
Results of Operations

Three Months Ended March 31, 2022



KOSÉ Corporation

May 12, 2022

- Fiscal year end was changed to December 31 beginning in FY2021. Beginning with 2022, quarterly periods were changed as follows. Quarterly information for FY2021 in this presentation is also revised as follows for Japan and other countries.

1Q: January to March 2Q: April to June
 3Q: July to September 4Q: October to December

- 2022 Earnings Announcement Schedule (tentative)

2nd quarter earnings announcement: Early August 2022
 3rd quarter earnings announcement: Early November 2022
 Full-year earnings announcement: Middle of February 2023

- Revenue recognition and quarterly period changes

* Adjusted results of operations and their changes

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) have been applied retrospectively to January to December 2021. Quarterly periods have been also changed.

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

*Unless specified otherwise, figures in this presentation are rounded down and percentages used for comparisons and changes are rounded off.

* In this presentation, the January-March quarter of 2021 is used for prior-year comparisons of the same period.

✓ **Net sales** **¥59.0 billion: down ¥2.2 billion (3.7%) YoY**

- In Japan, sales of high-prestige brands were higher in the specialty cosmetics store and department store channels and Tarte sales increased. Sales decreased in China because of the pandemic. Sales were down 5.9% YoY after excluding foreign exchange rate changes.

✓ **Operating profit** **¥0.3 billion: up ¥0.8 billion YoY (¥(0.4) billion one year earlier)**

- Despite lower sales and higher cost of sales ratio, operating profit increased YoY due to cost controls for all operations while monitoring sales progress.

Sales initial outlook (Vs. 2021)			Evaluation as of 1Q 2022 (Vs. initial plan)	
			Net sales	Operating profit
Japan	Mid-single-digit increase	Slow recovery of drug store channel sales but a recovery is expected starting in the 2Q; forecast about the same growth rate as in 2021	▲	▲
China (online/offline)	+10%	Zero-COVID policy is limiting economic activity; cosmetics demand continues to climb but competition is expected to remain intense	▲	▲
TR (including South Korea)	+10%	Forecast more growth of the duty-free market, primarily on Hainan Island	▲	▲
North America (Tarte)	High-single-digit increase	Expect steady growth despite high U.S. inflation and a series of FRB interest rate hikes	○	▲

1Q Consolidated Income Statement Highlights

➤ Despite the decrease in net sales, operating profit returned on the black. Ordinary profit increased by ¥3.0 billion due to foreign exchange gains and profit attributable to owners of parent increased YoY.

1Q						
(billion yen)	Jan. - Mar. 2021		Jan. - Mar. 2022		Change (amount)	Change (%)
	Amount	Ratio to net sales	Amount	Ratio to net sales		
Net sales	61.2	100.0%	59.0	100.0%	(2.2)	(3.7)%
Cost of sales	18.4	30.1%	18.1	30.8%	(0.2)	(1.4)%
Gross profit	42.8	69.9%	40.8	69.2%	(2.0)	(4.7)%
SG&A expenses	43.3	70.7%	40.4	68.6%	(2.8)	(6.6)%
Operating profit	(0.4)	(0.7)%	0.3	0.6%	+0.8	-
Ordinary profit	2.7	4.5%	3.0	5.1%	+0.2	+10.6%
Profit before income taxes	2.7	4.5%	2.8	4.9%	+0.1	+3.6%
Profit attributable to owners of parent	* 0.1	0.2%	1.4	2.4%	+1.3	-
Net income per share	-		25.20 yen		-	

*Profit attributable to owners of parent for Jan. - Mar. 2021 was simply calculated for reference purposes, and has not been adjusted for the different timing of the application of BEPS prevention measures in Japan and other countries. For Jan. - Mar. 2022, the effects of BEPS prevention measures in two countries offset each other.

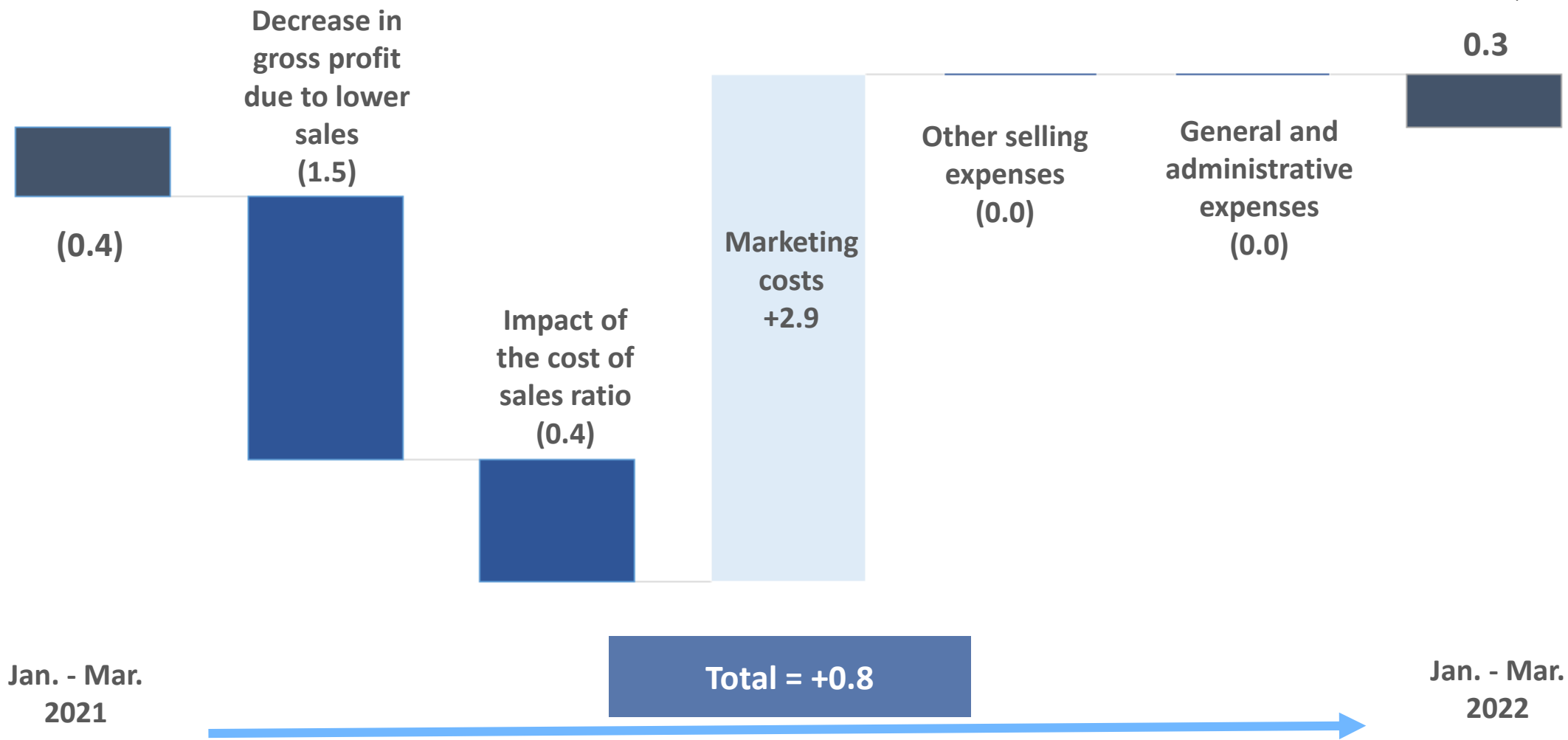
Cost of Sales and SG&A Expenses (1Q)

➤ The cost of sales ratio increased but SG&A expenses decreased due to cost controls

1Q							
(billion yen)		Jan. - Mar. 2021		Jan. - Mar. 2022		YoY change	
		Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio
Cost of sales		18.4	30.1%	18.1	30.8%	(0.2)	(1.4)%
SG&A expenses		43.3	70.7%	40.4	68.6%	(2.8)	(6.6)%
Selling expenses	Sales promotion	11.4	18.7%	9.2	15.7%	(2.1)	(18.8)%
	Advertising	5.8	9.5%	4.9	8.4%	(0.8)	(14.2)%
	Freightage and packing	3.7	6.1%	3.7	6.4%	+0.0	+1.4%
Subtotal		20.9	34.2%	18.0	30.6%	(2.9)	(13.9)%
General and administrative expenses	Personnel	13.2	21.7%	14.1	23.9%	+0.8	+6.2%
	R&D	1.6	2.6%	1.3	2.3%	(0.2)	(14.8)%
	Depreciation	1.1	1.9%	0.9	1.6%	(0.2)	(18.5)%
	Others	6.2	10.3%	5.9	10.1%	(0.3)	(5.0)%
Subtotal		22.3	36.5%	22.4	38.0%	+0.0	+0.3%

YoY Changes in Operating Profit (1Q)

(billion yen)



Sales and Operating Profit by Segment (1Q)

- In the cosmetics segment, sales and earnings increased YoY. Sales of high-prestige brands were strong in Japan but sales of prestige brands were sluggish.
- In the cosmetaries segment, sales were down and there was an operating loss because of a downturn following the strong performance one year earlier and intense competition in the drug store channel.

Net sales

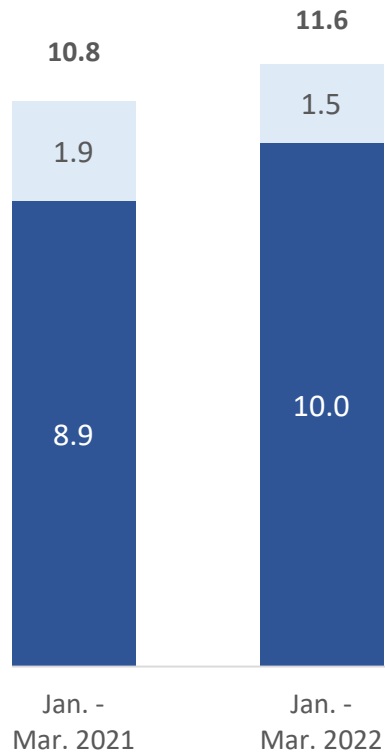
Operating segment (billion yen)	Jan. - Mar. 2021	Jan. - Mar. 2022	YoY change (amount)	YoY change (ratio)	% comp.	
	Amount	Amount			Jan. - Mar. 2021	Jan. - Mar. 2022
Cosmetics	45.7	46.7	+1.0	2.2%	74.6%	79.2%
Cosmetaries	15.0	11.8	(3.2)	(21.4)%	24.6%	20.0%
Other	0.5	0.4	(0.0)	(12.2)%	0.8%	0.8%
Total	61.2	59.0	(2.2)	(3.7)%	100.0%	100.0%

Operating profit

Operating segment (billion yen)	Jan. - Mar. 2021	Jan. - Mar. 2022	YoY change (amount)	YoY change (ratio)	Operating margin	
	Amount	Amount			Jan. - Mar. 2021	Jan. - Mar. 2022
Cosmetics	(0.1)	1.8	1.9	-	(0.3)%	3.9%
Cosmetaries	1.0	(0.4)	(1.5)	-	6.9%	(4.2)%
Other	0.2	0.1	(0.0)	(20.7)%	36.6%	33.7%
Adjustment	(1.6)	(1.1)	+0.4	-	-	-
Total	(0.4)	0.3	+0.8	-	(0.7)%	0.6%

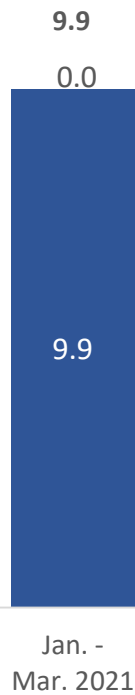
ALBION CO., LTD.

* The Accounting Standard for Revenue Recognition is applied.



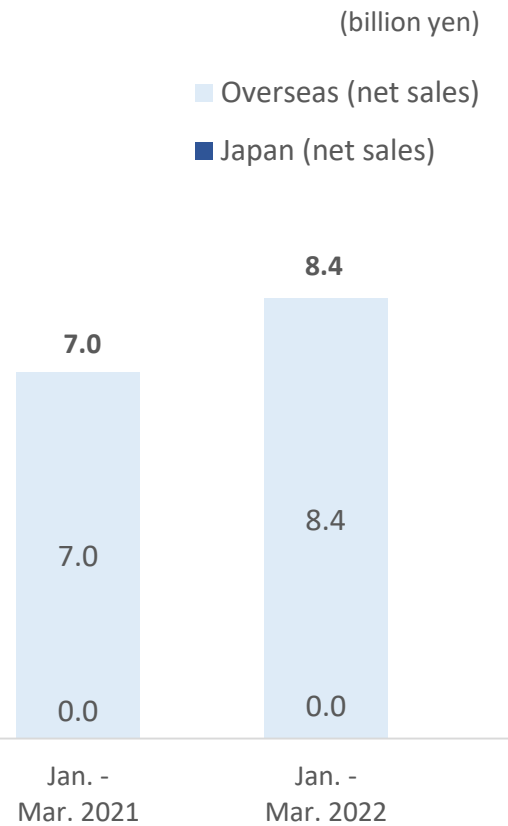
KOSÉ Cosmeport Corp.

* The Accounting Standard for Revenue Recognition is applied.



Tarte, Inc.

* The Accounting Standard for Revenue Recognition is applied.



DECORTÉ

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. - Mar. 2021	Jan. - Mar. 2022
Net sales	18.1	17.7
Japan	4.7	5.9
Overseas	13.4	11.7

SEKKISEI

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. - Mar. 2021	Jan. - Mar. 2022
Net sales	2.6	2.5
Japan	1.8	1.7
Overseas	0.8	0.7

Operating profit of Tarte, Inc. is before goodwill amortization.
Operating profit does not include amortization of goodwill resulting from acquisitions.

Sales Growth Rate by Business Segment

- In the cosmetics business, the high-prestige brand sales increased 4.6% YoY but the prestige brand sales decreased 10.6%.
- In the cosmetaries business, sales declined 24.2% for COSMEPORT and 16.2% for other consumer brands, reflecting a difficult start to the year.

YoY changes in sales, %	2022 (After fiscal year end change)	
	1Q (Jan. - Mar.)	Outlook (Jan. - Dec.)
Consolidated sales*note	(3.7)%	+8.9%
Cosmetics*note	+2.2%	+9.5%
High prestige	+4.6%	+10 - 15%
DECORTÉ	(2.3)%	+10 - 15%
ALBION	+5.1%	Low-single-digit increase
Tarte	+19.5%	High-single-digit increase
Prestige	(10.6)%	+10 - 15%
Cosmetaries*note	(21.4)%	+6.9%
COSMEPORT	(24.2)%	Mid-single-digit increase
Other	(16.2)%	+10 - 15%

FY2021 (Ref: Before fiscal year end change)			
Apr. - Jun.	Jul. - Sep.	Oct. - Dec. (Overseas: Jul. - Dec.)	Apr. - Dec.
+2.7%	(1.7)%	+10.6%	+4.8%
+5.1%	+3.2%	+10.9%	+7.2%
+11%	+4%	+12%	+10%
+20%	+1%	+7%	+8%
+16%	(5)%	+1%	+3%
(17)%	+41%	+43%	+25%
+6%	(12)%	(3)%	(3)%
(5.8)%	(16.9)%	+9.2%	(5.8)%
+4%	(6)%	+15%	+3%
(15)%	(23)%	(4)%	(14)%

* This table shows changes in sales before the fiscal year end change announced in prior years and is shown for reference to changes in sales after the fiscal year end change for 2022.

* Figures are after applying the Accounting Standard for Revenue Recognition. All other figures are before applying the standard.

Net Sales by Region (1Q)

- In Japan, sales of high prestige brands were strong in the specialty cosmetics store and department store channels but total sales were down because of a decline in mass-market channel sales.
- In Asia, China mainland sales decreased because of the pandemic.
- In North America and other regions, Tarte sales remained strong.

(billion yen)	Jan. - Mar. 2021		Jan. - Mar. 2022		YoY change (amount)	YoY change (ratio)
	Amount	Ratio to net sales	Amount	Ratio to net sales		
Japan	37.9	61.9%	36.5	61.9%	(1.3)	(3.6)%
Asia	16.2	26.6%	14.0	23.9%	(2.2)	(13.5)%
North America	6.4	10.5%	7.3	12.4%	+0.8	+13.6%
Other	0.6	1.0%	1.0	1.8%	+0.4	+64.2%
Total	61.2	100.0%	59.0	100.0%	(2.2)	(3.7)%
Overseas sales	23.3	38.1%	22.4	38.1%	(0.9)	(3.9)%

Net Sales by Region (1Q): Japan

➤ In Japan, sales of the high prestige brands were strong in specialty cosmetics store and department store channels. However, total sales were down because of weak sales in the mass-market channels.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
Jan. - Mar.	37.9	36.5	(1.3)	(3.6)%

Market Trends

- | | |
|-------|---|
| Japan | <ul style="list-style-type: none"> Measures to prevent the spread of COVID-19 were declared in January and fully lifted on March 21. The nationwide increase in COVID-19 cases held down consumer spending in January and February, but consumer sentiment started recovering in March. |
|-------|---|

KOSÉ	
Overall	<ul style="list-style-type: none"> Slow sales of mid/low-price products continued Sales at specialty cosmetics store and department store channels were strong
High prestige	<ul style="list-style-type: none"> Strong sales of DECORTÉ LIPOSOME ADVANCED REPAIR SERUM continued DECORTÉ HYDRA CLARITY, launched in February, attracted new customers in this category
Prestige	<ul style="list-style-type: none"> Updated version of SEKKISEI Clear Wellness Free Type for sensitive skin
Cosmetaries	<ul style="list-style-type: none"> COSMEPORT had the leading share of the market for sheet masks COSMEPORT started selling “Je l’aime iP” in March

Strategies for 2022

Overall	<ul style="list-style-type: none"> Upgrade the DECORTÉ Personal Beauty Concierge service Launch an updated version of ALBION skin conditioner, which has been one of this brand’s best sellers for many years in May For SEKKISEI & ONE BY KOSÉ, use new products to increase customers’ interest in existing products At COSMEPORT, more promotional activities for cleansing, hair care, sunscreen and other major product categories
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➤ Sales in Asia decreased due to negative effects of COVID-19 pandemic in Mainland China.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
Jan. - Mar.	16.2	14.0	(2.2)	(13.5)%

Market Trends

China (mainland)	<ul style="list-style-type: none"> Lockdowns mainly in Shanghai and other cities The zero-COVID policy that began in October 2021 is continuing in 2022
China (duty-free)	<ul style="list-style-type: none"> Hainan Island (duty-free): Double-digit growth backed by strong demand in January and February; big drop in sales in March as nationwide lockdowns in China restricted travel
South Korea (duty-free)	<ul style="list-style-type: none"> Increase in COVID-19 cases starting in mid-January held down consumer spending Lower number of customers at duty-free stores due to travel restrictions

KOSÉ

China (Mainland)	<ul style="list-style-type: none"> In e-commerce, DECORTÉ sales were up YoY due to the effective use of key opinion leaders during the International Women's Day period (March 8)
China (duty-free)	<ul style="list-style-type: none"> Since March, sales were generally firm despite the impact of travel restrictions due to the rise in COVID-19 cases in mainland China
South Korea (duty-free)	<ul style="list-style-type: none"> Lower sales because of travel restrictions from the COVID-19 pandemic

Strategies for 2022

China	<ul style="list-style-type: none"> Plan to open about 15 DECORTÉ shops in department stores and open about two DECORTÉ stores on Hainan Island. In live commerce, effectively utilize key opinion leaders and KOSÉ beauty consultants Raise the number of SEKKISEI fans by increasing the use of figure skater Yuzuru Hanyu in marketing activities
South Korea	<ul style="list-style-type: none"> Strengthen sales activities for DECORTÉ LIPOSOME ADVANCED REPAIR SERUM and other key products

➤ Tarte sales remained strong in North America and other regions.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
Jan. - Mar.	6.4	7.3	+0.8	+13.6%

Market Trends

USA	<ul style="list-style-type: none"> Increasing speed of ending requirements to wear face masks Rising cost of energy and raw materials because of the Ukraine crisis
Europe	<ul style="list-style-type: none"> Economic activity resumes while living with COVID-19 now that the pandemic has passed the peak Severe impact of the rising cost of energy and raw materials because of the Ukraine crisis

Tarte

Overall	<ul style="list-style-type: none"> Prestige makeup market share remains high Tarte sales is increasing along with recovery in the U.S. makeup market
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Strategies for 2022

USA (Tarte)	<ul style="list-style-type: none"> Increase the number of ULTA@Target stores (about 250 to 300) and Sephora@ Kohl's stores (about 350 to 400) More activities for concealers, foundation, mascara and other major product categories
Europe and others	<ul style="list-style-type: none"> Tarte plans to open stores in countries where Sephora is starting operations

E-commerce/Travel Retail Sales (Jan. - Mar.)

- E-commerce sales were strong for Japan's high-prestige brands.
- Travel retail sales were strong in China, but there was a major impact of travel restrictions in South Korea.

EC (billion yen)	Japan			China			Other Asian countries			North America, others			Total		YoY change
	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	
1Q	2.0	2.8	+36.7%	3.0	3.2	+4.4%	0.0	0.1	+42.5%	1.8	1.8	+2.1%	7.0	8.0	+13.8%

TR (billion yen)	Japan			China			South Korea			North America, others			Total		YoY change
	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	
1Q	0.0	0.1	+127.8%	5.8	6.5	+12.9%	4.6	2.3	(49.8)%	0.1	0.0	(77.8)%	10.7	9.0	(15.2)%

Offline (billion yen)	China		
	2021	2022	YoY change
1Q	1.7	1.3	(22.4)%

* The Accounting Standard for Revenue Recognition is not applied.

Balance Sheet and Cash Flow Highlights

➤ BS: Total assets amounted to ¥316.5 billion and equity ratio above 70%

BS (billion yen)	As of December 31, 2021		As of March 31, 2022		Change
	Amount	Share	Amount	Share	Amount
Current assets	217.3	67.9%	214.5	67.8%	(2.8)
Cash and deposits	105.2	32.9%	101.9	32.2%	(3.3)
Accounts receivable	44.2	13.8%	36.6	11.6%	(7.5)
Inventories	63.7	19.9%	70.1	22.1%	+6.3
Non-current assets	102.6	32.1%	102.0	32.2%	(0.6)
Property, plant and equipment	59.5	18.6%	58.5	18.5%	(1.0)
Intangible assets	14.2	4.5%	14.1	4.5%	(0.0)
Total assets	320.0	100.0%	316.5	100.0%	(3.4)

Current liabilities	59.1	18.5%	55.1	17.4%	(3.9)
Accounts payable	23.7	7.4%	25.2	8.0%	+1.4
Short-term borrowings	0.6	0.2%	1.4	0.5%	+0.8
Non-current liabilities	6.6	2.1%	6.2	2.0%	(0.3)
Total liabilities	65.7	20.5%	61.3	19.4%	(4.3)
Total net assets	254.2	79.5%	255.1	80.6%	+0.8
Shareholders' equity*	238.3	74.5%	239.2	75.6%	+0.9
Non-controlling interests	15.9	5.0%	15.8	5.0%	(0.0)
Total liabilities and net assets	320.0	100.0%	316.5	100.0%	(3.4)

* Shareholders' equity = Net assets — Share acquisition rights — Non-controlling interests

➤ CF: Overall cash flows remained stable despite negative in all three categories (operating, investing, and financing)

CF (billion yen)	Jan. - Mar. 2021	Jan. - Mar. 2022
Profit before income taxes	+2.7	+2.8
Depreciation	+3.0	+2.2
Decrease (increase) in trade receivables	+1.4	+7.5
Decrease (increase) in inventories	+2.8	(6.3)
Increase (decrease) in trade payables	(0.0)	+1.4
Others	+5.4	(9.1)
Cash flows from operating activities	+5.4	(1.3)
Capital expenditures	(1.7)	(0.8)
Increase (decrease) in time deposits	-	(3.4)
Cash flows from investing activities	(1.4)	(4.4)
Funds procured from external sources and repayments	-	+0.8
Cash dividends paid	-	(3.6)
Cash flows from financing activities	(0.0)	(2.8)
Effect of exchange rate change on cash and cash equivalents	+1.8	+1.7
Change in cash and cash equivalents	+5.7	(6.7)
Cash and cash equivalents at beginning of period	71.4	81.8
Cash and cash equivalents at end of period	77.2	75.0

Outlook in 2Q 2022 and Onward

- In Japan, the goals are maintaining the strength of high-prestige brands and a recovery in the performance of the drug store channel.
- Lockdowns are impacting sales in China but recovery is expected starting in the second half of 2022. Duty-free sales in South Korea and Hainan Island are expected to recover as restrictions on various activities are reduced or terminated.
- In North America/Europe, Tarte sales are expected to remain strong as the company adds many stores and the makeup market recovers.

Regional outlook

Japan	<ul style="list-style-type: none"> ■ Expect a recovery in various activities as Japan ends pandemic safety measures nationwide ■ Forecast a strong performance of high-prestige brands, primarily DECORTÉ and ALBION ■ In the prestige brand category, more time will be needed for a sales recovery; activities continue for using new SEKKISEI and ONE BY KOSÉ products to support sales of existing products. ■ In the cosmetaries category, the goal is a recovery in sales from the 1Q level as new COSMEPORT products contribute to an increase in market share. ■ To improve profitability, sales companies in Japan are working on holding down product returns and raising productivity in all channels. Working style reforms will continue for beauty consultants, including the use of personal beauty concierges.
Asia	<ul style="list-style-type: none"> ■ Watching for any changes in lockdowns in China in April and beyond; there may be a second half recovery if the level of COVID-19 infections declines. ■ Forecast a recovery in sales at duty-free stores in South Korea and Hainan Island as restrictions on various activities are significantly reduced or terminated. ■ For DECORTÉ, the goals are raising awareness of higher priced products, increasing the number of high-end customers, improving profitability and further increasing the value of this brand.
North America/Europe	<ul style="list-style-type: none"> ■ The demand for cosmetics is recovering as the end of outdoor face mask requirements raises the number of people going out and engaging in various activities. ■ Tarte has finished inventory adjustments that were needed because of a downturn in consumer spending late in 2021 due to the omicron variant. Tarte is aiming to continue to grow faster than the overall market. ■ Tarte is continuing to add many stores in North America and Europe and is maintaining a strong performance as the makeup market continues to recover.

➤ There is currently no revision to 2022 outlook announced on February 14

(billion yen)	2021 results (Jan. - Dec. 2021)		2022 plan (Jan. - Dec. 2022)	
	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	268.9	100.0%	293.0	100.0%
Cosmetics	217.7	80.9%	238.5	81.4%
Cosmetaries	49.1	18.3%	52.6	17.9%
Other	2.0	0.8%	1.9	0.7%
Operating profit	15.6	5.8%	22.0	7.5%
Ordinary profit	22.0	8.2%	22.6	7.7%
Profit attributable to owners of parent	11.1	4.1%	16.5	5.6%
Net income per share	-		289.22 yen	
ROA	-		7.0%	
ROE	-		6.4%	

Capital expenditures	-	18.9
Depreciation	-	10.3

YoY change amount (Vs. 2021)	YoY change ratio (Vs. 2021)
+24.0	+8.9%
+20.7	+9.5%
+3.4	+6.9%
(0.1)	(8.0)%
+6.3	+40.4%
+0.5	+2.5%
+5.3	+48.2%

Foreign exchange rate		
Currency	2021 (Jan. - Dec.) Actual	2022 (Jan. - Dec.) Plan
US\$	109.8	108.0
CN¥	17.0	16.5
KRW	0.09	0.09

Brand Topics

◆ Activities to raise awareness of high-end DECORTÉ products in offline/online markets in China

Offline



Opened a 200m² sales area for DECORTÉ, the largest ever, at the Haikou Mission Hills resort on Hainan Island in February 2022. Located in an area with many affluent people, the shop has areas for serving customers privately and also has a VIP room with a Baccarat chandelier.

Online



To raise awareness of LIPOSOME ADVANCED REPAIR SERUM, which went on sale in China in January 2022, advertisements feature actress and singer Zhou Xun (above right) and have recently added actor Zhang Yixing (left) as a global ambassador. To strengthen sales activities, there are live commerce activities hosted by KOSÉ beauty consultants.

◆ Increasing activities to sell products to young people and people not yet using skin care products

DECORTÉ

DECORTÉ
Hydra Clarity

みずみずしく、透き通る
「美肌糖」の透明感。

DECORTÉ DEBUT 2.16

×
First DECORTÉ

初めてのコスメディカルとの出会いを
フェーストクラスの特別なオンラインセミナーで

＜お客様へ＞ご利用前にお使いの化粧水がOS15以上の場合は、本サービスが正常に動作しない
ケースが確認されておりましたが、不具合は解消されました。お客様が弊ストアに
ご来店の際は、イヤホンを着用することで問題なくご利用いただけます。

カウンセリング予約期間 2022年 2月 4日(金)～ 2022年 3月 30日(水)	カウンセリング実施期間 2022年 2月 16日(木)～ 2022年 4月 30日(土)
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お届けする化粧品
・化粧水150mL、180mL
・乳液90mL、120mL

A “First DECORTÉ” campaign took place for a limited time for the use of online counseling to encourage people not yet using DECORTÉ skin care products to try them out.

Samples were mailed to potential customers in advance and people were able to watch skin care lessons from their homes.

ALBION

新。
スキコンを超える
新スキコン!

Skin
Conditioner
ESSENTIAL

薬用

ALBION

Since 1974

Skin
Conditioner

ALBION

On May 17, 2022, ALBION plan to release version of Medicated Skin Conditioner Essential N, a medicated lotion that has been successful for many years. Popular influencers are used as ambassadors for a limited time along with other measures to attract new customers.

◆ Use new products to attract new customers and then increase their interest in existing products as well

ONE
BY KOSÉ

SEKKISEI
雪肌精

New product

Existing product

New product

Existing products



May 2022

July 2022

Launch of ONE BY KOSÉ
DOUBLE BLACK WASHER
(Face cleaning)

Whitening serum
MELANOSHOT WHITE D

Launch of SEKKISEI CLEAR WELLNESS
Smart milk compact
(Colored solid serum for daytime use)

SEKKISEI Series Lotion

For dull skin

For rough skin

◆ Focusing on promotions for cleansing, hair care, sunscreen and other key products



To attract new customers, the CLEAR TURN brand for sheet masks started selling products using the designs of an illustrator popular on SNS.



SUNCUT, a brand for sunscreen products that is one of KOSÉ's flagship global brands, started selling Tone Up UV in a move to increase its market share.



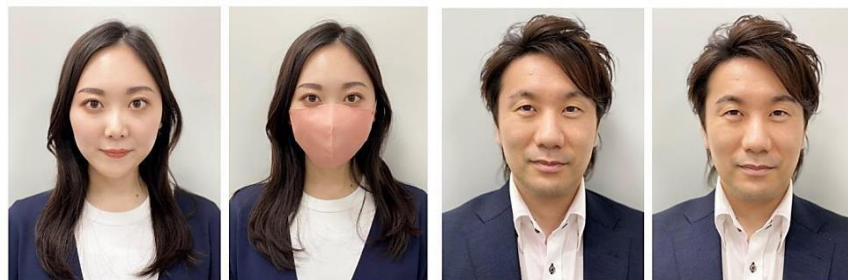
As demand for balm-type cleansing products increases, KOSÉ started selling CICA Black, a cleansing product that incorporates a Gotu Kola extract (cica), which is a popular beauty care compound. Popular actor Jun Matsumoto is featured in advertisements for this product.



The Je l'aime hair care brand started using singer and actor Sho Hirano, a member of a popular band, in advertisements with the goal of strengthen its presence in the hair care category, which has a large share of sales.

◆ Expanding target segments with genderless makeup ideas and joint activities with companies in other business sectors

Visée

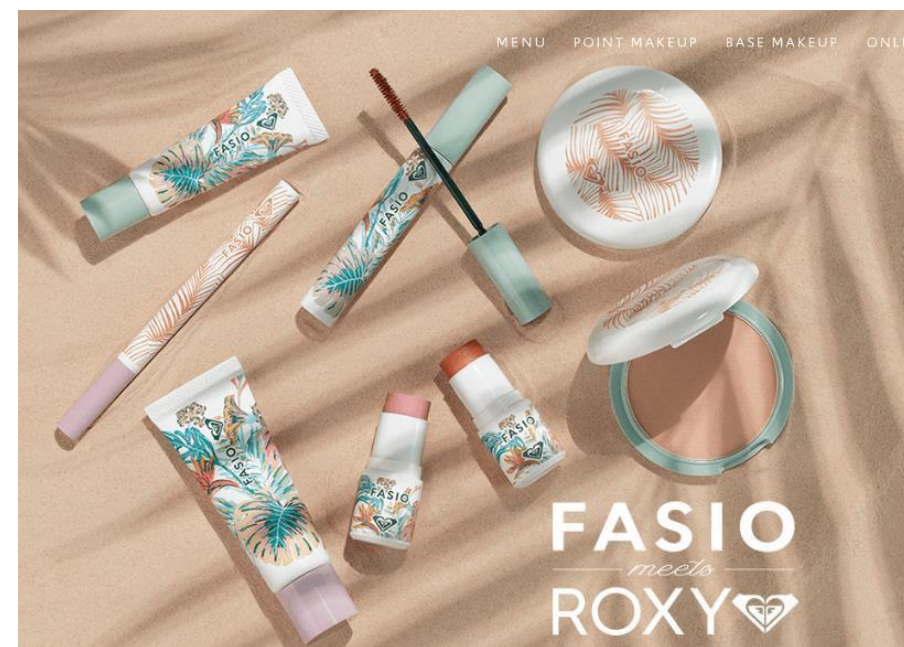


Trend makeup proposed by Visée
Gives a neat look even when wearing a face mask

Eyebrows without makeup (left) and drawn with the new product from Visée (right)
Even beginners can easily use it for daily makeup

Wearing face masks during the pandemic has raised the need for makeup around the eyes. The Visée brand has new gender neutral ideas for eyebrow makeup.

FASIO



Limited-time-only sales started in May 2022, for products created with the U.S. apparel brand ROXY. The goal is to attract new customers, mainly in the age-20 segment, the primary target of the FASIO brand.

◆ Recommending sets of makeup products to raise the amount of each purchase



Cumulative shipments of MAKE KEEP MIST, a makeup setting mist, passed 5 million units in February 2022. This product has retained its leading share of the makeup finishing spray market since its debut in 2019. Limited-time-only designs and container sizes are expected to attract new customers and raise repeat sales to current customers.

◆ The DECORTÉ brand commitment to society



A sustainability message has been announced for the DECORTÉ brand. One theme is activities for creating a world with no gender gap. The purple ribbon on the right is used worldwide to make people aware of the need to stop violence against women.

Information about activities

DECORTÉ Sustainable Action: <https://www.decorte.com/site/s/sdgs.aspx> (Japanese Only)

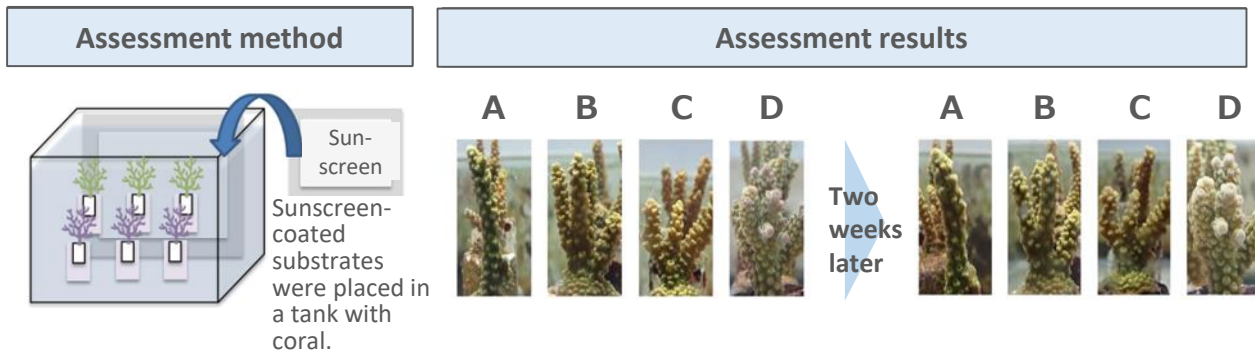
◆ Start of the COSME BANK PROJECT*1



KOSÉ is an official participant in the COSME BANK PROJECT as an advisory board company. The project donates cosmetics to households that cannot afford cosmetics. In May 2022, KOSÉ and KOSÉ COSMEPORT plan to give 30,000 units of cosmetics products to this project.

*1 The COSME BANK PROJECT distributes cosmetics and other household products supplied by companies participating in the project to people who are unable to acquire these products for economic or other reasons.

◆ Confirmation of no effect on coral growth of four sunscreen products



Following tests to assess the effects of seven types of UV protection ingredients, additional tests have confirmed that KOSÉ's major sunscreen products*1 as well have no effect on the growth of coral.

*1 Using gel and milk type sunscreen that includes or does not include UV absorber (A to D)

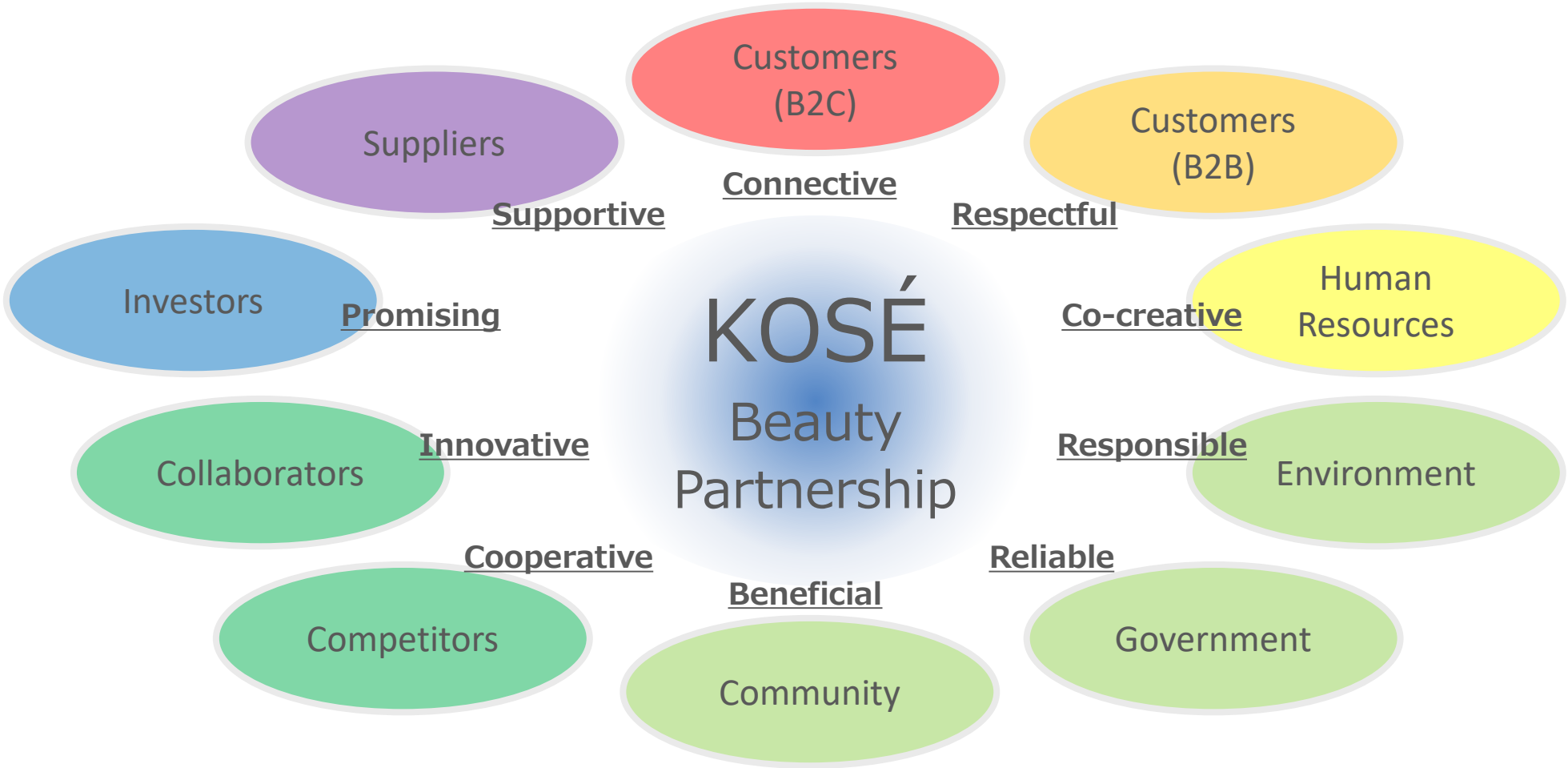
◆ Collection of used containers for the responsible use of resources



A project to collect used containers started in the fall of 2021. In April 2022, this program was expanded to include 37 ALBION DRESSER stores (as of April 2022) throughout Japan and renamed the ALBION RECYCLE PROJECT.

Supplementary Information

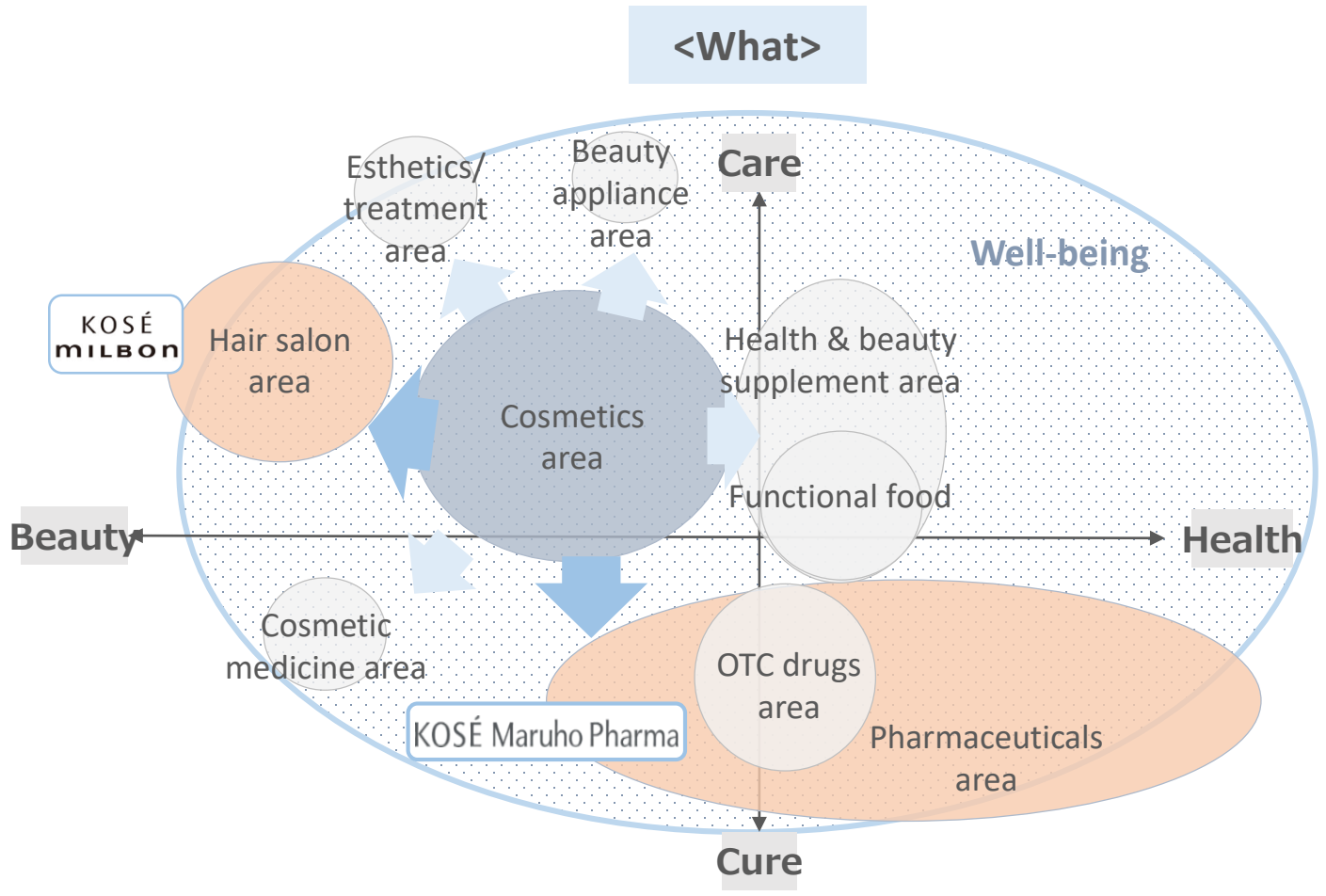
As a beauty partnership company, we will create a cosmetics culture unique to Japan and spread it across the world by establishing mutually enhancing relationships with all stakeholders through our unique wisdom for creating beauty.



To Whom: Expand targets by approaching customers not limited by gender or age

What: Provide value that includes the health and cure areas while remaining grounded in beauty

	<To whom> * Biological women	
	Women*	Other than women
Newborn	Expand	Expand
Infant		
Toddler		
Child	Previous targets	
Adolescent		
Prime age adult		
Middle aged	Expand	
Elder		
▼ Expand ▼	Expand	



Key initiatives

- (1) Target China and travel retail for growth**
- (2) Increase brand value (focus on personal customer experiences and distinctive forms of value)**
- (3) Post-COVID Structural Reforms and New Growth Strategy**
- (4) Activities based on the sustainability strategy**

(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) More customer experiences to successfully execute the growth strategy

- ✓ Use digital/real methods for more and better personal customer experiences
- ✓ New forms of customer interaction value involving online and many other types of counseling services
- ✓ More and better digital communications

(3) Enlarge targeted customer segments and review sales infrastructure in Japan to support growth strategies and the provision of value

- ✓ Activities for more new customers
- ✓ Start new initiatives in Japan
- ✓ Use a more powerful sales infrastructure in Japan to improve profitability in Japan

(4) Activities aimed at helping solve issues in order to help achieve a sustainable society

- ✓ Develop products that are environmentally responsible and incorporate features and properties for adaptability

(Reference) Consolidated Income Statement Highlights—Quarterly

2021								
	Jan. – Mar.		Apr. – Jun.		Jul. – Sep.		Oct. – Dec.	
	(billion yen) Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	61.2	100.0%	63.7	100.0%	61.7	100.0%	82.1	100.0%
Cost of sales	18.4	30.1%	18.4	28.9%	22.0	35.7%	22.1	27.0%
Gross profit	42.8	69.9%	45.3	71.1%	39.6	64.3%	60.0	73.0%
SG&A expenses	43.3	70.7%	40.9	64.1%	37.0	60.0%	50.9	62.0%
Operating profit	(0.4)	(0.7)%	4.4	6.9%	2.6	4.3%	9.0	11.0%
Ordinary profit	2.7	4.5%	4.3	6.9%	3.4	5.6%	11.4	14.0%
Profit before income taxes	2.7	4.5%	4.2	6.7%	3.3	5.5%	10.5	12.8%
Profit attributable to owners of parent	0.1	0.2%	2.9	4.6%	1.2	2.1%	6.8	8.3%

(Reference) Consolidated Income Statement Highlights—Cumulative

2021								
	Jan. – Mar.		Jan. – Jun.		Jan. – Sep.		Jan. – Dec.	
	(billion yen) Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Amount
Net sales	61.2	100.0%	125.0	100.0%	186.7	100.0%	268.9	100.0%
Cost of sales	18.4	30.1%	36.8	29.5%	58.9	31.6%	81.0	30.1%
Gross profit	42.8	69.9%	88.2	70.5%	127.8	68.4%	187.8	69.9%
SG&A expenses	43.3	70.7%	84.2	67.3%	121.2	64.9%	172.2	64.0%
Operating profit	(0.4)	(0.7)%	3.9	3.2%	6.6	3.5%	15.6	5.8%
Ordinary profit	2.7	4.5%	7.1	5.7%	10.5	5.7%	22.0	8.2%
Profit before income taxes	2.7	4.5%	7.0	5.6%	10.4	5.6%	20.9	7.8%
Profit attributable to owners of parent	0.1	0.2%	3.0	2.4%	4.2	2.3%	11.1	4.1%

(Reference) Cost of Sales and SG&A Expenses—Quarterly

2021									
(billion yen)		Jan. – Mar.		Apr. – Jun.		Jul. – Sep.		Oct. – Dec.	
		Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Cost of sales		18.4	30.1%	18.4	28.9%	22.0	35.7%	22.1	27.0%
SG&A expenses		43.3	70.7%	40.9	64.1%	37.0	60.0%	50.9	62.0%
Selling expenses	Sales promotion	11.4	18.7%	9.4	14.8%	6.0	9.7%	15.5	18.9%
	Advertising	5.8	9.5%	4.6	7.3%	4.6	7.6%	8.3	10.1%
	Freightage and packing	3.7	6.1%	3.9	6.2%	3.8	6.2%	4.6	5.7%
Subtotal		20.9	34.2%	18.0	28.3%	14.5	23.6%	28.4	34.7%
General and administrative expenses	Personnel	13.2	21.7%	13.7	21.6%	13.5	22.0%	14.4	17.6%
	R&D	1.6	2.6%	1.3	2.2%	1.4	2.3%	1.4	1.8%
	Depreciation	1.1	1.9%	0.9	1.5%	1.3	2.3%	1.1	1.4%
	Others	6.2	10.3%	6.7	10.6%	6.0	9.8%	5.4	6.6%
Subtotal		22.3	36.5%	22.8	35.8%	22.4	36.4%	22.4	27.4%

(Reference) Cost of Sales and SG&A Expenses—Cumulative

2021									
(billion yen)		Jan. – Mar.		Jan. – Jun.		Jan. – Sep.		Jan. – Dec.	
		Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Cost of sales		18.4	30.1%	36.8	29.5%	58.9	31.6%	81.0	30.1%
SG&A expenses		43.3	70.7%	84.2	67.3%	121.2	64.9%	172.2	64.0%
Selling expenses	Sales promotion	11.4	18.7%	20.8	16.7%	26.8	14.4%	42.3	15.8%
	Advertising	5.8	9.5%	10.4	8.4%	15.1	8.1%	23.4	8.7%
	Freightage and packing	3.7	6.1%	7.7	6.2%	11.5	6.2%	16.2	6.0%
Subtotal		20.9	34.2%	39.0	31.2%	53.5	28.7%	82.0	30.5%
General and administrative expenses	Personnel	13.2	21.7%	27.0	21.6%	40.6	21.8%	55.1	20.5%
	R&D	1.6	2.6%	2.9	2.4%	4.4	2.4%	5.8	2.2%
	Depreciation	1.1	1.9%	2.0	1.7%	3.4	1.9%	4.6	1.7%
	Others	6.2	10.3%	13.0	10.4%	19.1	10.2%	24.5	9.1%
Subtotal		22.3	36.5%	45.1	36.1%	67.6	36.2%	90.1	33.5%

(Reference) Sales and Operating Profit by Segment—Quarterly

Net sales

Operating segment (billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
	Amount	Amount	Amount	Amount
Cosmetics	45.7	53.6	48.7	69.5
Cosmetaries	15.0	9.8	12.3	11.9
Other	0.5	0.2	0.5	0.6
Total	61.2	63.7	61.7	82.1

Operating profit

Operating segment (billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
	Amount	Amount	Amount	Amount
Cosmetics	(0.1)	6.7	4.0	9.1
Cosmetaries	1.0	(1.2)	(0.2)	0.8
Other	0.2	0.0	0.1	0.2
Adjustment	(1.6)	(1.0)	(1.4)	(1.1)
Total	(0.4)	4.4	2.6	9.0

(Reference) Sales and Operating Profit by Segment—Cumulative

Net sales

Operating segment (billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
	Amount	Amount	Amount	Amount
Cosmetics	45.7	99.3	148.1	217.7
Cosmetaries	15.0	24.9	37.2	49.1
Other	0.5	0.8	1.3	2.0
Total	61.2	125.0	186.7	268.9

Operating profit

Operating segment (billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
	Amount	Amount	Amount	Amount
Cosmetics	(0.1)	6.5	10.6	19.7
Cosmetaries	1.0	(0.2)	(0.4)	0.3
Other	0.2	0.3	0.5	0.7
Adjustment	(1.6)	(2.6)	(4.0)	(5.2)
Total	(0.4)	3.9	6.6	15.6

(Reference) Net Sales by Region—Quarterly

(billion yen)	Jan. – Mar. 2021		Apr. – Jun. 2021		Jul. – Sep. 2021		Oct. – Dec. 2021	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Japan	37.9	61.9%	33.7	53.0%	37.0	60.0%	43.2	52.6%
Asia	16.2	26.6%	21.4	33.6%	15.8	25.7%	26.8	32.7%
North America	6.4	10.5%	7.5	11.9%	7.7	12.6%	10.9	13.3%
Other	0.6	1.0%	1.0	1.6%	1.0	1.7%	1.1	1.4%
Total	61.2	100.0%	63.7	100.0%	61.7	100.0%	82.1	100.0%
Overseas sales	23.3	38.1%	29.9	47.0%	24.6	40.0%	38.9	47.4%

(Reference) Net Sales by Region—Cumulative

(billion yen)	Jan. – Mar. 2021		Jan. – Jun. 2021		Jan. – Sep. 2021		Jan. – Dec. 2021	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Japan	37.9	61.9%	71.7	57.3%	108.7	58.2%	151.9	56.5%
Asia	16.2	26.6%	37.7	30.2%	53.5	28.7%	80.3	29.9%
North America	6.4	10.5%	14.0	11.2%	21.7	11.7%	32.7	12.2%
Other	0.6	1.0%	1.6	1.3%	2.7	1.5%	3.9	1.5%
Total	61.2	100.0%	125.0	100.0%	186.7	100.0%	268.9	100.0%
Overseas sales	23.3	38.1%	53.3	42.7%	78.0	41.8%	117.0	43.5%

ALBION CO., LTD.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
Net sales	10.8	12.6	12.7	14.7
Japan	8.9	10.3	10.5	11.6
Overseas	1.9	2.3	2.2	3.1

KOSÉ Cosmeport Corp.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
Net sales	9.9	6.1	7.8	7.5
Japan	9.9	6.1	7.8	7.5
Overseas	0.0	0.0	0.0	0.0

Tarte, Inc.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
Net sales	7.0	8.4	8.8	11.9
Japan	0.0	0.0	0.0	0.0
Overseas	7.0	8.4	8.8	11.9

Operating profit of Tarte, Inc. is before goodwill amortization.
Operating profit does not include amortization of goodwill resulting from acquisitions.

DECORTÉ

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
Net sales	18.1	23.6	17.8	29.7
Japan	4.6	4.8	5.0	7.0
Overseas	13.5	18.8	12.8	22.6

SEKKISEI

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. – Mar. 2021	Apr. – Jun. 2021	Jul. – Sep. 2021	Oct. – Dec. 2021
Net sales	2.6	3.5	2.4	3.3
Japan	1.8	2.3	1.6	2.0
Overseas	0.8	1.1	0.7	1.2

ALBION CO., LTD.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
Net sales	10.8	23.5	36.2	51.0
Japan	8.9	19.2	29.7	41.4
Overseas	1.9	4.2	6.4	9.6

KOSÉ Cosmeport Corp.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
Net sales	9.9	16.0	23.9	31.4
Japan	9.9	16.0	23.8	31.4
Overseas	0.0	0.0	0.0	0.0

Tarte, Inc.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
Net sales	7.0	15.5	24.4	36.3
Japan	0.0	0.0	0.0	0.0
Overseas	7.0	15.5	24.4	36.3

DECORTÉ

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
Net sales	18.1	41.8	59.7	89.5
Japan	4.6	9.4	14.5	21.5
Overseas	13.5	32.4	45.2	67.9

SEKKISEI

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	Jan. – Mar. 2021	Jan. – Jun. 2021	Jan. – Sep. 2021	Jan. – Dec. 2021
Net sales	2.6	6.1	8.6	11.9
Japan	1.8	4.1	5.8	7.8
Overseas	0.8	2.0	2.7	4.0

Operating profit of Tarte, Inc. is before goodwill amortization.
Operating profit does not include amortization of goodwill resulting from acquisitions.

(Reference) E-commerce/Travel Retail Sales—Quarterly

EC (billion yen)	Japan	China	Other Asian countries	North America, others	Total
2021 Cumulative	9.2	19.9	0.3	9.0	38.7
Jan. – Mar. 2021	2.0	3.0	0.0	1.8	7.0
Apr. – Jun. 2021	2.0	5.8	0.0	2.0	10.0
Jul. – Sep. 2021	2.3	2.5	0.1	1.9	7.0
Oct. – Dec. 2021	2.7	8.4	0.1	3.1	14.5

TR (billion yen)	Japan	China	South Korea	Other overseas countries	Total
2021 Cumulative	0.4	27.0	20.2	0.4	48.1
Jan. – Mar. 2021	0.0	5.8	4.6	0.1	10.7
Apr. – Jun. 2021	0.1	8.2	4.7	0.1	13.2
Jul. – Sep. 2021	0.1	4.4	5.3	0.0	9.9
Oct. – Dec. 2021	0.0	8.5	5.5	0.0	14.2

Offline (billion yen)	China
2021 Cumulative	9.7
Jan. – Mar. 2021	1.7
Apr. – Jun. 2021	2.6
Jul. – Sep. 2021	2.2
Oct. – Dec. 2021	3.1

* The Accounting Standard for Revenue Recognition is not applied.

(Reference) E-commerce/Travel Retail Sales—Cumulative

EC (billion yen)	Japan	China	Other Asian countries	North America, others	Total
2021 Cumulative	9.2	19.9	0.3	9.0	38.7
Jan. – Mar. 2021	2.0	3.0	0.0	1.8	7.0
Jan. – Jun. 2021	4.1	8.9	0.1	3.8	17.0
Jan. – Sep. 2021	6.4	11.4	0.2	5.8	24.1
Jan. – Dec. 2021	9.2	19.9	0.3	9.0	38.7

TR (billion yen)	Japan	China	South Korea	Other overseas countries	Total
2021 Cumulative	0.4	27.0	20.2	0.4	48.1
Jan. – Mar. 2021	0.0	5.8	4.6	0.1	10.7
Jan. – Jun. 2021	0.1	14.0	9.3	0.3	23.9
Jan. – Sep. 2021	0.3	18.4	14.7	0.3	33.8
Jan. – Dec. 2021	0.4	27.0	20.2	0.4	48.1

Offline (billion yen)	China
2021 Cumulative	9.7
Jan. – Mar. 2021	1.7
Jan. – Jun. 2021	4.4
Jan. – Sep. 2021	6.6
Jan. – Dec. 2021	9.7

* The Accounting Standard for Revenue Recognition is not applied.

(Reference) Foreign Exchange Rates—Cumulative

(billion yen)	2021				2022
	Jan. – Mar.	Jan. – Jun.	Jan. – Sep.	Jan. – Dec.	Jan. – Mar.
US\$	105.9	107.7	108.5	109.8	116.2
CN¥	16.4	16.7	16.8	17.0	18.3
KRW	0.10	0.10	0.10	0.10	0.10

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