

KOSÉ Group's Mission

KOSÉ was founded amid Japan's post-war ruins, with the aim of using the power of cosmetics to create a brighter future. No matter what the situation, beauty provides sustenance to humankind. Even amid the present uncertainties of the COVID-19 pandemic, KOSÉ continues to help brighten the future for people around the world and for our precious Earth by sharing all of our wisdom as a company that creates beauty.

The carefully selected materials that are indispensable for KOSÉ's manufacturing are part of the Earth's bounty. We protect the global environment as we help create sustainable and beautiful value.

KOSÉ values being a source of beauty for everyone, and helps create a world where people with diverse backgrounds and features can live confidently and beautifully.

For the Earth

For People

KOSÉ uses the commitment to quality it has cultivated since its founding to continuously create unique, highly safe items.

KOSÉ aims to grow through mutual support by earning the trust of all its stakeholders involved in manufacturing.



A History of Creating Beauty

For over 70 years, KOSÉ has created beauty underpinned by innovation and high quality. Many of the revolutionary products that we have launched were pioneering within the cosmetics industry, and they continue to be long sellers with a strong presence. We have continued to create new value that stays just slightly ahead of contemporary lifestyles.

• 1946 Foundation of KOSÉ



1951
Launch of *Perlight Skin*, a cosmetic cream containing photosensitizing dyes

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心にき



Kozaburo Kobayashi founded KOSÉ in 1946, building trust by delivering high-quality cosmetics directly to retailers throughout Japan. KOSÉ introduced a contract sales system based on direct transactions with retail stores, which embodied his ideal of co-existence and co-prosperity as well as joint management of manufacturing and sales. Kozaburo's motto, "Mind to Follow the Right Path," serves as the fundamental policy of KOSÉ's Sustainability Policies and the foundation of KOSÉ's corporate spirit.

• 1970s-1980s Innovation and a Spirit of Challenge



1970
DECORTÉ
Pressed Powder



1974
SUMMERD



1975
ALPHARD R·C
Liquid Precious



1981
Sport Beauty
Suntan Milk



1985
SEKKISEI

In the 1970s and 1980s, we incorporated the findings of a series of innovative research and development projects in products that were industry firsts. These products included *SUMMERD*, a foundation that does not require the use of water, *ALPHARD R·C Liquid Precious*, the industry's first beauty serum, *SEKKISEI*, a lotion containing Japanese and Chinese herbal extracts, and the *DECORTÉ* high-prestige brand. At the same time, we established a Company-wide quality control system

that has steadily achieved results. In addition, we entered the cosmetaries* business with the establishment of KOSÉ Cosmeport Corp., which has expanded our portfolio to include items such as aging care cosmetics and high-quality cosmetics that are affordable for younger purchasers, thus enlarging our customer base.

* A coined term combining "cosmetics" and "toiletries"

• 1990s-2000s Establishing Our Presence



1992
DECORTÉ
MOISTURE LIPOSOME



1994
LECHÉRI
Water Pact UV



2002
Prédia
SPA et MER
Fango Double Cleanse



2004
DECORTÉ
WHITELOGIST



2005
ASTALUTION
Wrinkle Essence

We established our corporate message in 1991, and redefined it in 2020 as "Creating Beauty in a Sustainable World" to show our corporate stance as a "company that creates beauty." In the 2000s, KOSÉ used its track record as the basis for a full-scale entry into overseas markets. We have established subsidiaries in Hong Kong, South Korea, and China, and started sales in Vietnam in 2001, the Philippines in 2003, and Myanmar

in 2007. In Japan, we introduced the *JILL STUART* brand to the domestic cosmetics market in 2005. We also raised our presence by continuing to create unique cosmetics, including *ASTALUTION*, a high-quality, highly effective beauty serum containing a high concentration of astaxanthin, and *DECORTÉ MOISTURE LIPOSOME*, which applies the results of our research and development.

• 2010s onward Accelerating Globalization



2015
CLEAR TURN
Super Premium
Fresh Mask



2016
DECORTÉ
AQMW Eye Glow Gem



2018
ADDICTION
COMPACT ADDICTION



2019
DECORTÉ
AQ MELIORITY
Intensive Cream



2020
SEKKISEI
CLEAR WELLNESS series

In the 2010s, we began sales of *DECORTÉ* in Italy and North America. We used two methods to promote globalization: overseas expansion and portfolio growth through the addition of overseas brands. This included making Tarte, Inc., which sells skin care and makeup products mainly in the United States, a subsidiary in 2014. Today, we continue to develop brands and

products that have global appeal. In Japan, we opened directly managed Maison KOSÉ stores in Ginza in 2019 and Omotesando in 2020. In addition, we have rolled out multiple online channels to provide value from two perspectives through a combination of digital technology and hands-on experience while pursuing personalized customer experiences.

The KOSÉ Group's Sustainable Growth Process

Toward the achievement of its medium-to-long-term VISION 2026, the KOSÉ Group is taking on the material issues of the KOSÉ Sustainability Plan, which it formulated in 2020. In doing so, it will establish an unrivaled presence as a "company that creates beauty" while working to deliver unique value and gain the appreciation of customers worldwide.

Social Issues (Risks and Opportunities Recognized by KOSÉ)

People & Society

- Changes in the international economic balance
 - Declining population and birthrate and aging population in Japan
 - Interaction of populations through globalization
 - Interaction of people with diverse backgrounds and features
 - Blurring of industry boundaries
 - Response to IoT and digitalization
 - Expectations for Japanese quality
 - Stronger oversight of corporate governance systems
- and others

Environment

- Climate change (intensifying and more frequent abnormal weather)
 - Marine plastic problem
 - Depletion of natural resources
 - Emerging water resource risks
- and others

Strengths of the KOSÉ Group (Sources of Value Creation)

Brands with Long Histories and Numerous Long-Selling Items

Unique Brand Marketing

Research and Development

Commitment to Quality

A Management Base Unique to a Family-Owned Business

Our Medium-to-Long-Term Vision

VISION 2026

Evolving into a Company with a Global Presence

- A company dedicated to being a source of beauty for everyone
- A company that uses foresight for the constant creation of innovative value
- A company with diverse brands and human resources that can succeed worldwide
- A company that constantly attracts more customers and is a place where people are proud to work

Creating Beauty in a Sustainable World

What We Aim to Be

A company with exceptional customer loyalty

A portfolio filled with extremely appealing brands



Our Current Position

Net Sales
¥279.3
billion

Operating Margin
4.8%

Overseas Sales Ratio
40.1%

E-Commerce/
Travel Retail Sales Ratio
30%

Our Targeted Position (VISION 2026)

Net Sales
¥500.0
billion

Operating Margin
16% or higher

Overseas Sales Ratio
50% or higher

E-Commerce/Travel
Retail Sales Ratio
25% or higher

Euromonitor Premium Beauty
and Personal Care Ranking
Within the Top 8

KOSÉ Sustainability Plan

The KOSÉ Group's Corporate Message, "Creating Beauty in a Sustainable World," serves as its guiding principle for sustainability, while its fundamental policy, "Mind to Follow the Right Path," has been the foundation of its corporate spirit since day one. Based on this policy, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. As we strive to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our sensuousness and intelligence with the aim of becoming a unique and trusted company with a global presence.

For People

Six Activity Themes

- 1 A source of adaptable products and services** ▶ Pages 28-29
 As a source of beauty for everyone, we accept differences in skin color, values, culture and other diverse characteristics to provide the value of beauty.
 We will help create a world where people with diverse backgrounds and features—including skin color, gender, sociocultural and geographical background, living environment, religion, creed, and physical features—can live confidently and beautifully.
- 2 Support for a beautiful, healthy and happy life** ▶ Page 30
 We support lifestyles that allow people to enjoy health and happiness, which is a fundamental goal of life for all stakeholders worldwide, including future generations.
 We will energetically address social issues so that everyone can lead a healthy and happy life. Activities will include improving quality of life (QOL), educating and raising the awareness of the next generation, and initiatives such as Fair Trade that will enhance the work environment, including in our supply chain.
- 3 Help create a world with true gender equality** ▶ Page 31
 We will actively contribute to a future where there is no gender gap, not just at KOSÉ but throughout Japan and worldwide, as we work to make an impact by communicating our message to society.
 We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.

For the Earth

- 4 Use the theme of beauty to help solve environmental issues** ▶ Pages 32-33
 We will help resolve environmental issues by continuing to exert an impact on society in ways unique to a company that creates beauty, such as the *SEKKISEI SAVE the BLUE* project.
 We will focus on beauty while promoting activities to resolve environmental issues. We will also communicate these initiatives to the general public to make many consumers aware of environmental issues and expand our network for solving issues using the theme of beauty.
- 5 Environmental programs in areas where KOSÉ operates** ▶ Page 34
 In locations where we have business bases for production, services or other purposes, we will work to preserve the environment, considering and giving back to local communities, with which we will coexist and prosper.
 We will coexist and prosper with local communities, conducting environmental conservation activities with a focus on production facilities, which affect the environment.
- 6 Lower the overall environmental impact of business operations** ▶ Pages 35-37
 We are thankful for the blessings of the global environment, which is the source of all healthy life, and will carry out activities to lower our environmental impact as much as possible.
 The KOSÉ Group is thankful for the blessings of nature, and will continue to evolve its efforts to reduce its environmental impact in order to preserve the global environment.

Mind to Follow the Right Path

Fundamental Policy

Sound corporate governance
▶ Pages 45-55

Respect for human rights
▶ Page 38

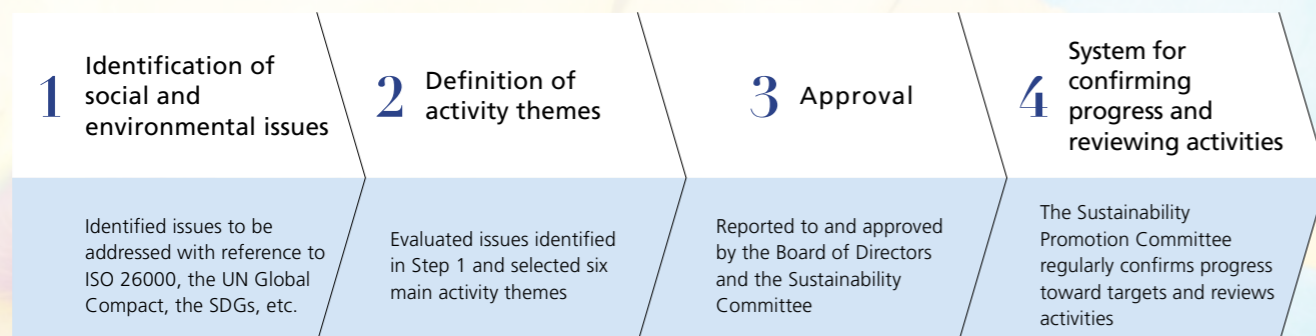
Human resource development
▶ Pages 39-40

Business operations with transparency and fairness
▶ Page 43

Only the safest, most reliable, high-quality products
▶ Page 41

Customer's perspective
▶ Page 42

Process for Formulating the Plan



Sustainability Promotion Systems

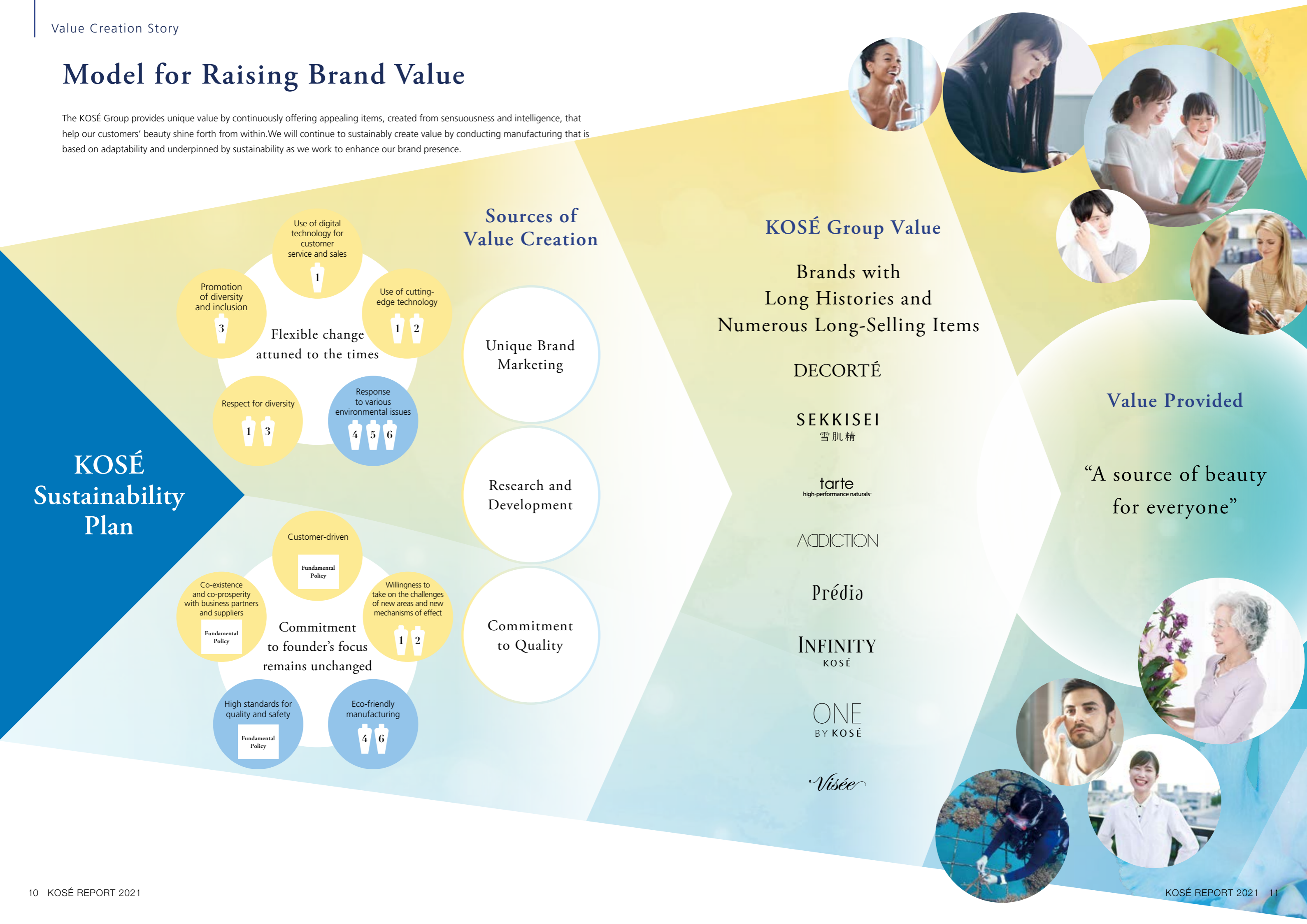
The KOSÉ Group has identified some sustainability-related issues in its management issues and has established a promotion system to resolve them. The Sustainability Committee is chaired by the President & CEO. Supervised by the Board of Directors, this committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. The Sustainability Promotion Committee establishes subcommittees and projects for separate themes based on the KOSÉ Group's sustainability strategies to promote cross-departmental activities that are more effective.

Sustainability Promotion Organization

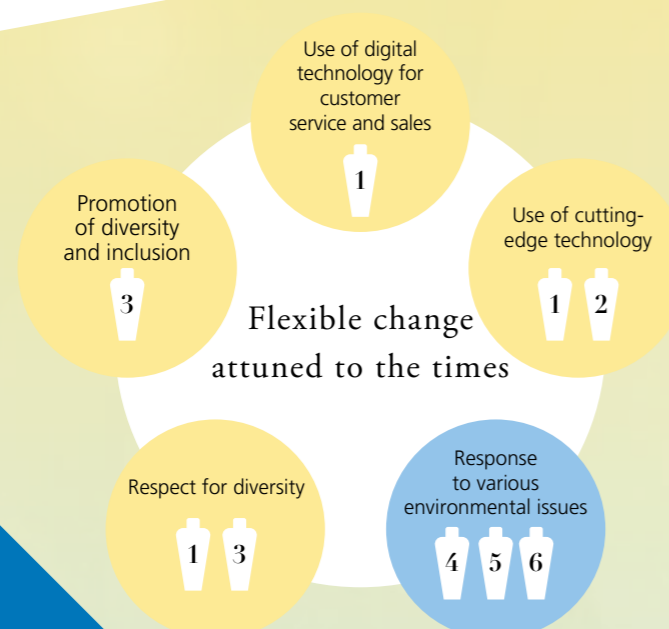


Model for Raising Brand Value

The KOSÉ Group provides unique value by continuously offering appealing items, created from sensuousness and intelligence, that help our customers' beauty shine forth from within. We will continue to sustainably create value by conducting manufacturing that is based on adaptability and underpinned by sustainability as we work to enhance our brand presence.



Sources of Value Creation



Unique Brand Marketing

Research and Development

Commitment to Quality



KOSÉ Group Value

Brands with Long Histories and Numerous Long-Selling Items

DECORTÉ

SEKKISEI
雪肌精

tarte
high-performance naturals

ADDICTION

Prédia

INFINITY
KOSÉ

ONE
BY KOSÉ

Visée

Value Provided

“A source of beauty for everyone”

Brands at a Glance

To create attractive, valuable brands, KOSÉ strives to develop cosmetics under the two key words "intelligence" and "sensuousness." We currently meet the various needs of our customers with two groups of brands: diverse and highly distinctive individual brands, as well as the KOSÉ brands that bear the Company's name. We have also rolled out many brands overseas to establish a global presence.

Main Sales Regions J Japan A Asia U North America & Others E Europe

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by integrating all of KOSÉ's cutting-edge technologies. They are sold at specialty cosmetics stores, department stores and other retail outlets that distribute exclusive brands. KOSÉ's specially trained Beauty Consultants offer meticulous counseling to help customers select the products that suit them best.

High Added Value
Cosmetics Business

Individual Brands

DECORTÉ AQ	DECORTÉ	ALBION ALBION CO., LTD.
JILLSTUART	ADDICTION	IGNIS Elegance PARIS
Prédia	Paul Stuart	IN FIORE PAUL & JOE
INFINITY KOSÉ	Awake	ANNA SUI
雪肌精 SEKKISEI MIYABI	IMPREA KOSÉ MILBON COSMETICS CO., LTD.	Tarte, Inc. tarte high-performance naturals

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

High-value-added brands, each with its own distinctive characteristics. They are sold through a wide range of channels, including specialty cosmetics stores, mass retailers, drugstores and online.

High Added Value
Cosmetics Business

ONE BY KOSÉ	SEKKISEI 雪肌精	ASTALUXE KOSÉ PROFESSIONAL CO., LTD.	X-Barrier ACNEO Dr. PHIL COSMETICS INC.
LECHÉRI	米 MAIHADA 肌	カルテHD KOSÉ Maruho Co., Ltd.	
ESPRIQUE			

COSMETARIES Brands

For Daily Life One Step Above

A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products "cosmetaries."** We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

Basic Value
Cosmetaries Business

Visée	FASIO	STEPHEN KNOLL NEW YORK
MAKE KEEP MIST	NAIL HOLIC	
KOSÉ Cosmeport Corp.		
softymo	Je l'aime	BIOLISS Botanical
CLEAR TURN クリアターン	Mo Magnifique	GRACE ONE
KOSÉ Brands		

* Cosmetaries: A coined term combining "cosmetics" and "toiletries"

INFINITY KOSÉ PRESTIGIOUS	DECORTÉ J A U E	Prédia J A	tarte high-performance naturals J A U E	ADDICTION J A
INFINITY KOSÉ J A				

ONE BY KOSÉ J A	SEKKISEI 雪肌精 J A U E	ESPRIQUE J A	LECHÉRI J	カルテHD J

Visée J A	FASIO J A	Je l'aime J A	CLEAR TURN クリアターン J A	STEPHEN KNOLL NEW YORK J A U

Value Creation Initiatives

The cosmetics we offer play a role in enriching lives by providing beauty. In addition to the face-to-face value we have traditionally emphasized, we are creating beauty experiences unique to KOSÉ using digital technology to link customer experiences. In this way, we continue to soothe and delight customers even during the COVID-19 pandemic.

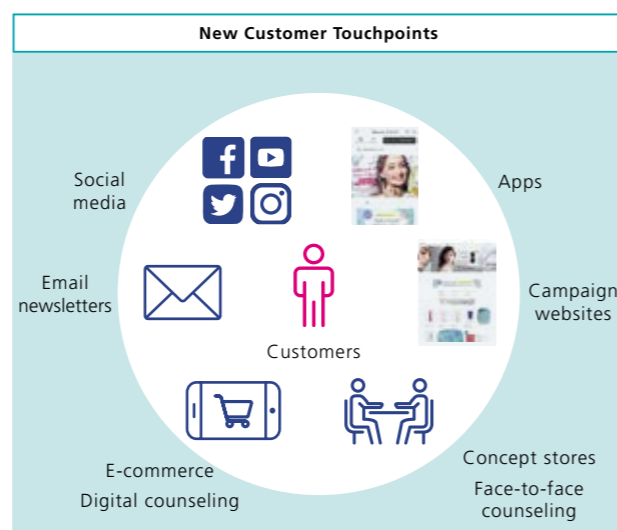
Providing Beauty Both Online and Offline

We are proactively creating a KOSÉ beauty platform that connects us with our customers in both the real and the digital worlds as we explore the potential for next-generation beauty experiences.

This platform provides new types of communication that merge the digital world and in-store experiences for omnidirectional, interactive connections with all customers through social media, campaign websites, our innovative Maison KOSÉ concept store and other methods.

Online, we offer the same high-quality counseling as in our physical stores, with enhanced, diverse beauty-related content that addresses customer needs. Offline, we offer a variety of beauty experiences that utilize digital technology.

▶ For details: <https://maison.kose.co.jp/site/> (Japanese only)



Flagship Store for Experiencing Contact-Free Shopping

In December 2020, our flagship Maison KOSÉ Omotesando store opened.

The store is a customer touchpoint that plays a key role in the KOSÉ beauty platform and its "Find Your Own Beauty" concept. A distinctive feature of the store is that customers can enjoy a contact-free shopping experience utilizing digital technology in addition to directly experiencing products spanning our brand lineup. For example, there is a dedicated space for customers to communicate online as they sample the main products from each brand with peace of mind using auto-dispenser testers. The store also fully supports cashless payment methods for a secure shop environment suited to new lifestyles.

▶ For details, visit the Maison KOSÉ Omotesando store web page: https://maison.kose.co.jp/site/p/flagship_store.aspx (Japanese only)



Providing a Place to Shop during the State of Emergency

When people were asked to refrain from going out during Japan's state of emergency, we held a #StayHome campaign to expand shopping opportunities. In addition to increasing the number of brands available for purchase on our website Maison KOSÉ, we introduced features such as special content from beauty consultants and brand managers and instructional videos on beauty techniques. Customers responded positively to these measures.



Beauty Support for Front-Line Medical Workers

During the threat posed by COVID-19, we launched the "You are my HERO" support project in which we have been donating our cosmetics to medical professionals nationwide through the Nippon Foundation. Following the initial 150,000 items, in consideration of the long-term need for medical care that lies ahead and the large number of requests, we added another 970,000 items, for a total donation of more than 1 million cosmetic products.



▶ For details: <https://maison.kose.co.jp/site/p/hero.aspx> (Japanese only)

Note: The application period for this project has ended.

Pursuing Beauty Experiences That Are Only Possible Face-to-Face

ALBION PHILOSOPHY, a new-format store from ALBION CO., LTD. has opened in Yokohama. The store combines an original treatment salon called THE BED and an open laboratory space where customers can see how cosmetics are made. As the name suggests, the store embodies ALBION's founding craftsmanship, customer-first service and other values.

The open laboratory is a revolutionary space where customers can experience the latest in skin research while talking directly to researchers and participate in the making of cosmetics. In addition, in the beauty and relaxation spa THE BED, customers can experience original facial and body treatments using top-class EXCIA skincare and other products with the superlative hospitality unique to ALBION, making it a place for quality experiences that are only possible face-to-face.

▶ For details: <https://www.philosophy.albion.co.jp/> (Japanese only)



Interview with the President

Even as the COVID-19 pandemic is bringing about a complete change in lifestyles, KOSÉ is accelerating its reforms to continue to reliably provide the essential value of cosmetics—making the world a brighter place by bringing charm and color to our lives—and in so doing improve corporate value over the medium to long term.

Kazutoshi Kobayashi
President & CEO




Q1

What are your thoughts on fiscal 2020?
What went well, and what issues remain to be addressed?

Even in the challenging business environment brought on by the COVID-19 pandemic, we have turned crisis into opportunity and energetically conducted reforms for borderless business expansion. KOSÉ will continue to accelerate the integration of online and offline activities.

In fiscal 2020, the global COVID-19 pandemic completely changed not just the business environment, but social conditions and lifestyles. During the pandemic, an increase in telecommuting reminded people of the importance of skin care. Customer needs for makeup changed significantly, and new demand arose for products such as transfer-proof lipstick and foundation that provides long-lasting coverage without coming off on masks. Nevertheless, a decline in consumption had a substantial impact on Japan's cosmetics market. In this severe environment, sales and profits decreased in each area of the KOSÉ Group's business, but we were able to secure ¥13.2 billion in operating profit by controlling costs. In the Chinese market, economic activity has normalized and there has been substantial growth centered on e-commerce and travel retail. In the Japanese market, however, I regret that integration of e-commerce and other online activities with offline activities was insufficient for meeting our goals. This issue needs to be addressed going forward.

KOSÉ has extensive experience in advancing by turning difficult situations into new opportunities, even in unprecedentedly severe business environments. By combining this experience with KOSÉ's unique strengths, we aim to expand borderless business even in the current business environment and will strongly promote reforms to become more resilient to risk. Going forward, we plan to conduct unique manufacturing that addresses changing customer needs, and in fiscal 2021, we are planning large-scale launches of items from multiple brands with different concepts, textures and functions. In addition, for the "clean products" market, where needs are growing mainly in North America and Europe, we have just launched and plan to carefully nurture the *CLEAR WELLNESS* series, which incorporates the concept of sustainability into the KOSÉ Group's flagship *SEKKISEI* brand.

Optimizing the beauty experience for each person requires meeting a wide range of needs through brands ranging from high-prestige to cosmetics, and therein lies KOSÉ's unique strength. We will continue to create value that makes the most of KOSÉ's uniqueness.

Q2

What are the key points for becoming a company with a global presence and exceptional customer loyalty?

We will conduct manufacturing from the perspective of adaptability rooted in sustainability, with the aim of making KOSÉ indispensable to its customers.

The KOSÉ Group aims to be a company with exceptional customer loyalty that is known and admired by all, a company that stands apart as highly original and one of a kind. Moreover, we aim to be a company that customers consider irreplaceable, with a high repeat rate and customer retention rate. It is difficult for cosmetics to remain popular among customers for many years unless those cosmetics offer not only specific beautifying effects, but also elements that provide heartfelt satisfaction and enhance the quality of customers' emotional lives. Value with a deep appeal to all five senses is required. We want to have numerous brands and products that customers feel they can't do without, or to which customers return with relief after trying others. Having such products will make KOSÉ indispensable to its customers.

To achieve this goal, a vital part of our sustainability strategy is adaptability, which enables us to remain in tune with a wide range of values from a global and universal perspective. The wellspring of value creation for the KOSÉ Group, which has emphasized counseling sales for many years, is the Group's approach of continuously offering the value of optimal beauty based on an understanding of individual

differences in personality, values and other characteristics, with a dedication to being a source of beauty for everyone. Through our commitment to this process, I believe we can help create a world where people with diverse backgrounds and characteristics—including skin color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully. However, this will not be easy to achieve. The KOSÉ Group deals with customers all over the world, and each member of the Group must truly understand and respect individual differences (diversity) and accept those differences (inclusion) in carrying out their respective missions every day. I consider cultivating such a corporate culture to be one of my core duties as president. To that end, I am constantly engaging in dialogue both inside and outside the KOSÉ Group to convey my message about our approach. To embody its Corporate Message of "Creating Beauty in a Sustainable World," KOSÉ will continue to conduct manufacturing and provide services based on adaptability that is rooted in sustainability to deliver the value of beauty to all.

Q3

You have formulated the KOSÉ Sustainability Plan. What issues does it address and what activities will you conduct?

We have set six activity themes for the realization of our Corporate Message of "Creating Beauty in a Sustainable World." We aim to help achieve a sustainable society and grow our business through a story that is unique to KOSÉ.

The KOSÉ Sustainability Plan, which we formulated in 2020, clearly sets forth the KOSÉ Group's intentions and initiatives to help realize a sustainable society and grow our business, and summarizes specific goals leading up to 2030. We established our Corporate Message when we introduced our corporate identity in 1991 and redefined it in 2020 as "Creating Beauty in a Sustainable World." The Corporate Message serves as the guiding principle of the plan, which lists the six activity themes under the two perspectives of "For People" and "For the Earth" to further promote unique activities befitting the KOSÉ Group. Adaptability, which I mentioned earlier, is also one of the themes.

The origins of KOSÉ go back to 1946, when founder Kozaburo Kobayashi started business with a limitless passion for cosmetics that give people dreams and hopes. Since then, we have steadily grown as a company that creates beauty by creating a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. In other words, the KOSÉ Group is aiming for a future in which

everyone can live with confidence, vitality and peace of mind in a thriving natural environment on our irreplaceable, beautiful Earth. In formulating the six activity themes of the KOSÉ Sustainability Plan, our approach was not based on how many of the 17 SDGs we could help achieve; rather, we selected initiatives that were sustainable from a medium-to-long-term perspective based on the unique concerns of the KOSÉ Group as a provider of the value of beauty. In addition, I believe that the concept "leave no one behind," which is a cornerstone of the SDGs, is synonymous with the KOSÉ Group's concept of adaptability in its manufacturing. The ultimate purpose of our adaptability initiatives is to transcend differences in values and other personal characteristics to deliver the value of personalized beauty, treasuring each customer's "natural self" while helping them become their "ideal self." We will remain true to our Corporate Message as we accelerate our sustainability initiatives to help achieve a sustainable society and grow our business. You can expect more great things from the KOSÉ Group.