



KOSÉ Corporation

Results of Operations

Fiscal Year Ended March 31, 2020

April 30, 2020



DECORTÉ

1. FY03/2020 Results of Operations

Shinichi Mochizuki, Senior Executive Officer & CFO

2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

**Our highest priority is the safety of customers, business partners and employees
Lockdowns and requests to stay home are impacting KOSÉ's businesses in each country**

Customers (Sales activities at stores)

- Suspension of touch-ups for customers and asking people to try a product
- Strict requirement for the use of masks and hand sanitizer
- Suspension of sending beauty consultants to stores
- Continuing customer consultation services in order to respond to all customer questions and concerns

Impact on business operations

Some stores have closed or shortened the operating hours of KOSÉ sales counters

- Japan: Downturn in sales to foreign tourists
- Asia: Big increase in e-commerce sales in China
- North America/Europe: Temporary closing of stores of large retail chains; shift of sales to e-commerce

Employees/Offices

- Creating a teleworking infrastructure to enable working from home
- Staggered working hours by using the “super-flex” system
- Encouraging salespeople to go directly to and from home for sales calls
- Other than managers, all Japanese personnel on foreign assignments returned to Japan

Other activities

- Distribution at no cost of alcohol hand sanitizers (more than 30,000) to nursery schools and other facilities
- Subsidiary in China donated 1 million yuan for local COVID-19 activities and donated 10,000 masks to a medical organization

Sales and earnings decreased as growth in Asia did not offset decline in Japan
Net sales: ¥327.7 billion (down 1.6% YoY) Operating profit: ¥40.2 billion (down 23.2% YoY)

<p>Cosmetics</p>	<p>Net sales: ¥251.8 billion (down 1.2% YoY) Operating profit: ¥44.6 billion (down 13.1% YoY)</p> <ul style="list-style-type: none"> ✓ High prestige: Higher DECORTÉ and INFINITY sales, lower ALBION and Tarte sales ✓ Prestige: Higher ESPRIQUE sales, lower SEKKISEI sales
<p>Cosmetaries</p>	<p>Net sales: ¥71.9 billion (down 3.6% YoY) Operating profit: ¥200 million (down 95.8% YoY)</p> <ul style="list-style-type: none"> ✓ Increase in sales of hair care and skin care products: STEPHEN KNOLL, BIOLISS, GRACE ONE ✓ Lower sales of CLEAR TURN and VISÉE (End of RIMMEL licensing agreement on Oct. 31, 2018)

<p>Japan</p>	<p>Net sales: ¥222.5 billion (down 7.3% YoY)</p> <p>Sales to foreign tourists in Japan: ¥17.0 billion (down 37.3% YoY)</p> <ul style="list-style-type: none"> ✓ Sales to foreign tourists in Japan decreased because of expansion of Asia and duty-free store sales channels ✓ Sales of major brands decreased because of a drop-off in sales following the upturn in demand prior to the October 2019 consumption tax hike ✓ Slowdown in 4Q performance due to the COVID-19 crisis
<p>Asia</p>	<p>Net sales: ¥64.3 billion (up 25.0% YoY)</p> <ul style="list-style-type: none"> ✓ Strong sales growth primarily due to higher sales in China and at duty-free stores in South Korea

Consolidated Income Statement Highlights



Earnings were below both the previous fiscal year and revised plan due to lower sales and higher selling and administrative expenses

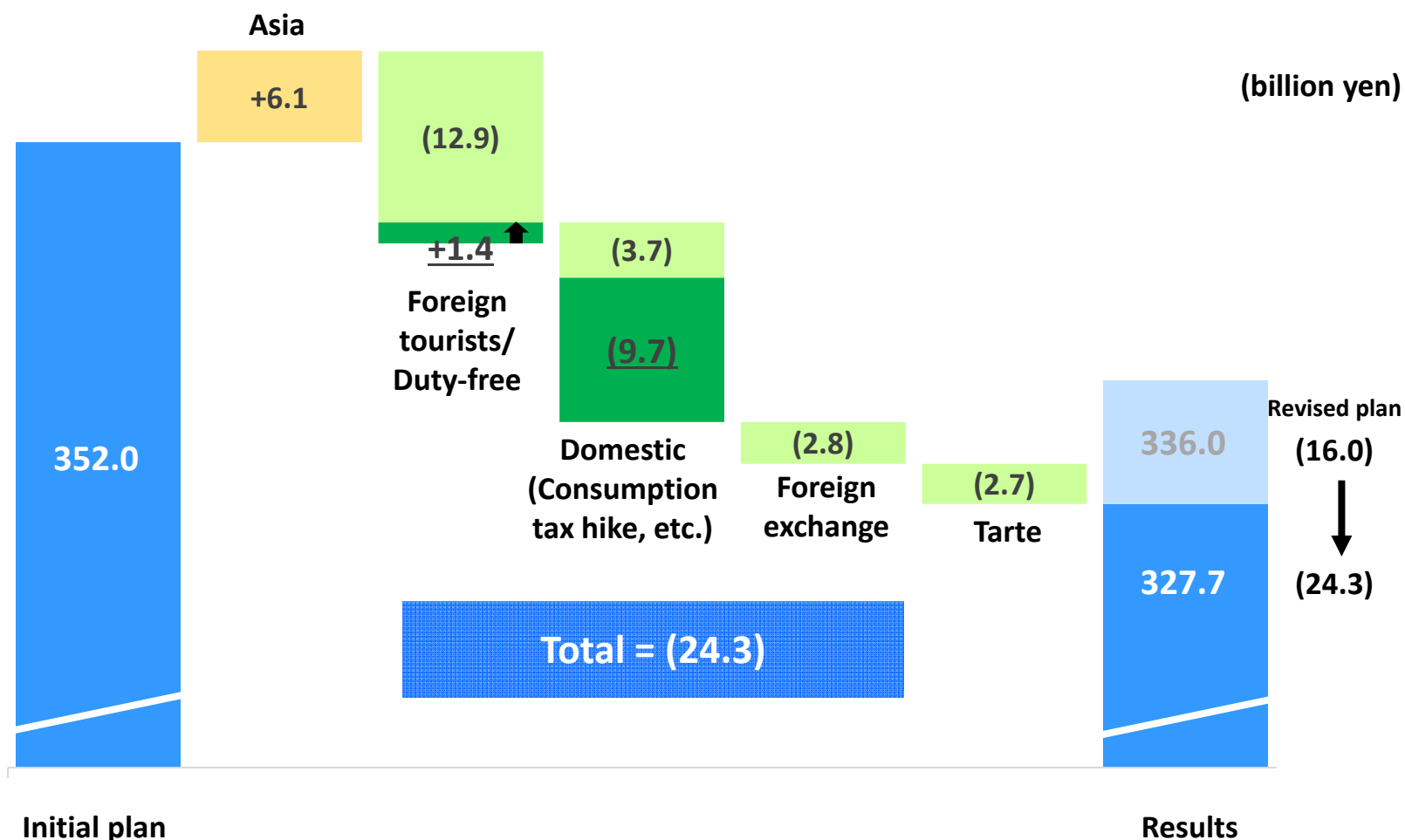
	FY03/2018		FY03/2019		FY03/2020		YoY change		Vs plan (announced on January 31, 2020)	
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)	(billion yen)	(%)
Net sales	303.3	100.0	332.9	100.0	327.7	100.0	(5.2)	(1.6) <small>*note</small>	(8.2)	(2.5)
Cost of sales	81.5	26.9	88.6	26.6	88.7	27.1	+0.0	+0.1	-	-
SG&A expenses	173.4	57.1	191.9	57.7	198.7	60.7	+6.8	+3.5	-	-
Operating profit	48.4	16.0	52.4	15.7	40.2	12.3	(12.1)	(23.2)	(4.7)	(10.6)
Ordinary profit	48.5	16.0	53.9	16.2	40.9	12.5	(13.0)	(24.2)	(5.1)	(11.2)
Profit before income taxes	48.2	15.9	54.9	16.5	40.3	12.3	(14.5)	(26.5)	-	-
Profit attributable to owners of parent	30.6	10.1	37.0	11.1	26.6	8.1	(10.3)	(27.9)	(3.3)	(11.1)
Net income per share	536.63 yen		648.71 yen		467.76 yen		(180.95) yen		(58.15) yen	

Note: Net sales decreased 0.5% YoY after excluding the effects of changes in foreign exchange rates.

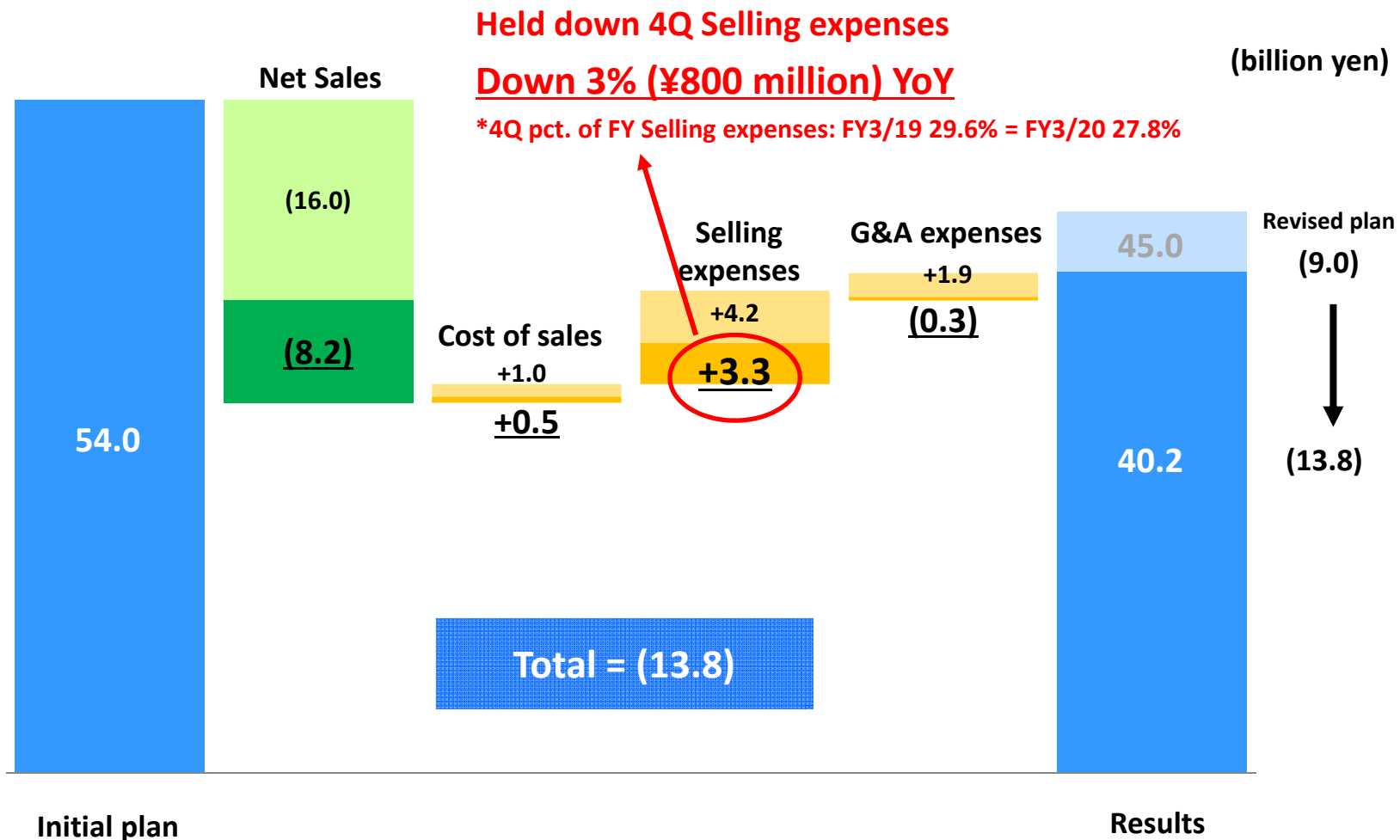
**Deterioration in the cost of sales ratio due to slowing sales growth and higher cost of manufacturing
Higher SG&A expenses due to marketing expenditures and an increase in beauty consultant remuneration**

		FY03/2018		FY03/2019		FY03/2020		YoY change	
		Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)
Cost of sales		81.5	26.9	88.6	26.6	88.7	27.1	+0.0	+0.1
SG&A expenses		173.4	57.1	191.9	57.7	198.7	60.7	+6.8	+3.5
<Significant accounts>									
Selling expenses	Sales promotion	55.3	18.3	61.4	18.5	65.4	20.0	+4.0	+6.5
	Advertising	20.0	6.6	23.4	7.0	21.4	6.6	(2.0)	(8.5)
	Freightage and packing	11.7	3.9	14.0	4.2	15.2	4.6	+1.2	+8.6
	Subtotal	87.1	28.7	98.9	29.7	102.1	31.2	+3.2	+3.2
General and administrative expenses	Personnel	54.3	17.9	57.0	17.1	59.2	18.1	+2.1	+3.8
	Others	23.4	7.7	26.8	8.1	27.0	8.3	+0.2	+0.9
	R&D	5.3	1.8	5.3	1.6	6.2	1.9	+0.9	+16.8
	Depreciation	3.1	1.1	3.7	1.1	4.0	1.2	+0.2	+7.7
Subtotal		86.3	28.5	93.0	27.9	96.6	29.5	+3.6	+3.9

Sales were lower than the revised plan due to a big impact of COVID-19 in Japan during the fourth quarter in addition to lower sales to foreign tourists



Operating profit was lower than the revised plan due to a big slowdown in the fourth quarter growth although Selling expenses decreased to offset sluggish sales growth



Cosmetics performed well until losing momentum in the fourth quarter
Cosmetaries earnings were down significantly

Net Sales by Segment (sales to third parties)

Segment	FY03/2018	FY03/2019	FY03/2020	YoY change (billion yen)	YoY change (%)	Share (%)		Vs plan (announced on January 31, 2020)	
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)			FY03/ 2019	FY03/ 2020	(billion yen)	(%)
Cosmetics	229.6	254.9	251.8	(3.0)	(1.2)	76.6	76.9	(5.6)	(2.2)
Cosmetaries	71.3	74.6	71.9	(2.7)	(3.6)	22.4	21.9	(2.5)	(3.5)
Other	2.4	3.3	3.9	+0.5	+15.3	1.0	1.2	(0.0)	(2.1)
Total	303.3	332.9	327.7	(5.2)	(1.6)	100.0	100.0	(8.2)	(2.5)

Operating Profit by Segment (before elimination)

Segment	FY03/2018	FY03/2019	FY03/2020	YoY change (billion yen)	YoY change (%)	Operating margin (%)	
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)			FY03/ 2019	FY03/ 2020
Cosmetics	46.3	51.4	44.6	(6.7)	(13.1)	20.2	17.7
Cosmetaries	5.8	5.0	0.2	(4.8)	(95.8)	6.7	0.3
Other	1.0	1.5	1.2	(0.2)	(16.5)	37.3	28.4
Adjustment	(4.8)	(5.5)	(5.9)	(0.3)	-	-	-
Total	48.4	52.4	40.2	(12.1)	(23.2)	15.7	12.3

Big fourth quarter declines in sales of major brands Overseas growth of DECORTÉ offset decline in Japan

FY03/2019					FY03/2020				
YoY changes in sales, %	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q-4Q
Consolidated sales	+13.8	+8.9	+10.1	+6.6	+1.6	+10.6	(9.9)	(7.5)	(1.6)
Cosmetics	+14.6	+11.8	+12.5	+5.8	+3.9	+13.5	(11.9)	(8.3)	(1.2)
High prestige	+11	+4	+2	+2	+8	+16	(8)	(6)	+2
DECORTÉ	+35	+17	+13	+7	+28	+37	(3)	(5)	+13
ALBION	+4	(2)	+1	(1)	(1)	+10	(12)	(10)	(3)
Tarte	+5	+4	(3)	(1)	±0	+1	(15)	+5	(2)
Prestige *note	+24	+32	+40	+14	(12)	+5	(26)	(16)	(13)
Cosmetaries	+11.1	+1.0	(0.5)	+7.7	(8.1)	+0.2	(2.3)	(4.6)	(3.6)
COSMEPORT	+10	+3	+2	+20	(8)	+6	+9	(6)	(0)
Other	+13	(1)	(3)	(10)	(8)	(8)	(16)	(1)	(8)

Note: Starting in FY03/2020, sales of overseas subsidiaries (except Tarte) that were previously included in the prestige category are categorized based on brands.

Significant growth of sales in Asia increased the ratio of overseas sales to 32.1% (+4.2 percentage points)

Area	FY03/2018		FY03/2019		FY03/2020		YoY change (billion yen)	YoY change (%)
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)		
Japan	227.8	75.1	240.2	72.1	222.5	67.9	(17.6)	(7.3)
Asia	35.2	11.6	51.4	15.5	64.3	19.6	+12.8	+25.0
North America	36.9	12.2	37.5	11.3	35.8	11.0	(1.6)	(4.4)
Other	3.3	1.1	3.7	1.1	4.9	1.5	+1.1	+30.5
Total	303.3	100.0	332.9	100.0	327.7	100.0	(5.2)	(1.6)
Overseas sales	75.5	24.9	92.7	27.9	105.1	32.1	+12.3	+13.3

[New Sales Channels] Consolidated sales composition ratio (1Q-4Q, %)

<EC> 7.3% (Previous year: 6.3%)

<Travel retail> 9.8% (Previous year: 7.2%)

} <New sales channels total> 17.1% (Previous year: 13.5%)

Big sales decline in the fourth quarter due to the COVID-19 outbreak in addition to a drop in sales after the consumption tax hike and lower sales to foreign tourists

Sales in Japan (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	222.5	(17.6)	(7.3)
Sales to foreign tourists	17.0	(10.1)	(37.3)
1Q	56.5	(3.1)	(5.3)
Sales to foreign tourists	6.5	(1.3)	(16.7)
2Q	63.2	+4.3	+7.4
Sales to foreign tourists	4.9	(1.6)	(24.6)
3Q	53.5	(9.2)	(14.8)
Sales to foreign tourists	4.0	(2.6)	(39.4)
4Q	49.2	(9.6)	(16.3)
Sales to foreign tourists	1.6	(4.6)	(74.2)

Market Trends

- Low-single-digit growth of cosmetics sales in Japan
- Big 4Q drop in sales to foreign tourists because of COVID-19
- COVID-19 made people stay home and closed department stores and other stores, mainly in big cities

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Overall

- Sales started recovering in Dec. after the drop due to the consumption tax hike but then began declining because of COVID-19
- Lower sales to foreign tourists mainly due to China's new e-commerce law and the yen's strength

Channels

- Sales down in major channels, particularly at department stores
- Slow sales at duty-free stores in Japan

Brands

- Strong sales of INFINITY, ESPRIQUE and hair care brands
- Big downturns in sales of major brands such as DECORTÉ, ALBION and SEKKISEI

Sales continue to grow in Asia led by sales in China and South Korea duty-free stores

Sales in Asia (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	64.3	+12.8	+25.0
1Q	14.8	+4.1	+38.4
2Q	16.4	+3.9	+31.9
3Q	15.6	+2.1	+15.9
4Q	17.3	+2.6	+17.8

<YOY growth of subsidiaries in China and Korea>
 KOSÉ CHINA : +38%(JPY) / +46%(CNY)
 KOSÉ KOREA : +47%(JPY) / +58%(KRW)

Market Trends

- China**
 - High-single-digit sales growth for all consumer goods (Jan.-Dec.)
 - Cosmetics sales growth rate slightly over 10% (Jan.- Dec.)
- South Korea**
 - Duty-free sector sales were up about 20% (Jan.- Dec.)
 - The cosmetics market is continuing to split into two categories of brands
- Taiwan Hong Kong**
 - Taiwan: The number of individual tourists from China decreased
 - Hong Kong: Extended disruptions caused by demonstrations

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- China**
 - DECORTÉ was a major source of growth
Department store counters (end of Dec. 2019): 27 stores vs. 18 one year earlier
 - E-commerce is about 65% of sales with about 1.7x growth
- South Korea**
 - Growth rates of sales to retail stores and sales by stores to customers are both higher than sales growth for the entire duty-free sector
 - Sales growth rate is very high for DECORTÉ products
- Taiwan Hong Kong**
 - Sales decreased in Taiwan and Hong Kong

Higher sales in Europe and other regions not enough to offset North America decline

Sales in North America and Other Regions (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	40.8	(0.4)	(1.2)
1Q	10.2	+0.2	+2.5
2Q	9.3	+0.1	+1.9
3Q	9.0	(1.5)	(14.2)
4Q	12.1	+0.5	+5.0

Market Trends

- U.S. prestige makeup market remained challenging with YoY high-single-digit sales decrease in 2019 (Jan.-Dec.)
- Lower market trend continued in the fourth quarter of 2019 (Oct.-Dec.)

Tarte

Overall

- Sales: (1Q-4Q, *Global, including Asia)
Current fiscal year: ¥40.8 billion (Previous fiscal year: ¥41.6 billion)
- Europe sales growth was not enough to offset lower U.S. sales

USA

- Offline and online sales were in line with the overall market
- Core Palette sales decreased while concealer and mascara posted higher sales

Europe

- Sales at Sephora stores started in March
- Close to reaching the FY03/2020 goal of expanding sales to 100 stores in five countries

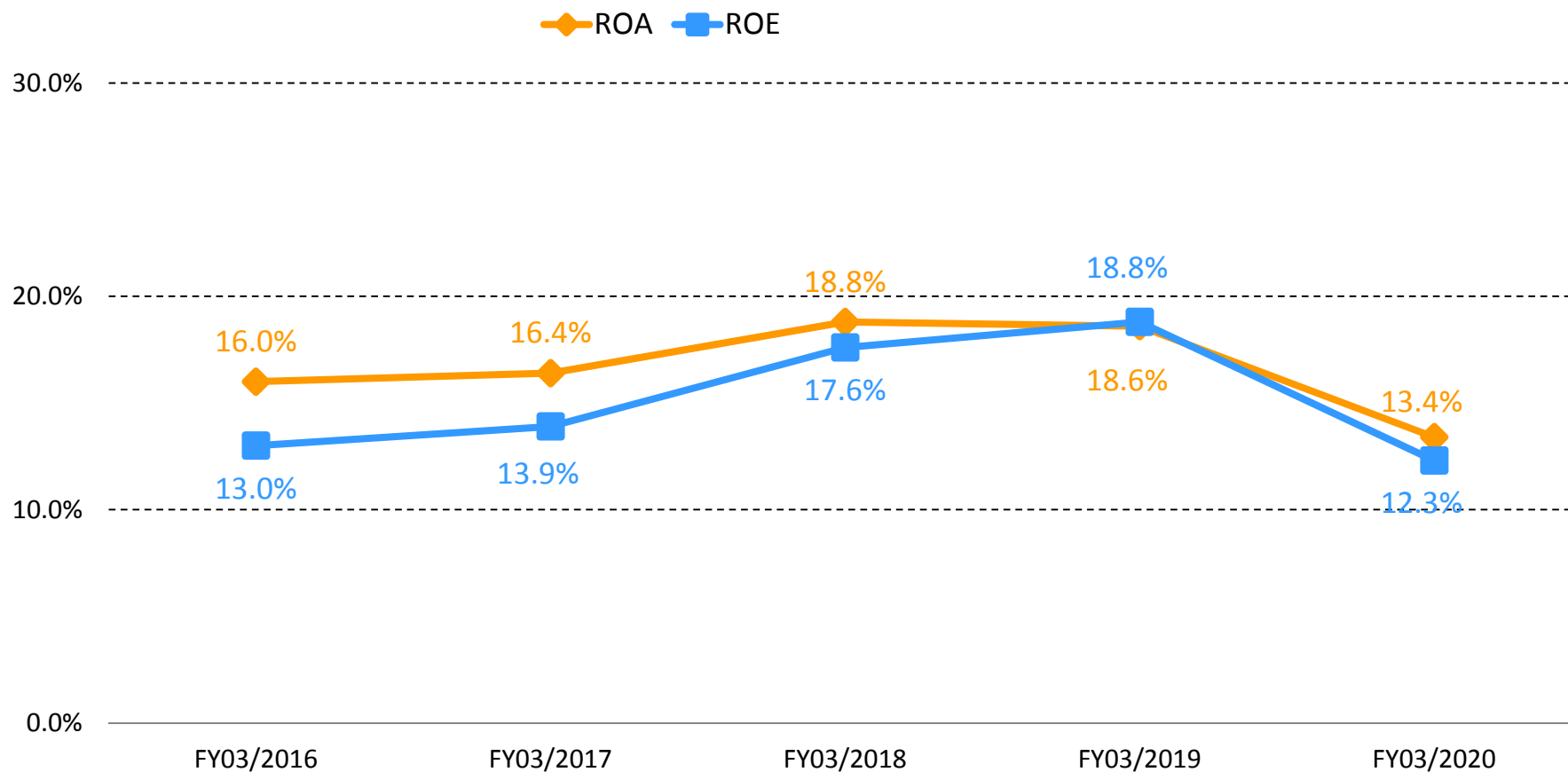
Inventories are increasing but quick assets remain high
Equity ratio is exceeded 70% due to an increase in non-current assets, mainly plant machinery and equipment

	As of March 31, 2018		As of March 31, 2019		As of March 31, 2020		Change (billion yen)
	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	
Current assets	187.1	69.2	205.2	68.4	204.4	66.2	(0.8)
Quick assets	133.3	49.3	139.1	46.4	135.9	44.0	(3.2)
Inventories	50.9	18.8	60.7	20.2	61.4	19.9	+0.6
Non-current assets	83.2	30.8	94.9	31.6	104.1	33.8	+9.2
Property, plant and equipment	48.0	17.8	56.8	19.0	66.0	21.4	+9.1
Intangible assets	16.3	6.1	15.6	5.2	14.7	4.8	(0.8)
Total assets	270.3	100.0	300.1	100.0	308.6	100.0	+8.4
Current liabilities	62.7	23.2	66.1	22.0	59.6	19.3	(6.4)
Non-current liabilities	8.9	3.3	9.2	3.1	8.7	2.8	(0.4)
Total liabilities	71.7	26.5	75.3	25.1	68.4	22.2	(6.9)
Total net assets	198.6	73.5	224.8	74.9	240.2	77.8	+15.3
Shareholders' equity	184.0	68.1	208.8	69.6	223.6	72.5	+14.8
Total liabilities and net assets	270.3	100.0	300.1	100.0	308.6	100.0	+8.4

Operating cash flow increases

Proactively invested for the expansion of manufacturing facilities and a new plant

	FY03/2018	FY03/2019	FY03/2020	YoY change (billion yen)
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)	
Cash flows from operating activities	+34.9	+32.9	+37.0	+4.1
Cash flows from investing activities	(10.3)	(20.6)	(19.0)	+1.6
Cash flows from financing activities	(16.4)	(10.4)	(11.4)	(1.0)
Change in cash and cash equivalents	+8.2	+0.3	+6.0	+5.6
Cash and cash equivalents at beginning of period	55.6	63.8	64.2	+0.3
Cash and cash equivalents at end of period	63.8	64.2	70.2	+6.0
Capital expenditures	10.0	18.5	19.2	+0.7
Depreciation	6.9	8.0	8.8	+0.8



ROA = (Operating profit + Interest and dividends) / Total assets (average at beginning and end of year) X 100

ROE = Profit / Shareholders' equity (average at beginning and end of year) X 100

Forecast lower sales and earnings in FY03/2021 due to expected continuation of the COVID-19 impact on economies

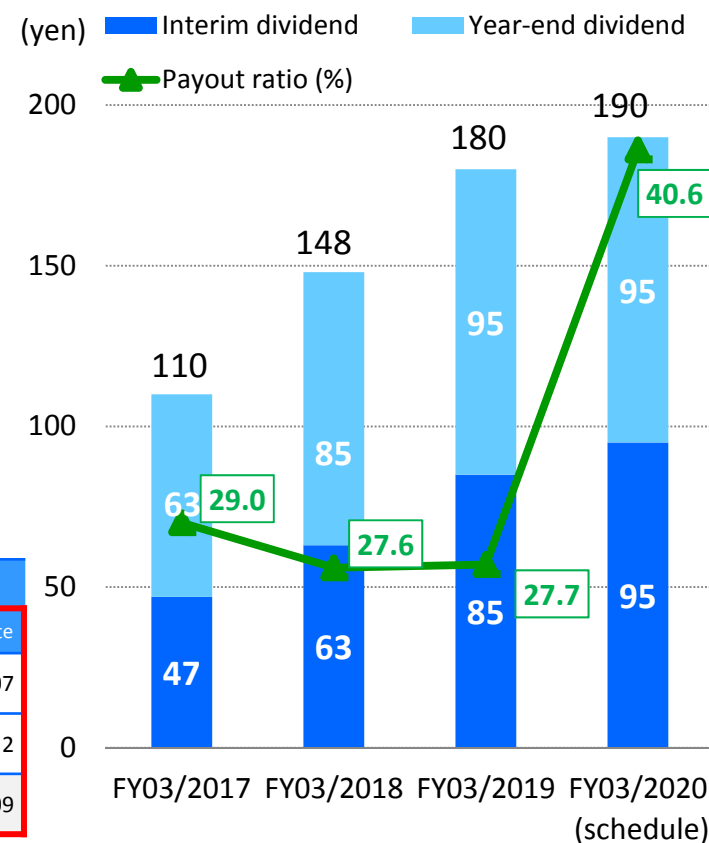
No decision at this time about the FY03/2021 dividend

Countries are enacting lockdowns, requesting people to stay home, restricting travel and taking other actions to combat the COVID-19 pandemic. These actions are restricting the movements of consumers, reducing opportunities to make purchases, and limiting business activities. Furthermore, there are concerns that the negative impact on consumer sentiment as well as on jobs and personal income will cause a long-term economic slowdown. This uncertain outlook makes it difficult to determine reliable business segment forecasts at this time.

	FY03/2020		FY03/2021		YoY change (billion yen)	YoY change (%)
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)		
Net sales	327.7	100.0	286.6	100.0	(41.1)	(12.5)
Operating profit	40.2	12.3	17.2	6.0	(23.0)	(57.2)
Ordinary profit	40.9	12.5	18.2	6.4	(22.7)	(55.5)
Profit attributable to owners of parent	26.6	8.1	12.5	4.4	(14.1)	(53.2)
Net income per share	467.76 yen		219.13 yen			

Capital expenditure	19.2	24.3
Depreciation	8.8	11.9

Foreign exchange rate		
Currency	Actual	Estimate
US dollar/Yen	109	107
Chinese yuan/Yen	15.8	15.2
Korean won/yen	0.09	0.09



1. FY03/2020 Results of Operations

Shinichi Mochizuki, Senior Executive Officer & CFO

2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

Become a company with exceptional customer loyalty

- A portfolio filled with extremely appealing brands -

- A company people envy A company everyone knows, envies and gives due respect
- A company like no other A distinctive company that is imbued with originality and similar to no other company
- A company people need A company that customers cannot live without, resulting in high ratios of repeat purchases and long-term customers

Become a company with a global presence

Become a company with a global presence

Basic Strategies

Three growth strategies

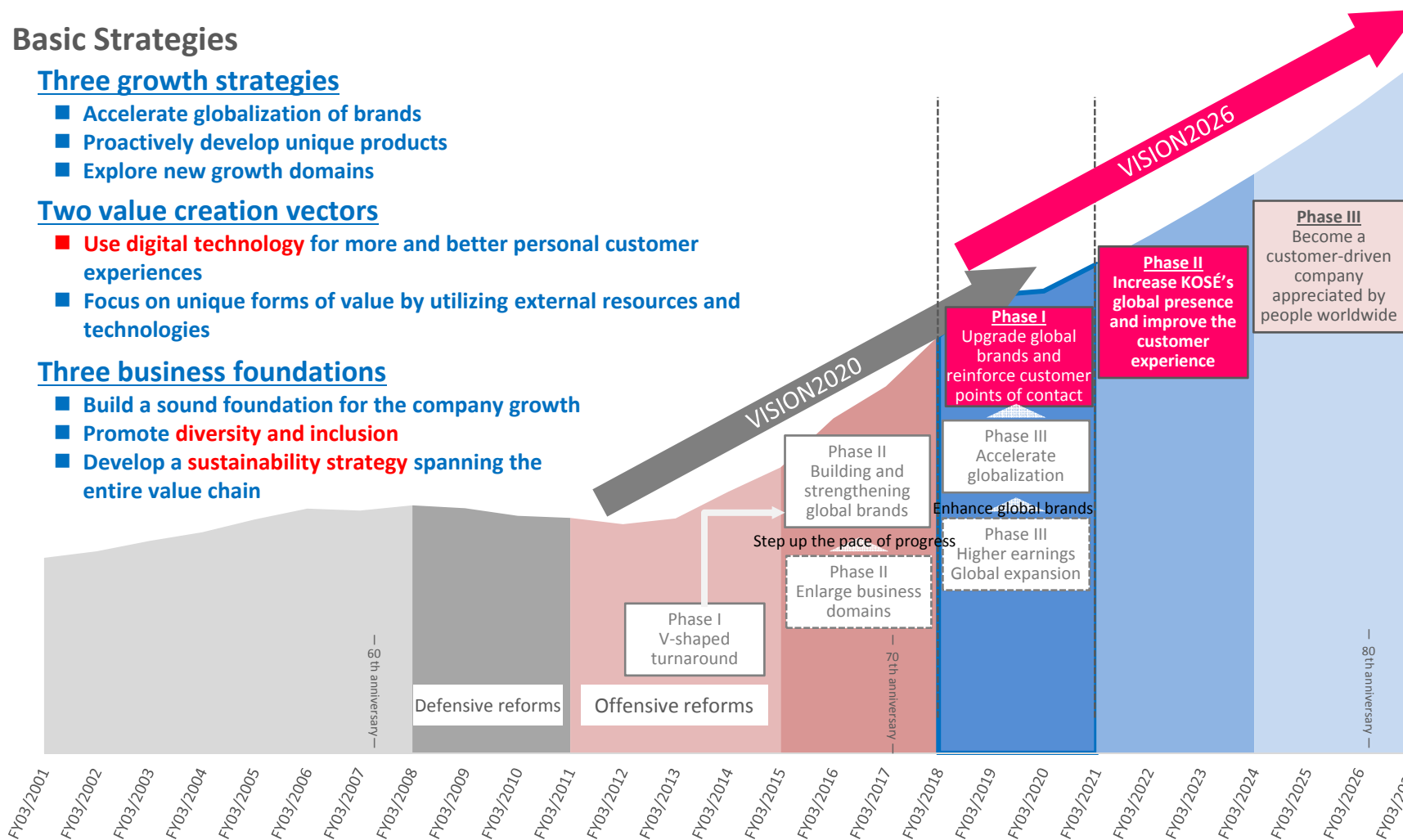
- Accelerate globalization of brands
- Proactively develop unique products
- Explore new growth domains

Two value creation vectors

- Use **digital technology** for more and better personal customer experiences
- Focus on unique forms of value by utilizing external resources and technologies

Three business foundations

- Build a sound foundation for the company growth
- Promote **diversity and inclusion**
- Develop a **sustainability strategy** spanning the entire value chain



FY03/2027 Performance Targets

<p>Net Sales ¥500 billion</p> <hr style="border-top: 1px dashed #ccc;"/> <p>Operating Margin 16% or more</p> <hr style="border-top: 1px dashed #ccc;"/> <table style="width: 100%; text-align: center;"> <tr> <td style="width: 50%;">ROA</td> <td style="width: 50%;">ROE</td> </tr> <tr> <td>18% or more</td> <td>15% or more</td> </tr> </table>	ROA	ROE	18% or more	15% or more	<p>Overseas Sales Ratio –Initiatives to heighten KOSÉ’s global presence–</p> <p>35% or more → 50% or more FY03/2020: 32.1%</p> <hr style="border-top: 1px dashed #ccc;"/> <p>E-commerce/TR Sales Ratio –Initiatives to target the increasingly diverse preferences of consumers–</p> <p>15% or more → 25% or more (E-commerce: 7% or more; TR: 18% or more) FY03/2020: 17.1%</p>
ROA	ROE				
18% or more	15% or more				

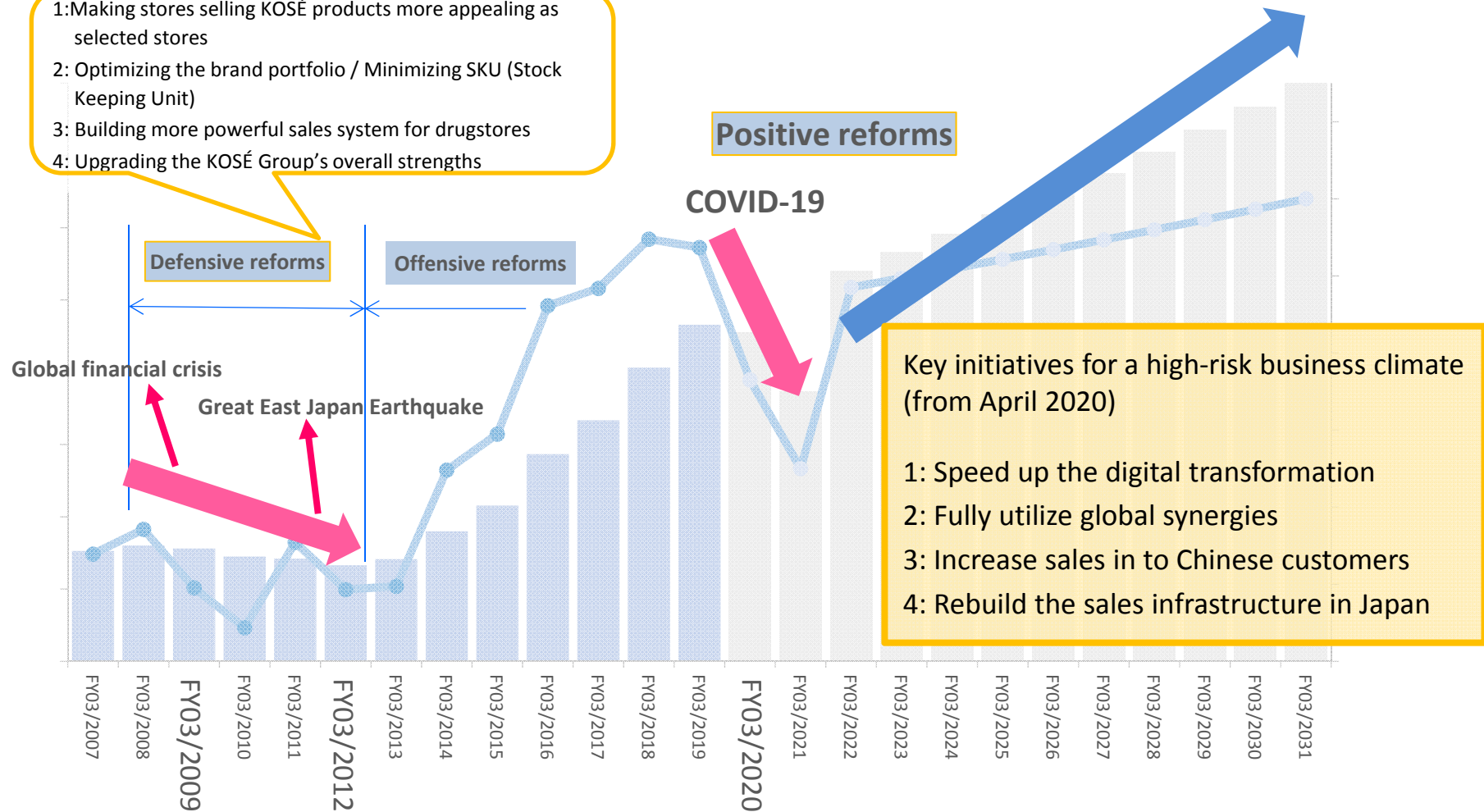
Global Benchmarks

Euromonitor Premium Beauty and Personal Care Ranking

Moving up to the **top 8 in the world ranking**

Use know-how gained during past crises to transform this crisis into opportunities and reach the 2026 sales goal of ¥500 billion

- 1: Making stores selling KOSÉ products more appealing as selected stores
- 2: Optimizing the brand portfolio / Minimizing SKU (Stock Keeping Unit)
- 3: Building more powerful sales system for drugstores
- 4: Upgrading the KOSÉ Group's overall strengths



Due to the sudden change in market conditions, a clear focus on steps needed for faster growth accompanied by rigorous actions to accomplish goals

Three growth strategies

Accelerate globalization of brands

Proactively develop unique products

Explore new growth domains

Two value creation vectors

Use **digital technology** for more and better personal customer experiences

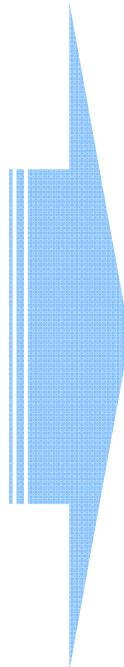
Focus on unique forms of value by utilizing external resources and technologies

Three business foundations

Build a sound foundation for the company growth

Promote **diversity and inclusion**

Develop a **sustainability strategy** spanning the entire value chain



Speed up the digital transformation

- Use Maison KOSÉ to reinforce brand development activities and provide new experiences for customers
- Establish the KOSÉ Beauty Platform and accelerate e-commerce growth in Japan and other countries
- Establish and reinforce the internal framework for using digital technologies

Fully utilize global synergies

- More KOSÉ-ALBION know-how sharing and cooperation for overseas growth
- More KOSÉ-Tarte know-how and resource sharing and joint activities

Target Chinese customers and expand travel retail business

- Start Tmall sales of COSME DECORTE AQ and SEKKISEI MYV/Make ALBION stronger
- Expand travel retail operations on a global scale

Reinforce current operations in Japan and create new value

- Structural transformation to improve profitability in Japan
- Create distinctive forms of value by combining existing business strengths with external resources (Open innovation/Beauty salon market and Pharmaceutical market)

Online/offline customer experiences by utilizing Maison KOSÉ and KOSÉ Beauty Platform

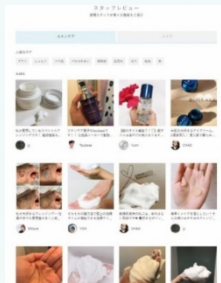
Experiences possible only online

Online counseling with the same high quality as at stores and extensive content for precisely meeting customers' needs

March 2020

Start of employee content distribution

→ Beauty consultants use Maison KOSÉ to post make-up pictures and skin care product information. Strengthening ties with e-commerce and the online provision of product information.



April & May 2020

#Stay Home Campaign

→ Temporarily increased the number of brands on KOSÉ's e-commerce site as people stay at home because of the COVID-19 crisis. DECORTÉ generated a very strong positive response.

On/offline linkage for strong ties with customers



Experiences possible only offline

Stores are a place for new communications where digital technology and hands-on experience converge. In a quest for next-generation beauty experiences, we provide innovative services that cover a broad spectrum of customers' needs.



December 2019

Opened Maison KOSÉ Ginza

Visual merchandising (VMD) encompassing many brands for more convenience, sales of Tarte products in Japan, and the use of digital technology to create a variety of experiences involving beauty

Key Initiatives (2) Fully Utilize Global Synergies

Overcoming challenges and aiming for more growth through the borderless sharing of resources to enable every company to use all of its strengths

ALBION

- Build a stronger organization for overseas operations and strengthen activities involving Tmall
- Concentrate on increasing the number of customers in Japan
- Enlarge and upgrade manufacturing, the key to creating products = A new factory will start operating in August

Tarte

- Continue marketing activities focused on this brand's core identity
- Maintain and increase the market shares of core categories
- Sell products in more areas (Europe)

KOSÉ COSMEPORT

- Focus resources on making softymo and SUNCUT® the next flagship brands along with CLEAR TURN
- Establish this brand in Asia, using China as the base, and strengthen sales activities in Asia

Using anniversary years of two KOSÉ major brands to step up global brand building activities



DECORTÉ

DECORTÉ reaches its 50th anniversary



雪肌精

SEKKISEI reaches its 35th anniversary

An even more powerful brand strategy for China and stronger and more expansive travel retail operations

<China>

- In addition to current Beijing and Shanghai operations, target southern China, which has excellent growth prospects, by reinforcing strategic actions in this area
- Accelerate digital strategy
 - Increase activities for cooperation with the Alibaba Group
 - Substantial online advertising expenditures (An increase of 80% YoY in FY03/2021)
- Sales channel structural reforms
 - More department store counters
 - Faster addition of SEKKISEI areas at Sephora stores in China



<Travel retail>

- New alliances with global retailers
 - Consider alliances with new business partners and development of/expansion to new regions (Europe, Middle East)
 - Stronger relationships with major duty-free retailers
- Establish KOSÉ Travel Retail Co., Ltd.
 - Create synergies between duty-free business targeting duty-free stores, in-flight sales and other activities and the amenity products business (in-flight, hotels)



Structural transformation to improve profitability in Japan and creation of distinctive forms of value by combining existing business strengths with external resources

Reorganization of existing business in Japan

- Reorganize operations to build a more powerful sales infrastructure in Japan
- More KOSÉ global sales counters to strengthen the appeal of KOSÉ brand value
- Even stronger ties among brands and creation/development of “star products” for every brand



Cooperation with external partners

New activities in FY3/2020



- July 2019 Established a jointly owned company
- The goal is to use the value of both companies to produce and sell consumer healthcare products that help people maintain healthy skin (Negotiations have started with retailers and sales are to begin in fall 2020)

Skin care pharmaceuticals



- Dec. 2019 KOSÉ selected Sunshine Delight at the Demo Day of the KOSÉ accelerator program, which aims to use external partners for the joint creation of new forms of value
- Plan to start demonstration trials in FY03/2021 for commercialization of Sunshine Delight in FY03/2022
- One goal is contributing to the Sustainable Development Goals through this UV project for protecting the skin and overall health from UV rays

Sunscreen for nursery schools

Ongoing joint activities



Personalized skin evaluation



Nail printer



Skincare and makeup products for hair salons



Quantum computing

KOSÉ Sustainability Principles

Creating Beauty in a Sustainable World

The KOSÉ Sustainability Plan was announced in April 2020.
There are themes: activities for people and activities for the Earth.

For people

Activity themes

For the Earth

■ A source of adaptable products and services

■ Support for a beautiful, healthy and happy life

■ Help create a world with true gender equality

■ Use the theme of beauty to help solve environmental issues

■ Environmental programs where KOSÉ operates

■ Lower the overall environmental impact of business operations



Fundamental Policy

Mind to Follow the Right Path

Primary categories

■ Sound corporate governance

■ Respect for human rights

■ Human resource development

■ Business operations with transparency and fairness

■ Quality that gives people complete confidence

■ Highest priority for customers

About KOSÉ Sustainability Plan URL https://www.kose.co.jp/company/ja/content/uploads/2020/04/kose_sustainability_plan20200430.pdf

The fiscal year end of KOSÉ will change from March 31 to December 31

One more step for the globalization of the KOSÉ Group

Purpose

Unifying KOSÉ's fiscal year with the financial periods of overseas consolidated subsidiaries will support the unified operation of businesses worldwide and facilitate the timely and proper disclosure of financial and other corporate information. This is expected to improve the transparency and quality of KOSÉ's management.

Fiscal Year Change and Timing

Current fiscal year end: March 31 (until March 31, 2021)

New fiscal year end: December 31 (from December 31, 2021)*

*The initial period ending December 31, 2021 will be a transitional nine-month fiscal period.

	FY03/2020			FY03/2021									FY12/2021 (Nine-month fiscal period)									FY12/2022														
After unification	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Consolidated subsidiaries in Japan				FY ending March 2021									FY ending December 2021 (transitional period)									FY ending December 2022														
Overseas group companies	FY ending December 2020												FY ending December 2021									FY ending December 2022														

General Meeting of Shareholders in June (tentative)

Note: The change in the fiscal year end will require the approval of an amendment to the Articles of Incorporation at the 79th Annual General Meeting of Shareholders to be held in June 2021.