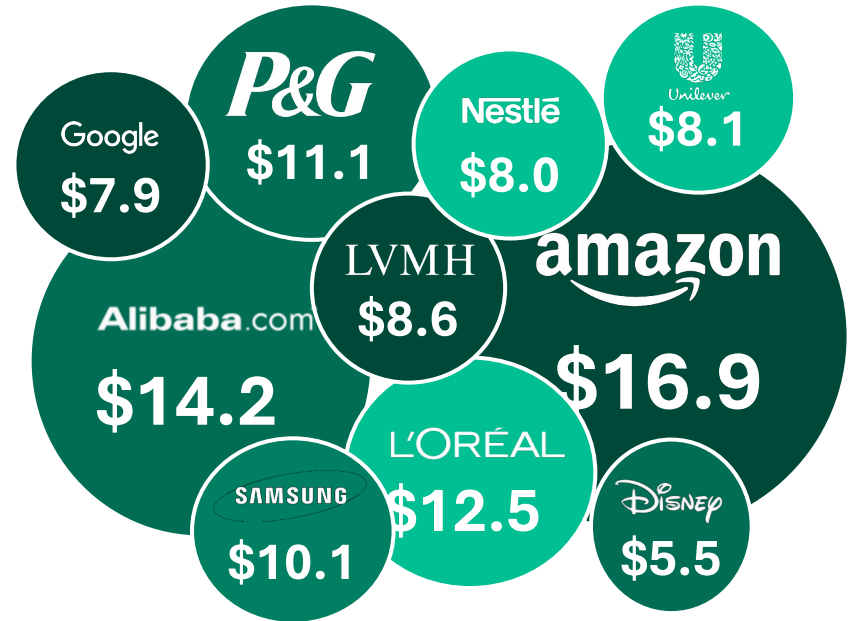
The company with the highest profits and the most repeat customers actually has high loyalty and uses almost no marketing fees in their business.

This may be a bit idealistic, but if you have an intensively researched product that for example that once it's out there can be used for a long time due to high loyalty, the marketing fees you need will actually be only very small.

On the other hand, if you have a product that you can switch to another product immediately, then you need a lot of marketing fees. ”

The Market Begg to Differ

2021 Total Worldwide Ad Spend (USDBn)



2. Lackluster Marketing Strategy

Marketing has been underinvested

Oasis believes Kao's marketing budget is being spent ineffectively and in an uncoordinated manner across brands.

Kao also substantially under-invests in marketing both in absolute terms, and relative to revenue and instead over-invests in R&D. This has led to reduced brand visibility and awareness, and decreased market share and competitiveness.

“ Competitors haven't succeeded because they make better products

OASIS

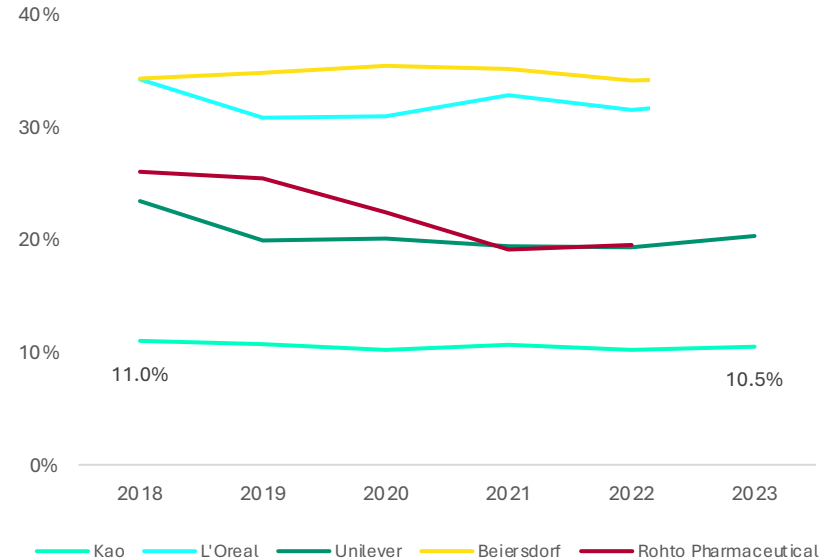
Competitors haven't succeeded because they make better products than Kao. They have succeeded because they are better at understanding the needs and aspirations of their customers, then selling and marketing those needs and aspirations to their customers through their products.

”

Marketing & Advertising Spend (% of Revenue)
(Kao Consumer Goods Business Only)

Given its product mix, Oasis believes Kao should **over time** be spending closer to 15-20% of Consumer Goods revenue on marketing depending on the ultimate product mix.

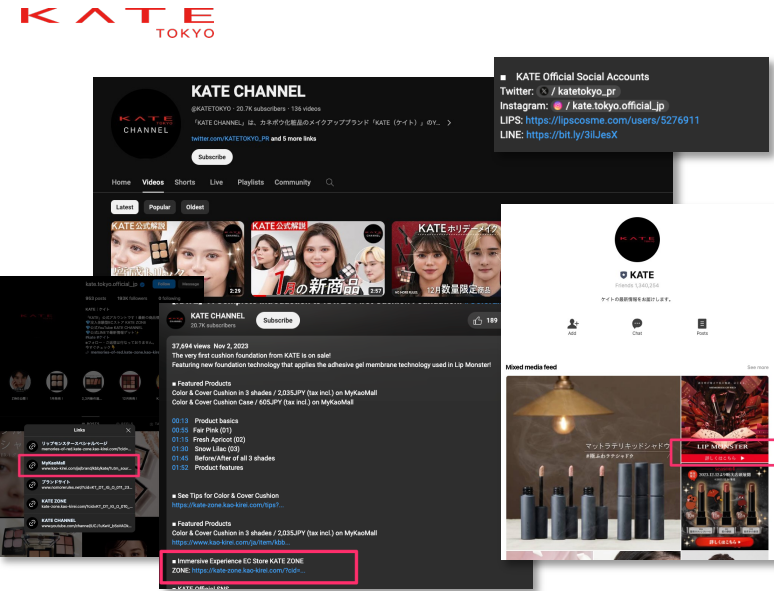
This could be funded by better consumer goods gross margins, tighter R&D spend and better focus on Kao's cash conversion cycle.



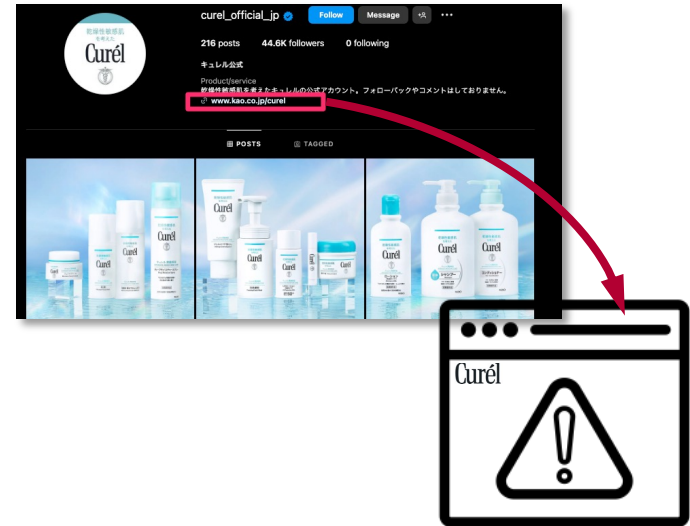
2. Lackluster Marketing Strategy

Digital - Inconsistency across Kao Brands

Kate Tokyo has a strong online presence through YouTube (localised channels across ASEAN), LINE, X and Instagram. Each drives monetization by linking to their e-commerce site.



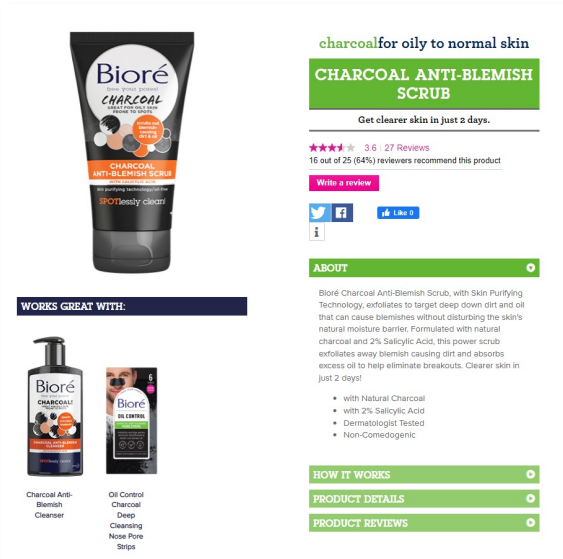
However, Curél does not. While Curél has social media pages, it does not even have a dedicated website in its home market.



2. Lackluster Marketing Strategy

Lack of Digital Channel Integration

Bioré's UK website has no link through to retailers or even details on what brick and mortar retailers to purchase from....



charcoal for oily to normal skin

CHARCOAL ANTI-BLEMISH SCRUB

Get clearer skin in just 2 days.

★★★★☆ 3.6 (27 Reviews)
16 out of 25 (64%) reviewers recommend this product

[Write a review](#)

[Like](#)

ABOUT

Bioré Charcoal Anti-Blemish Scrub, with Skin Purifying Technology, exfoliates to target deep down dirt and oil that can cause blemishes without disturbing the skin's natural moisture barrier. Formulated with natural charcoal and 2% Salicylic Acid, this power scrub exfoliates away blemish causing dirt and absorbs excess oil to help eliminate breakouts. Clearer skin in just 2 days!

- with Natural Charcoal
- with 2% Salicylic Acid
- Dermatologist Tested
- Non-Comedogenic

HOW IT WORKS

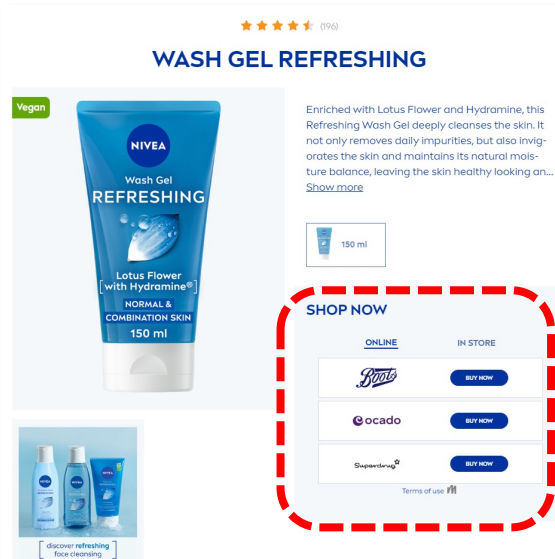
PRODUCT DETAILS

PRODUCT REVIEWS

WORKS GREAT WITH:

- Charcoal Anti-Blemish Cleanser
- Oil Control Charcoal Deep Cleansing Nose Pore Strips

However, the UK product page of Nivea, a Beiersdorf brand, links through to major EC sites.



★★★★★ (99)

WASH GEL REFRESHING

Vegan

NIVEA

Wash Gel REFRESHING

Lotus Flower [with Hydramine®]

NORMAL & COMBINATION SKIN

150 ml

Enriched with Lotus Flower and Hydramine, this Refreshing Wash Gel deeply cleanses the skin. It not only removes daily impurities, but also invigorates the skin and maintains its natural moisture balance, leaving the skin healthy looking an... [Show more](#)

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Terms of use

discover refreshing face cleansing

Digital Marketing Expertise



From research and interviews with former employees, Kao does not appear to do specialist recruiting for digital marketing.

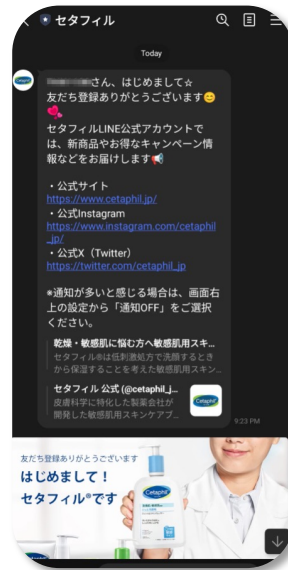
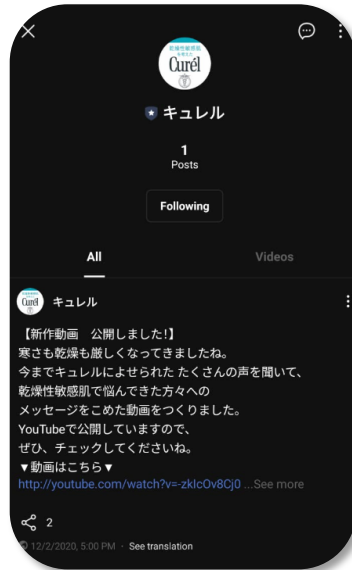
Competitors such as Kobayashi Pharma and Shiseido are hiring aggressively for entry and mid-career digital and e-commerce marketing talent.

While Kao has a digital team, the focus appears to be on data analytics – a clearly important function – but not on content and marketing for digital and social media channels to drive engagement.

2. Lackluster Marketing Strategy

Digital – Underwhelming versus peers

Curél's LINE account has one post and features a broken YouTube link. Fast-growing foreign rival **Cetaphil** has a fully engaged LINE account flagging all its other social media channels and links through to **three** local Japan EC sites to drive monetization...



Content creation is a strategy used to considerable effect by **L'Oréal** and **Galderma** to inform, educate and entertain consumers and ultimately drive new revenue growth for the fast-growing derma cosmetics space.

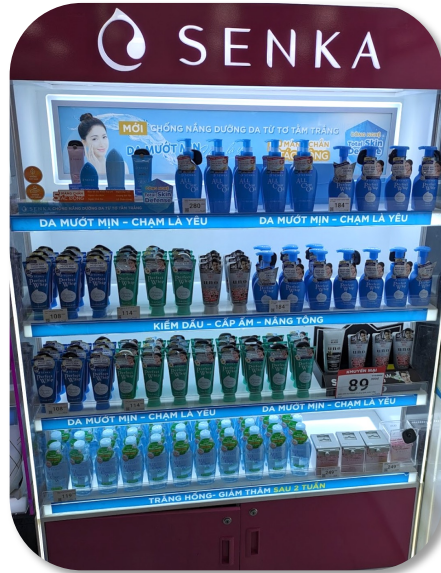


Oasis believes that Kao brands' overall lack of blogs, podcasts, testimonials, YouTube infomercials etc. does little to drive consumer interest in its brand, particularly overseas where they are less well known.

2. Lackluster Marketing Strategy

Store Displays and Presentation

Images taken in
Vietnam



Rohto's *Mentholatum*, Shiseido's *Senka* and Kenvue's *Neutrogena* all using in-store display, POP marketing to drive sales.

Kao's *Curél* and *Freeplus* brands displayed with poor shelf space and no signage

3. Poor Distribution Channels

Kao's brands have poor distribution



I recommend it for sensitive skin

Reviewed in Italy on 14 December 2019

I have sensitive skin and I was on acne treatment, so I was looking for a mild cleanser for my fragile skin. This cleanser does not dry out the skin and does not do that effect of tight skin. I highly recommend it!

The product comes directly from Japan (a confirmation for the authenticity of the product), which is why it **takes a long time to ship** and the seller is unfortunately **not able to give tracking number** but it's very helpful.



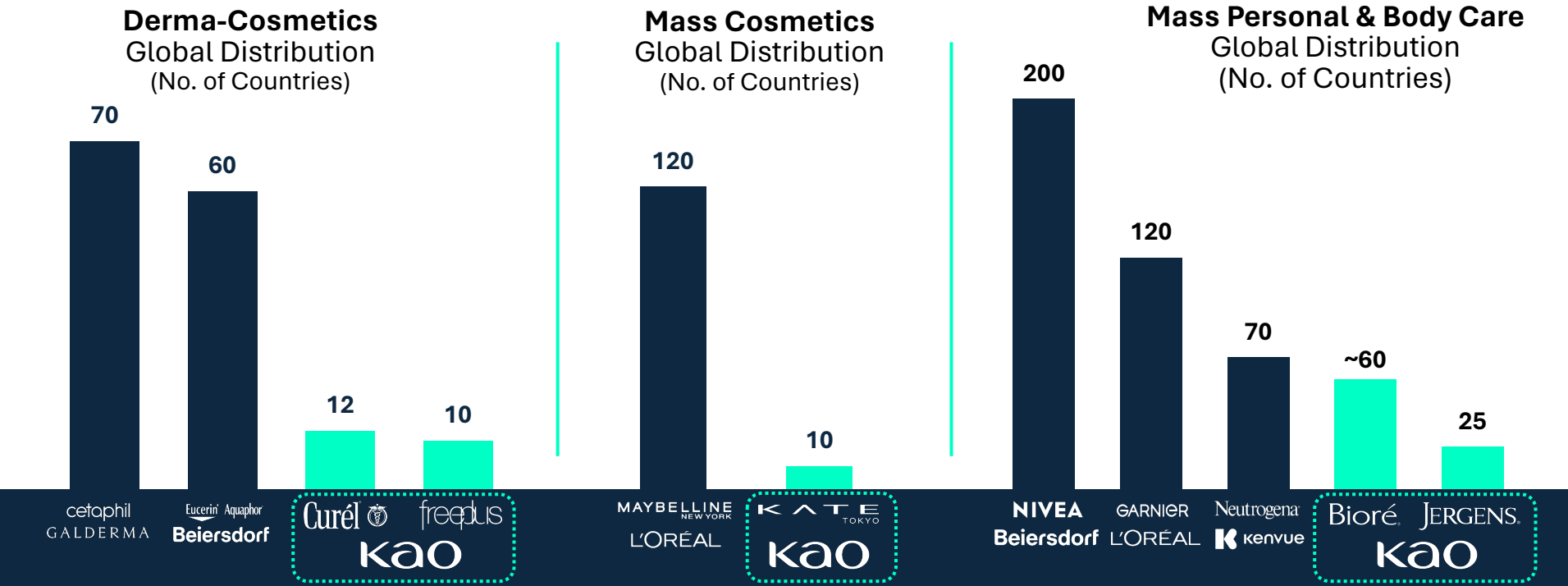
The product is great

Reviewed in Germany on 14 January 2022

Only 3 stars, because: In order to receive the package from DHL, **you have to pay about €10 customs and expenses.** However, this can be reclaimed from Amazon (it will be refunded without any problems).

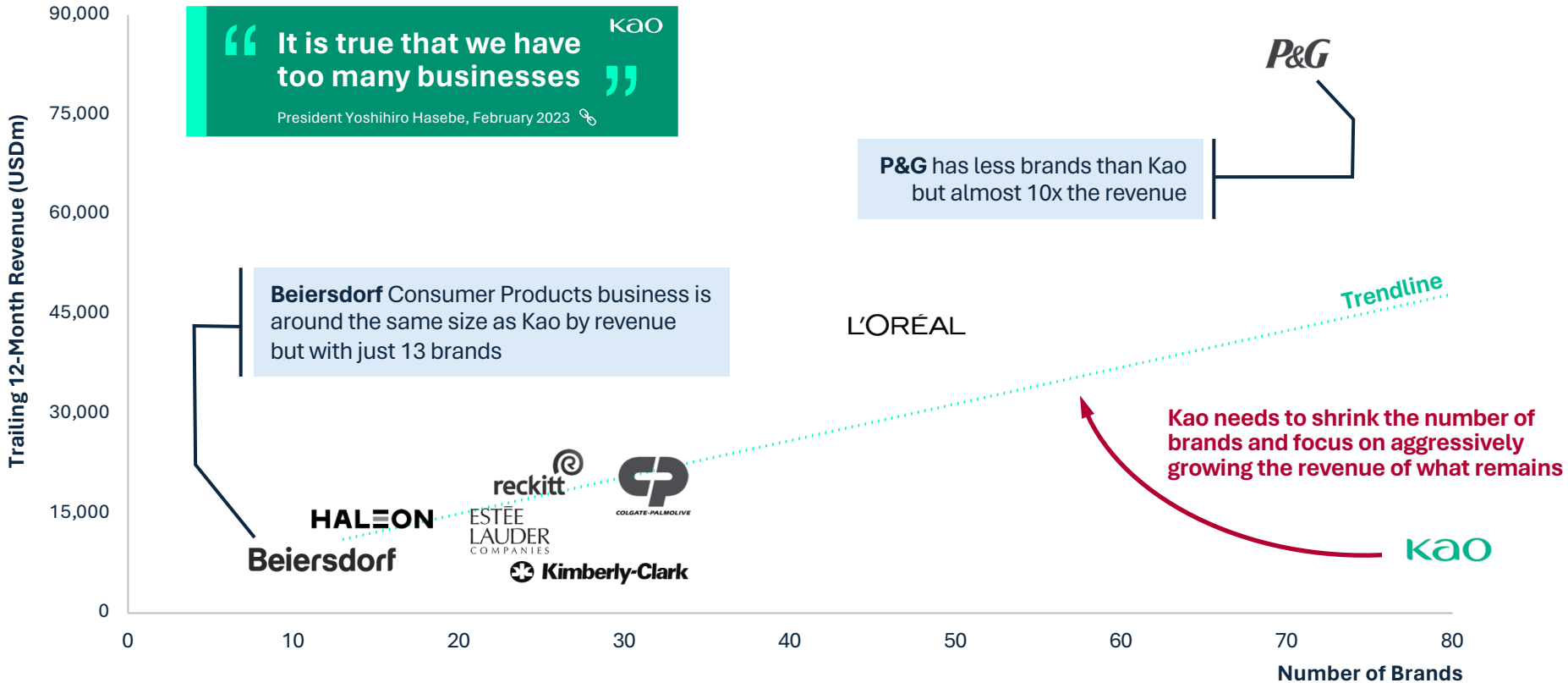
3. Poor Distribution Channel

Kao's brands lack the global reach of their competitors



4. Bloated Consumer Brand Portfolio

Kao has too many subscale, domestically focused brands



4. Bloated Brand Portfolio

Cosmetics Core Portfolio has 19 brands

Kao's core portfolio of cosmetics brands is split between "Global 11" ("G11")¹, and "Regional 8" ("R8")¹. G11 are globally strategic brands and R8 are those brands with a Japan market focus.

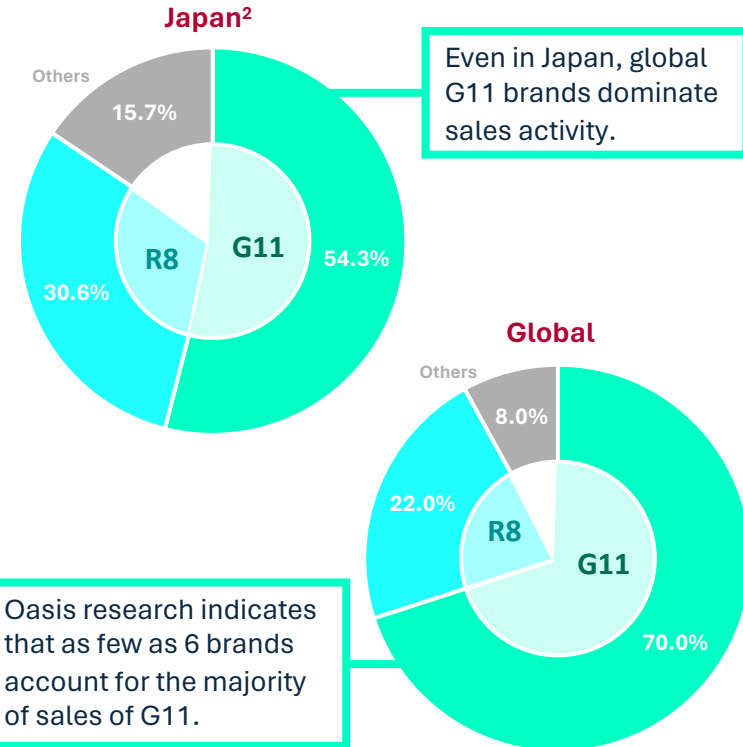
Only G11 brand revenue has grown from 2019 to 2023:

Region	2019 Revenue	2023 Revenue	Change
G11	USD 1,160.3 mn	USD 1,190.2 mn	2.6%
R8	USD 559.1 mn	USD 374.4 mn	-33.0%
Other	USD 430.0 mn	USD 136.2 mn	-68.3%

Within the G11 category are "1st Runner" brands – *SENSAI*, *Molton Brown*, and *Curél* – as well as "Strategic Investment" brands – *Kanebo* and *Kate Tokyo*.

Kao's core portfolio is composed of 19 brands (and at least a further additional five non-core brands in Others). To compare, Unilever has a similar sized premium cosmetics business focusing on less than ten brands.

Cosmetics Brand Category Sales Contribution



1) G11: Sensai, Molton Brown, Curél, Kanebo, Kate Tokyo, freeplus, RMK, SUGGU, athletia, est, and ALLIE / R8: ALBLANC, TWANY, LISSAGE, Milano Collection, Primavista, DEW, Sofina iP, and media
 2) Source: Kao Annual Report 2022
 3) USD figures above converted from JPY figures using constant FX rate of JPY140.2 to the Dollar

4. Bloated Brand Portfolio

Product Strategy is Fundamentally Flawed

Swelling of SKU Numbers

“ SKUs have doubled over the past 10 years. The reason was to increase sales ”

Jefferies

September 1, 2023

From 2012 to 2022, the CAGR of stock-keeping units (SKUs) is 7.2%, whereas the CAGR of revenues from Consumer Goods Segments has been only 1.7%. Therefore, most SKUs, if not all, failed to add to sales growth.

Oasis interactions with Kao and competitors suggest the doubling of SKUs across the Group over the past decade and poor focus on inventory velocity may have driven ~200-300bps of consolidated gross margin erosion alone, and diluted marketing budgets across brands.

No Talk of Premiumization

Premiumization has been a major trend in FMCG globally helping improve margins and offset commodity inflation. Yet this topic does not even register a mention in Kao's 2022 annual report.

This is indicative of a lack of attention towards pricing and has contributed towards declining profitability in consumer goods and low gross margins over the past few years.

Premiumization in Haircare - Kao has been caught off-guard at home by premiumization in hair care, resulting in a sharp contraction in domestic Health & Beauty revenue since 2020. I-NE, a start-up with little R&D expertise, but highly focused on marketing, has nearly doubled revenue in the past four years by creating a new “masstige” market.

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III. Growth Allergy

- Reluctant Global Expansion
- Lackluster Marketing Strategy
- Poor Distribution Channels
- Bloated Brand Portfolio

IV. Global Sharp Top?

- Kao's (Lack of) Strategic Vision
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V. Growth is Everywhere

- Untapped Potential – Curél + freeptus
- Untapped Potential – Bioré
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- Untapped Potential – Sensai
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Global Sharp Top?

Lack of Ambition, Lack of Focus

OASIS

“ **Kao management have an allergy to growth** ”

The K27 medium-term plan fails to address the growth potential available to Kao through its Health & Beauty and Cosmetics brands. The lack of ambition makes it look like Kao's management have an allergy to growth.”

OASIS

1. Kao's (Lack of) Strategic Vision

Kao lacks a growth mindset

Kao's current medium-term plan, K27, was announced in August 2023, two years after K25 was issued. Both plans, presented during the tenure of the incumbent CEO, Yoshihiro Hasebe, received **muted market reactions**.

K25 was widely **criticized for lacking numerical targets**, and, while K27 was more transparent on that front, disappointment was reserved for Kao's **allergy to growth** which management exhibited within initiatives and targets (despite the ambition to sustain "Global Sharp Top"¹).

For many years, Kao management has demonstrated:



Lack of Ambition to invest and expand key brands



Lack of Focus on areas with a strategic foothold

Analyst Comments to the Strategic Positioning of Kao

“ **Killer Strengths, Just Needs a Killer Growth Strategy** ”

SMBC日興証券

October 3, 2023

“ **Profits bottomed out, but still not much confidence in full-fledged growth turnaround** ”

J.P.Morgan

February 8, 2024

“ **Kao has great technology and many interesting products, but management has yet to translate this expertise into strong revenue-generating products** ”

CLSA

February 20, 2024

1. Kao's (Lack of) Strategic Vision

Fundamental lack of ambition

Lack of Ambition

Kao management is aware that it has potential blockbuster brands and knows what needs to be done, yet, they have decided not to do so. Kao's brands will fall further behind if management does not quickly change its attitude and begin to unleash the potential of its brands and will damage Kao's future corporate value and all of its stakeholders.

Kao's management are simply not even trying.



If we roll out in more countries and regions through various sales channels, it is possible to aim for sales of 100 billion yen, but we will strive to be the Global Sharp Top without taking such an approach

Kao Group Cosmetics and Skin Protection Business Growth Strategy Briefing

kao



1. Kao's (Lack of) Strategic Vision

Fundamental lack of focus

Lack of Focus

Although Kao has excellent brands with strong growth potential, yet Kao's management team seems disinterested and have repeatedly indicated that their focus is not on growth opportunities in FMCG.

Kao's strengths are in its core businesses, world class consumer goods brands, NOT in enzyme batteries or medical treatments.



Kao conducts world-class enzyme research... I think enzyme-driven batteries will be useful in unexpected places

President Yoshihiro Hasebe, December 2021 ¹



kao



“We need a new engine for the future.” With this in mind, we aim to enter the medical (treatment/diagnosis) field...

Nikkei Business interview with President Yoshihiro Hasebe, March 2022



kao



1) Tokyo University of Science Interview, December 2021 (https://www.tus.ac.jp/today/archive/2021/20211119_6715.pdf)

1. Kao's (Lack of) Strategic Vision

Market communication has eroded confidence

Lack of Numerical Targets

Under K27, Kao eliminated the group sales target as set in K25. When asked, management's rationale was that *"our activities will become a pursuit of scale if we set sales as a key performance indicator"*¹.

Three key business lines: Cosmetics, Chemicals and Skin Protection, all issued detailed sales and operating profits targets a few months apart, but the Group is unable to issue a sales target of its own.

A Company Presentation published in December 2020, also noted a doubling of productivity – a still undefined measure:

Key Result 3

Double the productivity of our business activities

Make challenges visible and pursue open innovation

Corporate Jargon

*"At Kao, we conduct **Life Value Solution** marketing aimed at providing benefit for consumers' Life Value"*

*"We are also considering a system, '**One Team and My Dream**'"*

*"as I explained using the key words, Next Innovation... we will drastically shift the values of sanitary products through **Next Innovation** in the future."*

*"**Reborn Kao** is Kao's core business... we are taking a chance on **Another Kao**... Another Kao values delivering products and services only to those to whom products and services should be delivered sincerely. "*

Global Sharp Top: *Contribute as global No.1 with leading-edge brands and solutions that address the critical needs of customers.*



We had heard of a flat-earth, but
“**Global Sharp Top**” was new for us all

2. “Global Sharp Top” Disappoints

Kao plans to prioritize three brands, but forecasts are underwhelming



SENSAI

- Kao’s “big idea” is to open one flagship store in China before potentially opening another one in Hunan and then possibly others
- **Hard to see how this strategy will lead to growing sales 3x by 2030**

MOLTON BROWN LONDON

- Kao’s “big idea” is to grow sales by 50% by 2030 – a 5.2% CAGR
- **Far from being a “Growth” strategy, this is slowing down after a decade of growth in which Molton Brown sales grew at a 6.2% CAGR**

Curel®

- Kao’s “big idea” is to grow sales by 50% by 2030 – a 5.2% CAGR
- **This is below Kao’s estimated market growth for Derma-cosmetics of 12.4%**
- **In contrast, L’Oréal’s CeraVe managed to grow global revenue 39% in 2023 alone**

2. “Global Sharp Top” Disappoints

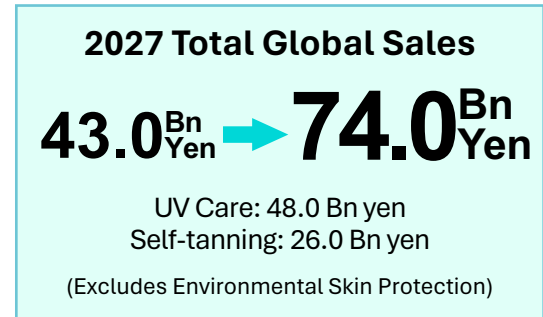
The numbers Kao does offer don’t add up

- Kao plans to triple its global market share by 2027 from 1.9% to 6.4% but it only estimates that its sales will increase by 70%
- Kao estimates that it will triple its Australian market share by 2027 from 6.8% to 21% but only estimates that its sales will increase by 40%
- Kao estimates that it will triple its European market share by 2027 from 1.7% to 5.2% but only estimates that its sales will increase by 50%



23 **GLOBAL SHARP TOP** Aim to Be No. 1 Globally in the Skin Protection Market by 2027

2022 rankings													
	Global	Asia		Australia		Europe		North America		Central & South America			
	6.4	14.0 (Euronormitar basis) 10.0 (Western base %)	2%	21.0	23%	25%	12%						
1	Nivea	6.4	Anessa	10.4	The Cancer Council Australia	13.7	Nivea	15.8	Banana Boat	11.5	La Roche-Posay	12.5	
2	La Roche-Posay	5.0	Bioré	5.6	La Roche-Posay	12.0	Garnier	12.1	Neutrogena	10.7	Johnson's	11.7	
3	Neutrogena	3.4	Mistine		Banana Boat	11.9	La Roche-Posay	5.9	Coppertone	6.5	9.6	Nivea	9.9
4	Anessa	3.3	Shiseido		Others	7.3	Avène	5.7	La Roche-Posay	4.8	4.4	Dermaglós	4.4
5	Banana Boat	3.3	Mentholatum		Nivea	7.1	Isdin	3.4	Supergoop	4.8	4.0	Natura	4.0
6	Garnier	3.0	Lancôme		Bondi Sands	6.8	Piz Buin	3.1	Sun Bum	3.9	3.5	Neutrogena	3.5
7	Coppertone	2.5	Nivea		SunSense	4.2	Vichy	2.1	Hawaiian Tropic	3.8	3.5	Vichy	3.5
8	Shiseido	2.0	Winona		Le Tan	4.1	Lancaster	2.0	Jergens	3.5	3.4	Episol	3.4
9	L'Oréal Paris	1.9	L'Oréal Paris		Neutrogena	4.0	Clarins	1.8	St Tropez	3.0	3.3	Eucerin	3.3
10	Bioré	1.9	Meifubao		Invisible Zinc	3.7	Bondi Sands	1.7	CeraVe	2.7	2.7	RoC	2.7
	Beiersdorf		L'Oréal		Shiseido		Johnson & Johnson						



OASIS

“ **Top decile brands, bottom decile management** ”

Kao's management is aware that it has brands and the products to compete internationally, and knows what needs to be done, yet, they have decided not to do so. Management is lacking the ambition and strategic vision to achieve its true potential. Kao has top decile brands, but bottom decile management. ”

OASIS

3. Lacking Leadership and Oversight

Senior Executive Team Illustrates Shortcomings

Inside Director Backgrounds

Name	Role ¹	Background	Experience Outside Kao
Hasebe	“CEO”	Research & Development	No
Negoro	“CFO”	Chemicals	No
Nishiguchi	Exec	Trade Marketing & Sales	No
Muenz	Exec	Research & Development	No

Management lack expertise in specialized skill areas, such as consumer marketing, and Digital.

Critically, **management have no experience in FMCG outside of Kao**. This may be a strong attribute in good times; however, these are not.

Chief Marketing Officer (“CMO”)

In contrast to most global FMCG peers, **Kao has no formal CMO tasked with exclusively handling consumer marketing strategy**. CMO’s at major global peers are marketing specialists, often bring experience from elsewhere, and contribute to diversity that represents the customers:

Company	CMO	Gender	Career History
Kao	No	-	-
P&G	Yes	M	Various international branding and marketing roles at P&G since 1988
Unilever	Yes	F	Formerly P&G Cosmetics marketing Ex-President of Coty Consumer Beauty
Reckitt	Yes	M	Various international marketing roles at Reckitt since 1999
L’Oréal	Yes	F	Formerly at Mindshare, McCann and Dentsu

At Kao, the executive considered to be a proxy is doubted:

“ Kao’s CMO is effectively Nishiguchi... [he] is more of a sales guy and does not have the experience or ability to manage brands... Kao really should bring in a CMO from outside ³ ”

Kao Former, Corporate Strategy Division, Oasis Interview 2023

1) Roles are simplified for understanding
 2) Source: Company websites
 3) Oasis Research interviews

3. Lacking Leadership and Oversight

Board Diversity is not reflective of Kao Customers

Nationality

Only one director is non-Japanese, David Muenz. All other directors are Japanese despite 35% of Kao's business being international, and global expansion representing a key growth pillar in the sector.

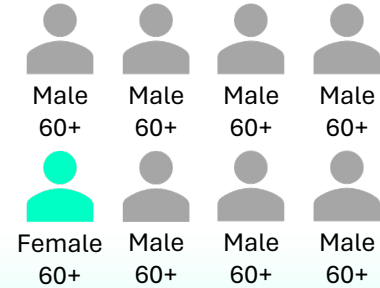
Age

The average age of directors on the Board is 63.3, however, no directors are under the age of 60.

Gender

Only one member of the Board is female; none of the sitting management directors are female. This contrasts significantly with the anticipated consumer base of Kao products.

Kao's Board



Kao's Target Customer



OASIS

Oasis & BDTI Announce Successful Results of "Director Training Scholarships for Women" Initiative

- 68 Professional Women to Receive Funding From Oasis For Director Training Programs Offered by BDTI
- BDTI to almost double female participants in its programs compared to 2021

3. Lacking Leadership and Oversight

No board member with international marketing experience

Industry and Sector Expertise

On the full board, there are no international marketing nor digital experts; only one outside director is from a consumer goods background.

	KaO	reckitt	Unilever	<i>Procter&Gamble</i>	L'ORÉAL
# of External Board Members with Intl. Consumer Goods Marketing & Branding Expertise	0	<p><u>Tamara Ingram</u></p> <ul style="list-style-type: none"> Former Chair of Wunderman Thompson Former senior management at WPP Former CEO of McCann Worldgroup and Saatchi & Saatchi <p><u>Chris Sinclair</u></p> <ul style="list-style-type: none"> Degree in Marketing from the University of Kansas Former Chair and CEO of Mattel Former Chair and CEO of Pepsi-Cola Co. 	<p><u>Prof. Youngme Moon</u></p> <ul style="list-style-type: none"> Harvard Business School Professor – branding and consumer goods <p><u>Andrea Jung</u></p> <ul style="list-style-type: none"> Former head of Global Marketing Avon 	<p><u>Christopher Kempczinski</u></p> <ul style="list-style-type: none"> Ex-P&G brand management Ex-Pepsi Co, ex-Kraft President and CEO of McDonald's Corp <p><u>Amy Chang</u></p> <ul style="list-style-type: none"> Digital Marketing Ex-Google Analytics <p><u>Terry J. Lundgren</u></p> <ul style="list-style-type: none"> Consumer merchandising, marketing Former Chairman and CEO of Macy's 	<p><u>Jean Paul Agon</u></p> <ul style="list-style-type: none"> L'Oréal sales and marketing background <p><u>Béatrice Guillaume-Grabisch</u></p> <ul style="list-style-type: none"> Ex Colgate-Palmolive, J&J Former President of Coca-Cola Germany Currently at Nestle <p><u>Fabienne Dulac</u></p> <ul style="list-style-type: none"> Former Head of Comms & Marketing VTCOM Ex-marketing and CEO Orange France
# of Board Members	8	15	12	14	16

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- Untapped Potential – Molton Brown
- Untapped Potential – Sensai
- Untapped Potential – Oribe
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VIII. Appendix



a better
kao

Growth is Everywhere

Kao has clear runways for growth

OASIS

OASIS

“ **Best prospects lie in overseas cosmetics** ”

Many growth opportunities are available in the space, however, Kao's best prospects for revenue and profit growth lie in the overseas opportunity set for its derma-skincare, select mass & prestige cosmetic brands; and its largest mass market skin & personal-care names. ”

OASIS

1. Untapped Potential – Curél + freeplus

Derma-Cosmetics Market Growth – Resilient and Efficient

Kao's Sleeping Giants

Many of Kao's international peers compete in the derma-cosmetics space. L'Oréal leads the market with the *CeraVe* and *La Roche-Posay* brands, and Kao has an established presence through *Curél* and *freeplus*.

Derma-cosmetics is widely recognised as a high-growth area with a large total addressable market (see Appendix).

2019-2022 CAGR¹

Company	Derma-Cosmetics	Group
L'Oréal	24.4%	8.6%
Beiersdorf	17.8%	4.8%

Company annual reports, Bloomberg

Kao anticipates a CAGR of 12.4% in Derma-Cosmetics between 2022 and 2027². Oasis views *Curél* and *freeplus* to be Kao's “sleeping giants”.

“ Derma is a great place to be in



... generally, you are going to be pricing higher than mass cosmetics so the margins are better, but very often you will be going through the same retail channels as mass so there a distribution overlaps if you are already playing in mass.

Because it tends to occupy a middle ground between prestige and mass cosmetics it's also one of those items that tends to be less susceptible to budget cutting in a recession as well versus prestige cosmetics”



Former Unilever Prestige Cosmetics Division Brand Director, Oasis interview November 2023

Kao Brands



Dr.Jart+

LA ROCHE POSAY
LABORATOIRE DERMATOLOGIQUE

WINONA | 薇诺娜



玉泽
Dr.Yu



Eucerin®

Neutrogena®
DERMATOLOGIST RECOMMENDED

1. Untapped Potential – Curél + freeplus

Favorable Market Outlook

The Derma-Cosmetics market offers:

(1) Higher Margins

Higher margins are available in derma-cosmetics versus the overall margins of diversified FMCG.

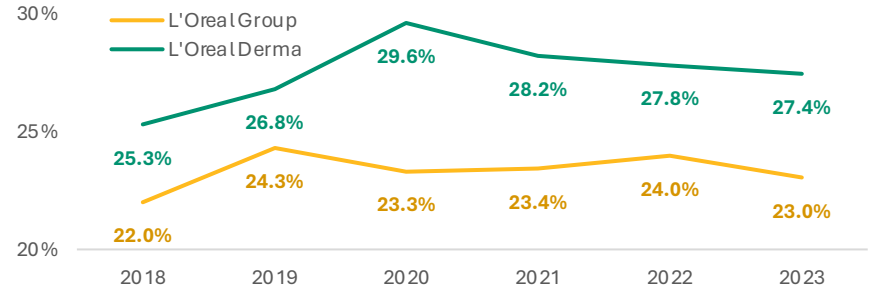
(2) Premium Valuation

Historically, skincare and cosmetic names have also tended to trade at a premium – about 2.5 points higher on an EV/EBITDA basis - to pure-play peers in the consumer goods space due to higher gross margins/superior pricing power and a better global growth outlook for the segment.

Research also shows that cosmetics businesses with strong revenue growth are rewarded with higher valuations.

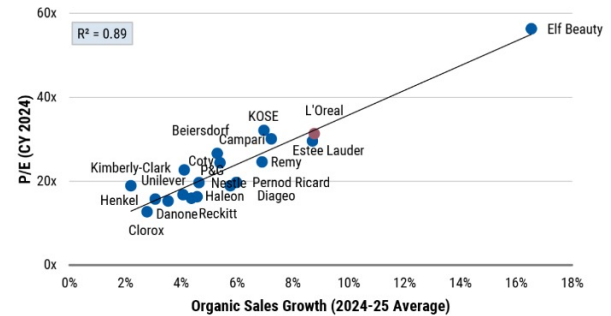
For example, European derma company **Galderma** recently IPO'd in Switzerland 21% above its offer price, and trades at 19x Ebitda.

Ebitda Margin



PER vs GROWTH

Regression Analysis: Organic Growth and Valuation






Source: Morgan Stanley

1. Untapped Potential – Curél + freeplus

Brand Focus: Curél

Curél is a mass market prestige (“masstige”) derma skincare brand focused on dry and sensitive skin. Products are globally regarded but have limited retail access.

Curél’s products were re-engineered for the Japanese market and subsequently rolled out in Asia ex-Japan and the UK, and “relaunched” back into the US market.

	Retail Access	“I used a bunch of products like Hada Labo premium, Eucerin and La Roche Posay. Nothing helped until I decided to try out this one.” (Amazon)
	No Retail Access	“This lotion is a saviour to all dry skin beauties... None of the Indian creams have worked for me, Nivea, Dove etc.” (Amazon)
	No Retail Access	“This product is really hydrating... Also really good as a night time mask” (Lazada)

Oasis estimates revenue from Curél to be around USD 285 – 430 mn, mostly concentrated in Japan and Asia with minimal presence in Europe, and the Americas.



1. Untapped Potential – Curél + freeplus

Brand Focus: freeplus

Curél's Skincare Sibling

freeplus focuses on hypoallergenic sensitive skincare using Chinese and Japanese botanical ingredients. Like *Curél*, it is highly regarded even though it only has **limited global availability**.

	Retail Access	"I use freeplus and really like it - it is not sticky. Suitable for the hot weather in Thailand. Apply it alone for people with oily-skin." (Lazada)
	No Retail Access	"I have sensitive skin... This cleanser doesn't dry out my skin... I highly recommend it! The product comes directly from Japan... it takes a long time to ship." (Amazon)
	No Retail Access	"Very good cleansing gel... Only it delivers from Japan, took a whole month." (Amazon)

Oasis estimates *freeplus* revenue for 2023 was less than USD 150 million, however, the estimated global retail value of its product peers¹, Kenvue's *Neutrogena* (USD 2.9 billion) and L'Oréal's *Garnier* (USD 6.4 billion), demonstrate the potential growth opportunity for *freeplus*.



1. Untapped Potential – Curél + freeplus

Curél is in high demand in Europe

Curél remains unavailable for retail in most of Europe outside of the UK, despite strong consumer reviews among European consumers who have purchased Curél (usually directly from Japan).

Recent feedback from the UK illustrates the promise:



freeplus is not even slated for full expansion outside of China

“We rebranded freeplus this year as a brand mainly for China. Within the next two to three years, we will expand it (freeplus) within the market in China and then plan to expand from China to ASEAN. We will only expand in some parts of Asia”

Kao Group Cosmetics and Skin Protection Business Growth Strategy Briefing, September 2023

“ Japanese skincare is very hot right now

Japanese skincare is very hot right now. There is a lot of demand in the UK market for these products – the perception is Japanese products are highly innovative with very good technology.

Former Unilever Prestige Cosmetics Division Brand Director, Oasis interview November 2023



In 2019, **Unilever acquired Tatcha**, a premium “Japanese-inspired” botanicals brand, for a reported USD 500 million, specifically to cater to Western consumer interest in **Asian skincare and cosmetics**.



1. Untapped Potential – Curél + freeplus

Curél and freeplus CAGR lag the market

Kao Consigns Brands to Mediocrity

Kao anticipates *Curél* can achieve a CAGR of 5.3% till 2030 under its Global Sharp Top strategy, while entirely ignoring the potential of freeplus. Kao's own presentation has a 12.4% CAGR for the derma-cosmetics segment globally.

L'Oréal grew CeraVe revenue in 2023 by almost as much as Kao expects to grow Curél's revenue over eight years.

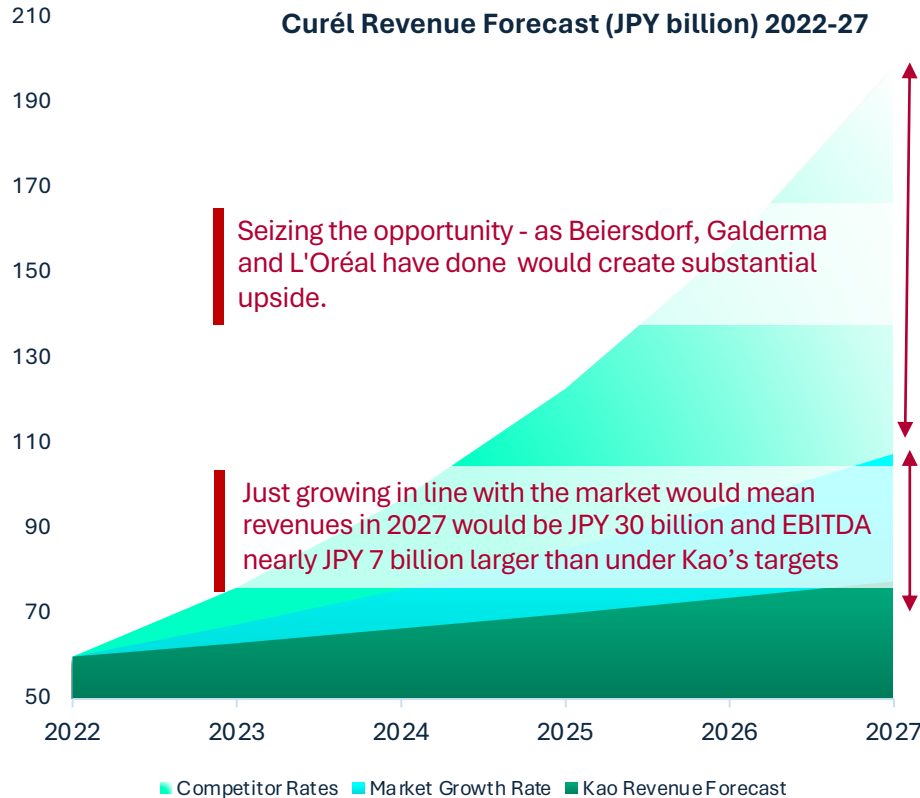
Given the quality of the product and low starting base, Oasis sees no reason why Curél and freeplus should not grow at above industry CAGRs.

L'ORÉAL

“ Growth is everywhere... ”

As for CeraVe, it recorded a 39% growth, becoming number one in cleansing and body in the dermocosmetics market. Growth is everywhere at 25% in the US and 61% internationally.

Myriam Cohen-Welgryn, President, Dermatological Beauty Division, L'Oréal
Q4 2023 Earnings Conference Call February 9, 2024

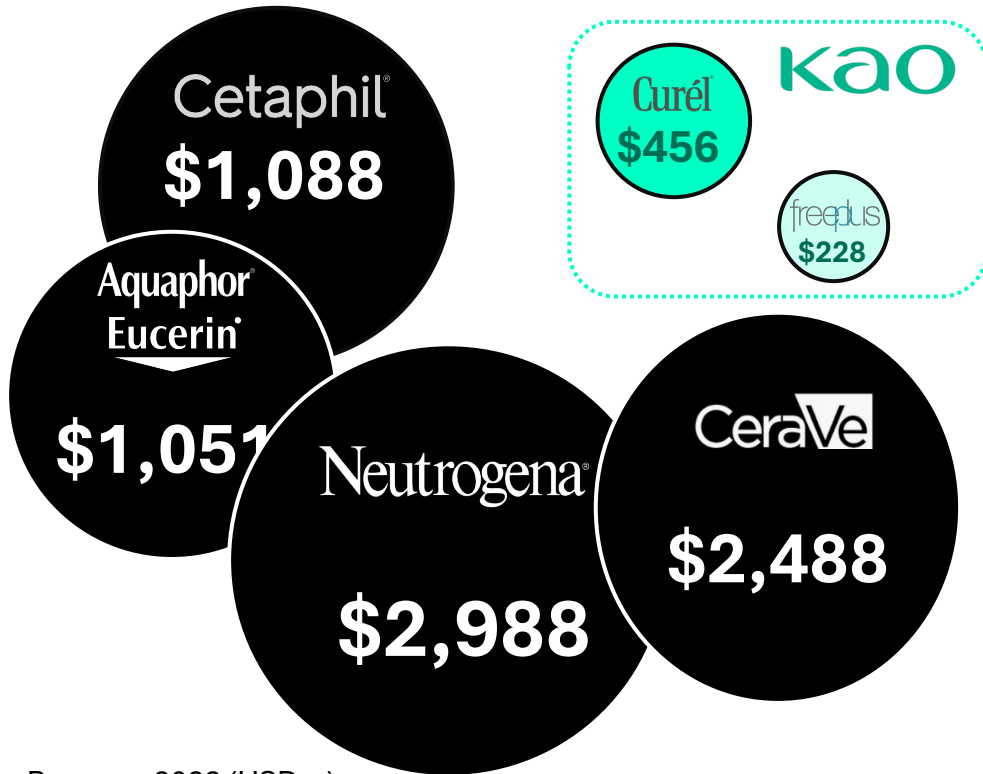


Seizing the opportunity - as Beiersdorf, Galderma and L'Oréal have done would create substantial upside.

Just growing in line with the market would mean revenues in 2027 would be JPY 30 billion and EBITDA nearly JPY 7 billion larger than under Kao's targets

1. Untapped Potential – Curél + freeplus

Kao's Derma-Cosmetics Potential



Curél and freeplus
both have
significant runway
for growth

Revenue 2022 (USDm)

2. Untapped Potential - Bioré

Leader in Japan's Mass-Market

Underutilized Utility Product

Bioré is an internally developed **mass-market multi-category** (body, skin, and sun care) brand. We believe it generates over USD 700 million (converted from JPY¹) in revenue, making it one of Kao's largest brands.

Leveraging Kao's technological expertise, *Bioré* has a strong **track record of product innovation** (nose strips, charcoal face cleansers) and has grown its footprint in the sun care category using ultra-light formulations.

Bioré competes against brands like Beiersdorf's *Nivea* and Unilever's *Dove*. The market potential for *Bioré* is huge; *Nivea* achieved USD 5.5 bn in revenue last year, **however...**

Bioré is primarily focused on Japan, with just a small footprint in Asia ex-Japan and even more limited exposure to EMEA and the Americas.



2. Untapped Potential - Bioré

Kao's Mass Personal Care Opportunity

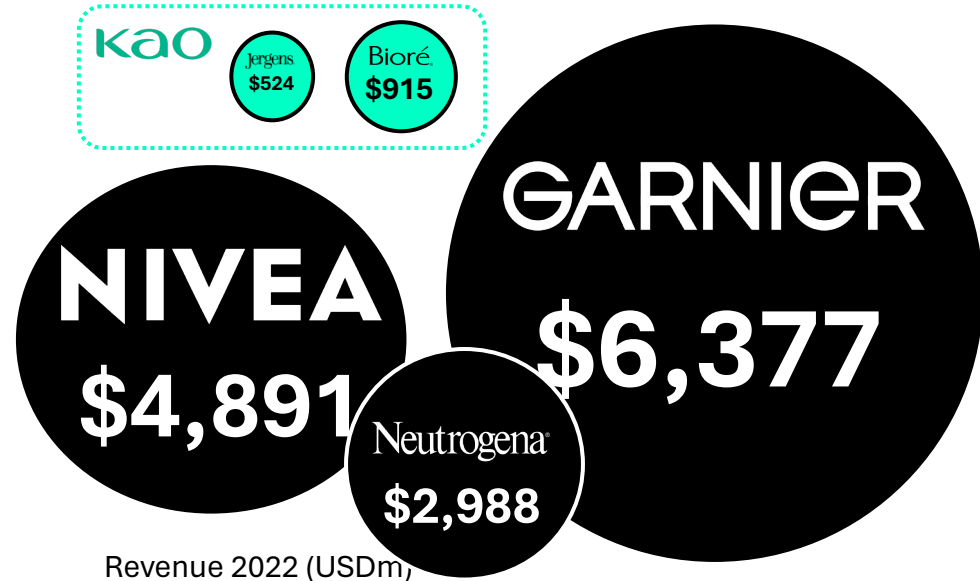
Bioré

- Dominant local body and skincare brand; highly regarded in UV protection
- Decent ASEAN footprint, untapped int'l growth runway based on our research

Jergens

- Well regarded US moisture lotion and skincare brand
- Key South American markets (Brazil, etc.) are under-penetrated

Mass-Market Personal Care has a long way to catch-up, and grow



Revenue 2022 (USDm)

3. Untapped Potential – Molton Brown

Luxury Toiletries

British Understatement

Molton Brown is a premium British toiletries manufacturer and UK Royal Warrant Holder. We estimate that ***Molton Brown* generated USD 140 million of revenue in 2023.**

Molton Brown has excellent brand equity and there is huge scope for **margin improvement** by expanding into less seasonal categories and reviewing its manufacturing and pricing architecture. **However...**

In the decade to 2022, global revenue CAGR was 6.2%, and Kao has set *Molton Brown* a target CAGR to 2030 of 5.2%² - a **slowdown compared to the past decade.**

Jo Malone, an Estee Lauder brand, grew revenues in the UK & Ireland at a CAGR of 11.9%¹. *Jo Malone* UK revenues are now equivalent to those of *Molton Brown* globally.



3. Untapped Potential – Molton Brown

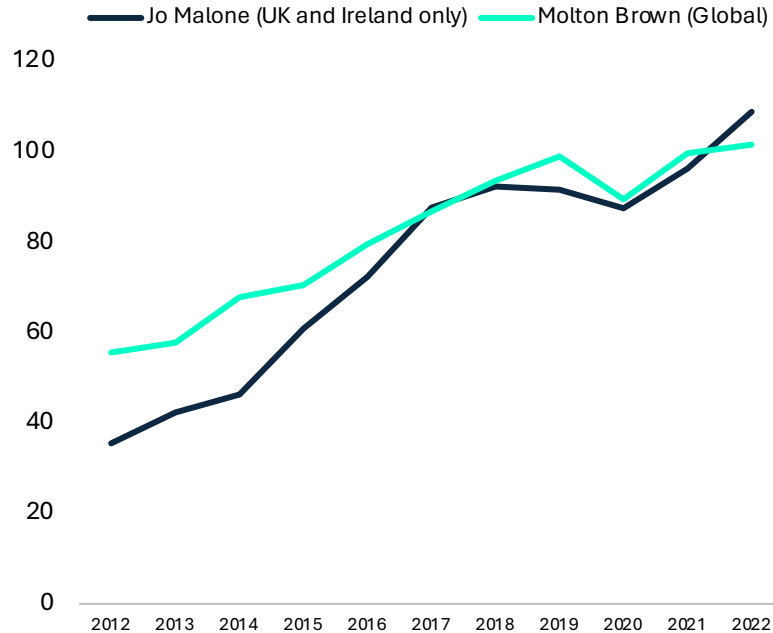
Prestige Cosmetics - High Margin and high growth

JO MALONE
LONDON

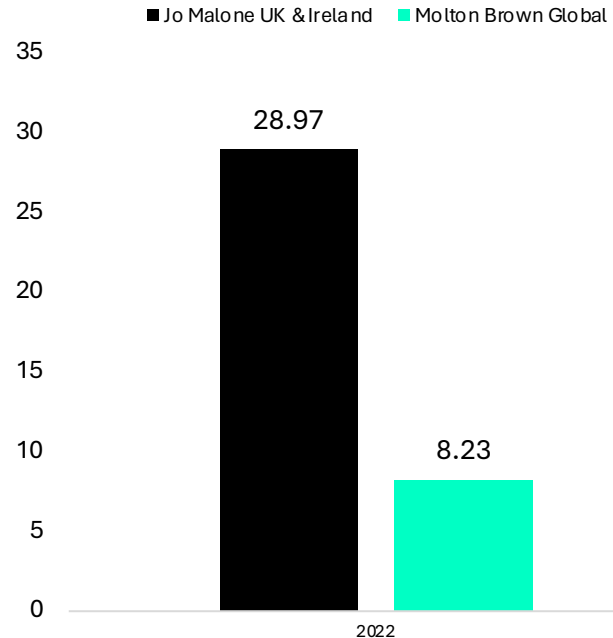
vs.

MOLTON BROWN
LONDON

Jo Malone UK vs. Molton Brown
Global Sales



Jo Malone UK vs. Molton Brown Global 2022 Operating Profit (GBP Mn)



3. Untapped Potential – Molton Brown

Kao's Prestige Cosmetics Opportunity



- Luxury toiletries
- Huge international growth and margin expansion potential
- Attracted unsolicited private equity interest in the past



Molton Brown has plenty of room to grow



Revenue 2022 (USDm)

4. Untapped Potential – Sensai

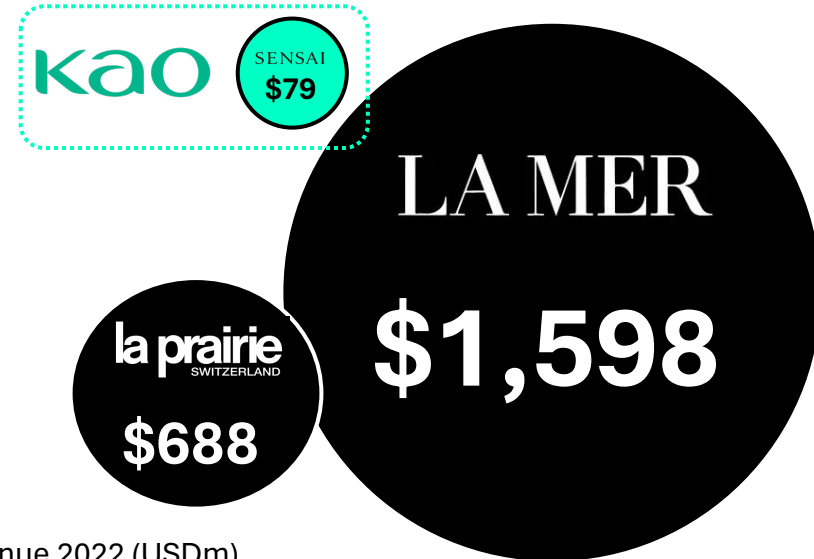
Kao's Prestige Skincare Opportunity

SENSAI

- Luxury skincare brand
- Luxury skincare is the fastest growing subsegment of skincare – the largest category in beauty
- Huge scope to leverage Kao's R&D to drive efficacy based-marketing, co-branded resort spas, pop-ups etc.



Sensai is tiny compared to peers,
it has room to grow



Revenue 2022 (USDm)

5. Untapped Potential – Oribe

Salon-Premium Haircare

Cult Following Hair Products

Oribe is a US-based luxury salon haircare brand. Oasis understands that the brand has grown at around 10% per year since being acquired in 2017 - mainly driven by word of mouth - indicating revenue to be ~ USD 160 million.

Oribe appears to have a large cult following among consumers despite the ultra-premium price points, and there is substantial opportunity to grow the brand.

For reference, stand-alone premium salon and hair care brands like Olaplex Holdings and Japan's *Milbon* both generate around USD 400-500 million in revenue.

Oasis believes that by implementing a marketing campaign and looking to expand well beyond its traditional salon channel, *Oribe* should reach similar revenue levels.



5. Untapped Potential – Oribe

Kao's Prestige Haircare Opportunity

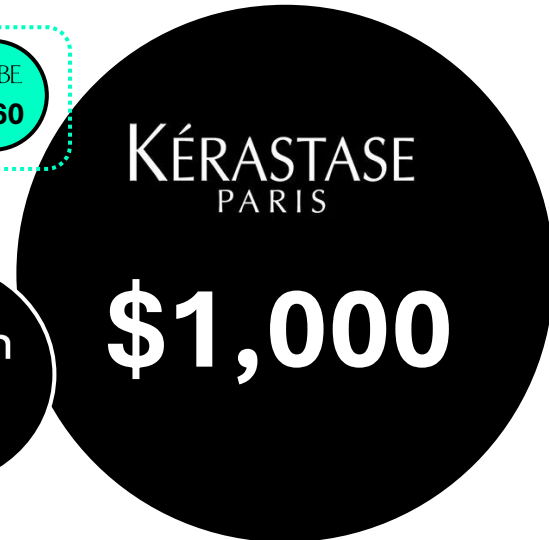


ORIBE

- Growing, high-margin U.S. hair salon products range
- Huge international potential to grow with better marketing and expansion of current global presence



ORIBE has great runaway for growth



Revenue 2022 (USDm)

6. Untapped Potential – Kate Tokyo

Mass Market Cosmetics

Tokyo by Name, Tokyo by Sales

Kate Tokyo, a mass-market cosmetic brand targeting the younger female demographic, maintains only a limited presence in ASEAN.

Analysts estimate that *Kate* generated revenue of around USD 185.0 million in 2023, just a fraction of market leader Maybelline New York's 2022 revenue of USD 4.3 billion at retail level from over 120 countries, as per Euromonitor.

Kate has failed to successfully grow outside of Japan. Given the interest in Japanese beauty brands among foreign consumers and acquisitions of Japanese cosmetics brands by Western rivals (L'Oréal's 2021 purchase of Takami, Unilever's 2019 purchase of Japan-influenced Tatcha), we believe *Kate* has an opportunity to establish a global presence.



6. Untapped Potential – Kate Tokyo

Kao's Mass-Market Cosmetics Opportunity



- Mass market Japanese cosmetics brand
- Innovative products and marketing but has not been rolled out internationally to any significant degree



KATE has a long way to catch-up, and grow



Revenue 2022 (USDm)

“ ... Oasis believes Kao can become a competitive global player and emulate the success of companies such as Beiersdorf and L'Oréal... ”

Through a committed focus on personal care and cosmetics, Oasis believes Kao can become a competitive global player and emulate the success of companies such as Beiersdorf and L'Oréal. Kao needs a leadership that can articulate an ambitious growth strategy built on a cohesive overseas growth plan focused on a core set of brands and backed by a credible marketing, branding and distribution strategy.

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- Lackluster Marketing Strategy
- Poor Distribution Channels
- Bloated Brand Portfolio

IV. Global Sharp Top?

- Kao's (Lack of) Strategic Vision
- "Global Sharp Top" Disappoints
- Lacking Leadership and Oversight

V. Growth is Everywhere

- Untapped Potential – Curél + freeptus
- Untapped Potential – Bioré
- Untapped Potential – Molton Brown
- Untapped Potential – Sensai
- Untapped Potential – Oribe
- Untapped Potential – Kate Tokyo

VI. Beiersdorf

- A Success Story

VII. a better kao

- Commit to Global Expansion
- Refine Brand Portfolio
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Beiersdorf

A Success Story



OASIS

Kao's issues are not new

Confidence is Key

Kao shares many of the attributes found in Beiersdorf back in early 2021, after a sharp pandemic-driven contraction in revenues in 2020:

1. **Underperformance** versus peers,
2. **Poor allocation of marketing spend**
3. **Lagging in product premiumization** with particularly the mainstay Nivea brand anchored at entry price points
4. **Infrequent but questionable M&A**
5. **Depleted investor confidence in management**

HOWEVER, similar to Kao, Beiersdorf has unique IP, strong brands in skin and suncare, and untapped overseas growth runways.

Beiersdorf made the decision to replace existing management who were failing to deliver.



Turnaround is Possible

Sustainable Value Growth



Vincent Warnery
CEO, Beiersdorf

In May 2021, a new CEO at Beiersdorf, Vincent Warnery, **refocused its portfolio** around a handful of strong brands – particularly in derma - marketing itself as a specialist - “*We are skin care*” and “*Skin care is everything to us*”.

Beiersdorf under CEO Vincent Warnery shifted to a:

1. **Refocus on gross margin** expansion via premiumization
2. **Reinvestment in brand building** - in particular, on the digital side – to drive margin expansion
3. **Overhaul of the corporate culture** to embrace agility and decisiveness
4. **International growth strategy**, notably in the Americas with a heavy focus on high margin, growing product categories in areas like derma and skincare

Performance since May 2021

Beiersdorf’s shares have outperformed the rest of Europe’s consumer goods sector, even besting the performance of L’Oréal.



Source: Bloomberg

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a better kao

Initiatives to Consider

Upside to Kao

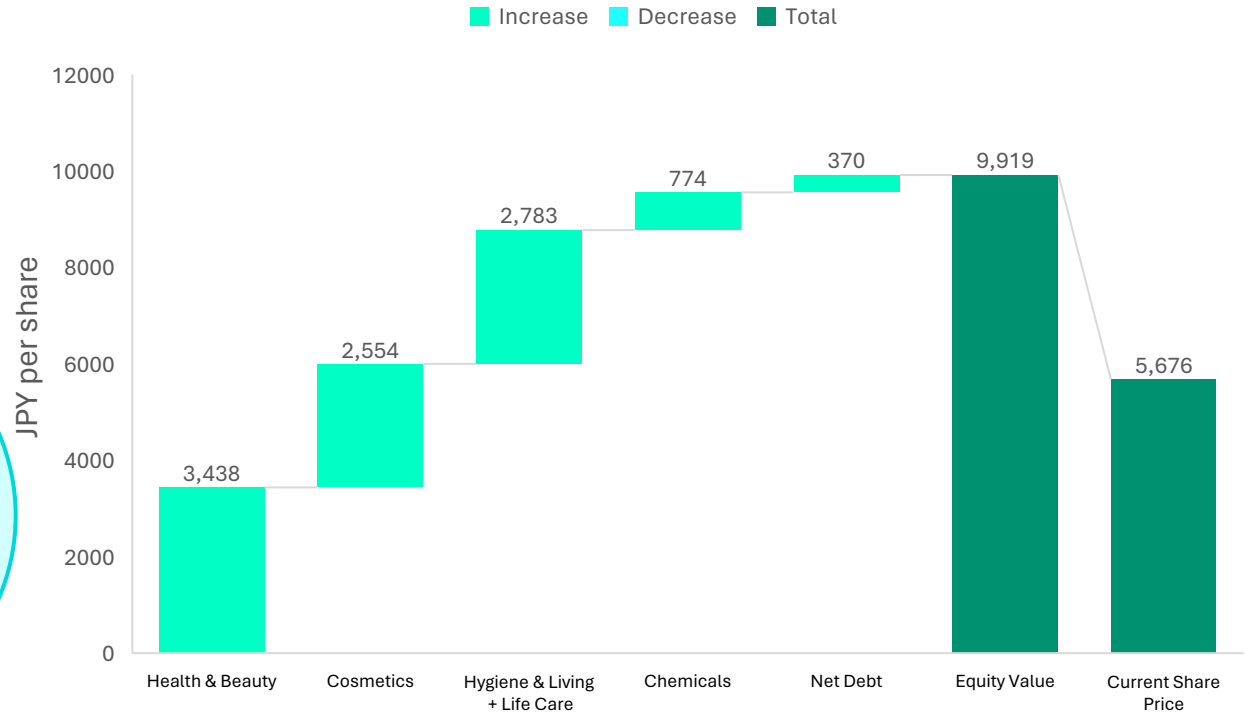
Management focus on growth will lead to long-term value

76%

Based on
SOTP¹
Valuation





85-97%

Based on DCF²
Valuation



Path to a Better Kao

Initiatives for turning Kao into a world-class market leader

<p>1 Commit to GLOBAL EXPANSION </p>	<p>Kao must recognize that more growth is available in new markets. Through a strategy that is committed to expansion, greater levels can be achieved compared to current forecasts.</p>	<p>Slide 76</p>
<p>2 Refine BRAND PORTFOLIO </p>	<p>Kao must take steps to allow focus on the brands with the highest growth potential – cosmetics and skincare brands - ensuring an underlying business mix which supports sustainable growth.</p>	<p>Slide 77</p>
<p>3 Embrace MARKETING STRATEGY </p>	<p>Kao must hire a leading CMO or equivalent with global experience immediately to transform the approach to marketing and embrace channels like digital which more easily enable expansion.</p>	<p>Slides 78-87</p>
<p>4 Strengthen OVERSIGHT & TRANSPARENCY </p>	<p>Appoint outside board members with branding and marketing experience while enhancing transparency and disclosure.</p>	<p>Slides 88-90</p>

1. Commit to Global Expansion

Expand into new geographies where demand already exists



2. Redefine Brand Portfolio

Review segments to develop a brand mix to enable sustainable growth

1 Portfolio Concentration	2 Product Premiumization	3 Brand and SKU Rationalization	4 Targeted Divisions for Immediate Action
<p>Prioritize brands with strong growth potential and high margins.</p> <p>Focus investment on brands that dominate their categories.</p>	<p>Upgrade product line-up to enhance perceived value.</p> <p>Aim for gross margin expansion through premium offerings.</p>	<p>Streamline product portfolio by reducing brands and stock-keeping units (SKUs).</p> <p>Reallocate marketing budget towards high-potential, fast-growing markets.</p>	<p>Cosmetics and Health & Beauty segments identified for urgent application.</p> <p>Both divisions show high growth potential but currently suffer from excessive brand and SKU proliferation.</p>
<p>Benchmarking Success</p> <ul style="list-style-type: none"> • P&G's brand rationalization and pricing/productivity focus led to 111.8% share growth since 2018, outperforming the S&P 500 Consumer Staples sector (+65.9% over the period). • Beiersdorf's skincare revamp and Unilever's premiumization and reorganization (exiting lower margin domains – particularly in food) echo our proposed initiatives. 			

3. Embrace Marketing

Install marketing leadership to reform Kao's approach to consumer marketing

Hire a Leading CMO



kao

Chief Marketing Officer

Aquent UK · Ashford, England, United Kingdom · 3 weeks ago · Over 100 applicants

Skills: Employee Benefits, Project Management, +8 more

See how you compare to over 100 other applicants. [Reactivate Premium](#)

[Easy Apply](#) [Save](#)

Strategically Increase Marketing Budget

Budget increases can be funded through enhanced Cosmetic and Health & Beauty **gross margins**, reallocated funds from **discontinued brands/SKUs**, better **R&D cost control** and improvements in the **cash conversion cycle**.

Released cash flow should initially be used for digital marketing to maximize return on advertising spend and fuel sales growth. Subsequently, **reinvestment would target further strengthening brand equity** of key growth brands, fostering a self-reinforcing cycle of success.

IMMEDIATE FOCUS AREAS:

1. **Standardize a minimum digital footprint** of all Kao brands to drive online monetization
2. **Create social media specific and localized content** for brands - blogs, podcasts, short-form video etc.
3. **Invest more in influencer-based digital marketing** strategies via testimonials, promotions and collaborations to increase brand awareness
4. **Review of pricing architecture** to drive premiumization and gross margin improvement
5. **Pro-active recruitment of digital marketing talent** at both entry and mid-career level
6. **Sign event sponsorship and brand ambassador** deals for key brands – particularly overseas where brand awareness is lower but has been earmarked for strategic growth
7. **Brand collaborations & partnerships** to generate media buzz
8. **Unify corporate and brand-level messaging** to focus on cruelty-free, vegan and ethical product categories

3. Embrace Marketing

Current

All-white packaging with **no distinct branding** means the products **disappear on a retail shelf**, or even in a sponsored social media post.

The **website user experience is fragmented**, and confusing.

Products are **categorized by popularity**, rather than skin type. And, **educational materials feel disjointed** from the products they are meant to promote.



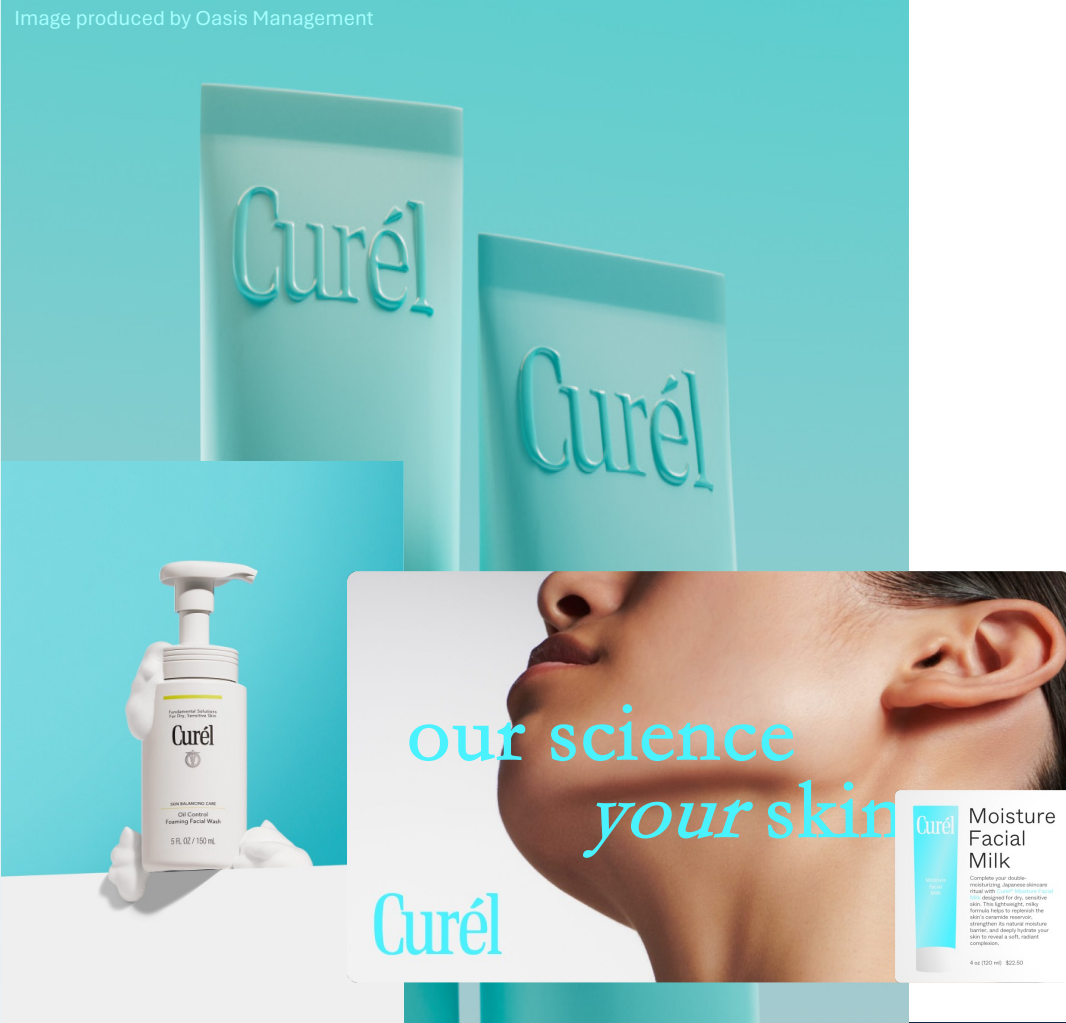
3. Embrace Marketing

The Refresh

Update **packaging** to something that's **more recognizable, ownable**, and—most importantly—**sharable**

Something that **stands out** on a retail and a bathroom shelf, but still conveys a **product that's good for your skin.**

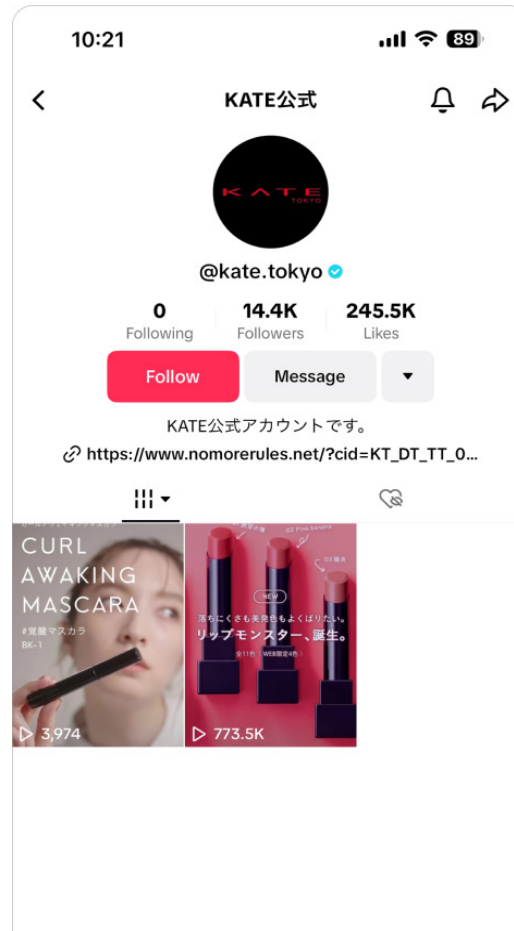
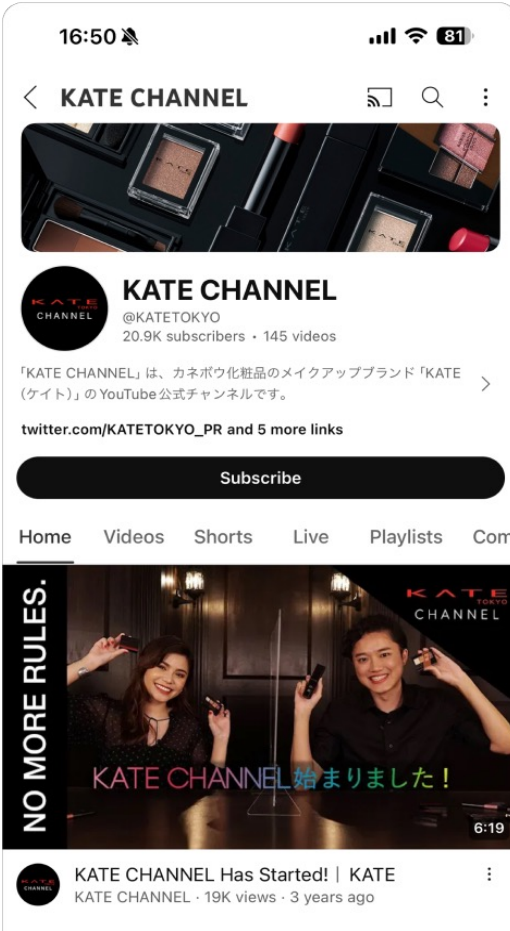
Redesign the website to celebrate the science along with the products, with a new invigorating design that aligns with the impact of the colorful packaging.



3. Embrace Marketing

Current

The brand's presence on social media is **wildly inconsistent**, with covert branding on YouTube, **zero presence on TikTok**, and a **popular hashtag on Instagram** with hardly any connection to the brand itself.



3. Embrace Marketing

The Refresh

What if we capitalize on the **viral success of the Lip Monster** product with a **custom carrying case** for the lipstick in the shape of monster lips?

On social media, what if we **create communities** around which Lip Monster color our fans wear—and let them engage and compete with one another to build excitement around the brand and its products?

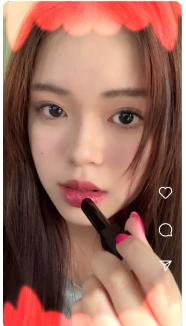
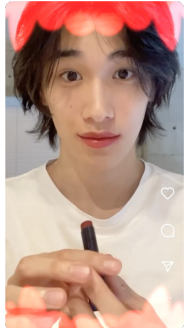
Image produced by Oasis Management



Image produced by Oasis Management



Image produced by Oasis Management





Current

Uninspired marketing activations don't do justice to what is otherwise an elevated and luxury brand experience.

3. Embrace Marketing

The Refresh

What if, instead of appealing to salons and hotels to feature ORIBE products, **we open our own experiential venues?**

ORIBE Salon & Dry Bar
ORIBE Hotel & Spa



Image produced by Oasis Management



Current

In markets like Japan, products are **only available at salons**—where there is no brand presence. Instead of ordering online, **consumers have to travel several miles to get the product.**

3. Better Distribution

The Refresh

Design a global online store to help consumers develop a better understanding of which product(s) are right for them, and inspire them to “style” their shower shelf that offers a more luxury experience. By categorizing products visually, we can inspire customers to buy multiple products and increase their lifetime spend.

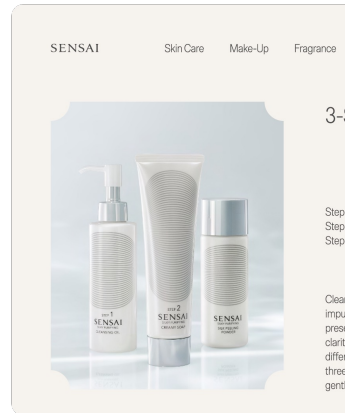
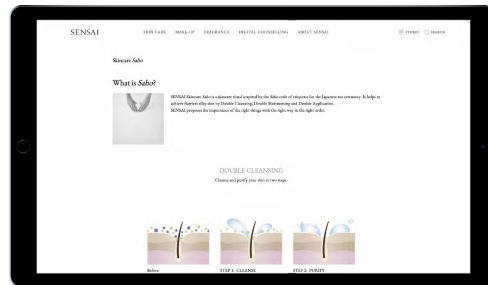
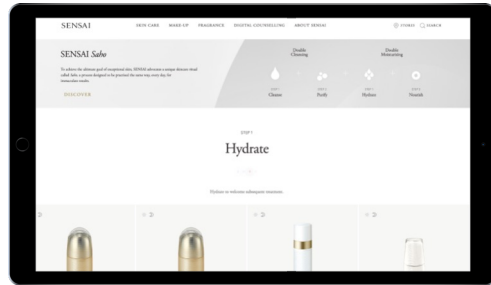


3. Embrace Marketing

The Refresh

Through a website redesign, we can **celebrate the Japanese traditions of skincare and the brand's commitment to both sense and science** through visual storytelling and elegant layouts.

Take the beautiful motion and still imagery the brand is creating for social media and use it as hero content on the website to **create a luxury experience that also educates**.





Current

For a brand with such incredible quality products and content, the **retail experience often seems to fall short** of what consumers have come to expect from SENSAL.

Better Distribution

The Refresh

What if we create an immersive pop-up experience that **showcases the brand's connection to Japanese skincare and culture?**

SENSAL Tea House: Airport Pop-up

SENSAL Tea House: Public Park Pop-up



Image produced by Oasis Management

3. Embrace Marketing

The Refresh

Molton Brown positions itself as the **embodiment of inclusive luxury**, combining British sophistication with global appeal. To attract a worldwide audience, the brand should emphasize universal desires for indulgence and quality.

Molton Brown offers an accessible **taste of royalty** and a **celebration of the human touch** in self-care. By highlighting its commitment to both excellence and inclusivity, Molton Brown could **invite everyone to experience everyday opulence**.

4. Strengthen Oversight & Transparency

Management & Board Diversity is not reflective of Kao Customers

Strategic Board Reinforcement for Kao's Growth

Expand Diversity & Expertise: From the decline to a single female board member in FY24, **it's clear Kao must diversify**, bringing in more voices that mirror Kao's consumer base and can channel their insights into future business strategy.

Add Specialized Acumen: Current Board's R&D and Chemicals expertise is not mirrored with consumer goods, marketing, or data analytics expertise. This misalignment has left a **knowledge and experience gap in harnessing the full potential of Kao's Home and Personal Care and Cosmetics brands.**

Add Multifaceted Oversight: The bloated Audit & Supervisory Committee, are skilled in finance and law, but do not provide additional relevant expertise to encompass the breadth of growth opportunities within consumer markets.

We advocate for a **strengthened senior management and Board composition** that is both attuned to the demands of the consumer goods industry and equipped to steer Kao to fully capitalize on its market opportunities and lead in the consumer goods sector.

4. Strengthen Oversight & Transparency

Kao's board lacks diversity and relevant industry expertise

	Kao	reckitt	<i>Unilever</i>	<i>Procter&Gamble</i>	L'ORÉAL
Total Board Members	8	15	12	15	16
External Board Members	4	12	10	14	13
Female Members	1	6	5	7	7
Consumer Marketing	0	4	3	3	2
Digital (Data Analytics, E-Commerce etc)	0	1	0	2	0
International Consumer Retail	0	7	5	4	3
Supply Chain Management/ Logistics	0	1	2	3	1

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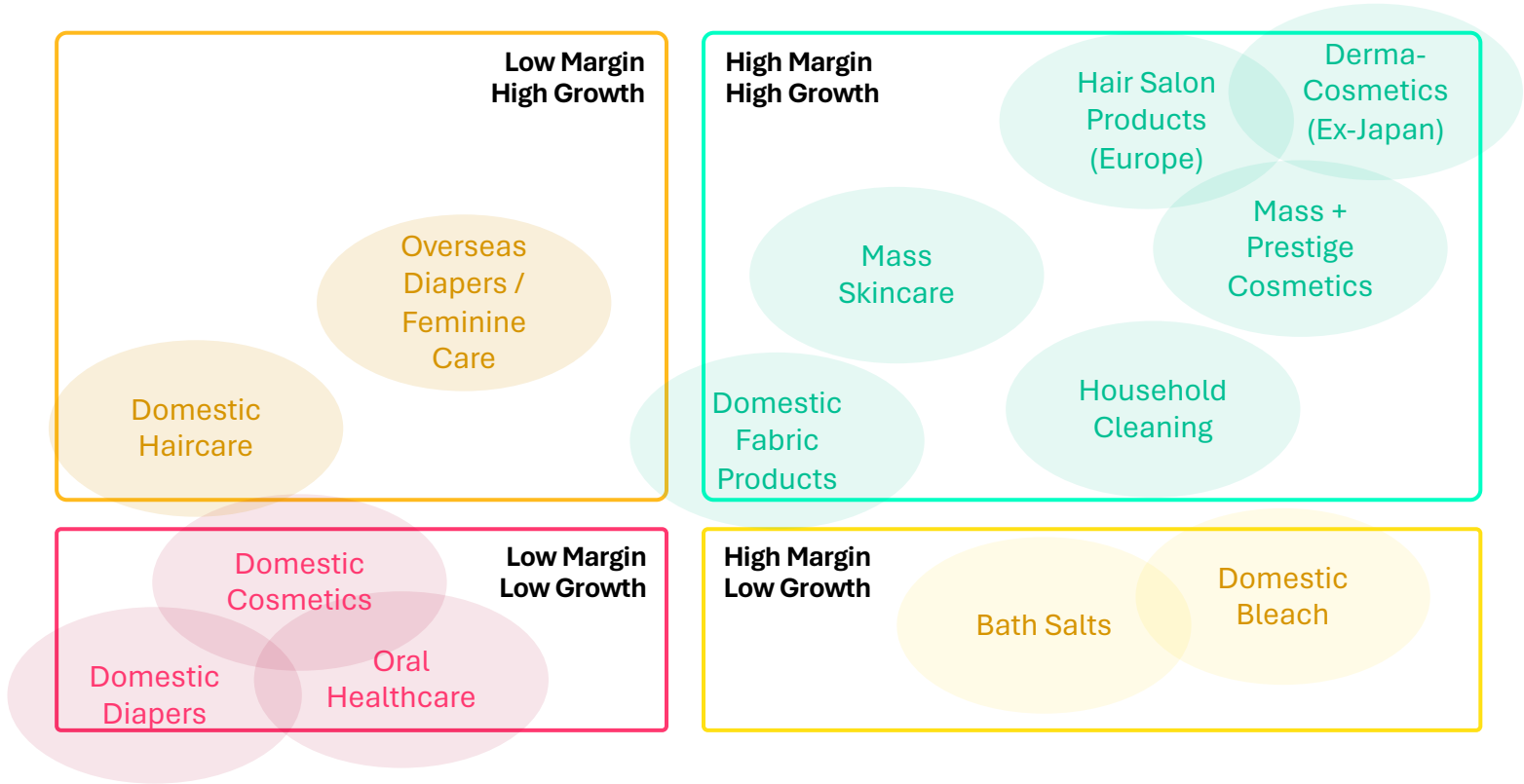
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Appendix

Kao's FMCG Portfolio

Highly diversified with promising growth engines



Cosmetics M&A Valuations

Well-run and/or fast-growing stand-alone businesses with strong brands have all attracted significant valuation premiums

Target	Buyer	Sales Multiple	EBITDA Multiple	Transaction Date ↓
Naturium	elf	4.0 x	21.0 x	Aug-2023
Creed	Kering	14.0 x		Jun-2023
Aesop	L'Oréal	4.7 x	24.0 x	Apr-2023
Chantecaille	Beiersdorf	6.5 x		Dec-2021
Paula's Choice	Unilever	6.5 x		Jun-2021
DECIEM	Estee Lauder	4.6 x		May-2021
Drunk Elephant	Shiseido	8.5 x	30.0 x	Oct-2019
Filorga	Colgate	6.7 x	25.0 x	Jul-2019
Tatcha	Unilever	7.1 x		Jun-2019
Elemis	L'Occitane	6.9 x	26.6 x	Jan-2019
Dr. Ci:Labo	J&J	5.2 x	25.6 x	Oct-2018

Source: Morgan Stanley, Oasis Research

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kaeo

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