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**Results of Operations**  
**Three Months Ended June 30, 2020**

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KOSÉ Corporation

July 31, 2020

**We extend our sincere sympathy to everyone affected by the heavy rain and flooding that occurred in Kyushu in July 2020.**

**The KOSÉ Group hopes to see areas affected by this disaster recover as quickly as possible.**

**KOSÉ Corporation**

## **Damaged stores selling KOSÉ products: 12**

## **Support for areas affected by this disaster**

- KOSÉ provided the following assistance while cooperating with the national and local governments and an industry association:  
Donation to Kumamoto prefecture of body towels, dry shampoo and other items with a value of approximately ¥10 million

## **Impact of this disaster on business operations**

- At this time, delays in product supply and recovery activities in damaged areas are not expected to have an effect on the fiscal year business plan.

**Sales and earnings decreased due to the novel coronavirus (COVID-19) pandemic**  
**Net sales: ¥60.0 billion (down 27% YoY); Operating profit: ¥1.1 billion (down 92% YoY)**

## Cosmetics

**Net sales: ¥47.8 billion (down 25% YoY); Operating profit: ¥5.9 billion (down 62% YoY)**

- ✓ Strong sales growth in the duty-free store and e-commerce channels, mainly for DECORTÉ, in China and South Korea
- ✓ Overall sales in major brands decreased

## Cosmetaries

**Net sales: ¥11.7 billion (down 30% YoY); Operating profit: ¥(2.5) billion (¥(1.2) billion in 1Q FY03/2020)**

- ✓ Strong sales of STEPHEN KNOLL NEW YORK
- ✓ Weak sales of makeup, sunscreen and cleansing products because people stayed home

## Japan

**Net sales: ¥34.8 billion (down 39% YoY); Sales to foreign tourists in Japan: ¥0.3 billion (down 96% YoY)**

- ✓ The number of foreign visitors plunged due to travel restrictions and Japanese consumers were reluctant to make purchase as governments asked people to stay home

## Asia

**Net sales: ¥16.7 billion (up 12% YoY)**

- ✓ E-commerce sales increased, mainly in China, as lockdowns forced people to stay home

## Europe & USA

**Net sales: ¥8.5 billion (down 17% YoY)**

- ✓ Sales declined as major retailers temporarily closed stores

**Net sales decreased 26.5% YoY but measures to hold down expenses resulted in operating profit of ¥1.1 billion**

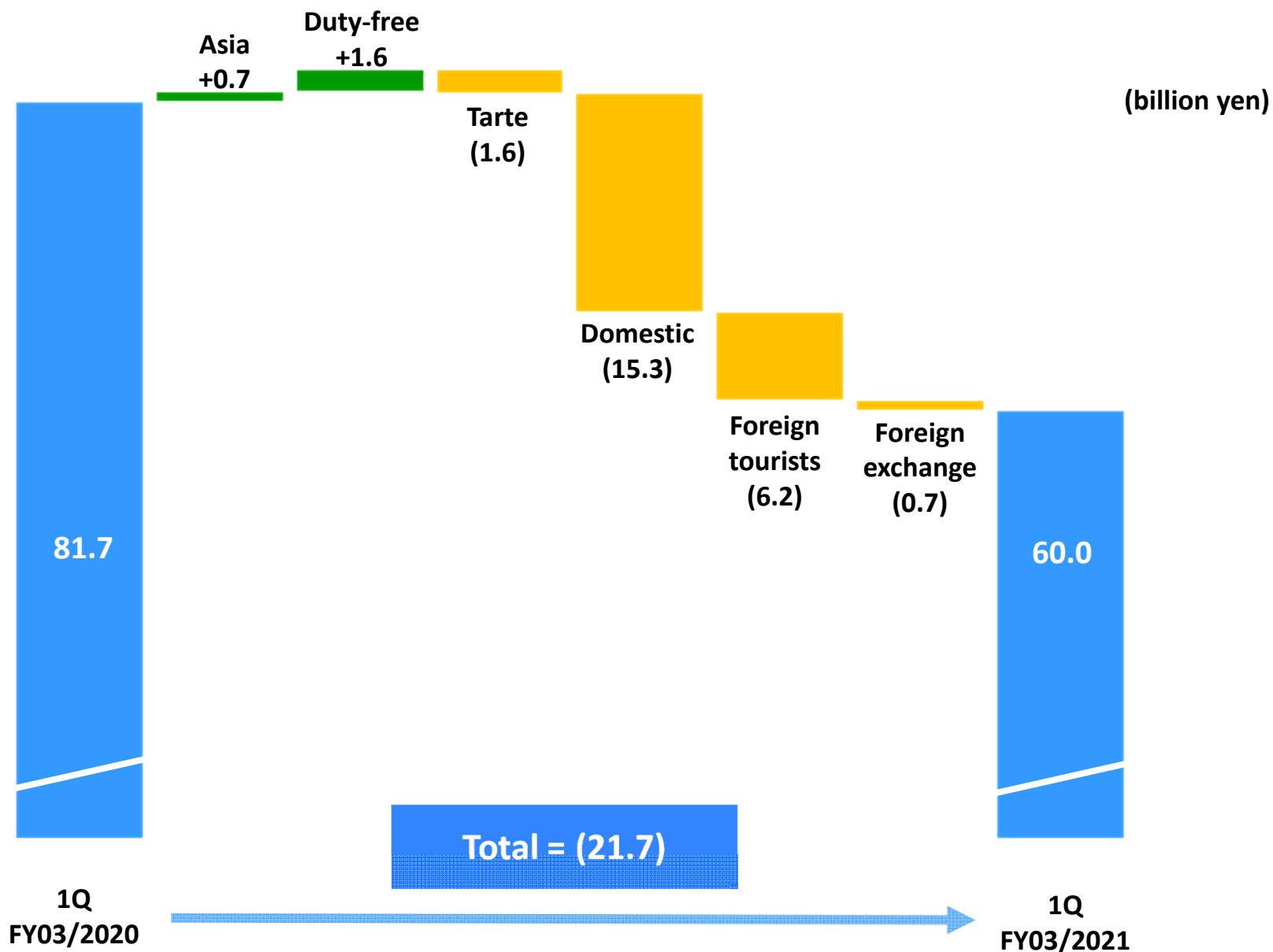
	1Q FY03/2020		1Q FY03/2021		YoY change	
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)
Net sales	81.7	100.0	60.0	100.0	(21.6)	(26.5) *note
Cost of sales	20.3	24.9	15.4	25.7	(4.8)	(24.0)
SG&A expenses	48.0	58.8	43.4	72.4	(4.5)	(9.5)
Operating profit	13.3	16.3	1.1	1.9	(12.2)	(91.6)
Ordinary profit	13.0	15.9	1.5	2.6	(11.4)	(88.0)
Profit before income taxes	12.8	15.8	2.5	4.2	(10.3)	(80.3)
Profit attributable to owners of parent	8.4	10.3	1.5	2.6	(6.8)	(81.0)
Net income per share	147.62 yen		27.90 yen		(119.72) yen	

Note: Net sales decreased 25.6% YoY after excluding the effects of changes in foreign exchange rates.

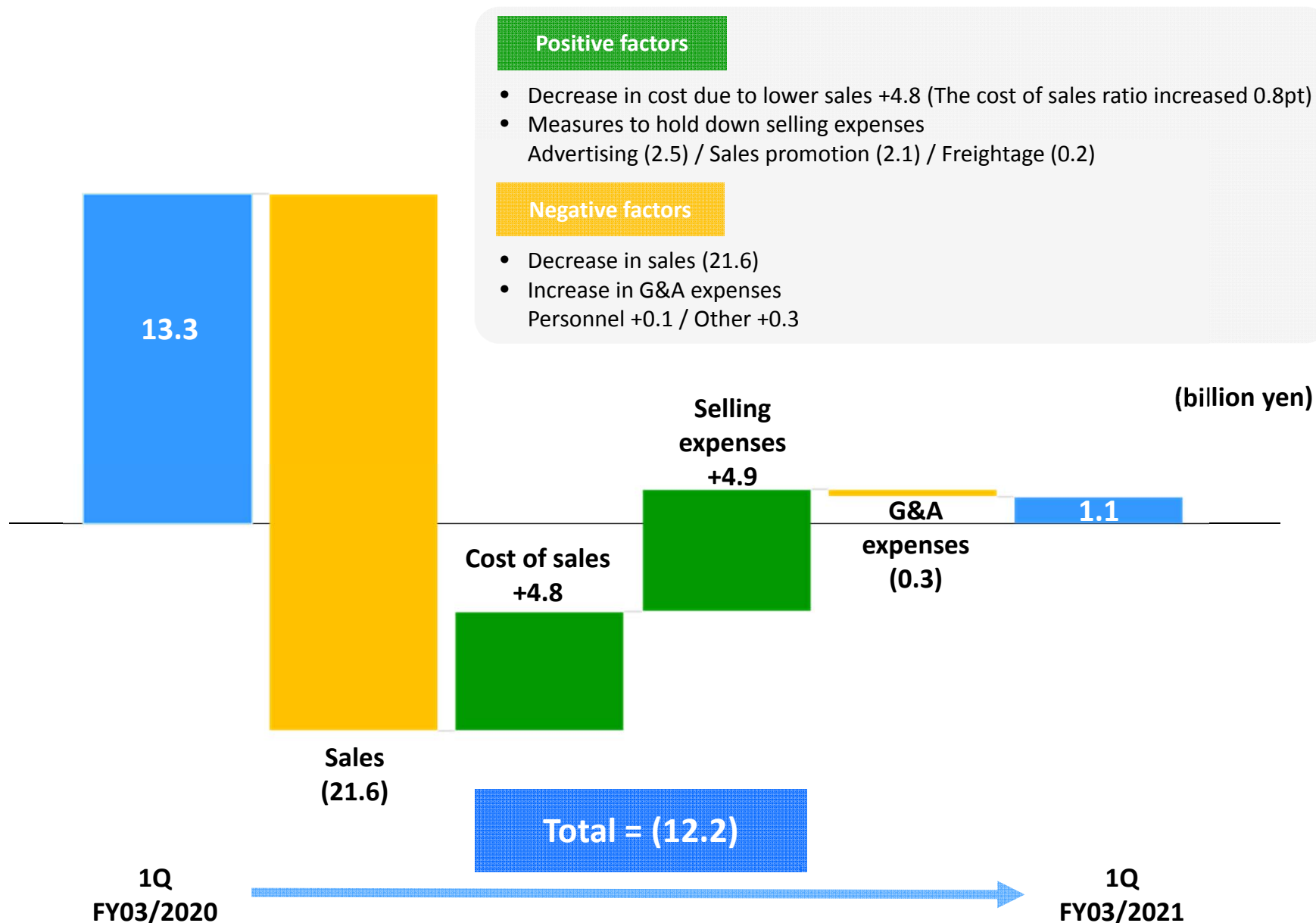
The cost of sales ratio increased due to lower sales and G&A expenses slightly increased  
Overall SG&A expenses decreased because of measures to hold down selling expenses

		1Q FY03/2020		1Q FY03/2021		YoY change	
		Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)
Cost of sales		20.3	24.9	15.4	25.7	(4.8)	(24.0)
SG&A expenses		48.0	58.8	43.4	72.4	(4.5)	(9.5)
<Significant accounts>							
Selling expenses	Sales promotion	14.9	18.3	12.8	21.3	(2.1)	(14.3)
	Advertising	5.6	6.9	3.1	5.2	(2.5)	(44.4)
	Freightage and packing	3.5	4.3	3.3	5.5	(0.2)	(7.1)
	Subtotal	24.1	29.6	19.2	32.1	(4.9)	(20.3)
General and administrative expenses	Personnel	14.6	18.0	14.8	24.7	+0.1	+1.0
	Others	6.5	8.0	6.9	11.6	+0.3	+5.8
	R&D	1.6	2.1	1.3	2.3	(0.2)	(17.7)
	Depreciation	0.9	1.2	1.0	1.8	+0.0	+10.1
Subtotal		23.9	29.3	24.2	40.4	+0.3	+1.4

# YoY Changes in Net Sales



# YoY Changes in Operating Profit





**Sales and earnings decreased at all segments**  
**Operating margin in the cosmetics segment was 12.5%**

### Net Sales by Segment (sales to third parties)

Segment	1Q FY03/2020	1Q FY03/2021	YoY change (billion yen)	YoY change (%)	Share (%)	
	Amount (billion yen)	Amount (billion yen)			1Q FY03/2020	1Q FY03/2021
Cosmetics	64.1	<b>47.8</b>	(16.2)	(25.4)	78.5	<b>79.7</b>
Cosmetaries	16.6	<b>11.7</b>	(4.9)	(29.7)	20.4	<b>19.5</b>
Other	0.9	<b>0.4</b>	(0.4)	(48.3)	1.1	<b>0.8</b>
Total	81.7	<b>60.0</b>	(21.6)	(26.5)	100.0	<b>100.0</b>

### Operating Profit by Segment (before elimination)

Segment	1Q FY03/2020	1Q FY03/2021	YoY change (billion yen)	YoY change (%)	Operating margin (%)	
	Amount (billion yen)	Amount (billion yen)			1Q FY03/2020	1Q FY03/2021
Cosmetics	15.6	<b>5.9</b>	(9.6)	(61.7)	24.4	<b>12.5</b>
Cosmetaries	(1.2)	<b>(2.5)</b>	(1.3)	-	(7.2)	<b>(21.5)</b>
Other	0.2	<b>0.0</b>	(0.2)	-	25.1	<b>4.6</b>
Adjustment	(1.4)	<b>(2.4)</b>	(0.9)	-	-	-
Total	13.3	<b>1.1</b>	(12.2)	(91.6)	16.3	<b>1.9</b>

**A relatively small decrease in DECORTÉ sales because of strong sales in Asia  
ALBION and COSMEPORT sales were severely affected by the decline in consumer spending in Japan**

FY03/2020					FY03/2021
YoY changes in sales, %	1Q	2Q	3Q	4Q	1Q
Consolidated sales	+1.6	+10.6	(9.9)	(7.5)	(26.5)
Cosmetics	+3.9	+13.5	(11.9)	(8.3)	(25.4)
High prestige	+8	+16	(8)	(6)	(22)
DECORTÉ	+28	+37	(3)	(5)	(10)
ALBION	(1)	+10	(12)	(10)	(34)
Tarte	±0	+1	(15)	+5	(17)
Prestige *note	(12)	+5	(26)	(16)	(38)
Cosmetaries	(8.1)	+0.2	(2.3)	(4.6)	(29.7)
COSMEPORT	(8)	+6	+9	(6)	(32)
Other	(8)	(8)	(16)	(1)	(26)

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 decline in sales in Japan and growth in Asia from January to March increased the ratio of overseas sales to 42%

Area	1Q FY03/2020		1Q FY03/2021		YoY change (billion yen)	YoY change (%)
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)		
Japan	56.5	69.2	<b>34.8</b>	<b>58.0</b>	(21.7)	(38.5)
Asia	14.8	18.2	<b>16.7</b>	<b>27.9</b>	+1.8	+12.1
North America	8.7	10.7	<b>7.6</b>	<b>12.7</b>	(1.0)	(12.3)
Other	1.5	1.9	<b>0.8</b>	<b>1.5</b>	(0.6)	(41.9)
Total	81.7	100.0	<b>60.0</b>	<b>100.0</b>	(21.6)	(26.5)
Overseas sales	25.1	30.8	<b>25.2</b>	<b>42.0</b>	+0.0	+0.4

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

EC: 9.9% (Previous year: 5.2%)

Travel retail: 18.2% (Previous year: 10.3%)

Sales fell 39% as people lost interest in going shopping due to orders to stay home and store closings following the declaration of a state of emergency on April 7, 2020.

## Sales in Japan (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q	34.8	(21.7)	(38.5)
Sales to foreign tourists	0.3	(6.2)	(95.6)

## Market Trends

- Total cosmetics monetary sales and sales volume were down from one year earlier
- Negative consumer sentiment because of the need to stay home
- Store closings and reduced hours due to COVID-19 pandemic
- Significant decline in the number of foreign visitors because of lockdowns and travel restrictions

## KOSÉ

### Overall

- Weak sales of makeup, sunscreen and other products because people stayed home

### Channels

- Department stores reduced direct customer contact due to COVID-19
- E-commerce sales increased as people stayed home

### Brands

- Big downturns in sales of major brands such as DECORTÉ, ALBION and SEKKISEI

January-March 2020 sales increased despite COVID-19 because of sales growth in the duty-free store and e-commerce channels in China and South Korea

## Sales in Asia (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q	16.7	+1.8	+12.1

## YoY growth of major subsidiaries in Asia

	YoY change (local currency basis)	YoY change (yen basis)
KOSÉ KOREA	+24%	+15%
KOSÉ CHINA	+17%	+12%
Online	+59%	-
Offline	(41)%	-

## Market Trends

- China**
  - January-February was the peak of the COVID-19 outbreak
  - Businesses were ordered by the government to suspend operations in Wuhan and some other areas
- South Korea**
  - February-March was the peak of the COVID-19 outbreak
  - Foreign visitors were down about 50% from the monthly average one year earlier in the first three months of 2020
- Taiwan  
Hong Kong**
  - Taiwan: Entry restrictions are in place since March
  - Hong Kong: Entry restrictions are in place since March; business restrictions have been tightened in some sector

## KOSÉ

- China**
  - Many stores temporarily closed or reduced hours, but operations slowly started returning to normal in March, showing a sign of recovery
  - Online demand increased rapidly
  - E-commerce is about 80% of sales with growth of about 60%
- South Korea**
  - January-March sales increased despite the negative impact of travel restrictions on the duty-free store channel
  - Online demand increased; sales growth rate is very high for DECORTÉ products
- Taiwan  
Hong Kong**
  - Sales decreased in Taiwan and Hong Kong

**Major retailers have temporarily closed stores and some filed for Chapter 11 because of the rapid growth of COVID-19 infections that started in March**

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

	Results	YoY change (amount)	YoY change (%)
1Q	8.5	(1.7)	(16.7)

\* In June 2020, KOSÉ purchased the remaining shares of Tarte, Inc. held by Maureen Kelly, a founder and the current CEO of Tarte (about 2% of all shares issued), making Tarte a wholly owned subsidiary.

## Market Trends

- Governments have imposed lockdowns due to the rapid growth of COVID-19 infections that started in March
- 2020 1Q GDP decreased at an annual rate of 4.8% in North America (advance estimate)

## Tarte

- Overall**
  - Sales: (1Q, \*Global, including Asia)  
Current fiscal year: ¥8.5 billion (Previous fiscal year: ¥10.3 billion)
  - Europe sales growth was not enough to offset lower U.S. sales
- USA**
  - Major retailers closed stores for an extended time starting in March and Ultra and Sephora temporarily closed all stores in the middle of March
  - E-commerce sales were higher, including tarte.com and all other EC channels
- Europe**
  - Sephora temporarily closed all stores in March, excluding a few countries
  - Sephora has reduced the pace of new store openings because of the COVID-19 crisis

**Both accounts receivable decreased due to lower sales and inventories increased while short-term borrowings increased, equity ratio remained over 70%**

	As of June 30, 2019		As of June 30, 2020		Change (billion yen)
	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	
<b>Current assets</b>	204.4	66.2	<b>193.6</b>	<b>64.6</b>	(10.7)
Cash and deposits	97.5	31.6	<b>82.2</b>	<b>27.4</b>	(15.3)
Accounts receivable	38.3	12.4	<b>34.3</b>	<b>11.5</b>	(3.9)
Inventories	61.4	19.9	<b>68.8</b>	<b>23.0</b>	+7.4
<b>Non-current assets</b>	104.1	33.8	<b>106.2</b>	<b>35.4</b>	+2.1
Property, plant and equipment	66.0	21.4	<b>67.2</b>	<b>22.4</b>	+1.1
Intangible assets	14.7	4.8	<b>14.2</b>	<b>4.8</b>	(0.5)
<b>Total assets</b>	308.6	100.0	<b>299.9</b>	<b>100.0</b>	(8.6)
<b>Current liabilities</b>	59.6	19.3	<b>61.4</b>	<b>20.5</b>	+1.7
Accounts payable	21.7	7.0	<b>26.7</b>	<b>8.9</b>	+5.0
Short-term borrowings	0.7	0.2	<b>7.7</b>	<b>2.6</b>	+6.9
<b>Non-current liabilities</b>	8.7	2.8	<b>9.1</b>	<b>3.1</b>	+0.4
<b>Total liabilities</b>	68.4	22.2	<b>70.5</b>	<b>23.5</b>	+2.1
<b>Total net assets</b>	240.2	77.8	<b>229.3</b>	<b>76.5</b>	(10.8)
Shareholders' equity	223.6	72.5	<b>213.6</b>	<b>71.2</b>	(9.9)
<b>Total liabilities and net assets</b>	308.6	100.0	<b>299.9</b>	<b>100.0</b>	(8.6)

Operating, investing and financing cash flows were all negative, resulting in cash outflows of ¥14.2 billion, but overall cashflow remains stable

	1Q FY03/2020	1Q FY03/2021	Change (billion yen)
	Amount (billion yen)	Amount (billion yen)	
Cash flows from operating activities	+7.3	<b>(8.6)</b>	(15.9)
Cash flows from investing activities	+0.4	<b>(0.7)</b>	(1.1)
Cash flows from financing activities	(5.5)	<b>(3.7)</b>	+1.8
Change in cash and cash equivalents	+1.7	<b>(14.2)</b>	(16.0)
Cash and cash equivalents at beginning of period	64.2	<b>70.2</b>	+6.0
Cash and cash equivalents at end of period	66.0	<b>56.0</b>	(10.0)

	1Q FY03/2020	1Q FY03/2021	Change (billion yen)
	Amount (billion yen)	Amount (billion yen)	
Capital expenditures	3.3	<b>3.8</b>	+0.4
Depreciation	1.8	<b>1.9</b>	+0.1



**No revisions to the FY03/2021 earnings forecast at this time**  
**FY03/2021 dividend has not yet been determined**

	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	<b>286.6</b>	<b>100.0</b>	(41.1)	(12.5)															
Operating profit	40.2	12.3	<b>17.2</b>	<b>6.0</b>	(23.0)	(57.2)															
Ordinary profit	40.9	12.5	<b>18.2</b>	<b>6.4</b>	(22.7)	(55.5)															
Profit attributable to owners of parent	26.6	8.1	<b>12.5</b>	<b>4.4</b>	(14.1)	(53.2)															
Net income per share	467.76 yen		<b>219.13 yen</b>																		
					<table border="1"> <thead> <tr> <th colspan="3">Foreign exchange rate</th> </tr> <tr> <th>Currency</th> <th>Actual</th> <th>Estimate</th> </tr> </thead> <tbody> <tr> <td>US dollar/Yen</td> <td>109</td> <td>107</td> </tr> <tr> <td>Chinese yuan/Yen</td> <td>15.8</td> <td>15.2</td> </tr> <tr> <td>Korean won/Yen</td> <td>0.09</td> <td>0.09</td> </tr> </tbody> </table>		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
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																			
Capital expenditure	19.2		<b>24.3</b>																		
Depreciation	8.8		<b>11.9</b>																		

## Evaluation of Initial Outlook / As of June 30, 2020

Area	Initial outlook (local currency basis)	Evaluation
Japan	(10) to (20)%	▲
China	+20 to +30%	△
South Korea	(10) to (20)%	○
Tarte	Around (50)%	○

### Positive factors

- Rapid recovery in China
- Strong online channel sales

### Negative factors

- Prolonged downturn in consumer spending in Japan
- Emergence of a second wave of COVID-19

Supplementary Information (1)  
Topics in the First Quarter of FY03/2021  
&  
New Products and Promotional Activities  
in the Second Quarter of FY03/2021 Onward

**KOSÉ is reducing exposure to risk while using an offensive posture to convert today’s difficulties into opportunities. Our objective is to optimize operations for the new COVID-19 driven business climate by creating a new product plan and making revisions and other adjustments to promotions, how we interact with customers and other aspects of our operations.**

	Products	Promotions, customer contact
Convert difficulties into opportunities	<ul style="list-style-type: none"> <li>Add new products that target sectors where COVID-19 is expected to increase demand</li> </ul>	<ul style="list-style-type: none"> <li>More services and content</li> <li>Increase e-commerce sales channels and add products sold online</li> <li>Develop online counseling tools</li> <li>Make the best use of the KOSÉ Beauty Platform</li> </ul>
Reduce risk exposure	<ul style="list-style-type: none"> <li>Review the new product plan and reduce the number of SKUs</li> <li>Rigid inventory control</li> </ul>	<ul style="list-style-type: none"> <li>Review schedule of plans for promotional activities</li> </ul>

◆ **Switch to a focus on products that target shifts in life styles and consumption patterns caused by COVID-19**

- (1) Sell products that protect makeup even when wearing a face mask all day
  - (2) Increase production and sales of merchandise associated with the increasing demand for hygiene products
  - (3) Increase the lineup of eye products due to the growing interest in makeup when wearing a face mask
- Continue to launch many products in the second quarter of FY03/2021 onward that target demand involving COVID-19



◆ **Preserve customer ties even as stay-at-home orders and distancing reduce opportunities for customer interactions**

For DECORTÉ, use membership data at the KOSÉ head office to send cards with messages and a Prime Latte mask to special members.

→ These activities are generating an enormous positive response, including messages of appreciation and favorable SNS posts.

Ideas for beauty care at home



A Prime Latte mask



## ◆ Growth of e-commerce due to the change in consumption patterns

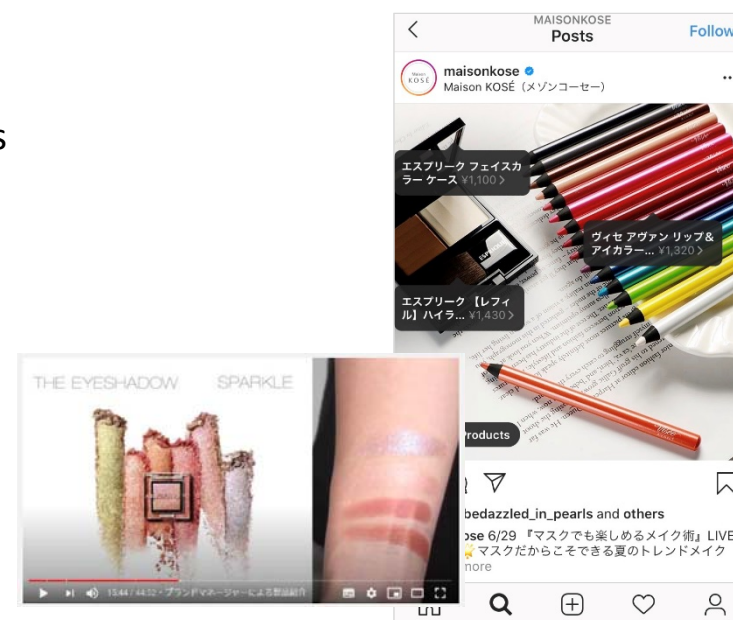
Activities for the Maison KOSÉ website

- (1) The Stay Home Campaign has sparked a big increase in Maison KOSÉ e-commerce sales
- (2) More content from KOSÉ employees to encourage customers to use Maison KOSÉ website
- (3) Started online sales of SEKKISEI products in July



## ◆ More use of digital platforms for promotions and information distribution

- (1) Use online meetings for announcements of new products
  - (2) Use Maison KOSÉ and the SNS accounts of KOSÉ brands for the live distribution of beauty care information and for explanations of new products
    - Emphasis on information about makeup techniques when wearing a face mask and special beauty care methods for use at home
- After viewing an article, website users are taken to a page with merchandise information and a link for making purchases



## ◆ June 2020 Opened ALBION PHILOSOPHY in Yokohama

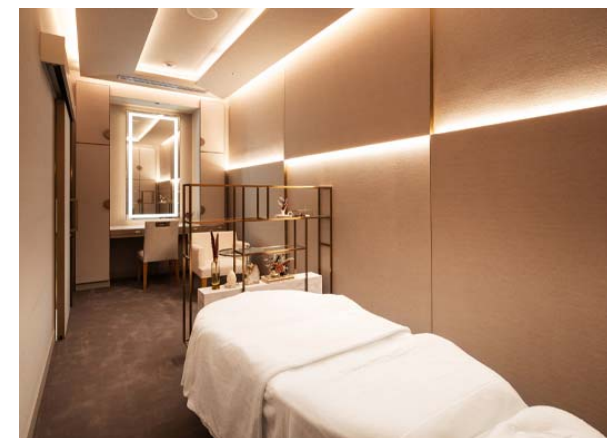
This innovative space is divided into eight zones, including an open laboratory and treatment salon. All activities are centered on the concept of seeking happiness. Customers can enjoy services that are available nowhere else. ALBION PHILOSOPHY is also a source of new ideas and information.



ALBION PHILOSOPHY occupies about 230 sq. meters at the NEWoMan YOKOHAMA shopping mall



Cosmetics are fabricated at open laboratory LAB



THE BED specializes in facial and body treatments

# SEKKISEI

雪肌精

## ◆ Celebrating the 35th anniversary in Sept. 2020 with the first rebranding

Announcing the new SEKKISEI CLEAR WELLNESS series



The goal is to establish in markets worldwide SEKKISEI as brand that was created in Japan by using the alphabet as its main logo and collaborations with Japanese celebrities while linking the brand with environmental sustainability by incorporating in products characteristics that help protect the environment and using other measures.

**SEKKISEI CLEAR WELLNESS** will be launched as the core series of products for this new brand.

- Launch: September 16, 2020
- Products: 10 products and 10 product types, limited edition of 2 products and 2 product types (all with no prices printed on packaging)



Effective type with transparency



Free type with low stimulation



Environmentally responsible packaging

# DECORTÉ

◆ Many new products for the 50th anniversary



August 2020

Launch of THE SKIN CUSHION FOUNDATION FRESH, update of base makeup products, and launch of a new AQ Point Makeup series



September 2020

Launch of LIFT DIMENSION skin care product line up for a new type of aging care\*

\*Specially formulated for aging skin care



# ALBION



**To be released on August 17, 2020**  
**ALBION VERY RARE AIR**



**To be released on September 18, 2020**  
**EXCIA**  
**(Update of the existing skin care series)**

## ADDICTION TOKYO



**To be released in August 2020**  
**Updated 99-color**  
**The EYE SHADOW**

## ONE BY KOSÉ



**To be released in September 2020**  
**SERUM VEIL by ONE BY KOSÉ**

◆ Cosmetaries new products



To be released in August 2020  
Softymo clear\_pro by KOSÉ Cosmeport



To be released in August 2020  
Softymo Sanitizing Wipes  
FORTUNE Fragrance Hand Refresh Gel



To be released in September 2020  
Multi-task mascara Curl Keep Magic

◆ Creation of new value by working with an external partner

# KOSÉ Maruho Pharma

The new Carté Hirudoid highly-functional skin care products combine the technologies and expertise of KOSÉ and Maruho



Carté Hirudoid products incorporate Maruho’s “heparin-like HD” for helping the skin retain moisture and KOSÉ’s technology in creating formulations that are easy and comfortable to use. Sold as quasi-drug products, Carté Hirudoid will meet the need for daily-use skin care products for dealing with dry skin.

- Launch: September 16, 2020
  - Products: Carté Hirudoid (quasi-drug), 4 products/6 types
    - Trial set (quasi-drug), 1 product/1 type  
(Trial sets are sold only on the KOSÉ Maruho Pharma e-commerce site)
    - \*No prices printed on packaging of any products
  - Sales channels: Some drugstores and e-commerce\*1
- \*1 Carté Hirudoid products will be sold only on the Maison KOSÉ e-commerce site and the e-commerce site of KOSÉ Maruho Pharma, which is to begin operating on October 1, 2020. The trial sets will be sold only on the KOSÉ Maruho Pharma e-commerce site starting on October 1, 2020.

\*KOSÉ Maruho Pharma Co., Ltd.

KOSÉ Maruho Pharma was established on July 31, 2019 as a platform for using a new approach in order to create products that combine the sensual value of cosmetics with the functional value of drugs. The objective of this company is the provision of comprehensive skin care products capable of precisely matching the differing skin issues of each individual and daily changes in skin condition. Products encompass quasi-drug products for daily skin care and the prevention of problems as well as over-the-counter drugs for self-medication.

# Supplementary Information (2)

## VISION2026 and Medium-term Business Plan

## Become a company with exceptional customer loyalty

- A portfolio filled with extremely appealing brands -

Admired..... A company everyone knows, admires and respects

One of a kind..... A distinctive company that is imbued with originality and similar to no other company

Irreplaceable..... 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

## FY03/2027 Performance Targets

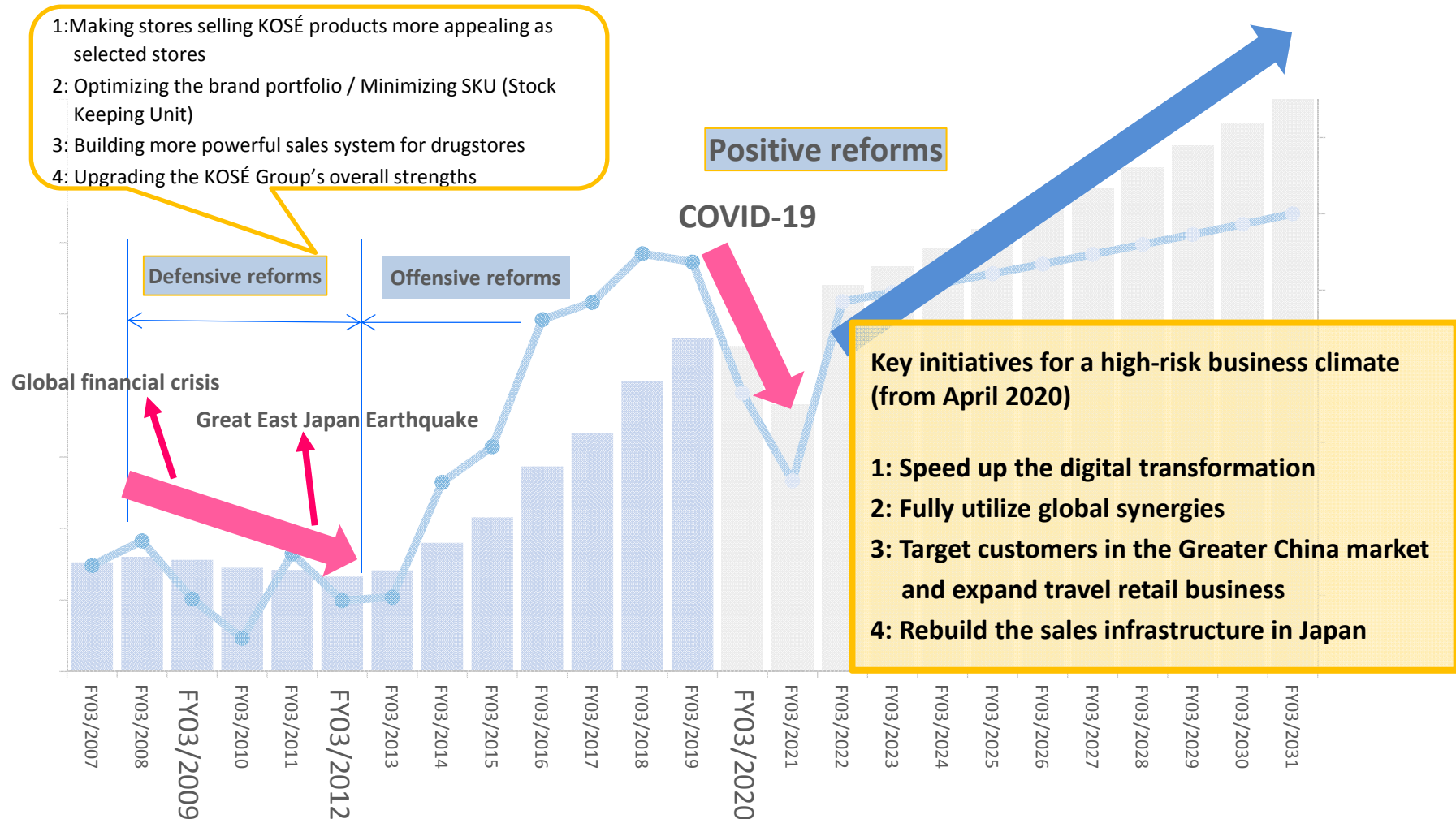
<p><b>Net Sales</b> <b>¥500 billion</b></p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>Operating Margin</b> <b>16% or more</b></p> <hr style="border-top: 1px dashed #ccc;"/> <table style="width: 100%; text-align: center;"> <tr> <td style="width: 50%;"><b>ROA</b></td> <td style="width: 50%;"><b>ROE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

## 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





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

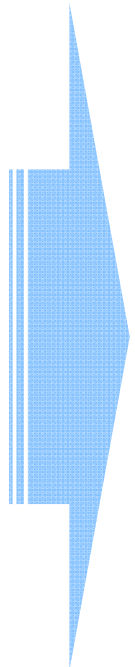
Focus on unique forms of value by utilizing external resources and technologies

## 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

## 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 50<sup>th</sup> anniversary



### 雪肌精

SEKKISEI reaches its 35<sup>th</sup> 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/en/content/uploads/2020/04/kose\\_sustainability\\_plan20200430.pdf](https://www.kose.co.jp/company/en/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.