
Results of Operations
Fiscal Year Ended March 31, 2021



KOSÉ Corporation

April 30, 2021

1. FY03/2021 Results of Operations

Shinichi Mochizuki, Senior Executive Officer & CFO

2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

3. Supplementary Information

Sales and earnings decreased due to the novel coronavirus (COVID-19) pandemic

Net sales: ¥279.3 billion (down 15% YoY); Operating profit: ¥13.2 billion (down 67% YoY)

<p>Cosmetics</p>	<p>Net sales: ¥218.4 billion (down 13% YoY); Operating profit: ¥18.6 billion (down 58% YoY)</p> <ul style="list-style-type: none"> ✓ Strong sales growth in China in all sales channels, mainly for DECORTÉ ✓ Overall sales in major brands decreased
<p>Cosmetaries</p>	<p>Net sales: ¥58.4 billion (down 19% YoY); Operating profit: ¥(60) million (¥200 million in FY03/2020)</p> <ul style="list-style-type: none"> ✓ Strong sales of Lip Gel Magic, GRACE ONE, Coen Rich, which are products associated with demand created by the COVID-19 crisis ✓ Weak sales of cleansing and haircare products because people stayed home

<p>Japan</p>	<p>Net sales: ¥167.4 billion (down 25% YoY); Sales to foreign tourists in Japan: ¥2.3 billion (¥17.0 billion in FY03/2020)</p> <ul style="list-style-type: none"> ✓ 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
<p>Asia</p>	<p>Net sales: ¥82.1 billion (up 28% YoY)</p> <ul style="list-style-type: none"> ✓ In China, sales increased in all channels after the lockdown ended; sales were weak in other countries
<p>Europe & USA, other</p>	<p>Net sales: ¥29.8 billion (down 27% YoY)</p> <ul style="list-style-type: none"> ✓ Almost all stores reopened, but lockdowns and restrictions on going out had a big negative impact on sales. EC sales were up significantly.

Consolidated Income Statement Highlights



Net sales decreased 14.7% YoY but measures to hold down expenses resulted in operating profit of ¥13.2 billion

	FY03/2019		FY03/2020		FY03/2021		YoY change		Vs initial plan (announced on April 30, 2020)		Vs revised plan (announced on January 29, 2021)	
	Amount (billion yen)	Ratio to net sales (%)	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	332.9	100.0	327.7	100.0	279.3	100.0	(48.3)	(14.7)	(7.2)	(2.5)	(0.6)	(0.2)
Cost of sales	88.6	26.6	88.7	27.1	77.4	27.7	(11.2)	(12.7)	-	-	-	-
SG&A expenses	191.9	57.7	198.7	60.7	188.6	67.5	(10.1)	(5.1)	-	-	-	-
Operating profit	52.4	15.7	40.2	12.3	13.2	4.8	(26.9)	(67.0)	(3.9)	(22.7)	+0.2	+2.3
Ordinary profit	53.9	16.2	40.9	12.5	18.7	6.7	(22.1)	(54.2)	+0.5	+3.0	+2.7	+17.2
Profit before income taxes	54.9	16.5	40.3	12.3	19.5	7.0	(20.8)	(51.7)	-	-	-	-
Profit attributable to owners of parent	37.0	11.1	26.6	8.1	11.9	4.3	(14.6)	(55.1)	(0.5)	(4.1)	+0.9	+9.0
Net income per share	648.71 yen		467.76 yen		210.11 yen		(257.65) yen		(9.02) yen		+17.29 yen	
ROA	18.6%		13.4%		4.5%							
ROE	18.8%		12.3%		5.3%							

Note: Net sales were ¥281.1 billion or down 14.2% YoY after excluding the effects of changes in foreign exchange rates
 Note: Non-operating income: COVID-19 subsidies ¥3.3 billion

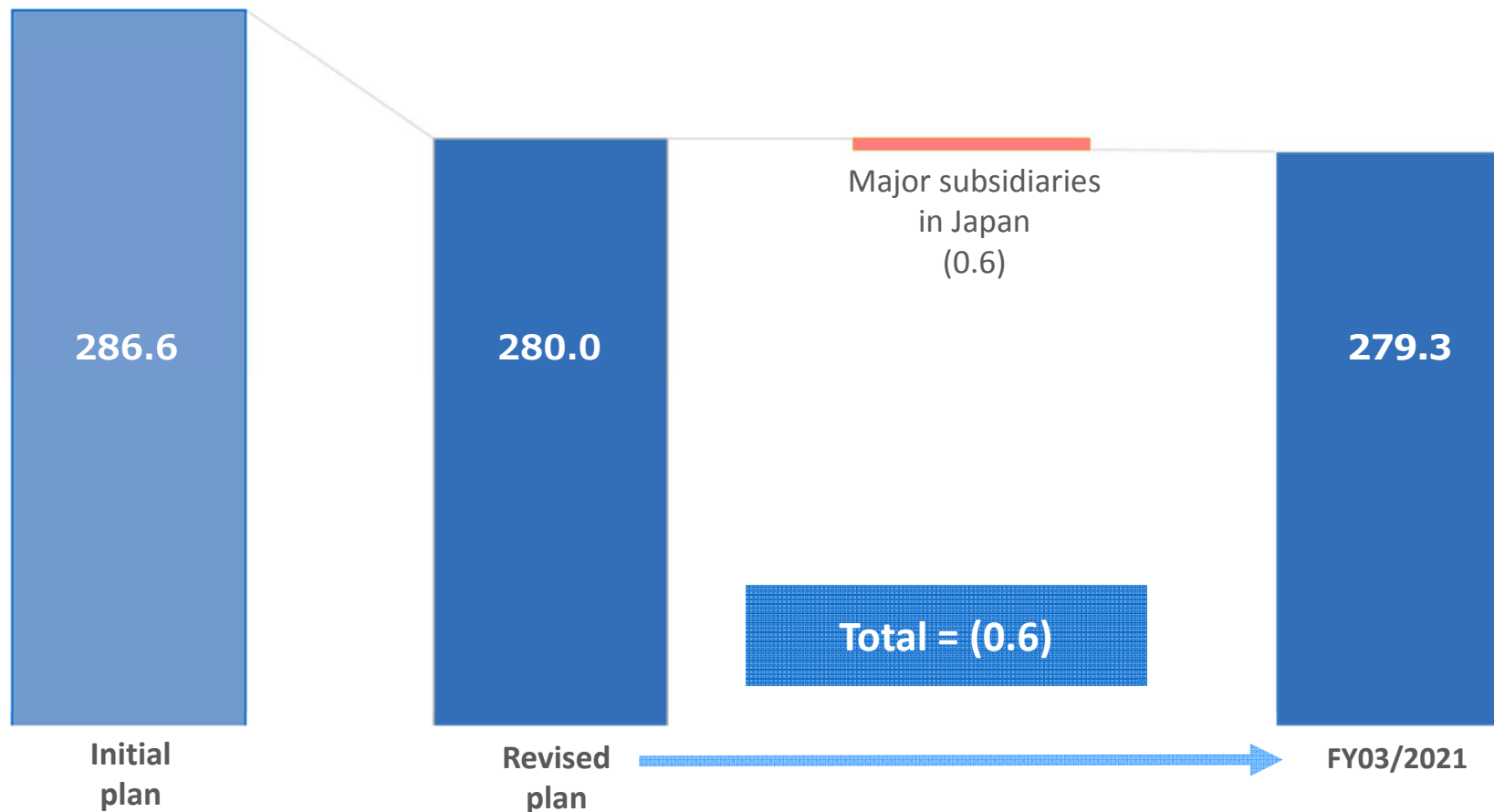
The cost of sales ratio and SG&A expense ratio increased due to lower sales but overall SG&A expenses decreased

		FY03/2019		FY03/2020		FY03/2021		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		88.6	26.6	88.7	27.1	77.4	27.7	(11.2)	(12.7)
SG&A expenses		191.9	57.7	198.7	60.7	188.6	67.5	(10.1)	(5.1)
<Significant accounts>									
Selling expenses	Sales promotion	61.4	18.5	65.4	20.0	60.3	21.6	(5.1)	(7.8)
	Advertising	23.4	7.0	21.4	6.6	20.2	7.2	(1.2)	(5.9)
	Freightage and packing	14.0	4.2	15.2	4.6	15.4	5.5	+0.2	+1.7
	Subtotal	98.9	29.7	102.1	31.2	96.0	34.4	(6.1)	(6.0)
General and administrative expenses	Personnel	57.0	17.1	59.2	18.1	56.8	20.4	(2.3)	(4.0)
	Others	26.8	8.1	27.0	8.3	25.1	9.0	(1.8)	(7.0)
	R&D	5.3	1.6	6.2	1.9	5.9	2.1	(0.3)	(4.8)
	Depreciation	3.7	1.1	4.0	1.2	4.5	1.6	+0.5	+12.8
Subtotal		93.0	27.9	96.6	29.5	92.6	33.1	(4.0)	(4.2)

Note: Other general and administrative expenses include administrative expenses of ¥6.8 billion, rents of ¥5.0 billion and travel expenses of ¥2.9 billion.

Sales in Japan and North America were somewhat weaker than expected, but total sales were about the same as in the revised plan.

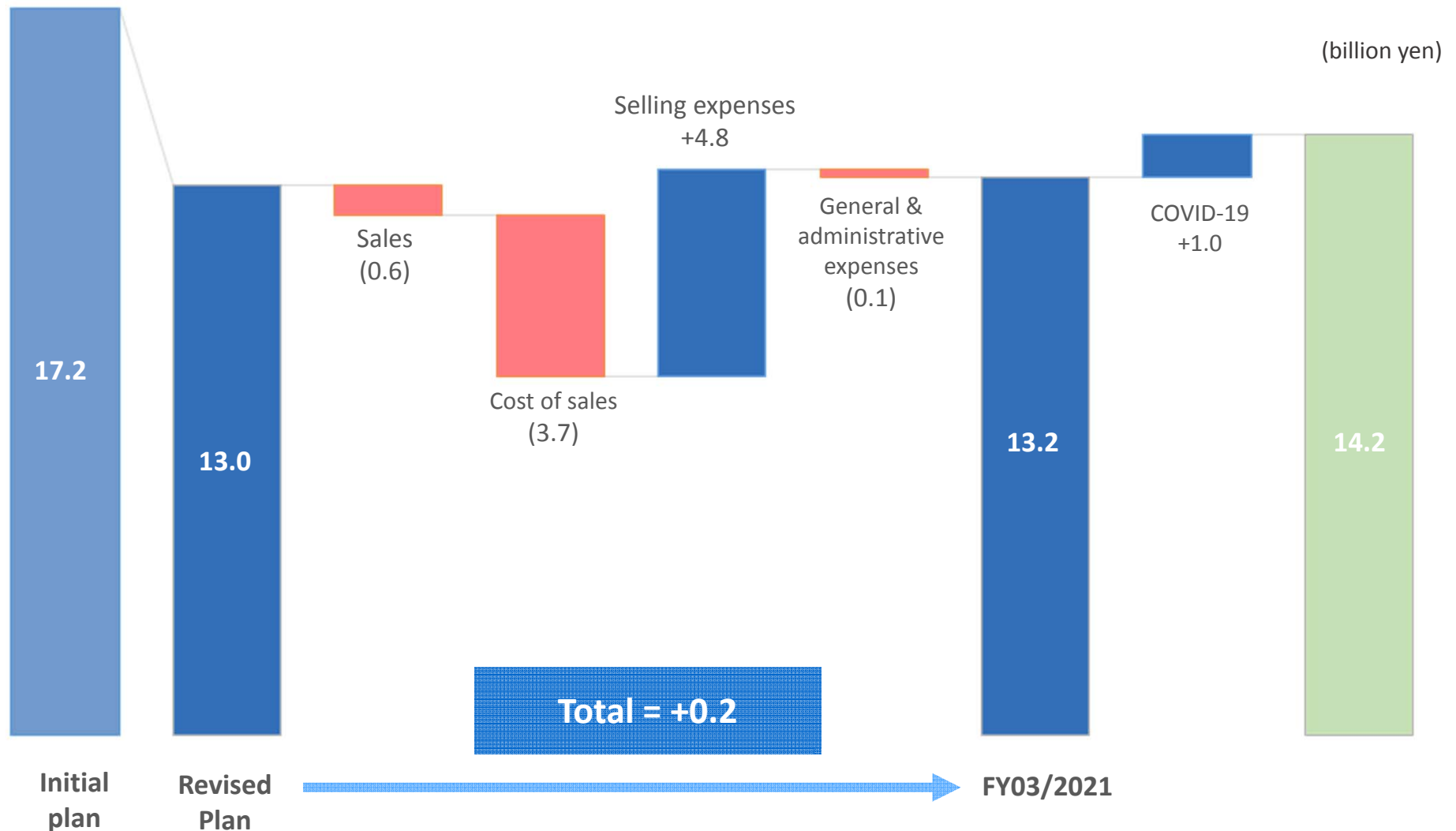
(billion yen)



YoY Changes in Operating Profit



Sales decreased and the cost of sales was higher, but operating profit was slightly above the revised plan because of measures to hold down all categories of expenses.



Sales and earnings decreased at all segments
Operating margin in the cosmetics segment was 8.5%

Net Sales by Segment (sales to third parties)

Segment	FY03/2019	FY03/2020	FY03/2021	YoY change		Share (%)	
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)	(billion yen)	(%)	FY03/2020	FY03/2021
Cosmetics	254.9	251.8	218.4	(33.4)	(13.3)	76.9	78.2
Cosmetaries	74.6	71.9	58.4	(13.4)	(18.7)	21.9	20.9
Other	3.3	3.9	2.4	(1.4)	(36.9)	1.2	0.9
Total	332.9	327.7	279.3	(48.3)	(14.7)	100.0	100.0

Operating Profit by Segment (before elimination)

Segment	FY03/2019	FY03/2020	FY03/2021	YoY change		Operating margin (%)	
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)	(billion yen)	(%)	FY03/2020	FY03/2021
Cosmetics	51.4	44.6	18.6	(25.9)	(58.2)	17.7	8.5
Cosmetaries	5.0	0.2	(0.0)	(0.2)	-	0.3	-
Other	1.5	1.2	0.9	(0.3)	(24.1)	28.4	32.9
Adjustment	(5.5)	(5.9)	(6.2)	(0.3)	-	-	-
Total	52.4	40.2	13.2	(26.9)	(67.0)	12.3	4.8

DECORTÉ sales were strong in China

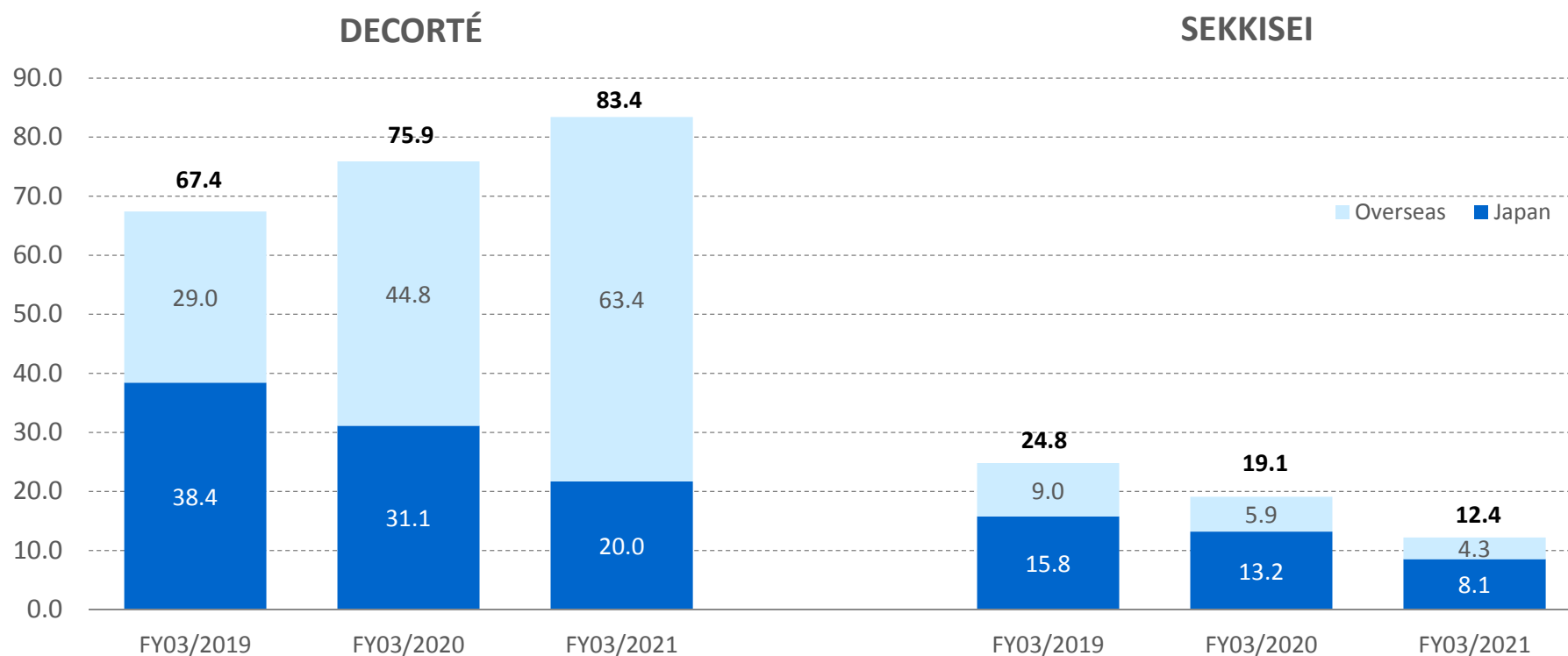
ALBION and COSMEPORT sales were severely affected by the decline in consumer spending in Japan

FY03/2020						FY03/2021				
YoY changes in sales, %	1Q	2Q	3Q	4Q	1Q-4Q	1Q	2Q	3Q	4Q	1Q-4Q
Consolidated sales	+1.6	+10.6	(9.9)	(7.5)	(1.6)	(26.5)	(21.1)	(5.6)	(4.4)	(14.7)
Cosmetics	+3.9	+13.5	(11.9)	(8.3)	(1.2)	(25.4)	(21.8)	(0.8)	(3.1)	(13.3)
High prestige	+8	+16	(8)	(6)	+2	(22)	(19)	+1	+1	(10)
DECORTÉ	+28	+37	(3)	(5)	+13	(10)	(5)	+21	+39	+10
ALBION	(1)	+10	(12)	(10)	(3)	(34)	(24)	(7)	(6)	(19)
Tarte	±0	+1	(15)	+5	(2)	(17)	(36)	(16)	(42)	(29)
Prestige ^{*note}	(12)	+5	(26)	(16)	(13)	(38)	(34)	(8)	(21)	(26)
Cosmetaries	(8.1)	+0.2	(2.3)	(4.6)	(3.6)	(29.7)	(17.9)	(22.3)	(6.7)	(18.7)
COSMEPORT	(8)	+6	+9	(6)	(0)	(32)	(19)	(22)	±0	(17)
Other	(8)	(8)	(16)	(1)	(8)	(26)	(17)	(23)	(19)	(21)

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

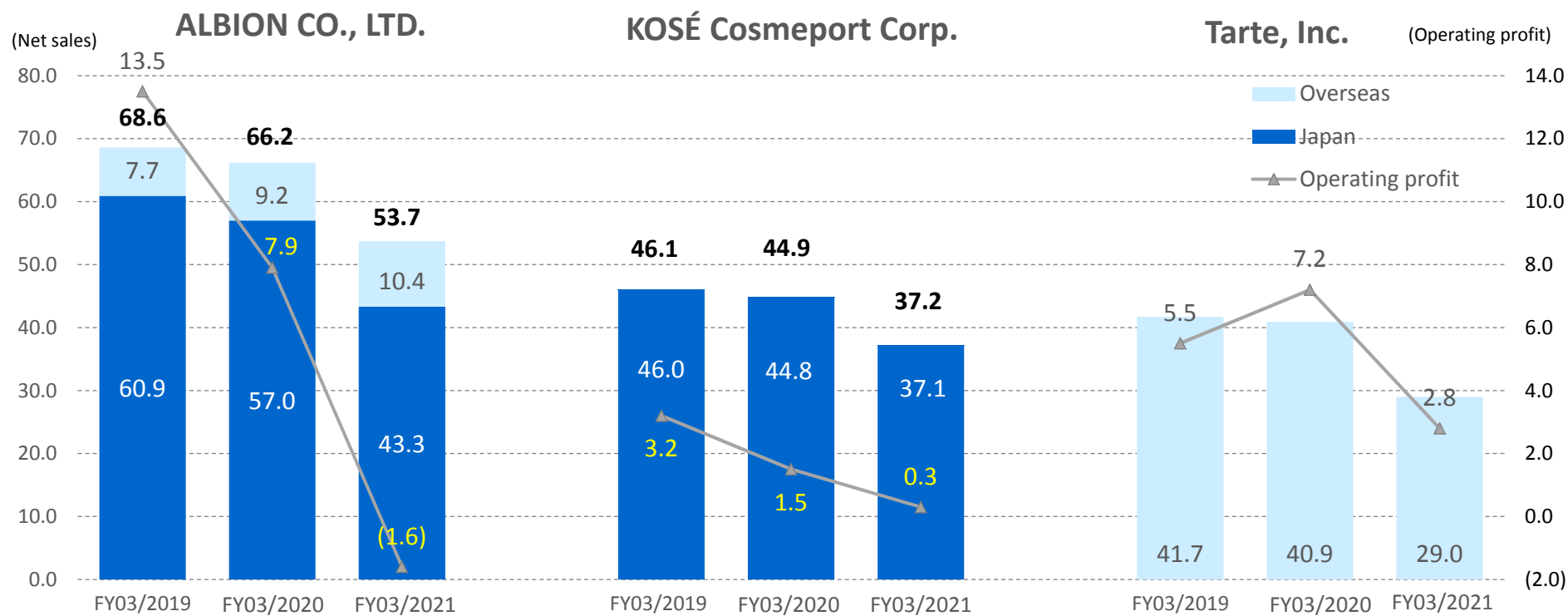
Strong DECORTÉ sales in China; SEKKISEI sales remain low

Sales of major global brands (1Q-4Q, billion yen)



Sales decreased due to COVID-19

Sales and operating profit of major group companies (1Q-4Q, billion yen)



Operating profit figures of Tarte, Inc. are those before goodwill amortization.

Significant decline in sales in Japan and growth in China started in April increased the ratio of overseas sales to 40.1%

		FY03/2019		FY03/2020		FY03/2021		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 (%)		
Area	Japan	240.2	72.1	222.5	67.9	167.4	59.9	(55.1)	(24.8)
	Asia	51.4	15.5	64.3	19.6	82.1	29.4	+17.7	+27.6
	North America	37.5	11.3	35.8	11.0	26.4	9.5	(9.4)	(26.4)
	Other	3.7	1.1	4.9	1.5	3.4	1.2	(1.5)	(30.5)
Total		332.9	100.0	327.7	100.0	279.3	100.0	(48.3)	(14.7)
Overseas sales		92.7	27.9	105.1	32.1	111.9	40.1	+6.8	+6.5
EC		21.1	6.4	25.8	7.9	37.2	13.3	+11.3	+43.8
TR		23.9	7.2	34.4	10.5	47.2	16.9	+12.8	+37.2

Sales fell 25% as sales to foreign tourists plummeted because of travel restrictions and the need to stay home severely impacted purchases by Japanese consumers

Sales in Japan (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	167.4	(55.1)	(24.8)
Sales to foreign tourists	2.3	(14.7)	(86.5)
1Q	34.8	(21.7)	(38.5)
Sales to foreign tourists	0.3	(6.2)	(95.6)
2Q	44.0	(19.1)	(30.3)
Sales to foreign tourists	0.6	(4.3)	(87.8)
3Q	45.6	(7.8)	(14.7)
Sales to foreign tourists	0.7	(3.3)	(82.5)
4Q	42.8	(6.4)	(13.0)
Sales to foreign tourists	0.7	(0.9)	(56.3)
	Results	YoY change (%)	Sales comp. (sales in Japan)
EC	8.0	+23.8	4.8
TR	0.3	(92.9)	0.2

Market Trends

- The need to stay home for safety is holding down consumer spending, but the overall market is recovering slowly
- Significant decline in the number of foreign visitors because of travel restrictions in many countries
- There is uncertainty about the outlook because of measures to contain COVID-19, particularly in the Tokyo area, and the third declaration of a state of emergency

KOSÉ

Overall

- Weak sales of makeup and other products because people stayed home (Strong sales of coffrets and other limited-time-only products)

Channels

- From January to March, a strong recovery in sales of DECORTÉ and ALBION products at department stores and cosmetics stores along with a sales recovery in other channels
- E-commerce sales increased as people stayed home
- Travel retail sales decreased due to travel restrictions in many countries

Brands

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

A big increase in sales in all channels in China despite COVID-19

Sales in Asia (billion yen, %)

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	82.1	+17.7	+27.6
1Q	16.7	+1.8	+12.1
2Q	20.0	+3.5	+21.4
3Q	20.0	+4.3	+28.1
4Q	25.4	+8.0	+46.4

		Results	YoY change (%)	Sales comp. (sales in Asia)
China *note	Online	13.4	+45.7	16.3
	Offline	36.9	+133.8	45.0

Note: Local subsidiaries (KOSÉ and ALBION)+ TR

EC		18.3	+59.5	22.4
TR	China *Apr. to Mar.	24.5	+459.4	29.9
	South Korea *Jan. to Dec.	19.9	(13.2)	24.3

Market Trends

- China**
 - Rapid growth, mainly e-commerce/travel retail, as economic activity returns to normal
- South Korea**
 - Foreign visitors were down significantly due to entry restrictions
 - Demand is weak in all travel retail categories
- Taiwan, others**
 - Taiwan/Hong Kong: Entry restrictions continued from January to December

KOSÉ

- China**
 - Travel retail/e-commerce are driving sales growth; sales at department store are increasing too
 - Online demand continued to climb
- South Korea**
 - Travel retail sales were sluggish due to travel restrictions
 - The share of travel retail online sales increased; sales growth rate remained very high for DECORTÉ products
- Taiwan, others**
 - Sales decreased in Taiwan and Hong Kong

U.S. sales started to recover as the severity of the COVID-19 crisis decreased and e-commerce increased as a share of sales

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

	Results	YoY change (amount)	YoY change (%)
1Q-4Q	29.8	(10.9)	(26.9)
1Q	8.5	(1.7)	(16.7)
2Q	6.1	(3.2)	(34.4)
3Q	8.1	(0.9)	(10.5)
4Q	7.0	(5.0)	(42.0)

	Results	YoY change (%)	Sales comp. (sales in NA, others)
EC (Tarte) *excludes Sephora and ULTA	10.4	+37.0	35.1

Market Trends

USA

- Signs of a recovery in consumer spending are emerging because of the declining number of COVID-19 cases and additional stimulus payments early in 2021

Europe

- Many countries have enacted strict restrictions due to a second wave of infections

Tarte

Overall

- Sales: (1Q-4Q, global, including Asia)
FY03/2021: ¥29.0 billion
(¥40.9 billion in FY03/2020)

- Almost all stores have reopened

USA

- Slow sales at city-center stores and shopping malls
- E-commerce sales were higher, including tarte.com and all other e-commerce and QVC channels

Europe, others

- Another wave of infections has forced many stores to close or reduce operating hours

Equity ratio remained over 70% despite a decrease in inventories and an increase in borrowings from external sources

	As of March 31, 2019		As of March 31, 2020		As of March 31, 2021		Change (billion yen)
	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	
Current assets	205.2	68.4	204.4	66.2	205.0	66.5	+0.5
Cash and deposits	94.3	31.4	97.5	31.6	103.3	33.5	+5.8
Accounts receivable	44.7	14.9	38.3	12.4	39.4	12.8	+1.0
Inventories	60.7	20.2	61.4	19.9	57.3	18.6	(4.1)
Non-current assets	94.9	31.6	104.1	33.8	103.3	33.5	(0.8)
Property, plant and equipment	56.8	19.0	66.0	21.4	62.8	20.4	(3.1)
Intangible assets	15.6	5.2	14.7	4.8	14.1	4.6	(0.6)
Total assets	300.1	100.0	308.6	100.0	308.3	100.0	(0.2)
Current liabilities	66.1	22.0	59.6	19.3	61.6	20.0	+1.9
Accounts payable	28.8	9.6	21.7	7.0	20.2	6.6	(1.5)
Short-term borrowings	0.6	0.2	0.7	0.2	7.6	2.5	+6.8
Non-current liabilities	9.2	3.1	8.7	2.8	5.4	1.8	(3.2)
Total liabilities	75.3	25.1	68.4	22.2	67.0	21.8	(1.3)
Total net assets	224.8	74.9	240.2	77.8	241.2	78.2	+1.0
Shareholders' equity	208.8	69.6	223.6	72.5	225.5	73.1	+1.8
Total liabilities and net assets	300.1	100.0	308.6	100.0	308.3	100.0	(0.2)

Overall, cash flow remains stable with an increase of ¥9.7 billion in cash

	FY03/2019	FY03/2020	FY03/2021	Change (billion yen)
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)	
Cash flows from operating activities	+32.9	+37.0	+23.2	(13.8)
Profit before income taxes	+54.9	+40.3	+19.5	(20.8)
Depreciation	+8.0	+8.8	+10.3	+1.5
Decrease (increase) in notes and accounts receivable-trade	(3.7)	+6.2	(1.1)	(7.4)
Decrease (increase) in inventories	(10.3)	(0.8)	+3.7	+4.5
Increase (decrease) in notes and accounts payable-trade	+2.6	(6.1)	(0.5)	+5.5
Income taxes paid	(17.4)	(17.1)	(5.4)	+11.7
Cash flows from investing activities	(20.6)	(19.0)	(5.8)	+13.1
Capital expenditures	(18.5)	(19.2)	(10.1)	(9.0)
Cash flows from financing activities	(10.4)	(11.4)	(7.3)	+4.0
Funds procured from external sources	0.1	0.1	+6.8	+6.7
Cash dividends paid	(10.1)	(11.3)	(9.2)	+2.0
Acquisition of stock	-	-	(4.9)	(4.9)
Effect of exchange rate change on cash and cash equivalents	(1.5)	(0.6)	(0.3)	+0.3
Change in cash and cash equivalents	+0.3	+6.0	+9.7	+3.7
Cash and cash equivalents at beginning of period	63.8	64.2	70.2	+6.0
Cash and cash equivalents at end of period	64.2	70.2	80.0	+9.7

- Fiscal year end change to December 31 beginning in FY2021
The consolidated financial statements for the transitional fiscal period ending on December 31, 2021 will include the following periods:
 - KOSÉ and its consolidated subsidiaries in Japan with a March 31 fiscal year end:
April-December 2021
 - Consolidated subsidiaries with a December 31 fiscal year end:
January-December 2021

- The KOSÉ Group will apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2020) from FY12/2021.

* Adjusted results of operations and their changes

The results of operations for KOSÉ and its consolidated subsidiaries in Japan with March 31 fiscal year end have been adjusted to a nine-month period ending on December 31, 2020, and the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2020) have been applied retrospectively.

These comparisons have not been audited by the independent auditor and are provided solely for reference purposes.

Although the COVID-19 crisis will continue to limit economic growth, sales and earnings are expected to grow due to a slow recovery in Japan and growth in China

Currently, there are concerns about a prolonged economic slump due to a decline in consumer sentiment caused by lockdowns and restrictions on outings and travel in many countries where COVID-19 cases are increasing again, restrictions on business activities, and declines in jobs and personal income. Consequently, there is no interim forecast for sales and earnings because it is difficult to determine a reliable outlook for the beginning of an economic recovery.

	FY03/2021		Transitional FY2020		FY12/2021	
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)
Net sales	279.3	100.0	213.4	100.0	238.0	100.0
Cosmetics	218.4	78.2	173.2	81.2	196.7	82.6
Cosmetaries	58.4	20.9	38.2	17.9	39.5	16.6
Other	2.4	0.9	1.9	0.9	1.8	0.8
Operating profit	13.2	4.8	16.5	7.8	20.0	8.4
Ordinary profit	18.7	6.7	19.0	8.9	20.5	8.6
Profit attributable to owners of parent	11.9	4.3	13.9	6.6	14.2	6.0
Net income per share	210.11 yen		-		248.92 yen	
ROA	4.5%		-		6.8%	
ROE	5.3%		-		6.5%	
Capital expenditures	10.1		-		15.4	
Depreciation	10.3		-		8.7	

Adjusted comparisons *note (billion yen)	Adjusted comparisons *note (%)
+24.5	+11.5
+23.4	+13.5
+1.2	+3.4
(0.1)	(8.0)
+3.4	+20.8
+1.4	+7.4
+0.2	+1.5

Foreign exchange rate		
Currency	Actual	Estimate
US dollar/Yen	106.8	103.0
Chinese yuan/Yen	15.5	15.5
Korean won/yen	0.09	0.09

Note: Adjusted comparisons are the changes between FY03/2021 results of operations for consolidated subsidiaries with a March year end that have been adjusted to a nine-month period (April-December 2020) and the forecast for FY12/2021.

Business Segment and Regional Sales Growth Plan

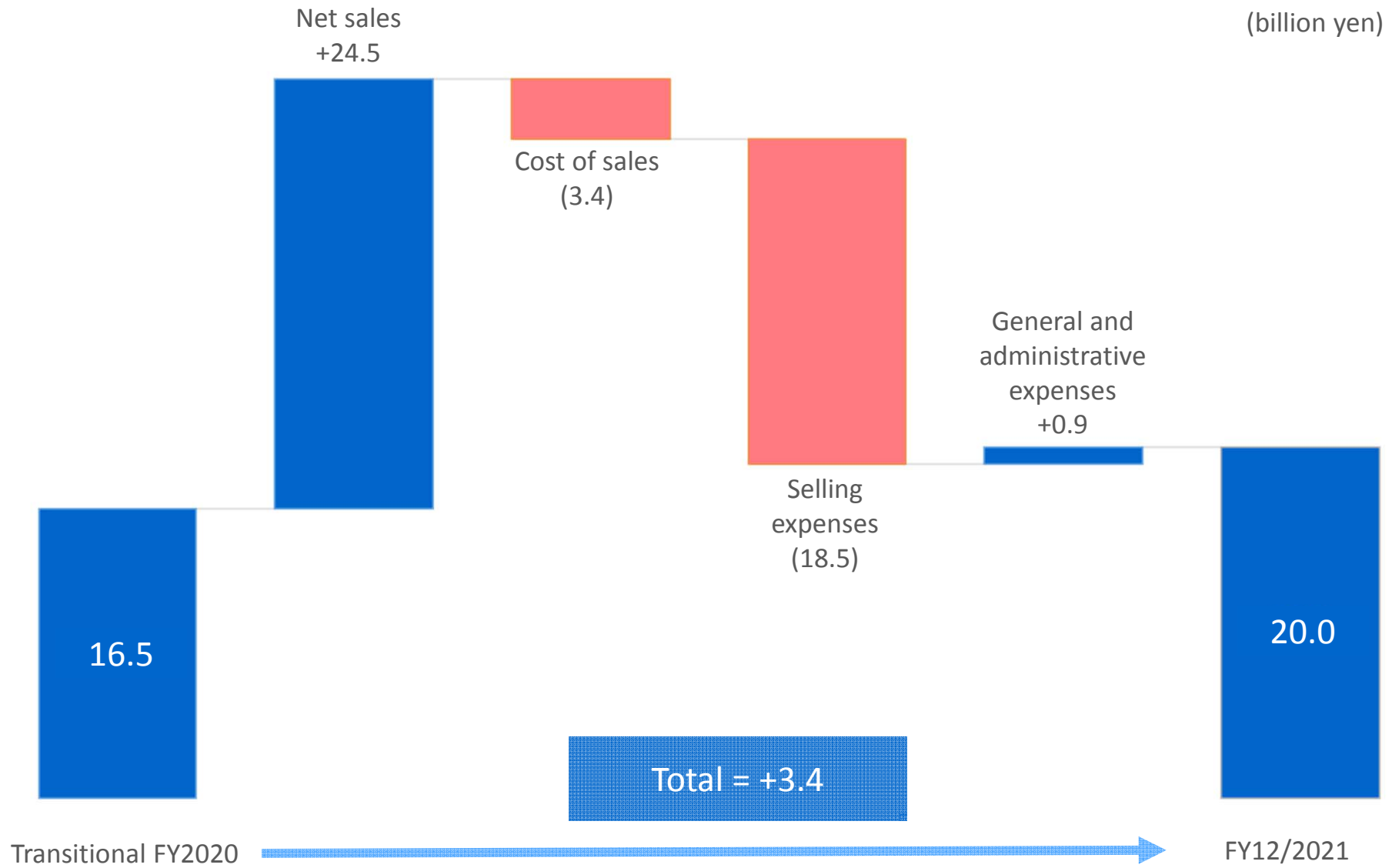


YoY changes in sales, %		FY03/2021	FY12/2021*note
Consolidated sales		(14.7)	+11.5%
Cosmetics		(13.3)	+13.5%
High prestige		(10)	+10-15%
DECORTÉ		+10	+20-25%
ALBION		(19)	High-single-digit increase
Tarte		(29)	Mid-single-digit increase
Prestige		(26)	+20-25%
Cosmetaries		(18.7)	+3.4%
COSMEPORT		(17)	Mid-single-digit increase
Other		(21)	Low-single-digit increase

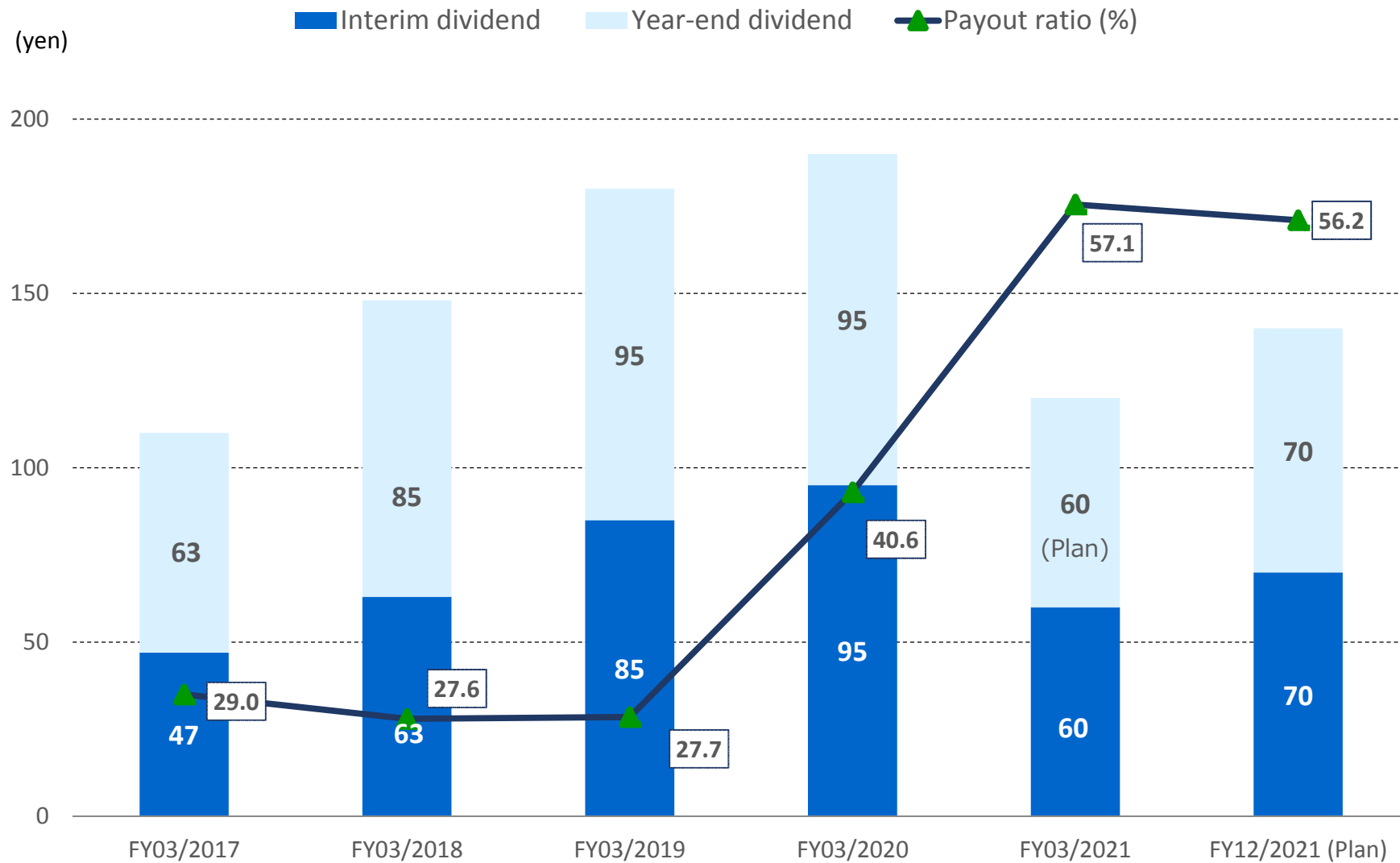
Note: Sales growth plan figures for FY12/2021 are after the application of the Accounting Standard for Revenue Recognition.

Area	Initial outlook (YoY changes in sales, %)	
Japan	Mid-single-digit increase	Consumer spending plunged as people stayed home because of COVID-19. A slow recovery is expected in the first half but a full-scale recovery is not expected until the second half.
China	+20%	Strong growth continuing in all channels. Expect growth backed by sales at existing stores, new stores and other channels.
South Korea	+10%	Expect 10% increase in sales from the previous year in consideration of the continuing restrictions on travel due to COVID-19 and the impact on travel retail sales to visitors from China.
Europe & USA (Tarte)	Mid-single-digit increase	The business climate is challenging as COVID-19 infections continue to increase, although mostly at a lower pace. Forecast growth due to U.S. sales at a larger number of stores, and new Sephora stores in Europe.

FY12/2021 Operating Profit Plan



Dividends / Payout Ratio



1. FY03/2021 Results of Operations

Shinichi Mochizuki, Senior Executive Officer & CFO

2. VISION2026 Progress Report and Upcoming Initiatives

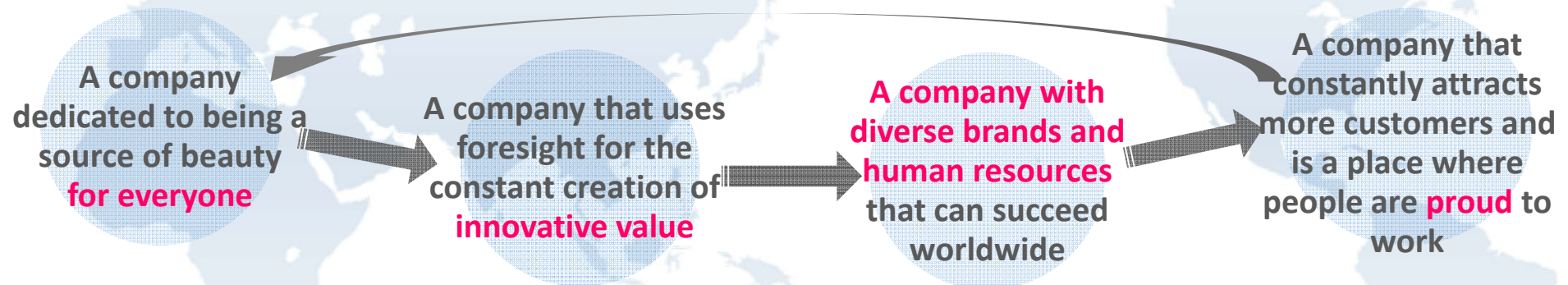
Kazutoshi Kobayashi, President & CEO

3. Supplementary Information

Evolving into a Company with a Global Presence

Become a company with exceptional customer loyalty

- A portfolio filled with extremely appealing brands -



All activities of KOSÉ are based on the dedication to “create a distinctively Japanese culture of cosmetics as one of Japan’s preeminent cosmetics companies.”

		Major initiatives and accomplishments
Three growth strategies	Accelerate globalization of brands	<ul style="list-style-type: none"> • Increase the presence of DECORTÉ in the greater China market • SEKKISEI rebranding • Growth of Tarte in Europe
	Proactively develop unique products	<ul style="list-style-type: none"> • Developed functional cosmetics for use with face masks • Created skin care compound containing a substance similar to heparin
	Explore new growth domains	<ul style="list-style-type: none"> • Created a market by supplying products with pharmaceutical value (Carté HD) • Strengthen presence in the hair salon market (The iMPREA brand for hair salon products)
Two value creation vectors	Use digital technology for more and better personal customer experiences	<ul style="list-style-type: none"> • Beauty attractions and digital technology experiences at Maison KOSÉ • The #stay home campaign during the COVID-19 pandemic
	Focus on unique forms of value by utilizing external resources and technologies	<ul style="list-style-type: none"> • Collaboration with companies in other industries (blueqat, Sunshine Delight, Casio, Panasonic) • Use of World Innovation Lab (WiL) to acquire innovation know-how
Three business foundations	Build a sound foundation for the company growth	<ul style="list-style-type: none"> • Organizational changes for a stronger sales infrastructure in Japan • Marketing digital transformation activities
	Promote diversity and inclusion management practices	<ul style="list-style-type: none"> • Create an environment for working style flexibility • Establish systems and a culture for empowering women
	Develop a sustainability strategy spanning the entire value chain	<ul style="list-style-type: none"> • Established and announced the KOSÉ Sustainability Plan • Disclose a large volume of information to receive recognition from external sources

Key initiatives

- (1) Growth strategy: Target China and travel retail for growth**
- (2) Increase brand value (focus on personal customer experiences and distinctive forms of value)**
- (3) Build an even stronger foundation for business operations**

(1) Strategic investments in China/travel retail, the markets with the most growth potential, to achieve global and borderless growth

- ✓ **Strategic investments** to further increase activities **for the growth of flagship global brands**

(2) Use digital/real methods for more and better personal customer experiences in order to supply value for the success of the strategy for growth


- ✓ **New customer interaction value by using online counseling**
- ✓ **Utilize external technologies for manufacturing products**

(3) Stronger people and processes, which are essential for building the powerful foundation that is critical for implementing the growth strategy and for the pursuit of value

- ✓ **Build a sustainable manufacturing infrastructure, including the new Minami Alps Factory**
- ✓ **Channel resources to growing market sectors as labor productivity increases**
- ✓ **Develop a sustainability strategy spanning the entire value chain**

◆ Brands that are growing worldwide

DECORTÉ



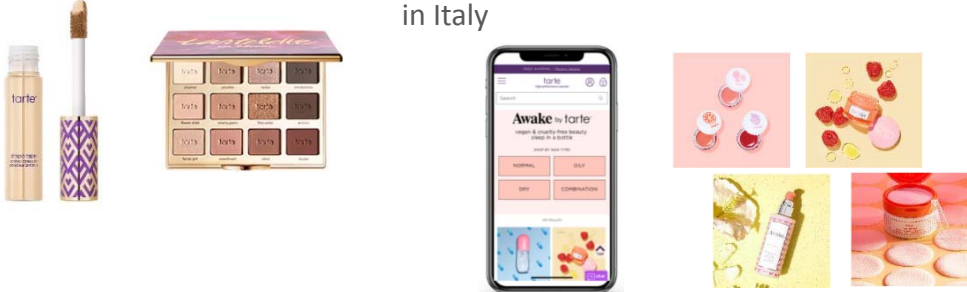
Sales composition

Fiscal Year	Japan	Overseas
FY03/2019	57%	43%
FY03/2021	24%	76%

FY12/2021 Strategies	
Japan	✓ Build a strong distribution e-commerce platform
China	<ul style="list-style-type: none"> ✓ Increase sales ranking at prominent dept. stores ✓ Raise brand awareness among millennials and generation Z
Europe & USA	✓ Increase e-commerce sales

tarte

high-performance naturals™



- March: Opened the second store in New Zealand
- March: Started sales of Awake products on Tarte.com
- May: Plan to sell products at 30 stores and e-commerce in Italy

FY12/2021 Strategies	
China	✓ Start international e-commerce activities
Europe & USA	✓ Sell products at more Sephora stores in Europe

◆ Activities in China (as of December 31, 2020)

	DECORTÉ	ALBION	SEKKISEI	ADDICTION	KOSÉ
Department store & Others ^{*note}	38	9	11		74 (includes 6 global counters)
Online	Tmall (Focus on this channel)	Started sales on Tmall in 2020	Tmall/JD/others	Tmall Global	
TR	Hainan Island: 8 In cities: 16		In cities: 2		

Plan for FY12/2021

	DECORTÉ	ALBION	SEKKISEI	ADDICTION	KOSÉ
Department store & Others ^{*note}	Up to 50	Focus on prominent stores	Up to 15 (More Sephora sales as a brand for “clean products”)		74 (includes 12 global counters)
Online	Tmall (Focus on this channel)	Tmall (Fully focus on this channel)	Tmall/JD/others	Tmall Global	Plan to open Tmall flagship prestige KOSÉ store in Aug. 2021
TR	Hainan Island: 11 or less/more In cities: 17 or more	Start sales at Hainan Island	Hainan Island: 1 or less In cities: 2		

Note: Number of counters

SEKKISEI
雪肌精

Establish a new brand value and image as a brand for sustainable and clean products



April 13: Debut of an e-commerce site exclusively for SEKKISEI

IMPREA

A cosmetics brand for beauty products provided solely by hair care professionals

FY12/2021 Advertising Campaign
Use eyebrow mascara as the entry point for constant multi-faceted communication activities centered on the VOCE beauty care magazine and including the internet, SNS and stores. Advance from “simple recognition” to “positive impression recognition”



Note: Positive impression recognition is an extremely positive recognition of a brand by consumers that results in the submission of favorable SNS messages and activities for making a purchase, such as searching for a nearby store.

KOSÉ Milbon Cosmetics Co., Ltd.

Planning on the joint development of skin care and makeup products for beauty salons, the sale of this company’s products in Japan, and many other activities that will result in a long-term partnership.



Meeting customers’ needs and improving their quality of life



KOSÉ Maruho Pharma Co., Ltd.

This company is dedicated to using quasi-drugs and over-the-counter drugs to provide total care that can precisely target the symptoms and other problems of every customer. The first product line is Carté HD.

The Carté e-commerce website started operating in December 2020 and about 8,000 stores currently sell Carté products.

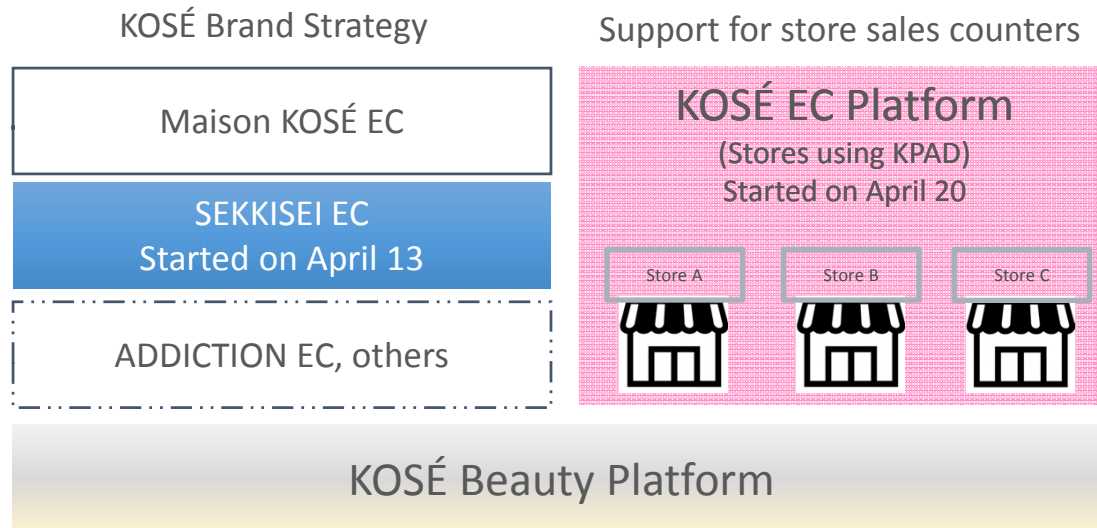
(3) Stronger foundation: Stronger sales infrastructure in Japan and use of EC

◆ A stronger sales infrastructure in Japan

● Review the business and profit structure	<input type="checkbox"/> Start using distribution EC platform <input type="checkbox"/> Reexamine the brand portfolio (revise/delete brands)
● Rebuild the organization and create a plan for the effective use of people	<input type="checkbox"/> Establish a new operating structure and wide-area organizational structure (optimal deployment of people) <input type="checkbox"/> BC: Allow people to do their jobs in many ways
● Personnel systems to allow many working styles	<input type="checkbox"/> Consider using a job-based remuneration system

◆ Establish a distribution EC platform

- Provide counseling at stores that allows customers to use e-commerce as well to purchase KOSÉ products (e-commerce valid for three months)



- A separate e-commerce site for each store
 KOSÉ performs billing and deliveries; KOSÉ inventory is used to supply purchased products to customers
- Started at mainly specialty cosmetics stores beginning on April 20 (More functions are planned)

◆ No change in the basic policy of strengthening manufacturing in Japan

For the time being, existing factories where capacity has already been expanded will be used to meet higher demand.

The plan for the Minami Alps Factory will be revised in order to build a next-generation factory based on innovative concepts.

Major design concepts for the Minami Alps Factory

Personalization/Flexibility

A multi-function factory that can produce cosmetics that meet needs of individual customers rather than a high-volume factory to meet rapid growth in demand

Fusion of artistry and digital technologies

A smart factory using AI, IoT, robots and other advanced technologies for the digital transformation of production processes

Seamless research and production

A seamless factory that uses remote management and high-speed communications for sharing real-time, high-quality information for fast manufacturing

A unique environment for manufacturing

A factory dedicated to high-quality basic materials and added value, fully benefiting from its location in the pristine and beautiful environment of the Minami Alps mountains

Working style reforms for manufacturing

A people-first factory with a pleasant and stimulating workplace environment that increases employees' motivation

Sustainability

A factory dedicated to sustainability by utilizing green energy and recycled water and other resources, conducting forest conservation activities, and using other measures

- ◆ Make “adaptability” the nucleus of all activities involving manufacturing and services

Adaptability

Identity of an individual

Body

Spirit

Member
of society

As an organization with global operations, KOSÉ is committed to creating value that reflects every individual’s identity (race, gender, nationality, beliefs, physical characteristics, etc.) by using flexible thinking and services for a diverse spectrum of customers.

- ◆ A new workplace environment capable of using many types of working styles for the creation of value



For the people who underpin the business foundation, establish an environment encompassing many working styles so that everyone has a rewarding and enjoyable job and is able to contribute to the constant creation of value.

Examples of working style diversity

- ❑ KOSÉ Father Support System (time off for child care)
- ❑ Establishment of the KoCoLabo communication space at the Tokyo head office
- ❑ Seamless education using KOSÉ’s own digital video distribution platform

- ◆ 2020 Semi-Nadeshiko Designation by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange



The Semi-Nadeshiko Brand

The Semi-Nadeshiko designation is awarded to companies that rank just below the full Nadeshiko Brand criteria in terms of assessments of the empowerment of women in the workplace based on a broad range of characteristics.

The highest rating for diversity and inclusion

- ◆ Received the corporate category Women’s Support Brand Award in the International Women’s Day Happy Woman Awards 2021 for SDGs



Atsuko Ogura, a KOSÉ executive officer, is the leader of the KOSÉ Working Style Diversity Task Force

Reasons for KOSÉ’s selection

Commitment to workplace empowerment of women and diversity and inclusion

Environmental activities, such as SEKKISEI “SAVE the BLUE”

Support for healthcare professionals, sports and other activities for the benefit of women and the world

◆ Climate change activities for lowering the total environmental impact of business activities



Certification of Science Based Targets

The KOSÉ Group has increased from 28% to 35% its greenhouse gas reduction target (SCOPE 1, 2) for 2030 and this target has been certified by the Science Based Targets initiative, an international certification organization.



Activities

- Speed up measures to reduce greenhouse gas emissions
- Disclose information in accordance with the Task Force on Climate-Related Financial Disclosures

◆ Establishment of medium/long-term targets for the KOSÉ Group's resource recycling and waste material reduction

Reduction of waste materials for the responsible use of resources

The following two items have been added to the KOSÉ Sustainability Plan

- More than 20 new actions for reducing waste materials and recycling resources (to be achieved by 2030)
- Elimination of waste materials that cannot be recycled (to be achieved by 2025)

Example of recycling

- ❑ In March 2021, KOSÉ started working with MANGATA Corporation, which makes art supplies from cosmetics, to provide assistance for ways to reuse cosmetics as art products.
- ❑ In April 2021, sales of KOSÉ Green Bazaar products started for a limited time at all Maison KOSÉ locations and online. Products that were not sold during this time will be sold afterward at affordable prices to give people an awareness of environmental issues.



KOSÉ
GreenBazaar



1. FY03/2021 Results of Operations

Shinichi Mochizuki, Senior Executive Officer & CFO

2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

3. Supplementary Information

DECORTÉ



May 2021
COSME DECORTÉ
AQ hair care series

ALBION



April 2021
Launch of EXCIA Brightening line

SEKKISEI CLEAR WELLNESS



May 2021
Launch of SEKKISEI CLEAR
WELLNESS “Tint Cream”

FASIO



May 2021
Updated line of FASIO
products
Launched April 16, 2021
initially only for e-commerce

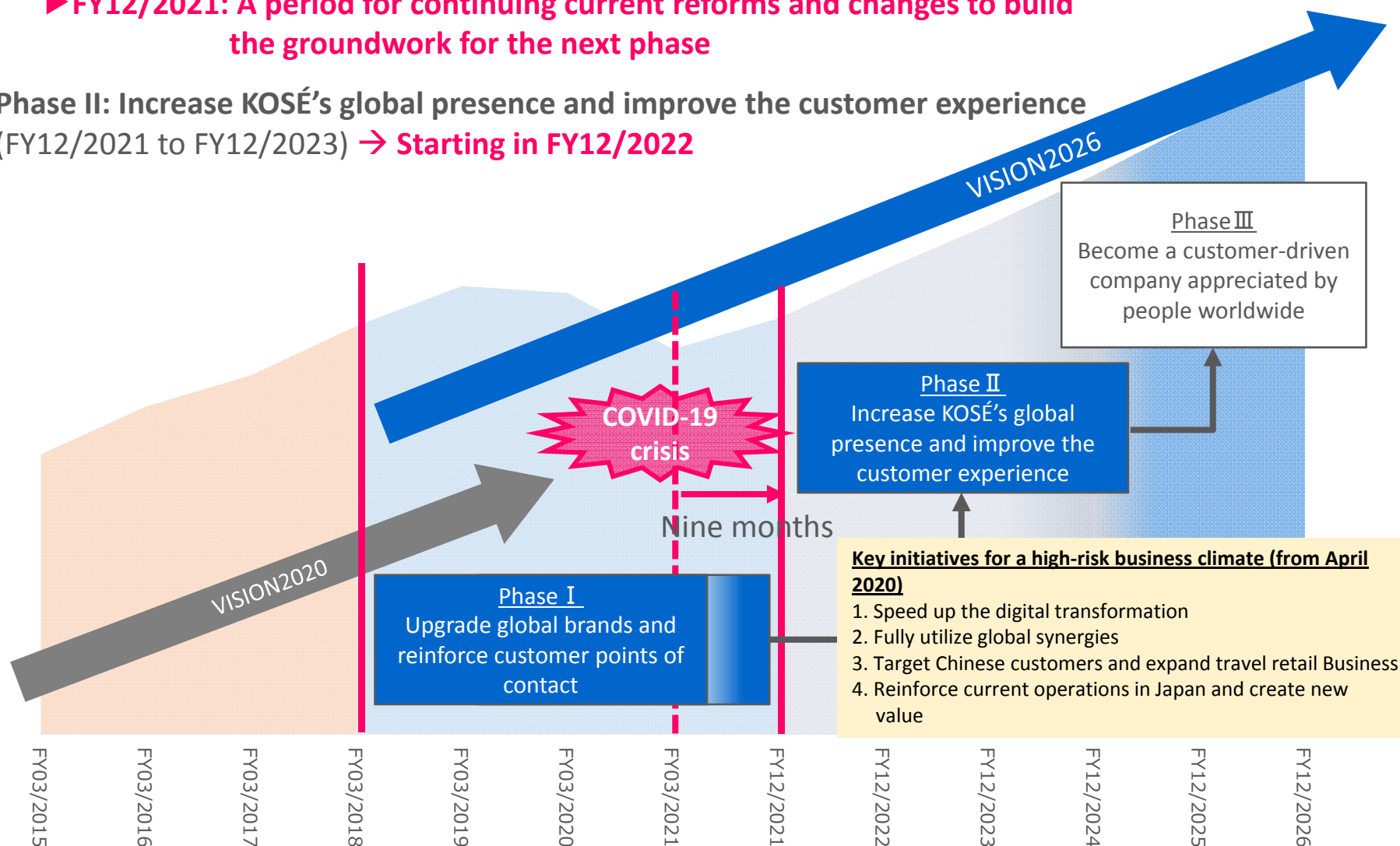
Phase I: Upgrade global brands and reinforce customer points of contact

(FY03/2018 to FY3/2021) → **Extended one year, now ends in FY12/2021**

▶ **FY12/2021: A period for continuing current reforms and changes to build the groundwork for the next phase**

Phase II: Increase KOSÉ's global presence and improve the customer experience

(FY12/2021 to FY12/2023) → **Starting in FY12/2022**



FY03/2027 Performance Targets

Net Sales
¥500 billion

Operating Margin
16% or more

ROA
18% or more

ROE
15% or more

Overseas Sales Ratio
–Initiatives to heighten KOSÉ’s global presence–

35% or more → **50% or more**

FY03/2021: 40.1%

E-commerce/TR Sales Ratio
–Initiatives to target the increasingly diverse preferences of consumers–

15% or more → **25% or more**

(E-commerce: 7% or more; TR: 18% or more)
FY03/2021: 30.2%

Global Benchmarks

Euromonitor Premium Beauty and Personal Care Ranking

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

Create distinctive forms of value by combining existing business strengths with external resources

Background and progress



- Established a jointly owned company in July 2019.
- Carte HD moisture lotion was launched in September 2020.
- **E-commerce site started in December 2020.**

Consumer healthcare products



- KOSÉ selected Sunshine Delight at the Demo Day of the KOSÉ accelerator program in December 2019, which aims to use external partners for the joint creation of new forms of value.
- **Starting business operations in FY12/2021 as a project for protecting the skin and overall health from UV rays and for contributing to accomplishing the SDGs.**

UV protection products for nursery schools



(formerly MDR)

- The KOSÉ R&D center started using quantum computing in January 2019 with the goal of co-creation by people and computers.
- Developed an algorithm for the creation of revolutionary types of cosmetics (patent pending).

Quantum computing



- Established a jointly owned company in July 2017.
- Used the resources of KOSÉ and Milbon to start selling in April 2019 the iMPREA line of cosmetics that are sold only at beauty salons (sales were expanded to all areas of Japan in September 2019).

Skincare and makeup products for hair salons



- Commenced joint development in October 2019; Started offering products at Maison KOSÉ, Ginza in December.
- Conducting demonstration trials through multiple channels, including specialty cosmetic stores, GMS, and hair salons.

Nail printer



- Started selling at Maison KOSÉ, Ginza.
- Considering a personalized skin evaluation.

Personalized skin evaluation