
Results of Operations

Nine Months Ended September 30, 2022



KOSÉ Corporation
November 11, 2022

✓ Net sales **¥200.8 billion:** up ¥14.0 billion (7.5%) YoY

- Although there were negative effects of restrictions on outings in China due to the country's zero-COVID policy, sales increased mainly because of the growth of high-prestige brand sales at specialty cosmetics stores and department stores in Japan and higher sales at Tarte. Sales were up 3.3% YoY after excluding foreign exchange rate changes.

✓ Operating profit **¥12.4 billion:** up ¥5.8 billion (88.6%) YoY

- Although sales promotion and advertising expenses increased because of second half marketing events and activities to prepare for the holiday selling season, operating profit increased as the cost of sales ratio declined due to lower manufacturing costs and fewer product returns.

Area	Initial sales plan (Vs. 2021)	2022 Annual sales outlook as of 3Q 2022 (Vs. 2021 annual sales results)	Evaluation of 1Q-3Q 2022 (Vs. revised plan announced on Aug. 10)	
			Net sales	Operating profit
Japan	Mid-single-digit increase	Despite a YoY increase, sales are expected to fall short of target as high-prestige sales were unable to offset the negative results in the prestige and cosmetics categories.	▲	○
China (online/offline)	+10%	Demand for cosmetics is recovering, but the zero-COVID policy is preventing a return to normal economic activity and competition is likely to remain intense. 2022 sales are expected to be down from 2021 and below the plan.	▲	▲
TR (including South Korea)	+10%	Sales are expected to recover in China but significant decline is expected in South Korea due to a slowdown started in 3Q.	▲	▲
North America (Tarte)	High-single-digit increase	Forecast sales to increase YoY in yen equivalent and to be higher than planned because of steady consumer spending and the effect of yen's depreciation. Excluding forex changes, YoY sales growth rate is expected to stay at the low-single-digit level.	○	▲

- Operating profit was higher due to lower cost of sales ratio and SG&A ratio. Ordinary profit was higher due to a big increase in foreign exchange gains. Profit attributable to owners of parent increased YoY.

1Q-3Q							
	2021		2022		Change (amount)	Change (ratio)	
	(billion yen)	Amount	Ratio to net sales	Amount			Ratio to net sales
Net sales		186.7	100.0%	200.8	100.0%	+14.0	+7.5%
Cost of sales		58.9	31.6%	59.8	29.8%	+0.9	+1.6%
Gross profit		127.8	68.4%	141.0	70.2%	+13.1	+10.3%
SG&A expenses		121.2	64.9%	128.5	64.0%	+7.2	+6.0%
Operating profit		6.6	3.5%	12.4	6.2%	+5.8	+88.6%
Ordinary profit		10.5	5.7%	22.5	11.2%	+11.9	+113.4%
Profit before income taxes		10.4	5.6%	22.1	11.0%	+11.7	+112.6%
Profit attributable to owners of parent		4.2	2.3%	13.8	6.9%	+9.5	+222.3%
Net income per share		-		242.61 yen		-	

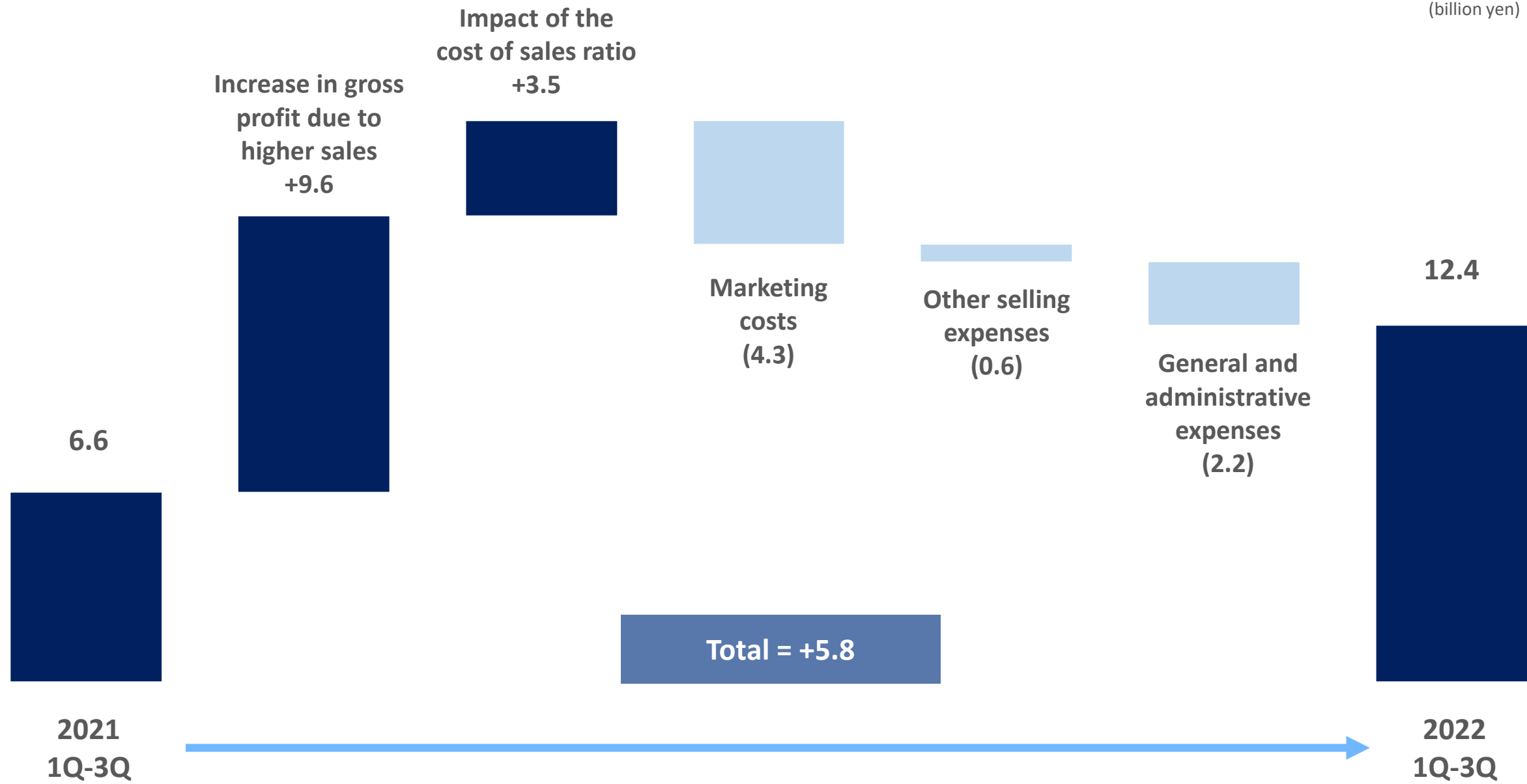
Cost of Sales and SG&A Expenses

- The cost of sales ratio declined overall including that of COSMEOPORT, although the ratio was higher for Tarte. A decrease from the previous year in merchandise disposal associated the launch of a new line of FASIO products also contributed to the improvement in the cost of sales ratio.
- Sales promotion and advertising expenses increased mainly because of expenses in China for merchandise on sale online and live commerce and promotions for new fall products in 3Q. However, the SG&A expense ratio decreased due to measures to hold down the increase of general and administrative expenses.

		1Q-3Q					
(billion yen)		2021		2022		YoY change	
		Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio
Cost of sales		58.9	31.6%	59.8	29.8%	+0.9	+1.6%
SG&A expenses		121.2	64.9%	128.5	64.0%	+7.2	+6.0%
Selling expenses	Sales promotion	26.8	14.4%	30.2	15.0%	+3.3	+12.4%
	Advertising	15.1	8.1%	16.1	8.0%	+0.9	+6.5%
	Freightage and packing	11.5	6.2%	12.2	6.1%	+0.6	+5.8%
	Subtotal	53.5	28.7%	58.5	29.2%	+4.9	+9.3%
General and administrative expenses	Personnel	41.6	22.3%	42.3	21.1%	+0.6	+1.6%
	R&D	4.4	2.4%	4.4	2.2%	+0.0	+1.6%
	Depreciation	3.4	1.9%	3.6	1.8%	+0.2	+6.2%
	Others	18.1	9.7%	19.4	9.7%	+1.3	+7.4%
Subtotal		67.6	36.2%	69.9	34.8%	+2.2	+3.4%

YoY Changes in Operating Profit

(billion yen)



Sales and Operating Profit by Segment

- In the cosmetics segment, operating profit increased YoY due to higher sales of Tarte, DECORTÉ, ALBION, JILL STUART and other high-prestige brand products.
- In the cosmetaries segment, sales and operating profit of COSMEPORT products recovered. The segment became profitable for 1Q-3Q despite the first half loss.

Net sales

Operating segment (billion yen)	1Q-3Q					
	2021	2022	YoY change (amount)	YoY change (ratio)	% comp.	
	Amount	Amount			2021	2022
Cosmetics	148.1	160.7	+12.5	+8.5%	79.3%	80.0%
Cosmetaries	37.2	38.8	+1.5	+4.2%	19.9%	19.3%
Other	1.3	1.3	(0.0)	(5.5)%	0.7%	0.7%
Total	186.7	200.8	+14.0	+7.5%	100.0%	100.0%

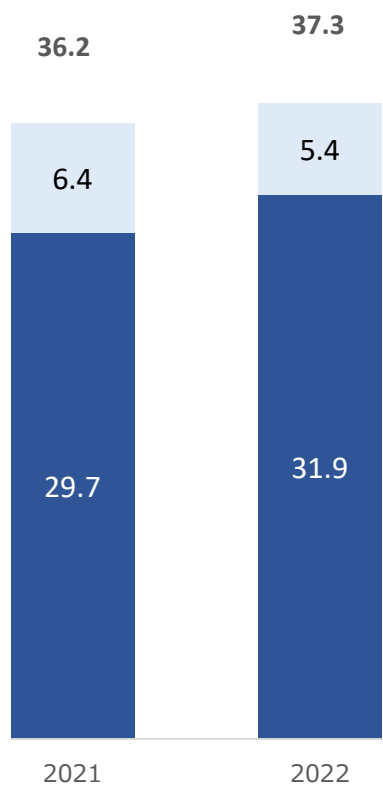
Operating profit

Operating segment	1Q-3Q					
	2021	2022	YoY change (amount)	YoY change (ratio)	Operating margin	
	Amount	Amount			2021	2022
Cosmetics	10.6	15.4	+4.7	+44.9%	7.2%	9.6%
Cosmetaries	(0.4)	0.2	+0.7	-	(1.2)%	0.7%
Other	0.5	0.7	+0.2	+55.4%	35.2%	43.1%
Adjustment	(4.0)	(4.0)	(0.0)	-	-	-
Total	6.6	12.4	+5.8	+88.6%	3.5%	6.2%

ALBION CO., LTD.

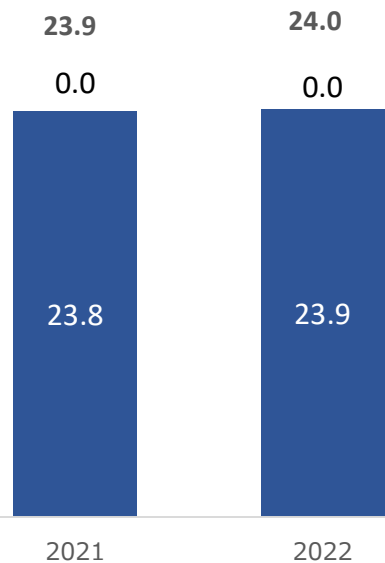
* The Accounting Standard for Revenue Recognition is applied.

* Figures are rounded down to the first decimal place.



KOSÉ Cosmeport Corp.

* The Accounting Standard for Revenue Recognition is applied.

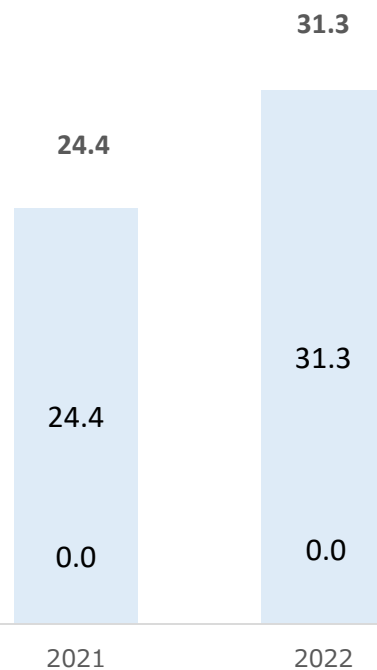


Tarte, Inc.

* The Accounting Standard for Revenue Recognition is applied.

(billion yen)

■ Overseas
■ Japan



DECORTÉ

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	2021	2022
Net sales	59.7	63.1
Japan	14.8	19.4
Overseas	44.9	43.7

SEKKISEI

* The Accounting Standard for Revenue Recognition is not applied.

(billion yen)	2021	2022
Net sales	8.6	8.0
Japan	5.9	5.1
Overseas	2.6	2.8

Net Sales by Region

- In Japan, sales increased because economic activity has returned to normal due to the easing of restrictions for pandemic safety.
- In Asia, there was a small decrease in sales, resulting from the impact of zero-COVID policies in mainland China and South Korea, partially offset by strong China travel retail sales.
- In North America and other regions, sales increased because of steady consumer spending and the effect of yen's depreciation.

1Q-3Q						
(billion yen)	2021		2022		YoY change (amount)	YoY change (ratio)
	Amount	% comp.	Amount	% comp.		
Japan	108.7	58.2%	116.9	58.2%	+8.2	+7.6%
Asia	53.5	28.7%	53.1	26.5%	(0.3)	(0.7)%
North America	21.7	11.7%	27.0	13.5%	+5.3	+24.5%
Other	2.7	1.5%	3.6	1.8%	+0.8	+32.9%
Total	186.7	100.0%	200.8	100.0%	+14.0	+7.5%
Overseas sales	78.0	41.8%	83.8	41.8%	+5.8	+7.5%

Net Sales by Region: Japan

➤ Sales of high-prestige brands continued to be strong at specialty cosmetics stores and department stores. In the drug store and other mass-market channels (prestige, cosmetaries), 1Q-3Q sales were down YoY but higher YoY in the 3Q.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1Q-3Q	108.7	116.9	+8.2	+7.6%
1Q	37.9	36.5	(1.3)	(3.6)%
2Q	33.7	39.2	+5.4	+16.0%
3Q	37.0	41.2	+4.1	+11.3%

Market Trends

- | | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Japan | <ul style="list-style-type: none"> ■ Inflation fueled by the yen's depreciation and high cost of crude oil ■ Rapid increase in COVID-19 cases in Japan started in July but the number of cases has been declining since September |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

KOSÉ

- | | |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall | <ul style="list-style-type: none"> ■ Strong sales growth of DECORTÉ continued |
| High prestige | <ul style="list-style-type: none"> ■ Sales higher due mainly to the popularity of DECORTÉ LIPOSOME ADVANCED REPAIR CREAM ■ More new customers at stores due to the success of SNS collaborations, offline events and other activities for JILL STUART and ADDICTION |
| Prestige | <ul style="list-style-type: none"> ■ In the sensitive skin products category, where sales continue to increase, promotional activities encompassing the entire KOSÉ Group were successful |
| Cosmetaries | <ul style="list-style-type: none"> ■ In the COSMEPORT line, sheet masks continue to be a major source of sales growth. Strong initial sales following the launch of Coen Rich The Premium hand cream. |

Strategies for 4Q

- | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall | <ul style="list-style-type: none"> ■ Start of the subscription purchase plan (three deliveries) for LIPOSOME ADVANCED REPAIR SERUM in September ■ A new beauty care attraction at Maison KOSÉ Ginza that uses projection mapping for facial makeup ■ Launch of a ONE BY KOSÉ brand lotion for moisture retention, wrinkle treatment and brightening. Step up measures for cross-selling this product with other KOSÉ products. |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Net Sales by Region: Asia

- In China, travel retail sales increased and online sales started to recover. But total sales were down slightly due to lower offline sales as the zero-COVID policy restricted outings.
- In South Korea, travel retail sales were held down because of the dollar's strength vs. the won and travel restrictions in China.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1Q-3Q	53.5	53.1	(0.3)	(0.7)%
1Q	16.2	14.0	(2.2)	(13.5)%
2Q	21.4	22.0	+0.5	+2.7%
3Q	15.8	17.0	+1.2	+7.8%

Market Trends

China (mainland)	<ul style="list-style-type: none"> ■ The zero-COVID policy that began in October 2021 is continuing
China (duty-free)	<ul style="list-style-type: none"> ■ Negative effect of travel restrictions due to the zero-COVID policy but demand for cosmetics is recovering
South Korea (duty-free)	<ul style="list-style-type: none"> ■ Pandemic restrictions are declining and economic activity is returning to normal, but the dollar continues to strengthen vs. the won

KOSÉ

China (Mainland)	<ul style="list-style-type: none"> ■ Low offline sales because of store closings and reduced operating hours, postponements of special events, and other effects of the zero-COVID policy ■ Online sales were supported by live commerce due to the return of Austin Li Jiaqi
China (duty-free)	<ul style="list-style-type: none"> ■ Duty-free sales are starting to recover, although restrictions due to the zero-COVID policy negatively affected sales in parts of Hainan Island
South Korea (duty-free)	<ul style="list-style-type: none"> ■ Sales declined because of the dollar's strength vs. the won, travel restrictions in China and slowing economic growth in China

Strategies for 4Q

China	<ul style="list-style-type: none"> ■ Opening of a DECORTÉ store in October 2022 on Hainan Island as a flagship store for the DECORTÉ brand ■ DECORTÉ is the primary brand for the Singles Day sales activities. Increasing promotions, including live commerce that uses key opinion leaders (KOL) and KOSÉ beauty consultants
South Korea	<ul style="list-style-type: none"> ■ Improve sales activities by building stronger relationships with duty-free stores

Net Sales by Region: North America, Europe, Others

➤ Tarte maintained its high share of the prestige makeup market by reinforcing concealer, mascara and other key categories and by launching new products. In addition, Tarte continues to open more stores.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1Q-3Q	24.4	30.7	+6.2	+25.4%
1Q	7.0	8.3	+1.2	+18.1%
2Q	8.5	10.3	+1.8	+21.1%
3Q	8.8	11.9	+3.1	+35.5%

Market Trends

USA	<ul style="list-style-type: none"> ■ Growing concern about an economic downturn due to sharp monetary tightening by the Fed, as the cost of energy and many products climbs
Europe	<ul style="list-style-type: none"> ■ Economic downturn due to the serious impact of the rising cost of energy and raw materials

Tarte

- | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overall | <ul style="list-style-type: none"> ■ Initial sales are ahead of the 2021 pace as the holiday selling season approaches, but intense competition is expected ■ Sales increased for new products in the mascara and lip makeup categories |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Strategies for 4Q

- | | |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| USA (Tarte) | <ul style="list-style-type: none"> ■ More selling activities by holding promotions as the holiday selling season approaches |
| Europe and others | <ul style="list-style-type: none"> ■ Expanding activities to start operations in more European countries ■ Sephora is returning to the UK. Started Tarte e-commerce sales operations in October |

- E-commerce sales were strong for DECORTÉ in Japan and sales in China recovered in the 3Q
- A big YoY increase in travel retail sales in the 3Q in China but the dollar's strength vs. the won and travel restrictions in China are holding down travel retail sales in South Korea.

EC (billion yen)	Total		YoY change
	2021	2022	
1Q-3Q	24.2	25.7	+6.3%
1Q	7.0	8.0	+13.8%
2Q	10.1	10.2	+1.0%
3Q	7.0	7.5	+6.7%

Japan			China			Other Asian countries			North America, others		
2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change
6.5	7.6	+15.9%	11.4	11.1	(2.8)%	0.2	0.3	+18.8%	5.8	6.6	+13.0%
2.0	2.8	+36.7%	3.0	3.2	+4.4%	0.0	0.1	+42.5%	1.8	1.8	+2.1%
2.0	2.3	+11.0%	5.8	5.2	(10.7)%	0.0	0.0	(9.4)%	2.0	2.5	+22.9%
2.3	2.4	+1.9%	2.5	2.7	+6.6%	0.1	0.1	+21.1%	1.9	2.2	+12.6%

TR (billion yen)	Total		YoY change
	2021	2022	
1Q-3Q	33.8	34.2	+0.9%
1Q	10.7	9.0	(15.2)%
2Q	13.2	13.0	(1.5)%
3Q	9.9	12.1	+21.5%

Japan			China			South Korea			Others		
2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change
0.3	0.9	+224.1%	18.4	20.7	+12.3%	14.7	12.0	(18.4)%	0.3	0.3	+5.3%
0.0	0.1	+127.8%	5.8	6.5	+12.9%	4.6	2.3	(49.8)%	0.1	0.0	(77.8)%
0.1	0.1	+58.5%	8.2	5.8	(29.3)%	4.7	6.8	+45.0%	0.1	0.1	+4.6%
0.1	0.6	+422.9%	4.4	8.3	+89.3%	5.3	2.8	(47.2)%	0.0	0.2	+243.5%

Offline	China		
	2021	2022	YoY change
1Q-3Q	6.6	4.4	(33.2)%
1Q	1.7	1.3	(22.4)%
2Q	2.6	2.3	(9.8)%
3Q	2.2	0.6	(69.1)%

* The Accounting Standard for Revenue Recognition is not used.

Balance Sheet and Cash Flow Highlights

- Total assets amounted to ¥343.5 billion and equity ratio was above 70%. Inventories increased to prepare for the Singles Day shopping festival in China and the year-end holiday selling season for Tarte.

BS (billion yen)	As of December 31, 2021		As of September 30, 2022		Change Amount
	Amount	Share	Amount	Share	
Current assets	217.3	67.9%	236.7	68.9%	+19.4
Cash and deposits	105.2	32.9%	109.6	31.9%	+4.4
Accounts receivable	44.2	13.8%	43.6	12.7%	(0.5)
Inventories	63.7	19.9%	76.4	22.3%	+12.7
Non-current assets	102.6	32.1%	106.8	31.1%	+4.1
Property, plant and equipment	59.5	18.6%	59.3	17.3%	(0.1)
Intangible assets	14.2	4.5%	15.0	4.4%	+0.7
Total assets	320.0	100.0%	343.5	100.0%	+23.5

Current liabilities	59.1	18.5%	61.9	18.0%	+2.8
Accounts payable	23.7	7.4%	26.7	7.8%	+2.9
Short-term borrowings	0.6	0.2%	2.3	0.7%	+1.7
Non-current liabilities	6.6	2.1%	9.9	2.9%	+3.3
Total liabilities	65.7	20.5%	71.9	20.9%	+6.1
Total net assets	254.2	79.5%	271.6	79.1%	+17.3
Shareholders' equity*	238.3	74.5%	255.5	74.4%	+17.2
Non-controlling interests	15.9	5.0%	16.0	4.7%	+0.1
Total liabilities and net assets	320.0	100.0%	343.5	100.0%	+23.5

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

- Although cash dividends paid increased due to change in fiscal year end, overall cash increased by ¥4.0 billion.

CF (billion yen)	1Q-3Q 2021	1Q-3Q 2022
Profit before income taxes	+10.4	+22.1
Depreciation	+8.4	+7.8
Decrease (increase) in trade receivables	+5.8	+0.5
Decrease (increase) in inventories	(7.6)	(12.7)
Increase (decrease) in trade payables	(5.2)	+2.9
Others	+2.1	+11.3
Cash flows from operating activities	+9.7	+9.3
Capital expenditures	+3.4	+4.3
(Increase) decrease in time deposits	(9.9)	+0.6
Cash flows from investing activities	(14.2)	(4.3)
Funds procured from external sources and repayments	(3.5)	+1.6
Cash dividends paid	(3.4)	(7.4)
Cash flows from financing activities	(7.2)	(6.5)
Effect of exchange rate change on cash and cash equivalents	1.8	+5.6
Change in cash and cash equivalents	(9.9)	+4.0
Cash and cash equivalents at beginning of period	71.4	81.8
Cash and cash equivalents at end of period	61.4	85.9

Outlook for 2022

- In Japan, sales and operating profit are expected to be less than planned due to a continuation of sluggish sales in the prestige and cosmetaries categories, despite brisk high-prestige category sales.
- In China, the travel retail sector recovery is continuing but heated competition in the online sector is anticipated as the Singles Day approaches and restrictions on outings due to the zero-COVID policy are likely to continue to impact offline sales. As a result, the outlook is for sales and operating profit in China to be below the plan.
- In the South Korea travel retail sector, sales and operating profit are expected to be far below the plan because of the dollar's strength vs. the won and travel restrictions in China.
- Tarte sales are increasing because of brisk sales of new and core existing products and the yen's depreciation. Earnings are expected to be far below the plan because of a higher cost of sales ratio.

Regional outlook

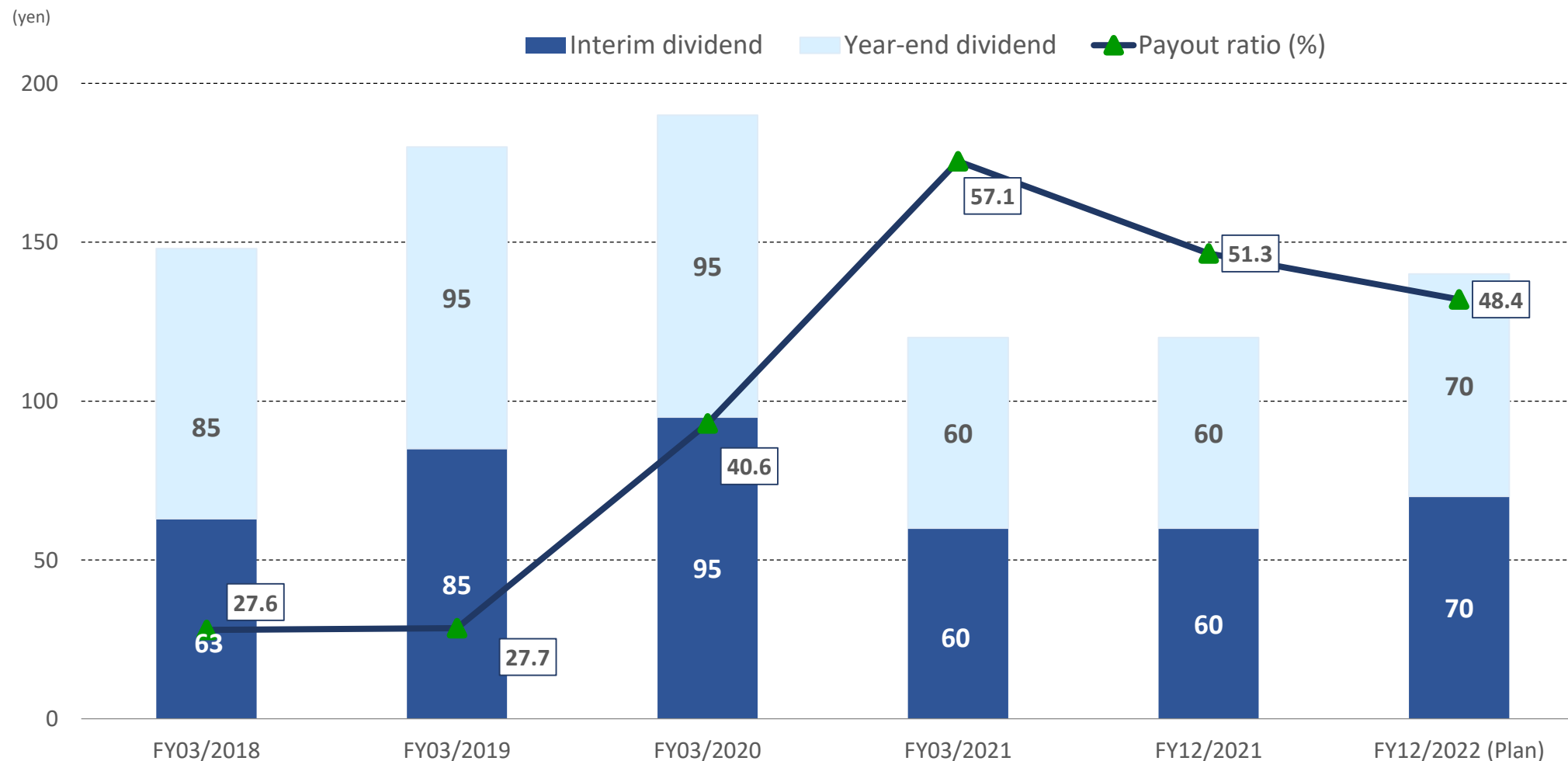
Japan	<ul style="list-style-type: none"> ■ In the high prestige category, DECORTÉ is using a periodic purchasing plan and other measures, centered on the LIPOSOME series, to increase the number of loyal users. JILL STUART and ADDICTION are using SNS collaborations, offline events and other activities to aim for growth that outpaces the expansion of the makeup market overall. ■ In the prestige category, promotional activities by KOSÉ Group companies in the sensitive skin care market, in order to capture a larger market share, mainly of SEKKISEI products. Launch of a ONE BY KOSÉ brand lotion for moisture retention, wrinkle treatment and brightening. Step up measures for cross-selling this product with other ONE BY KOSÉ products. ■ In the cosmetaries category, sales of CLEAR TURN are continuing to grow faster than the sheet mask market. In the hand cream category, Coen Rich added a product for wrinkles and blemishes that is intended to attract a broader range of customers to this brand and increase opportunities to reach potential new customers.
Asia	<ul style="list-style-type: none"> ■ Offline sales in China will continue to be impacted by strict safety measures based on China's zero-COVID policy. For online sales, there will be more promotional activities for the Singles Day, chiefly for DECORTÉ, such as live commerce featuring key opinion leaders and KOSÉ beauty consultants. ■ In the China travel retail sector, the outlook is for strong sales as the economy recovers. In October, a DECORTÉ flagship store opened on Hainan Island. ■ In the South Korea travel retail sector, the outlook is for sluggish sales because of the dollar's strength vs. the won, travel restrictions in China, and slowing economic growth in China.
North America/ Europe	<ul style="list-style-type: none"> ■ Tarte will strive to strengthen sales of new products and core products such as concealer and mascara, but sales in local currency are expected to be below the plan. Combined with a higher cost of sales ratio, profits are expected to be far below the plan.

2022 Outlook and Revised Plan

- Sales have been reduced to ¥283 billion because restrictions on economic activity in China due to the zero-COVID policy are holding down sales and sales in South Korea are down significantly. In addition, sales in the mass retail channel in Japan were sluggish and Tarte sales in local currency also fell short of plan.
- Operating profit has also been reduced to ¥16.5 billion. In addition to the lower sales mainly due to the above reasons, deteriorating profitability resulting from intense competition in the Chinese market is expected and the cost of sales ratio is expected to remain high, especially for Tarte products, mainly due to soaring raw material prices.

(billion yen)	2021 results (Jan. - Dec. 2021)		2022 revised plan (announced on Aug. 10)		2022 revised plan (announced on Nov. 11)		(Vs. 2021 results) 2022 revised plan		(Vs. revised plan announced on Aug. 10) 2022 revised plan	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales	Change (amount)	Change (ratio)	Change (amount)	Change (ratio)
Net sales	268.9	100.0%	293.0	100.0%	283.0	100.0%	+14.0	+5.2%	(10.0)	(3.4)%
Cosmetics	217.7	80.9%	238.5	81.4%	232.2	82.1%	+14.4	+6.7%	(6.2)	(2.6)%
Cosmetaries	49.1	18.3%	52.6	17.9%	48.9	17.3%	(0.2)	(0.5)%	(3.6)	(7.0)%
Other	2.0	0.8%	1.9	0.7%	1.8	0.6%	(0.2)	(11.0)%	(0.0)	(3.3)%
Operating profit	15.6	5.8%	20.0	6.8%	16.5	5.8%	+0.8	+5.3%	(3.5)	(17.5)%
Ordinary profit	22.0	8.2%	22.6	7.7%	22.6	8.0%	+0.5	+2.5%	-	-
Profit attributable to owners of parent	11.1	4.1%	16.5	5.6%	16.5	5.8%	+5.3	+48.2%	-	-
Net income per share	-		289.22 yen		289.22yen					
ROA	-			7.0%		6.8%				
ROE	-			6.4%		6.3%				
Capital expenditures	-			18.9		18.9				
Depreciation	-			10.3		10.3				

➤ 2022 annual dividend: As net income is expected to be unchanged from the plan, there is no change in the dividend forecast. The plan is an annual dividend of ¥140 (including ¥70 interim dividend)



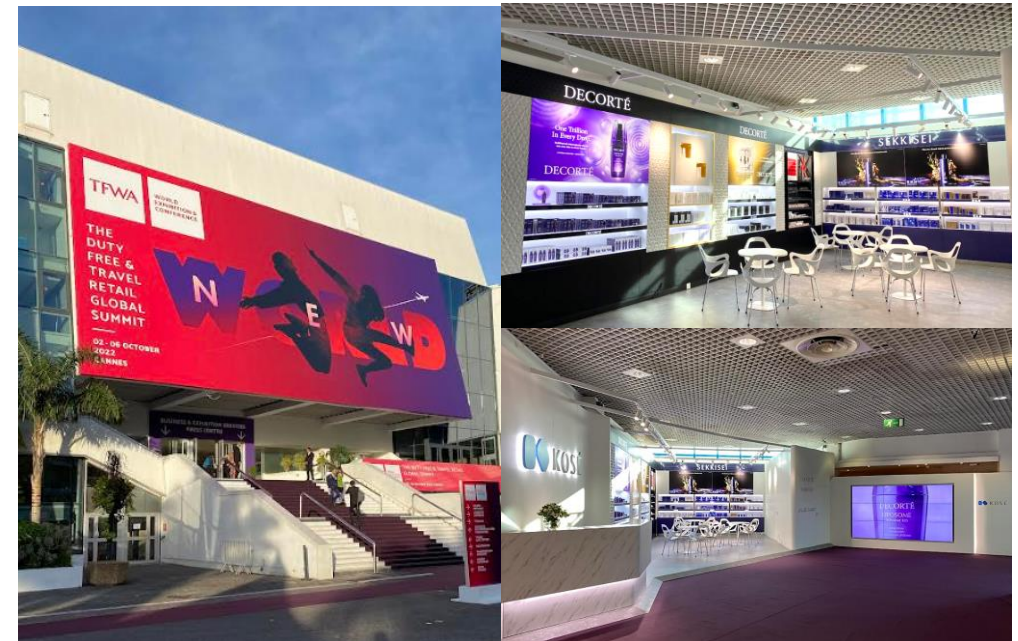
Brand Topics

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	The Three G's (1) Global (2) Gender (3) Generation
(1) Strategic investments in China/travel retail, the markets with the most growth potential, to achieve global and borderless growth	(1) Global Growth on a global scale
<ul style="list-style-type: none"> ✓ Strategic investments to further increase activities for the growth of flagship global brands 	
(2) More customer experiences to successfully execute the growth strategy	(2) Gender Gender equality and genderless measures
<ul style="list-style-type: none"> ✓ 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	
<ul style="list-style-type: none"> ✓ Activities for more new customers ✓ Start new initiatives in Japan ✓ Use a more powerful sales infrastructure in Japan to improve profitability in Japan 	(3) Generation Customer contact enhancement to cover more customer segments
(4) Activities aimed at helping solve issues in order to help achieve a sustainable society	Sustainability
<ul style="list-style-type: none"> ✓ Develop products that are environmentally responsible and incorporate features and properties for adaptability 	

- ◆ For DECORTÉ, a large-scale LIPOSOME event in Hangzhou, China in August 2022
Raise LIPOSOME awareness in China and shift customers to high-end products
- ◆ First participation at the Tax Free World Association exhibition in France, held in Cannes in October 2022, to prepare to start selling products at tax-free stores in Europe



DECORTÉ promotional events featuring Chinese K-pop star Zhang Yixing, who is a global ambassador for DECORTÉ, made a big contribution to sales growth of LIPOSOME ADVANCED REPAIR SERUM in August 2022.



To raise awareness of the KOSÉ brand in order to prepare for the start of operations in Europe's travel retail market, in October 2022 KOSÉ participated for the first time at the Tax Free World Association exhibition, which took place in Cannes, France.

(2) Increase Brand Value (Focus on personal customer experiences and distinctive forms of value)

- ◆ A new beauty care attraction at Maison KOSÉ Ginza that uses projection mapping for facial makeup
- ◆ KOSÉ sends a researcher to the Shinya Yamanaka Lab of the U.S. Gladstone Institutes for research into rejuvenation



The COLOR MACHINE, which is one of the beauty care attractions, is a sophisticated makeup simulator that utilizes projection mapping technology. 3D virtual makeup creates the appearance of makeup directly on the skin. Companies in other industries are interested in this technology that is to be exhibited at the Consumer Electronics Show in Las Vegas in 2023.



KOSÉ has been performing research on aging for many years, including studies concerning iPS cells (see note). In 2016, KOSÉ started selling iP.Shot, a wrinkle treatment serum using the DECORTÉ brand. By incorporating this knowledge in research for looking and feeling younger, KOSÉ plans to develop innovative cosmetics and services that competitors cannot match.

Note: Induced pluripotent stem cells (iPS cells) are a type of stem cell for which Kyoto University professor Shinya Yamanaka achieved a major breakthrough. These cells can propagate indefinitely and produce every other cell type in the body, including tissue and organs.

(3) Post-COVID Structural Reforms and New Growth Strategy: Tarte (Global)

- ◆ Expand operations to new countries in Europe
- ◆ Sephora re-landed in the UK

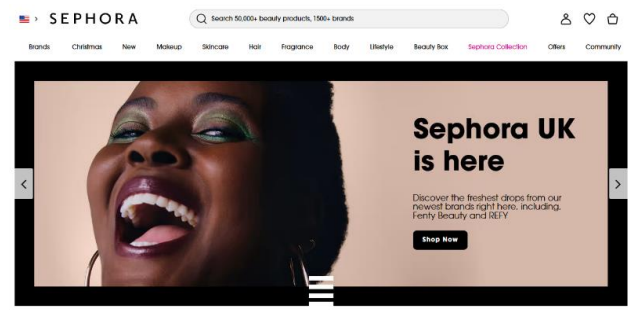
The Sephora e-commerce website started selling tarte products in October.



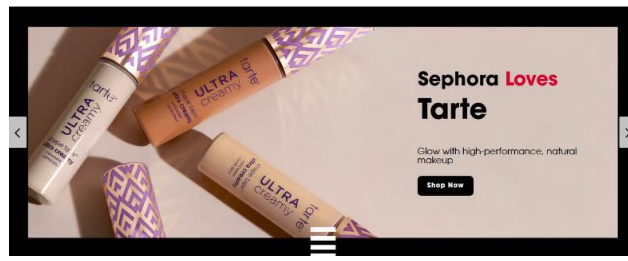
Expansion into new countries in Europe (August-September)

Sephora stores in seven countries (Switzerland, Greece, Romania, Czech Republic, Turkey, Bulgaria* and Serbia*) have started selling tarte products.

* In Bulgaria and Serbia, tarte products are available only in physical Sephora stores and are not sold on the Sephora e-commerce website.



Sephora UK (e-commerce website)



Sephora UK sells tarte products



The launch event on October 19 and 20

Sephora UK re-landing

Sephora UK e-commerce website was launched on October 13 and the first physical store will open in March 2023 (the location is not decided). On October 19 and 20, Sephora UK held a launch event for the press and influencers at One Marylebone in London. Tarte also set up a makeup booth with information about the brand's worldview and best-selling products.

(3) Post-COVID Structural Reforms and New Growth Strategy: DECORTÉ (Generation)

◆ A broad product lineup centered on the LIPOSOME series to attract customers of all ages
 The subscription purchase plan (three deliveries) for LIPOSOME ADVANCED REPAIR SERUM that started in September has been very successful.



Kimono (Fragrance)



Kimono (Body lotion and hand cream)

Best selling beauty serum at department stores in Japan ^{note 1}
 Received 90 Best Cosmetics Awards ^{note 2}
LIPOSOME Beauty Serum



LIPOSOME ADVANCED REPAIR SERUM (Beauty serum)



LIPOSOME ADVANCED REPAIR CREAM (Night cream)



AURA REFLECTOR (Face powder)



美容観者が選ぶ 2022年上半期ベストコスメ スキンケア部門 スキンケアライン編 第1位 KOSÉ イドラクラリティ



HYDRA CLARITY (Lotion, etc.)



ZEN WEAR FLUID (Liquid foundation)


Note 1: Based on Oct. '21 to Mar. '22 sales in the dept. store prestige market in the Beaute Research April 2022 "Japan 2022 First Quarter Report"

Note 2: Number of awards in magazines, internet and other media (as of Jul. 2022)


(3) Post-COVID Structural Reforms and New Growth Strategy: ONE BY KOSÉ (Generation)

- ◆ **New ONE BY KOSÉ brand lotion for moisture retention, wrinkle treatment and brightening. Targets the age 40 to 60 segment, which the existing lotion category does not cover. Increasing cross-selling activities for THE WRINKLESS S, a wrinkle treatment beauty serum.**


Current Lineup




DOUBLE BLACK WASHER
(Facial wash products:
Dull skin, pores)




BARANCING TUNER
(Lotion: Sebum
reduction)




THE WATER MATE
(Lotion: High
moisture retention)



SERUM VEIL
(Beauty serum:
Moisture retention)




MELANOSHOT WHITE D
(Beauty serum:
brightening)



THE WRINKLESS S
(Beauty serum: Wrinkles)

Launched on October 16



DEEP HYDRATOR
(Lotion: Moisture retention,
wrinkles and brightening)

Cross-selling for these two ONE BY KOSÉ products

(3) Post-COVID Structural Reforms and New Growth Strategy: VISÉE (Gender)

- ◆ As wearing a face mask in public has become the new normal, the need for products for the eyes has increased, resulting in new products that have generated much attention.
- ◆ A new promotional character for the VISEÉ brand debuted in October. Started advertising activities using the genderless theme.



EYEBROW ENHANCER
(Concealer specifically around eyebrows)



RED TRICK CONCEALER
(Concealer for around the eyes)



Eye makeup use among men is increasing. In October, KOSÉ started selling an eye color with a matte color that is also very popular among men. Marketing activities have started to position VISEÉ as a genderless brand.

Concealers are a product that can be used by men and women. Due to the pandemic, wearing a face mask has become the new normal. Consequently, interest is high among consumers in new KOSÉ products created specifically for enhancing the appearance of the eyes.

(3) Post-COVID Structural Reforms and New Growth Strategy: SEKKISEI Promotions and the Sensitive Skin Campaign (Gender/Generation)

- ◆ Joint promotional activities in July and August for the SEKKISEI series positions SEKKISEI as a brand for everyone regardless of gender or generation. The response from customers has been very positive.
- ◆ In September, started a joint sensitive skin campaign for three KOSÉ Group companies that raised recognition of the brands of these companies.



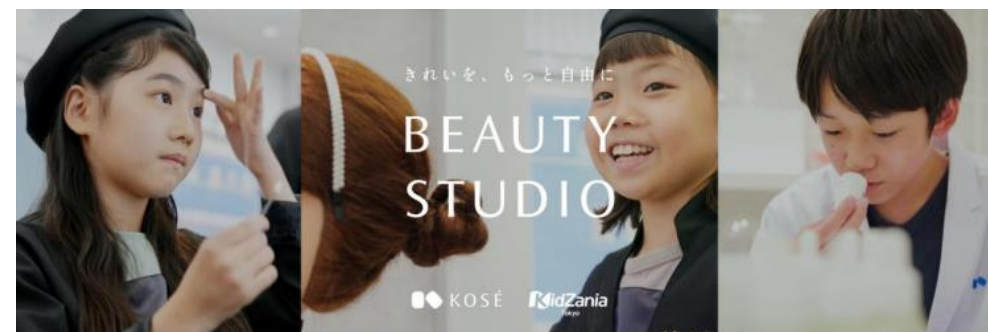
TV commercials explain that there are no SEKKISEI products only for men because all products can be used by everyone regardless of gender or generation. This message has generated a strong positive response among customers.



The KOSÉ Group sensitive skin campaign includes TV commercials and SNS promotions featuring popular singer and actor Sho Hirano. The campaign raised awareness of KOSÉ brands, resulting in expansion of Ceramiaeid (a medicated skin care brand) shipments and other benefits.

(3) Post-COVID Structural Reforms and New Growth Strategy (Gender/Generation)

- ◆ Started the “Support to Start and Continue Skin Care” demonstration trial on October 19 to teach preschool children to care for their skin as a daily habit
- ◆ A Beauty Studio was opened on October 5, 2022 at KidZania Tokyo



Certified Nursery School



A children's allergy treatment team at Chiba Aiyukai Kinen Hospital



In the city of Nagareyama in Chiba prefecture, a nursery school, hospital and KOSÉ are working together to make parents and children aware of the importance of skin care. Children received skin care kits that included emulsions and booklets. Establishing a time for skin care at home and the nursery school helps make skin care a habit beginning with the preschool years.

The Beauty Studio encourages children to experience cosmetics and beauty care without any preconceptions in order to eliminate the general belief that these products being only for adult women.

- ◆ Started the COSME DECORTÉ Purple Ribbon Project for many activities linked to this brand as part of activities concerning social issues involving women. The project includes donations, educational programs and other activities.



Part of sales of the LIPOSOME ADVANCED PURPLE RIBBON SET, which will be sold for a limited time starting on November 1, will be donated to charities for operating shelters for battered women and other activities.



*Not an actual photo of this event

The DECORTÉ Purple Light-Up 2022 will take place between November 12 and December 25 at Miyashita Park in Shibuya to stand for the wish for a world where women can live in peace in terms of mind and body.

- ◆ As part of the SEKKISEI “SAVE the BLUE” Project, the 2022 Winter Snow Campaign for the preservation of snow will start in December.



SAVE the BLUE summer campaign: Ocean Project

The “SAVE the BLUE” Project started in 2009 as a summer campaign in which part of sales of SEKKISEI products are donated to programs that protect coral. Now in its 14th year, the project has funded the planting of coral in an area the size of about 30.8 certified 25-meter swimming pools.



SAVE the BLUE winter campaign: Snow Project

The winter campaign will help fund the switch to renewable energy for electricity used in the Hakuba Valley of Nagano prefecture starting in 2022. This switch will reduce CO2 emissions, which are one cause of global warming.

Supplementary Information

- 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)

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, numbers in this presentation are rounded down and percentages used for comparisons and changes are rounded off.

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

*Figures for 1Q-3Q of 2021 (January-September) in this presentation have been examined. These figures differ from some of the information in the supplementary information for the presentation for the first quarter of 2022.

Sales Growth Rate by Business Segment

2022						
YoY changes in sales, %	1Q	2Q	3Q	1Q-3Q	Outlook (Initial)	Outlook (Revised on Nov. 11)
Consolidated sales*note	(3.7)%	+12.2%	+13.9%	+7.5%	+8.9%	+5.2%
Cosmetics*note	+2.2%	+9.7%	+13.1%	+8.5%	+9.5%	+6.7%
High prestige	+4.6%	+7.7%	+16.3%	+9.6%	+10 - 15%	High-single-digit increase
DECORTÉ	(2.3)%	+3.4%	+17.0%	+5.7%	+10 - 15%	Mid-single-digit increase
ALBION	+5.1%	+3.1%	(0.8)%	+2.4%	Low-single-digit increase	Low-single-digit increase
Tarte	+19.5%	+27.1%	+36.1%	+28.2%	High-single-digit increase	+20 - 25%
Prestige	(10.6)%	(8.3)%	+4.8%	(5.1)%	+10 - 15%	Mid-single-digit decrease
Cosmetaries*note	(21.4)%	+25.2%	+18.8%	+4.2%	+6.9%	(0.5)%
COSMEPORT	(24.2)%	+27.4%	+11.3%	+0.3%	Mid-single-digit increase	Low-single-digit increase
Other	(16.2)%	+14.4%	+16.1%	+3.5%	+10 - 15%	Mid-single-digit decrease

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

	2021			
	Jan. – Mar.	Jan. – Jun.	Jan. – Sep.	Jan. – Dec.
US\$	105.9	107.7	108.5	109.8
CN¥	16.4	16.7	16.8	17.0
KRW	0.10	0.10	0.10	0.10

	2022		
	Jan. – Mar.	Jan. – Jun.	Jan. – Sep.
	116.2	122.9	128.1
	18.3	18.9	19.4
	0.10	0.10	0.10

These materials include estimates on the basis of the outlook on the future and plans as of November 11, 2022, but are not promises by KOSÉ Corporation regarding future performance. Actual results may differ from these forecasts due to risks associated with economic trends and other items as well as to other uncertainties. KOSÉ Corporation accepts no responsibility whatsoever with regard to any possible mistakes, missing information and other errors in the data and text in these materials.

These materials were prepared for the purpose of providing information concerning the finances, management strategies and other aspects of KOSÉ Corporation to assist in making investment decisions. This is not a solicitation to purchase securities issued by KOSÉ Corporation.

Investors are cautioned not to rely solely on these materials when making investment decisions. Investors are asked to reach their own decisions regarding investments.

KOSÉ Corporation assumes no responsibility whatsoever for problems, losses and damages of any type resulting from the use of these materials.