

Financial Capital Strategy

The KOSÉ Group formulated VISION 2026 in fiscal 2018, with the final year, 2026, falling on the 80th anniversary of the Company's founding. Under the vision, we aim to become "a company with ultimately high loyalty." This vision involves the promotion of three growth strategies: 1) accelerate global brand development, 2) proactively develop unique products, and 3) explore new growth areas. Our financial capital strategy for realizing these growth strategies is centered on the basic policy of building a solid financial foundation for the Company's sustainable growth and increasing profitability and efficiency. Moreover, as we evolve into a company with a global presence, from fiscal 2021 we changed our fiscal year end to December in order to execute our growth strategies as a united Group. This will enable us to execute our strategies with greater speed.

VISION 2026 Performance Targets



Current Financial Position

The KOSÉ Group has retained sufficient liquidity to support financial soundness and sustainable growth in its corporate activities. Its consolidated current ratio for fiscal 2021 was 367.5%. In addition, free cash flow for fiscal 2021 was approximately ¥13.0 billion and the quick ratio was 252.8%. The Company has secured sufficient liquidity on hand and made adequate arrangements to procure funds for unexpected events such as pandemics and for growth investments. Furthermore, the shareholders' equity ratio for fiscal 2021 was 74.5%, with the balance of interest-bearing debt at ¥1.7 billion, providing a D/E ratio of 0.01 times.

The above financial indicators show that the KOSÉ Group maintains a solid financial position. This is the result of our dedication to the spirit of our main business, namely, contributing by sharing all of our wisdom as a company that creates beauty.

Initiatives for Improving Profitability and Efficiency

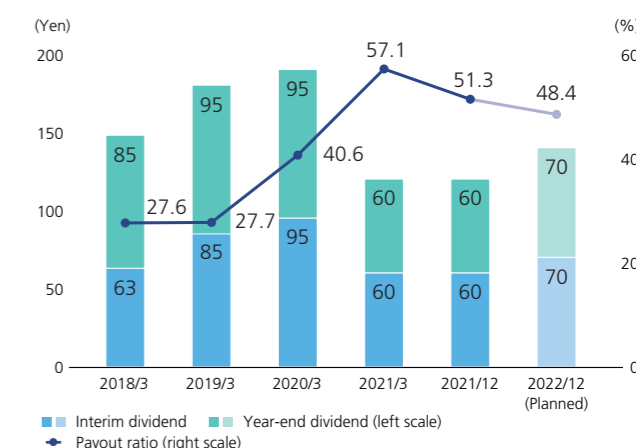
In terms of achieving sustainable growth, the most important point for the KOSÉ Group is to improve its overall corporate value. We are creating a portfolio of extremely appealing brands as "a company with ultimately high loyalty." To achieve this, it is essential that we discern risks and opportunities from a medium-to-long-term perspective and make growth investments that will maximize returns. We are engaged in activities such as global development, making growth investments for developing new products, and promoting acquisition and disposal of assets. Furthermore, the KOSÉ Group is taking steps to improve profitability and efficiency, with ROA and ROE as important management indicators. Under the three growth strategies in our medium-to-long-term vision, VISION 2026, we are now aggressively promoting investment in growth fields while emphasizing investment efficiency. In particular, to promote global development and

the development of new products, we have established brand-specific growth strategies and targets aimed at improving investment efficiency. ROE in fiscal 2021 was 5.8%, reflecting the impact of the COVID-19 pandemic, but from fiscal 2022 we aim to improve profitability by carrying out structural reforms and implementing cost control measures while also increasing the asset turnover ratio.

Shareholder Returns

With regard to shareholder returns, the Company's basic policy is to stably return profits to shareholders, taking into account financial position, earnings, and the dividend payout ratio, while also considering the need to retain internal funds for future business expansion. For the fiscal 2021 year-end dividend, despite not meeting the target for net profit, the Company paid an ordinary dividend of ¥60 as initially planned, combined with the interim dividend of ¥60 on December 10, 2021, resulting in a total annual dividend of ¥120. In fiscal 2022, the Company plans to pay a total annual dividend of ¥140.

Dividend/Dividend Payout Ratio



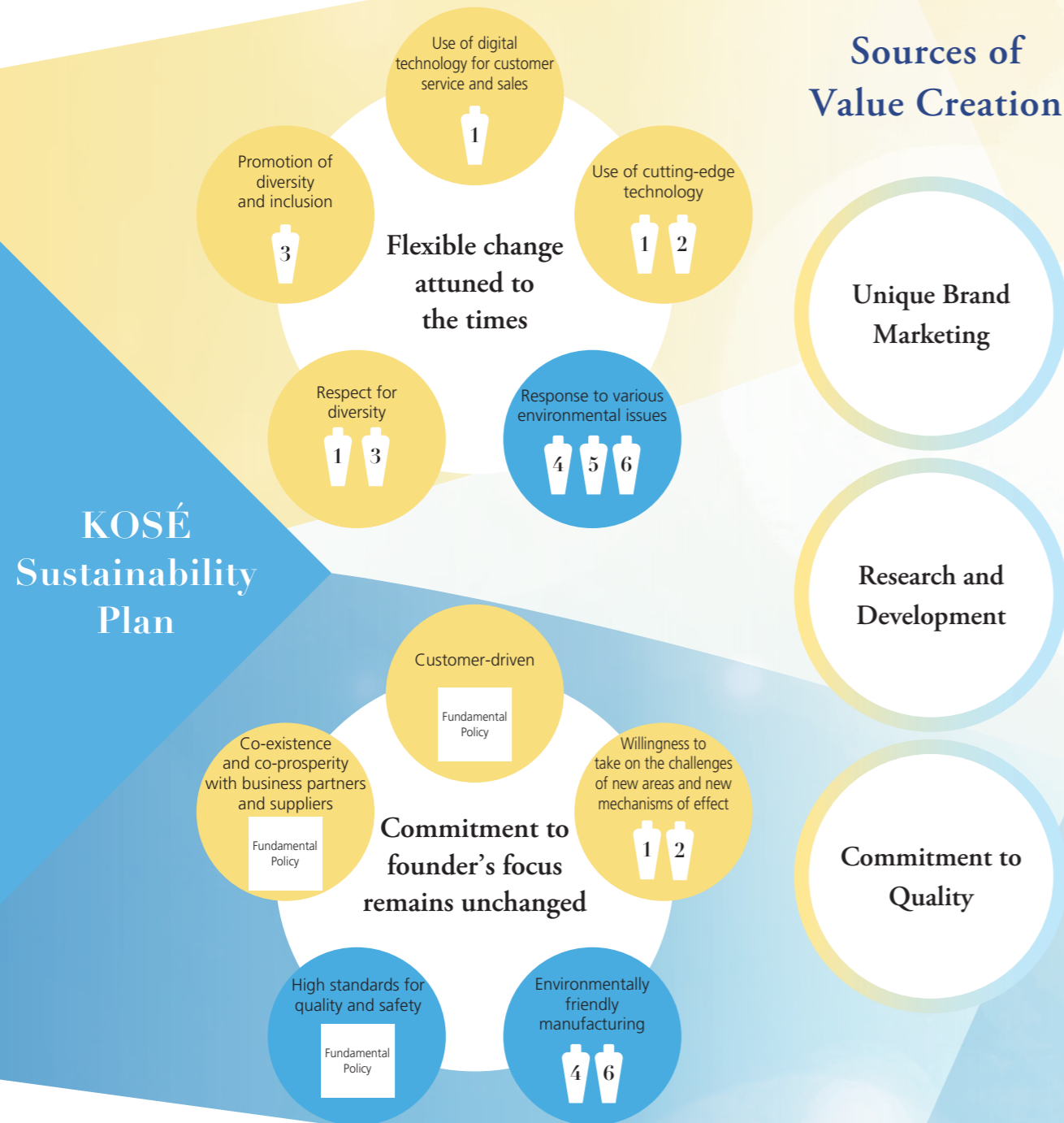
Fiscal 2021 Results and Fiscal 2022 Forecast

(Billions of yen)

	FY2021 Results (Apr. to Dec. 2021)		Adjusted FY2021 Results (Jan. to Dec. 2021)		FY2022 Plan (Jan. to Dec. 2022)	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Net sales	224.9	100.0%	268.9	100.0%	293.0	100.0%
Cosmetics business	189.0	84.0%	217.7	80.9%	238.5	81.4%
Cosmetaries business	34.3	15.3%	49.1	18.3%	52.6	17.9%
Other	1.5	0.7%	2.0	0.8%	1.9	0.7%
Operating profit	18.8	8.4%	15.6	5.8%	22.0	7.5%
Ordinary profit	22.3	9.9%	22.0	8.2%	22.6	7.7%
Profit attributable to owners of parent	13.3	5.9%	11.1	4.1%	16.5	5.6%
Net income per share (basic)	¥233.86		—		¥289.22	
ROA	6.1%		—		7.0%	
ROE	5.8%		—		6.4%	
Capital expenditures		4.5		—		18.9
Depreciation		7.8		—		10.3

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 and be a source of beauty for everyone.



KOSÉ Group Value

Individual Brands

HIGH-PRESTIGE Brands ▶ Page 29

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

PRESTIGE Brands ▶ Page 30

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

COSMETARIES Brands ▶ Page 31

Visée
FASIO
MAKE KEEP MIST
NAIL HOLIC
STEPHEN KNOLL NEW YORK
KOSÉ Cosmeport Corp.
softymo
Je l'aime
BIOLISS Botanical
CLEAR TURN
Mq Magnifique
GRACE ONE

KOSÉ Brands

Cosmetics Business
High Added Value
Basic Value



MISSION Statement of Purpose

Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence.



Strategy by Brand

The KOSÉ Group's unique brand marketing was born out of our founder's ambition and the sense of responsibility toward cosmetics that remains with us today. As we work to become a company with a global presence, we will pursue our goal of being a source of beauty for everyone, centered on three main brand categories.

Strengths	Brands with long histories and numerous long-selling items sold through a variety of channels	Strict quality management based on the KOSÉ Quality Assurance Standards and from a global perspective	Promotion of product development that takes sustainability into account while also demonstrating KOSÉ's concept of sensuousness and commitment
Strategies	Strengthen development of key global brands through pursuit of a more personal customer experience	Develop brands from a long-term perspective and create sales channels based on customer characteristics	Increase profitability in the Japanese market by strengthening sales infrastructure and implementing new initiatives
	Pursue unique value by utilizing external resources in manufacturing	Improve profit margins through cost control and efficient promotion	Make strategic investments in the Chinese market, which is the largest and shows the strongest growth, as well as the travel retail market

HIGH-PRESTIGE Brands



PRESTIGE Brands



COSMETARIES Brands



Main Countries and Regions Where We Operate: ● Japan ● Asia ● North America/Other ● Europe

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by leveraging 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.

Key Initiatives

- ☑ Start of online counseling with *DECORTÉ*
- ☑ First renewal of *DECORTÉ's* moisturizing beauty serum *MOISTURE LIPOSOME* since its launch 29 years ago
- ☑ Expanded outlet openings of Sephora at Kohl's and ULTA Beauty at Target

Initiatives in Fiscal 2021

In Japan, online counseling began in conjunction with the launch of the official online *DECORTÉ* boutique (e-commerce site) in September 2021. In the Chinese market, although online competition intensified, offline sales remained strong with sales of *DECORTÉ* driving growth. In the travel retail business in China, sales in Hainan Dao decreased temporarily due to the COVID-19 pandemic but recovered from October onward. *Tarte* saw growth in offline sales as the economy in the United States recovered from the second half, with sales performing favorably.

Initiatives Going Forward

In September 2021, *DECORTÉ MOISTURE LIPOSOME* beauty serum was renewed for the first time since its launch 29 years ago, under the new name *Liposome Advanced Repair Serum*. Advance sales in Japan in September drew considerable attention. In fiscal 2022, we will begin sales in phases in global markets including China, and focus on advertising and promotion.

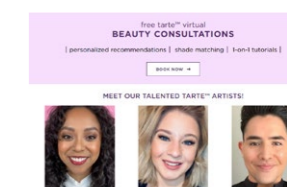
In Japan, *Liposome Advanced Repair Serum* got off to a good start and the high-prestige makeup brands *ADDICTION* and *JILL STUART* continued to be in high demand despite the COVID-19 pandemic. We will continue working to create new customers in Japan. In the Chinese market, we will focus on live commerce using our in-house Beauty Consultants, enhance promotions through e-commerce and expand offline store openings.

We will expand the sales network for *Tarte* in Europe, while in the United States we will increase sales through outlet openings of Sephora at Kohl's and ULTA Beauty at Target. In addition, we will continue to focus on core products such as concealer and mascara.

Highlight Increase the Brand Value of *Tarte* by Strengthening E-Commerce Operations

Tarte Inc., which we acquired in 2014, secured stable sales by responding quickly and flexibly to the rapid growth in e-commerce demand due to the COVID-19 pandemic in fiscal 2021.

We were also quick to identify market needs and added new virtual try-on and virtual counseling functions to our own e-commerce site, which led to increased sales. As a result, we achieved a fifth-place share in the prestige makeup market in the United States in 2021, despite a very challenging market environment.



Strategy by Brand

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

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

Key Initiatives

- ✓ Joint development of high-moisturizing and gentle-formula skin care brand *RECIPEO* with MatsukiyoCocokara & Co.
- ✓ Global expansion of next-generation wrinkle improving beauty serum *ONE BY KOSÉ The Wrinkless S*

Initiatives in Fiscal 2021

In fiscal 2021, sales of products for sensitive skin, such as the high-performance skin care brand *Carté HD* and the high-moisturizing, gentle-formula skin care brand *RECIPEO*, performed well in Japan. In China, a steady recovery of business conditions resulted in a continued upward trend in cosmetics demand. For *SEKKISEI*, we worked to acquire customers among the younger generations, primarily generation Z.*

Moreover, as part of the *SEKKISEI SAVE the BLUE* project, which entered its 13th year, we continued to promote environmental conservation programs under the theme of beauty.

* Refers to the generation born from the mid-1990s onward

Initiatives Going Forward

As a flagship global brand, *SEKKISEI* is gaining wider recognition in Japan and overseas with the *SEKKISEI CLEAR WELLNESS* series. With a clear differentiation between the white (additive-free) type for sensitive skins and the blue type for pore care, we will actively expand the white type as a clean beauty brand in China and Europe.

In Japan, we will respond to the diversifying needs of customers and focus on growing our presence and share in the sensitive skin market with products such as *SEKKISEI CLEAR WELLNESS*, *Carté HD* and *RECIPEO*.

Highlight Launch of *RECIPEO*, Jointly Developed by KOSÉ and MatsukiyoCocokara & Co.

Skin is constantly exposed to various negative impacts such as UV light, pollen, atmospheric particulate matter (PM2.5), and irregular lifestyles. Recently, an increasing number of customers are experiencing skin trouble due to face mask wearing, which has become normalized amid the COVID-19 pandemic.

Against this backdrop, *RECIPEO* was developed by combining the knowledge and expertise of KOSÉ, which is dedicated to creating products that are gentle on the skin and safe to use, and MatsukiyoCocokara & Co.,* a drug store known for its strengths in the areas of beauty and health. This high-moisturizing, gentle-formula skin care series conditions dry and sensitive skin, which tends to become dull. It also promotes smooth and more translucent skin.

* A joint stock company launched in October 2021 from the management integration of Matsumotokiyo Holdings Co., Ltd. and cocokara fine Inc.



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.

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

Key Initiatives

- ✓ Acceleration of global expansion of sunscreen brand *SUNCUT*
- ✓ Development of new series, *SUNCUT Prodefense*
- ✓ Renewal of hair care brand *Je l'aime Relax*
- ✓ Launch of makeup items from the genderless concept brand, *Magnifique*

Initiatives in Fiscal 2021

In fiscal 2021, despite the impact of people refraining from going out due to the COVID-19 pandemic in Japan, sales of the hair care brand *STEPHEN KNOLL NEW YORK* and the KOSÉ Cosmeport brands *SUNCUT*, *softymo*, and *CLEAR TURN* continued to perform strongly. However, despite a recovery trend since October, makeup brands continued to struggle throughout the year.

Initiatives Going Forward

For the KOSÉ Cosmeport sunscreen brand *SUNCUT*, we will accelerate efforts to widen recognition overseas and globalize the brand using a global ambassador.

Moreover, the hair care brand *STEPHEN KNOLL NEW YORK* achieved the number one position for sales in Japan in both the treatment hair mist and color care markets. We are developing our business in Brazil, which has a high level of hair care needs, with expectations of growth going forward.

Furthermore, items with distinctive KOSÉ features, such as the genderless concept brand *Magnifique*, the hand care brand *CoenRich Medica Rich Medicated Hand Milk*, and spot-use cosmetic foundation with specialized pore-obscuring functions (*Pore Smooth Primer*), became hot topics and gained popularity. Looking forward, we will continue to pioneer new growth domains by pursuing unique value.

Highlight Launch of a Richly Formulated Hand Milk for Washing and Sanitizing

The COVID-19 pandemic has spurred further advances in hygiene practices, giving rise to new needs related to caring for the skin while washing and sanitizing hands. Our *CoenRich* hand care brand launched *CoenRich Medica Rich Medicated Hand Milk* in August 2021.

Formulated with the active ingredient benzalkonium chloride, the product can be used to wash and disinfect hands and skin before going out, prior to eating and drinking or in other situations when you can't wash your hands. The product is designed with household use in mind, with the "M" of *Medica Rich* in the product name expressed in the shape of a house.

We will continue to increase our lineup in the expanding hand care market and promote product development in response to new needs.

