

Message from the President



We aim to be a company with a global presence and exceptional customer loyalty.

Since its founding in 1946, the KOSÉ Group's mission has been to give people dreams and hopes through beauty. In 1991, we codified this idea in our Statement of Purpose—"Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence"—under which we have continued to grow steadily to the present day. Moreover, our Corporate Message, which was announced at the same time and redefined in 2020 as "Creating Beauty in a Sustainable World," incorporates our strong determination to share all our wisdom related to beauty as a "company that creates beauty" in order to benefit people and our precious Earth.

The beauty we have in mind is the ability for us all to express ourselves as we are, freely and with confidence, and to be able to lead healthy, happy lives. We also recognize the importance of a society in which everyone recognizes each other's individuality and a global environment where we and future generations can continue to live with peace of mind.

Under its medium-to-long-term VISION 2026, the KOSÉ Group aims to evolve into a company with a global presence and exceptional customer loyalty. We are dedicated to being a source of beauty for everyone, and continue to take the lead in creating unique forms of value that we deliver through a wide range of original and attractive brands. In doing so, we aim to be the company of choice for as many stakeholders as possible. This also means that we will become a company that contributes to our precious Earth through our business activities. To make this stance clearer, we formulated the new KOSÉ Sustainability Plan in 2020. By linking the plan with VISION 2026 and incorporating sustainability in all our activities from the perspective of value creation, we will achieve both business growth and contribute to a sustainable society. You can expect more great things from the KOSÉ Group.

Kazutoshi Kobayashi
President & CEO

The Path of Value Creation

Beyond the Beauty

One by one, innovative, high-quality products have defined the path of value creation that KOSÉ has traveled in the 74 years since its foundation. We will continue to be swift in comprehending the changes in our world to create products with presence, delivering unique value and gaining the appreciation of all customers.

Creating Matchless Premium Cosmetics

1956

ALBION CO., LTD. established

From the moment of its founding, this company has continually sought the ultimate quality, fragrance and design in its premium brand, which arose from a firm commitment to premium cosmetics among development and sales staff, led at the time by Kozaburo Kobayashi. That commitment and ambition has been passed down to the KOSÉ Group of today.



ALBION, pursuing the finest premium cosmetics

Creating a True Prestige Brand

1970

COSME DECORTE launched

To be recognized by customers worldwide as a creator of true prestige brands, we pursue the highest quality in everything we do including products, communication and sales, as well as the best service. A prime example of this excellence is *COSME DECORTE*, which is favored by customers around the world due to KOSÉ's unique commitment to seeking the highest quality and sales methods that emphasize communication befitting a premium brand.



COSME DECORTE MOISTURE LIPOSOME, successfully commercialized after many years of research

Accelerating Globalization by Acquiring a North American Brand (Currently in 34 Countries and Regions)

2014

Tarte, Inc. became a subsidiary

In addition to cultivating our existing global brands, we are working to expand our global brand portfolio through measures including the acquisition of the Tarte brand of North America. We continue with efforts to provide the unique KOSÉ value that will raise our presence in the global market.



Tarte liquid foundation that can be selected to match skin tone

Accelerating globalization through rollouts in North America and Europe

2010s

Expanded overseas sales to Italy, North America, Brazil and France

2016

Began sales of *DECORTE* in North American department stores
Launched in Brazil

2018

KOSÉ's first concept store in Europe, Maison KOSÉ, opened in Paris

2019

Maison KOSÉ concept store opened in Ginza, Tokyo

1940s onward

The Creation of High-Quality Cosmetics

Since its founding, KOSÉ's legendary commitment to quality has led to numerous long-selling brands, such as *La bonne*.

1970s onward

The Launch of a Series of Original, Industry-Leading Products

Through numerous innovative products that have consistently anticipated changing times and customer needs, we have continued to define new concepts of beauty.

2000s onward

Diverse Groups of Brands to Meet a Variety of Needs

We create appealing groups of brands by developing cosmetics under the key words "intelligence" and "sensuousness." Our diverse brands have allowed us to meet a variety of customer needs regardless of the times.

2010s onward
Providing Value to Customers Worldwide

We provide value to customers worldwide as a global brand with origins in Japan. The KOSÉ Group offers "Beauty and emotion for the world through the radiance of each individual."

Brands with Long Histories and Numerous Long-Selling Items

1946

On March 2, 1946 Kozaburo Kobayashi founded KOBAYASHI UNLIMITED PARTNERSHIP in Oji, Kita-ku, Tokyo (established as KOBAYASHI KOSÉ COMPANY LIMITED in June 1948)

1975

Creation of the industry's first beauty serum, *ALPHARD R.C LIQUID*, and new categories including liquid foundation for summer use, powder foundation and two-way foundation

1968

Start of sales in Hong Kong

First full-scale rollout overseas

Developing Effective, Results-Oriented Products That Meet Customer Needs

1985

Launch of SEKKISEI

KOSÉ has cultivated new markets by being the first to develop and sell effective, results-oriented products that meet diversifying customer needs as times change. We currently sell *SEKKISEI* and many other brands that drive these markets.



The *SEKKISEI* series, a customer favorite for over 30 years

Expanding into the Cosmetaries Business to Increase Points of Contact with Customers

1988

KOSÉ Cosmeport Corp. established

We also promote a range of self-selection brands, under which we sell products including toiletries such as shampoo in addition to cosmetics. These brands were developed using the same approach as we use for cosmetics, but are sold through a wide range of channels such as drugstores and mass retailers. By offering reasonably priced products that reflect customer feedback, we have expanded our customer base.



Practical products handled by KOSÉ Cosmeport Corp.

2005

Introduction of the *JILL STUART* brand in the Japanese cosmetics market

2009

Launch of the *ADDITION* makeup brand

Value Creation Process

Toward the achievement of its medium-to-long-term VISION 2026, the KOSÉ Group is taking on the material issues of its newly formulated Sustainability Plan to establish an unrivaled presence by creating 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 (Source of Value Creation)

Brands with Long Histories and Numerous Long-Selling Items



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 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
- A company that uses foresight for the constant creation of innovative value
- A company dedicated to being a source of beauty for everyone

Our Message

Creating Beauty in a Sustainable World

What We Aim to Be

A company with exceptional customer loyalty

Admired
One of a kind
Irreplaceable

Phase III Become a customer-driven company appreciated by people worldwide

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

Phase I Upgrade global brands and reinforce points of customer contact

KOSÉ Group Sustainability Plan ▶ Pages 26-29

Our Current Position

Net Sales	Operating Margin	Overseas Sales Ratio	Number of Mainstay Brands	Available in
¥327.7 billion	12.3%	32.1%	38	34 countries and regions

Our Targeted Position (VISION 2026)

Net Sales	Operating Margin	Overseas Sales Ratio	E-Commerce/Travel Retail Sales Ratio	Euromonitor Premium Beauty and Personal Care Ranking
¥500 billion	16% or higher	50% or higher	25%	Within the top 8

Strengths of the KOSÉ Group

Brands with Long Histories and Numerous Long-Selling Items



A Management Base Unique to a Family-Owned Business

Unique Brand Marketing

Features

- Brand development from a long-term perspective
- Sales channels designed according to customer characteristics

Foundation

- A management base that balances fulfillment of social responsibilities as a listed company with the long-term perspective and flexible responsiveness of a family-owned business

Research and Development

Features

- An organizational culture that generates ideas unfettered by conventional wisdom or assumptions
- Product creation and manufacturing from a holistic perspective

Foundation

- A system that allows proposals from anyone, regardless of job position
- Employee development that emphasizes accumulating diverse experience rather than specializing

Commitment to Quality

Features

- High standards of quality control
- System for prompt response to customer feedback

Foundation

- Commitment to quality assurance cultivated since the Company's founding
- Collaboration between development and production departments

Unique Brand Marketing Stable Management Enables a Long-Term Perspective



Masanori Kobayashi
Executive Director
Marketing Head

To maintain customer loyalty and to adapt to their diverse needs, we also make particular use of KOSÉ's unique qualities in our brand portfolio strategy. From regular purchasers to new customers, we meet a variety of needs with a portfolio that includes brands that display the KOSÉ name on the label to convey safety and security, as well as a variety of highly original brands that would appear to be completely unrelated to KOSÉ. Moreover, sales channels for each brand are meticulously configured according to customer tastes and styles, and we conduct channel marketing tailored to the respective market characteristics in Japan, elsewhere in Asia, North America, Europe and other regions.

In addition to this long-term perspective in brand development and our unique research and development capabilities (see page 10), our flexibility with regard to changes in the business environment comes from the agility that only a family-owned business can achieve. Moreover, as a publicly traded corporation with social responsibilities, KOSÉ has the business base and attributes that enable it to simultaneously improve both its economic and social value as it works to fulfill its social responsibilities.

▶ Embodying an Approach of "Creating Beauty in a Sustainable World"

To embody KOSÉ's corporate message of "Creating Beauty in a Sustainable World," we will continue to conduct brand marketing based on the key concepts of sustainability, globalization and digital technology.

Sustainability involves various ongoing activities for improvement of the global environment in which we live and from which we benefit. Globalization entails not simply

increasing earnings outside Japan, but providing products to be appreciated and enjoyed by customers worldwide, regardless of factors such as values, race, religion or gender. As for the use of digital technology, we made efforts early on, such as developing our business for the online market in China and our acquisition of Tarte, Inc., which has had success with marketing using social media in the United States. To take on the challenge of new growth areas, we have recently been conducting research and development using quantum computing and joint development of a nail printer with a major manufacturer of electronic appliances.

The nail printer is being demonstrated at Maison KOSÉ, which opened in December 2019. This concept store merges the digital world and real in-store experiences under the theme "Find Your Own Beauty." The store employs our customer-

centric "One KOSÉ" marketing approach, featuring the full lineup of KOSÉ brands to offer various experiences related to makeup and beauty as well as services that meet individual needs using the latest digital devices. We intend to continue to create environments in which we can consistently provide delight and enjoyment.



Maison KOSÉ concept store in Ginza, Tokyo



▶ Brand Power Backed by History and a Long-Term Perspective Unique to a Family-Owned Business

The KOSÉ Group's unique brand marketing originated in our founder's ambition and a sense of responsibility toward cosmetics that remains with us today.

After the Second World War, our founder Kozaburo Kobayashi aspired to manufacture and sell cosmetics that offer people dreams and hope. As a manager, he was committed to consistently providing high-quality cosmetics and aimed for constant improvement by dealing with customers with passion and an uncompromising attitude toward quality. This ambition and sense of responsibility toward cosmetics have been passed down since the Company's founding, becoming the template for the unique brand marketing that we practice today. For highly individual KOSÉ Group brands such as *DECORTÉ*, *SEKKISEI* and *ALBION*, we continue to deal forthrightly with customers to further refine their brand power, even half a century after the Company's founding. Using a customer feedback cycle for improvement, we have established brands that customers choose and continue to loyally follow. This is a strength of today's KOSÉ Group.

Creating Value with the High-Prestige *DECORTÉ* Brand

Case
01

Overseas Expansion under a Borderless Marketing Strategy

DECORTÉ, a long-selling brand launched 51 years ago, established sales channels overseas starting in Taiwan in 1997, and then entered China in 2009. To expand our market in China, we have adopted a borderless marketing strategy that views the inbound market (visitors to Japan from overseas), travel retail sales in all countries and regions in Asia and all the regions of China as a single market, and conduct cross-border promotions both online and offline.

In Japan, we are focusing on letting visitors from overseas experience the value of the high-prestige *DECORTÉ* brand. To do so, in each store we have set up a dedicated counter that conveys the brand's image and where we can conduct our unique counseling-based sales. In China, we have set up similar counters in high-end department stores and other outlets, gaining strong support from affluent customers for our counseling approach. Lately, overseas customers visiting Japan and customers in China with first-hand experience of *DECORTÉ*'s brand value have been communicating on social media, which has raised the brand's reputation. As a result, both recognition and sales have increased in China on online retail sites as well as at physical stores. We have therefore been expanding sales by adopting methods unique to *DECORTÉ* for a store that we opened in 2018 on Tmall.com, one of China's largest online retail sites, and through digital counseling using a video chat app. Based on this example of *DECORTÉ*'s successful overseas rollout, we will use online sites to raise brand recognition and develop strategic brand communication that integrates online and offline experiences.

Research and Development Creating Value from a Holistic Perspective



Akinobu Hayashi
Executive Officer
Institute Director

sharpen their skills in specialized fields, we also emphasize experience in other departments to gain broader competency. It is important for researchers to anticipate customer needs and create cosmetics that satisfy them. That is why our focus encompasses not only improving skills in cosmetics technologies, but also proactively providing opportunities for contact with the outside world to cultivate both expertise and versatility.

Being fully aware of and anticipating new retail distribution methods and their global application is crucial in cosmetics development. Therefore, while we continue to value the constancy of the traditions of our cosmetics in our research and development operations, we also actively promote the creation and expansion of new value and the adoption of new ideas in tune with the times. Our efforts include identifying the mechanism of aging and developing materials in response to the latest dermatological research and needs of our aging society. We will continue to augment the versatility of the human resources who are the linchpin of our research. At the same time, we will collaborate with other industries and utilize overseas research bases to conduct cutting-edge research. Through these and other measures, we will make greater use of our strength as a manufacturer with its own research and development bases.



The Advanced Technology Laboratory

► Expertise and Versatility Enrich KOSÉ's Uniqueness

KOSÉ's strength in research and development lies in the development processes it has been cultivating for many years. A lengthy research period is required to get a product to the market, involving researchers with various specializations. By respecting each other not just in terms of expertise, but as people, researchers seek the best, most suitable outcome from the viewpoint of users, thus enabling them to create value from a holistic perspective. In particular, KOSÉ has a unique focus on texture, which is the most important element of cosmetics. All staff involved in evaluation and formulation work as one, repeating each task until everyone is satisfied. We take pride in this process, which is conducted at a level unrivaled by our peers.

The foundation supporting this strength is our excellent research team. KOSÉ's traditional culture and organization, which nurture superior researchers, have been passed down since the Company's founding. The process for educating newly hired researchers is highly varied, ranging from basic to applied science as well as training outside the Company. As we work to

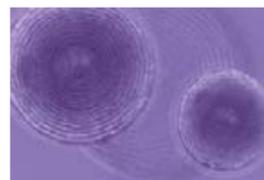
Case
02

Creating Value with the High-Prestige *DECORTÉ* Brand

Development of Multilayered Liposome Capsule

Liposomes are 0.1-micron-diameter multilayered capsules that KOSÉ has successfully commercialized in its cosmetics. Their unique circular shape made up of multiple layers retains beauty ingredients. Liposomes are broken down gradually by degrading enzymes and other substances in the skin, thus enabling a continuous release of beauty ingredients deep within the skin for an extended period.

Discovered in 1964, liposomes attracted attention as a new drug delivery system and research and development for medical purposes also thrived for a while. However, because liposomes are extremely delicate and difficult to stabilize, many manufacturers abandoned development. In addition, many researchers thought that because the phospholipids that make up liposomes are a naturally occurring substance, their properties would be difficult to stabilize, making them unsuitable for commercialization in cosmetics. Nevertheless, convinced that phospholipids were a safe, useful material similar to human skin, KOSÉ persevered in its research for eight years and succeeded in commercializing a product.



Multilayered liposomes

Commitment to Quality For Customer Satisfaction



Yuko Takemoto
General Manager, Quality
Assurance Department

► A Commitment to Quality Passed Down since the Company's Founding

Since our founding, we have been passionate about taking a straightforward attitude in dealing with customers to focus on providing cosmetics and services of the highest quality. In the KOSÉ Quality Policy, established in fiscal 2010, we set forth our commitment to quality assurance in the message "Customer satisfaction is our goal."

Specifically, we have established a quality control system that puts safety first from new product development to post-launch. For each step from raw materials, containers and packaging to the final product, the Research and Development, Production and Quality Assurance departments cooperate organically for repeated evaluation, check and improvement. To utilize customer feedback, we have established a Customer Service Center in the Quality Assurance Department, which works closely with quality assurance staff to respond promptly and sincerely to customers. Cooperation with suppliers is also vital

in quality assurance for cosmetics. Therefore, since fiscal 2016 we have been updating the KOSÉ Quality Assurance Standards from a global perspective. We have set strict quality standards for raw materials, packaging materials and final products, which we share with our suppliers—production contractors and manufacturers of containers and materials in Japan and overseas—in order to maintain the best quality.

Moreover, based on the KOSÉ Sustainability Plan we announced in April 2020, we will work to develop eco-friendly, sustainable products that meet the needs and expectations of society. We are already reducing the amount of plastic used in containers and packaging by adopting biomass materials. We are also introducing certified palm oil and biodegradable materials as raw materials for cosmetics in order to develop products that take our environmental impact into account. In addition, we are incorporating universal design with the addition of Braille and embossing to containers and the adoption of fonts that are easy to read.

While incorporating sustainability, we will remain committed to delivering the thoroughgoing quality for which Japanese-made products are known in order to provide customers with satisfaction, safety and security. In this way, we aim to make KOSÉ a company with a global presence.



Product inspection process

Case
03

Creating Value with the High-Prestige *DECORTÉ* Brand

Consistent Quality of Moisture Liposomes

Created using KOSÉ's unique liposome technology, *COSME DECORTE MOISTURE LIPOSOME* is a moisturizing beauty serum that has been a favorite of many women since its launch in 1992. Its features are as follows.

- (1) Deep moisturizing power: 0.1-micron liposome capsules consisting of phospholipids penetrate deeply into the stratum corneum—the outermost layer of the skin—and gradually release beauty ingredients from their outer membranes.
- (2) Adhesion to dry areas: A single squeeze of the pump yields several trillion capsules of serum to intensively moisturize dry areas.
- (3) Retention: Because the capsules dissolve and release moisture slowly, application in the morning and at night will keep skin hydrated throughout the day.

The formulation of *COSME DECORTE MOISTURE LIPOSOME*, which KOSÉ refused to compromise on during development, has remained unchanged since the product's launch. The feeling of constantly hydrated skin and the sense of total security arising from its consistent quality have made *COSME DECORTE MOISTURE LIPOSOME* a long-selling product with a loyal following.



COSME DECORTE
MOISTURE LIPOSOME

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

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

High-value added brands that are sold in specialty cosmetics stores, mass retailers, drugstores and through direct marketing, and a group of brands including MAIHADA that are sold online and through direct marketing.

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”

Basic Value

Cosmetaries Business

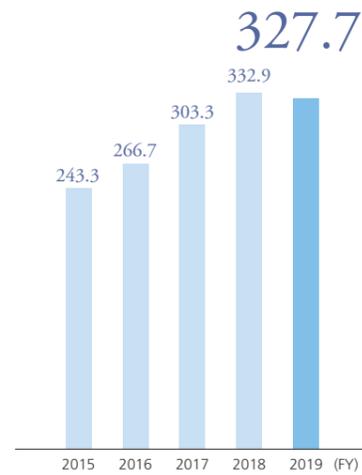
Financial and Non-Financial Highlights

KOSÉ Corporation and Consolidated Subsidiaries (Years Ended March 31)

Financial

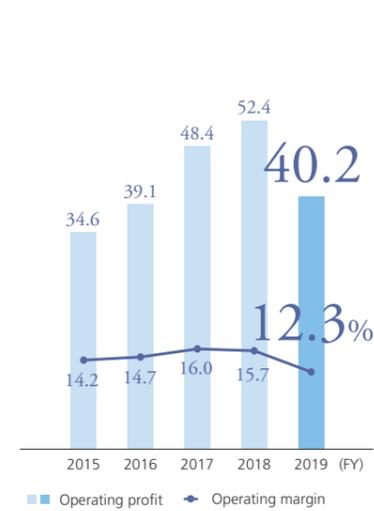
Net Sales

(Billions of yen)



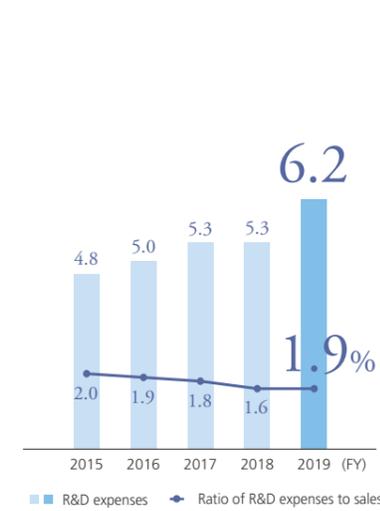
Operating Profit/ Operating Margin

(Billions of yen)



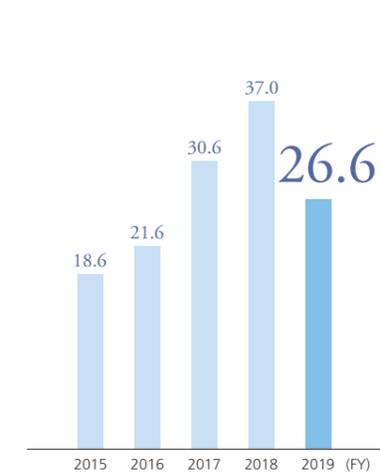
R&D Expenses/Ratio of R&D Expenses to Sales

(Billions of yen)



Profit Attributable to Owners of Parent

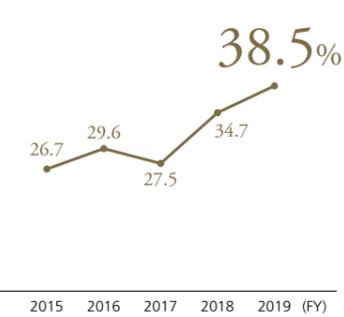
(Billions of yen)



Non-Financial

Ratio of Female Employees in Supervisory Positions

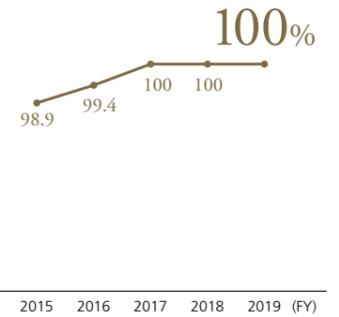
We are striving to create a work environment that fulfills women's desire to succeed by enabling them to balance their work with private life while fully leveraging their individuality and capabilities.



Note: Female employees with subordinates, either officially or unofficially. From fiscal 2018, percentages are based on the total number of such employees in KOSÉ Corporation and its consolidated subsidiaries.

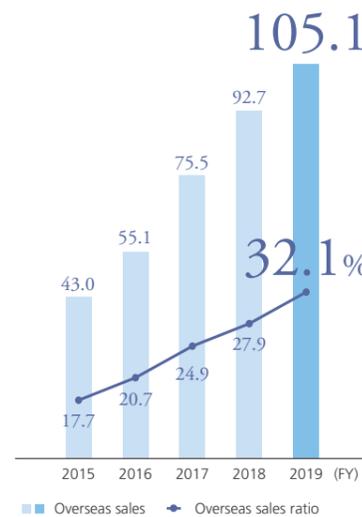
Proportion of Female Employees Who Took Childcare Leave

All female employees who gave birth in fiscal 2019 took childcare leave and 93% have returned to work. We are striving to enhance our systems and carry out work environment improvements that support work-life balance, including shortened working hours.



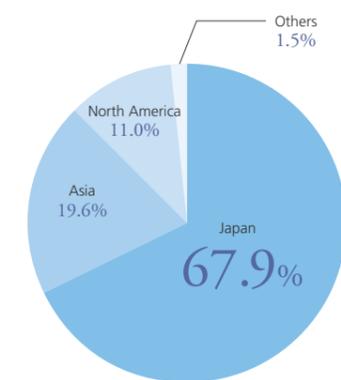
Overseas Sales/ Overseas Sales Ratio

(Billions of yen)



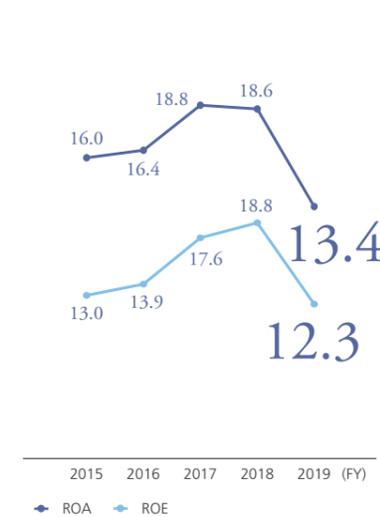
Share of Net Sales by Region

(Fiscal 2019)



ROA/ROE

(%)



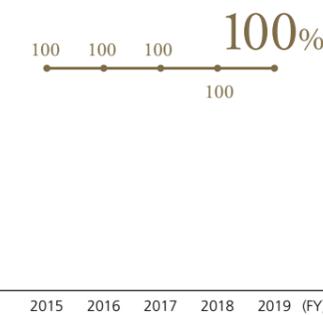
Net Income per Share (Basic)

(Yen)



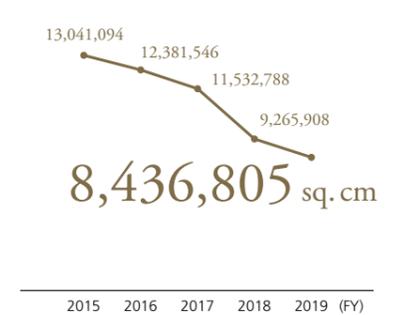
Recycling Rate

Achieved zero emissions (recycling rate of 99.5%) at Gunma Factory and Sayama Factory in 2005. Currently, all factories in Japan have achieved zero emissions.



Area Planted with Coral Reefs

We started the SAVE the BLUE project in 2009 to protect coral reefs in Okinawa that are in danger of extinction. Every year, we plant an area of coral equivalent to the total area of the bases of all the SEKKISEI bottles sold during the campaign.



Notes:

1. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100
2. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100
3. Non-financial data is for KOSÉ Corporation only.