



## **KOSÉ Corporation**

2Q Financial Results Briefing for the Fiscal Year Ending December 2022

August 10, 2022

## Event Summary

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<b>[Company Name]</b>	KOSÉ Corporation	
<b>[Company ID]</b>	4922-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	2Q Financial Results Briefing for the Fiscal Year Ending December 2022	
<b>[Fiscal Period]</b>	FY2022 2Q	
<b>[Date]</b>	August 10, 2022	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	3	
	Kazutoshi Kobayashi	President & CEO
	Shinichi Mochizuki	Director & CFO
	Hiroko Hanakura	General Manager of Investor Relations Department
<b>[Moderator]</b>	Shinko Nanba	Manager of Investor Relations Department

## Presentation

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**Nanba:** Thank you very much for taking time out of your busy schedules today to participate in the KOSÉ Corporation's financial results briefing for the second quarter of the fiscal year ending December 31, 2022.

I would like to introduce today's attendees. From the center, this is Mr. Kobayashi, President & CEO.

**Kobayashi:** Thank you.

**Nanba:** On the left is Director & CFO, Mr. Mochizuki.

**Mochizuki:** Nice to meet you.

**Nanba:** On the right is Ms. Hanakura, General Manager of Investor Relations Department.

**Hanakura:** Nice to meet you.

**Nanba:** I am Shinko Nanba, manager of Investor Relations Department. Nice to meet you all.

Mr. Mochizuki will now explain the details of the financial results.

**Mochizuki:** My name is Mochizuki from KOSÉ Corporation. We would like to express our sincere gratitude for your continued support of our business. I would also like to thank you for taking time out of your busy schedule to participate in today's web conference.

I would like to present an overview of the financial results for the second quarter of the fiscal year ending December 31, 2022, based on the financial results presentation materials available on our website's IR site.

- 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)

3rd quarter earnings announcement: Middle of November 2022  
Full-year earnings announcement: Middle of February 2023

- Revenue recognition and quarterly period changes

\* Adjusted results of operations and their changes

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

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

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

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

\*Figures for the first half of 2021 (January-June) 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.

As previously announced, KOSÉ changed its fiscal year end to December in FY2021 and also adopted the accounting standard for revenue recognition. In this document, the financial figures for 1H of 2021 have been retroactively adjusted to the same terms as this 1H of 2022 and comparative reference information.

- ✓ **Net sales**      **¥130.6 billion:** up ¥5.5 billion (4.4%) YoY
  - Lockdowns in China significantly impacted sales, but first half 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 (U.S. and Europe). Sales were up 0.9% YoY after excluding foreign exchange rate changes.
- ✓ **Operating profit**      **¥7.2 billion:** up ¥3.2 billion (81.5%) YoY
  - Although the cost of sales ratio increased, operating profit was higher because of measures to hold down selling expenses and the shift of some expenses to the second half of the year.

Sales outlook as of 2Q.2022 (Vs. 2Q.2021)			Evaluation as of 2Q.2022 (Vs. initial plan)	
			Net sales	Operating profit
Japan	Mid-single-digit increase	Forecast YoY growth of about the same as initially planned due to strong high-prestige sales growth and the outlook for a recovery in the prestige category starting in the second half.	▲	▲
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.	▲	▲
TR (including South Korea)	+10%	Forecast higher travel retail sales because of the ongoing recovery in South Korea and the outlook for a recovery in sales in Hainan Island.	▲	▲
North America (Tarte)	High-single-digit increase	Consumer spending is currently strong but may weaken because of inflation and FRB interest rate hikes.	○	▲

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First, here is a summary for 1H of FY2022.

Consolidated net sales totaled JPY130.6 billion, up JPY5.5 billion or 4.4% YoY, driven by high-prestige despite the significant impact of the lockdown in China. Excluding the effect of foreign exchange rates, the increase would have been 0.9% YoY.

Operating profit was JPY7.2 billion, an increase of JPY3.2 billion or 81.5% YoY, due to the measures to hold down selling expenses and the shift of some expenses to the second half of the year, despite an increase in the cost of sales ratio.

Next is a regional evaluation.

In Japan, sales of hi-prestige were strong, and cosmetaries also picked up in 2Q but were unable to recover from the negative results in 1Q. Although there were signs of recovery in some brands in prestige, overall, the business in this category struggled. As a result, both sales and operating profit fell short of the plan.

In China, both sales and operating profit fell short of projections due to lackluster performance resulting from the lockdown.

In the travel retail business, South Korea Duty Free improved from April onward due to the easing of quarantine regulations for coronavirus in March, but China Duty Free fell short of the plan due to sluggish sales.

In North America, sales were strong, but operating profit was lower than planned due to factors such as an increase in the cost of sales ratio.

The details will be explained in the slides on page 10 and thereafter.

➤ Although the cost of sales ratio increased, operating profit was higher due to cost controls and the shift of selling expenses to the second half, and ordinary profit was higher due to a big increase in foreign exchange gains. Profit attributable to owners of parent increased YoY.

	1H					
	2021		2022		Change (amount)	Change (ratio)
	Amount	Ratio to net sales	Amount	Ratio to net sales		
(billion yen)						
Net sales	125.0	100.0%	130.6	100.0%	+5.5	+4.4%
Cost of sales	36.8	29.5%	38.9	29.8%	+2.0	+5.5%
Gross profit	88.2	70.5%	91.6	70.2%	+3.4	+4.0%
SG&A expenses	84.2	67.3%	84.4	64.7%	+0.2	+0.3%
Operating profit	3.9	3.2%	7.2	5.5%	+3.2	+81.5%
Ordinary profit	7.1	5.7%	15.1	11.6%	+8.0	+112.7%
Profit before income taxes	7.0	5.6%	14.9	11.4%	+7.8	+111.3%
Profit attributable to owners of parent	3.0	2.4%	8.8	6.8%	+5.8	+193.3%
Net income per share	-		155.72 yen		-	

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Page five shows the major items of the PL.

While net sales and operating profit are as explained earlier, ordinary income increased to JPY15.1 billion due to a significant increase in foreign exchange gains and net income attributable to owners of the parent increased to JPY8.8 billion.

➤ Higher cost of sales ratio, but SG&A expenses were about the same as overall cost controls offset an increase in personnel expenses.

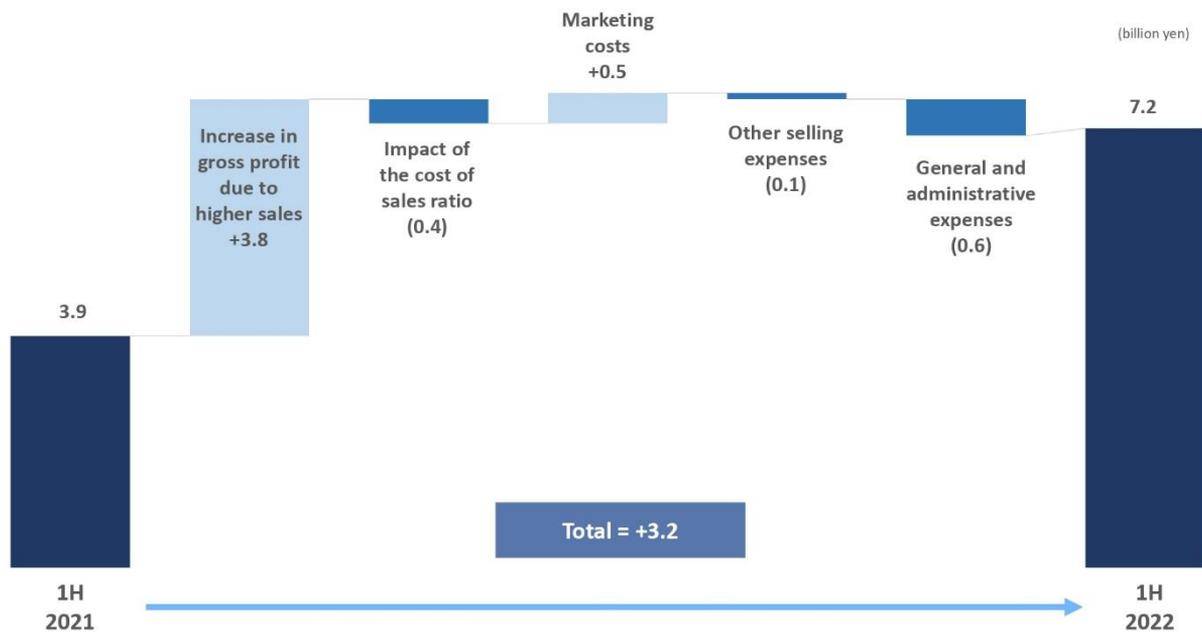
1H							
(billion yen)		2021		2022		YoY Change	
		Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio
Cost of sales		36.8	29.5%	38.9	29.8%	+2.0	+5.5%
SG&A expenses		84.2	67.3%	84.4	64.7%	+0.2	+0.3%
Selling expenses	Sales promotion	20.8	16.7%	20.7	15.9%	(0.1)	(0.7)%
	Advertising	10.4	8.4%	10.0	7.7%	(0.3)	(3.5)%
	Freightage and packing	7.7	6.2%	7.8	6.0%	+0.1	+1.4%
	Subtotal	39.0	31.2%	38.6	29.6%	(0.4)	(1.0)%
General and administrative expenses	Personnel	27.0	21.6%	28.2	21.6%	+1.2	+4.4%
	R&D	2.9	2.4%	2.8	2.2%	(0.1)	(6.1)%
	Depreciation	2.0	1.7%	2.2	1.7%	+0.1	+8.9%
	Others	13.0	10.4%	12.5	9.6%	(0.5)	(4.2)%
Subtotal		45.1	36.1%	45.8	35.1%	+0.6	+1.5%

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Page six shows cost of sales and SG&A expenses.

The cost of sales ratio declined 0.4 points due to the impact of the change in sales mix, but the manufacturing cost ratio rose 0.8 points, resulting in an overall increase of 0.3 points.

Selling, general and administrative (SG&A) expenses totaled JPY84.4 billion, up slightly from the same period last year. Selling expenses were decreased YoY, but this was due to cost controls and the shift of some expenses to the second half of the year. Among general and administrative expenses, personnel expenses increased by JPY1.2 billion, mainly due to an increase in the number of personnel at Tarte brand.



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Page seven is a waterfall chart in operating profit.

The increase in operating profit is attributable to higher gross profit due to higher sales and control of marketing costs and the shift of some expenses to the second half of the year, while the decrease in profit is attributable to a higher cost of sales ratio and higher general and administrative expenses.

- In the cosmetics segment, sales and operating profit increased YoY. DECORTÉ sales were strong in Japan but slow in China. ALBION, Tarte, JILL STUART and Carté HD all contributed to sales growth. Challenges continued for the SEKKISEI brand.
- In the cosmetaries segment, sales began recovering in April, chiefly for the major products of KOSÉ Cosmeport Corp. However, the recovery was not enough to offset the first quarter sales decline and operating loss.

Net sales

Operating segment (billion yen)	1H					
	2021	2022	YoY change (amount)	YoY change (ratio)	% comp.	
	Amount	Amount			2021	2022
Cosmetics	99.3	105.5	+6.2	+6.3%	79.4%	80.8%
Cosmetaries	24.9	24.1	(0.7)	(3.0)%	19.9%	18.5%
Other	0.8	0.8	+0.0	+5.6%	0.7%	0.8%
<b>Total</b>	<b>125.0</b>	<b>130.6</b>	<b>+5.5</b>	<b>+4.4%</b>	<b>100.0%</b>	<b>100.0%</b>

Operating profit

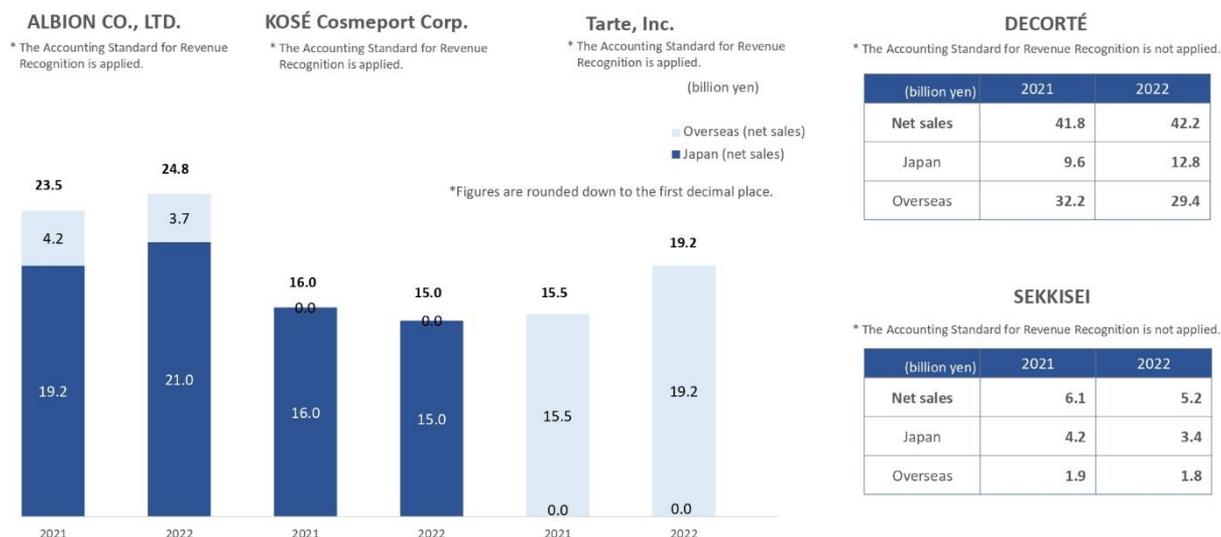
Operating segment (billion yen)	1H					
	2021	2022	YoY change (amount)	YoY change (ratio)	Operating margin	
	Amount	Amount			2021	2022
Cosmetics	6.5	9.9	+3.3	+51.1%	6.6%	9.4%
Cosmetaries	(0.2)	(0.5)	(0.3)	-	(0.9)%	(2.3)%
Other	0.3	0.4	+0.1	+48.9%	36.1%	42.6%
Adjustment	(2.6)	(2.6)	+0.0	-	-	-
<b>Total</b>	<b>3.9</b>	<b>7.2</b>	<b>+3.2</b>	<b>+81.5%</b>	<b>3.2%</b>	<b>5.5%</b>

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Page eight will be segment revenues.

In the cosmetics business, net sales were JPY105.5 billion, up JPY6.2 billion YoY, and operating profit increased JPY3.3 billion, to JPY9.9 billion yen. DECORTÉ, Albion, and Tarte performed well, while Jill Stuart, which grew in line with the recovery of demand in the Japanese makeup market, and Carte HD, which is successfully developing the sensitive skin market, led the performance.

On the other hand, in the cosmetaries business, although there has been a recovery since April, mainly in mainstay products of KOSÉ COSMEPORT and KOSÉ COSMENIENCE, it was not enough to cover the sales decline and deficit in 1Q, and sales declined JPY0.7 billion YoY to JPY24.1 billion and the operating loss was widened to a negative JPY500 million.



Page nine shows global sales of major group companies and major brands.

ALBION's sales increased, supported by the strong popularity of Elégance and the new version of medicated SKIN CONDITIONER ESSENTIAL in May.

In KOSÉ COSMEPORT, main products performed well in 2Q, but the main reasons for the 1H decline in sales because KOSÉ COSMEPORT had a little bit of a large volume of shipment in March last year, which had a reactionary effect on the sales, and failed to achieve the plan in the hair care category. Note that the slide shows zero overseas sales, but this is due to the fact that overseas sales to Japanese companies are recorded as sales in Japan for accounting purposes.

Tarte sales increased 23.6% in Japanese yen and 8.4% in local currency YoY due to strong sales of new products in addition to mainstay products.

The slide on the right shows sales of DECORTÉ and SEKKISEI. DECORTÉ sales were sluggish in China and duty-free, but in Japan, sales increased due to the popularity of new products and LIPOSOME that was renewed last fall.

Total sales of SEKKISEI products declined JPY0.9 billion YoY due to lower sales in the drugstore channel in Japan, although sales in Europe, North America, and Asia remained almost flat.

Please check back later on page 37 for details on the percentage change in sales by segment.

- In Japan, sales increased as sales began recovering slowly in April due to the easing of restrictions for pandemic safety.
- In Asia, sales recovered in South Korea, which started easing pandemic restrictions for foreign tourists, but total sales in this region were down because of the severe impact of lockdowns in China.
- In North America and other regions, sales increased because of strong consumer spending.

1H						
(billion yen)	2021		2022		YoY change (amount)	YoY change (ratio)
	Amount	% comp.	Amount	% comp.		
Japan	71.7	57.3%	75.7	58.0%	+4.0	+5.6%
Asia	37.7	30.2%	36.0	27.6%	(1.6)	(4.3)%
North America	14.0	11.2%	16.5	12.6%	+2.5	+17.9%
Other	1.6	1.3%	2.2	1.7%	+0.5	+35.9%
Total	125.0	100.0%	130.6	100.0%	+5.5	+4.4%
Overseas sales	53.3	42.7%	54.8	42.0%	+1.4	+2.8%

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Page 10 provides a summary of sales by region.

In Japan, a resurgence in consumer activity due to the easing of behavioral restrictions led to a gradual recovery in skincare products as well as makeup products, while in North America, Tarte sales remained strong, leading to an increase in sales, respectively.

Meanwhile, in Asia, South Korean duty-free sales have recovered since April, but the impact of the lockdown in China continued, resulting in a decline in overall sales in Asia, and as a result, the ratio of overseas sales to total sales was 42%, down about 0.7 percentage points YoY.

➤ Cosmetaries sales increased significantly in the drug store and other mass-market channels but sales of prestige brands were slow. Sales of high-prestige brands continued to be strong at specialty cosmetics stores and department stores.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1H	71.7	75.7	+4.0	+5.6%
1Q	37.9	36.5	(1.3)	(3.6)%
2Q	33.7	39.2	+5.4	+16.0%

**Market Trends**

Japan	<ul style="list-style-type: none"> <li>■ Inflation fueled by the yen's depreciation and high cost of crude oil</li> <li>■ The number of COVID-19 cases was declining nationwide but started climbing rapidly in late June</li> </ul>
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KOSÉ	
Overall	<ul style="list-style-type: none"> <li>■ Slow sales of mid-price products, but sales at specialty cosmetics store and department store channels were strong</li> </ul>
High prestige	<ul style="list-style-type: none"> <li>■ DECORTÉ ZEN WEAR FLUID successfully attracted new customers for makeup products</li> <li>■ The new version of SKIN CONDITIONER ESSENTIAL generated strong sales</li> </ul>
Prestige	<ul style="list-style-type: none"> <li>■ Although challenges continue at the SEKKISEI brand, sales recovered somewhat for the ONE BY KOSÉ brand due to the launch of DOUBLE BLACK WASHER</li> </ul>
Cosmetaries	<ul style="list-style-type: none"> <li>■ COSMEPORT sales growth was backed by higher sales of sheet masks and cleansing and sunscreen products. CLEAR TURN maintained its leading position in the sheet mask market in Japan</li> </ul>
Strategies for 2H 2022	
Overall	<ul style="list-style-type: none"> <li>■ DECORTÉ online counseling adds the Personal Beauty Mirror to allow customers to see how they look with different makeup products on the internet</li> <li>■ ALBION launches the FLARUNÉ series of skin care products with the goal of increasing the number of customers in younger age segments</li> <li>■ Promotional activities for SEKKISEI with the goal of revitalizing this brand</li> <li>■ Promotional activities throughout the KOSÉ Group in the consistently growing market for sensitive skin care products</li> </ul>

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Page 11 shows sales by region in Japan.

Sales increased JPY4.0 billion YoY to JPY75.7 billion, reversing the negative performance of the first quarter.

In the mass channel such as drugstores, sales of cost controls products were down from the same period of the previous year, but sales of high-prestige products in the specialty cosmetics store and department store channel were strong, and sales of cosmetaries also increased due to the launch of new products from April onward.

For 2H of the fiscal year, we will strive to grow high-prestige both on and offline and to recover in the prestige skin care market and the cosmetaries hair care market.

- Sales in China declined because of restrictions on economic activity, incl. lockdowns in Shanghai, due to zero-COVID policy.
- Big recovery in travel retail sales in South Korea since April following the easing of pandemic restrictions for foreign tourists.

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1H	37.7	36.0	(1.6)	(4.3)%
1Q	16.2	14.0	(2.2)	(13.5)%
2Q	21.4	22.0	+0.5	+2.7%

Market Trends	
China (mainland)	<ul style="list-style-type: none"> <li>Lockdowns mainly in Shanghai and other cities</li> <li>The zero-COVID policy that began in October 2021 is continuing</li> </ul>
China (duty-free)	<ul style="list-style-type: none"> <li>Big drop in sales in March as nationwide lockdowns in China restricted travel</li> </ul>
South Korea (duty-free)	<ul style="list-style-type: none"> <li>Recovery continues as pandemic restrictions ease</li> </ul>

KOSÉ	
China (Mainland)	<ul style="list-style-type: none"> <li>In the EC channel, DECORTÉ sales during China's 618 (June 1-18) shopping festival were down YoY</li> <li>Increasing online/offline customer linkage by using the group chat function of WeChat</li> </ul>
China (duty-free)	<ul style="list-style-type: none"> <li>In mainland China, sales were down due to travel restrictions as the number of COVID-19 cases increases</li> </ul>
South Korea (duty-free)	<ul style="list-style-type: none"> <li>Consumer spending started recovering in April, resulting in increases in purchases and shipments of products</li> </ul>

Strategies for 2H 2022	
China	<ul style="list-style-type: none"> <li>SEKKISEI held a booth at the China International Consumer Products Expo on Hainan Island.</li> <li>In live commerce, effectively utilize key opinion leaders (KOL) and KOSÉ beauty consultants</li> <li>Sales of LIPOSOME ADVANCED REPAIR CREAM will start on September 1 outside Japan ahead of the launch in Japan</li> </ul>
South Korea	<ul style="list-style-type: none"> <li>Further upgrade sales activities by building stronger relationships with duty-free stores</li> </ul>

Then, in Asia on page 12, 2Q was positive YoY, but 1H net sales were JPY36 billion, down JPY1.6 billion YoY.

In mainland China, sales declined both on and offline due to the impact of restrained economic activity, and duty-free business, mainly in Hainan Island, was also lower than in the same period of the previous year due to travel restrictions.

On the other hand, the travel retail business in South Korea struggled in 1Q, but recovered in 2Q, returning to the same level in 1H as the previous year on a total basis.

In 2H of the fiscal year, we will continue to implement measures to increase awareness of the DECORTÉ brand.

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

(billion yen)	2021	2022	YoY change (amount)	YoY change (ratio)
1H	15.6	18.7	+3.0	+19.7%
1Q	7.0	8.3	+1.2	+18.1%
2Q	8.5	10.3	+1.8	+21.1%

Market Trends	
USA	<ul style="list-style-type: none"> <li>Inflation that includes the rising cost of energy and raw materials caused by the Ukraine crisis is increasing concerns about the possibility of a recession</li> </ul>
Europe	<ul style="list-style-type: none"> <li>The Ukraine crisis started just as the economy was starting to recover as the pandemic passed the peak. Serious impact of the rising cost of energy and raw materials.</li> </ul>

Tarte	
Overall	<ul style="list-style-type: none"> <li>Sales at Tarte are strong and its market share remains high as the U.S. makeup market recovers</li> <li>Sales increased in the key concealer category and for new products in the lip makeup category.</li> </ul>
Strategies for 2H 2022	
USA (Tarte)	<ul style="list-style-type: none"> <li>As the holiday season approaches, planning on higher sales than in 2021 by utilizing distribution channels that have expanded</li> <li>Increasing the use of TikTok and other digital communications</li> <li>As in the first half, Tarte will open more shops at Sephora@Kohl's and Ulta@Target</li> </ul>
Europe and others	<ul style="list-style-type: none"> <li>Tarte plans to open more shops at Sephora UK stores and in EU countries.</li> </ul>

On page 13, Europe and the U.S. remained strong, with sales of JPY18.7 billion, up JPY3.0 billion YoY.

Tarte maintained a high market share in the prestige makeup market by strengthening key categories such as concealer and mascara and launching new products, especially in the lip category. In addition, sales increased due to the opening of new stores in Europe and the United States.

In 2H of the fiscal year, we will continue to open new stores and expand our distribution channels, particularly through the U.K. online store acquired by Sephora.

- E-commerce sales were strong for DECORTÉ in Japan but sales were slow during China's 618 shopping festival.
- Travel retail sales returned to growth at South Korea duty-free stores, a sector that had been weak, but lockdowns severely impacted travel retail sales in China.

EC (billion yen)	Japan			China			Other Asian countries			North America, others			Total		YoY change
	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	
1H	4.1	5.1	+23.8%	8.9	8.4	(5.5)%	0.1	0.1	+17.0%	3.8	4.3	+13.2%	17.1	18.2	+6.2%
1Q	2.0	2.8	+36.7%	3.0	3.2	+4.4%	0.0	0.1	+42.5%	1.8	1.8	+2.1%	7.0	8.0	+13.8%
2Q	2.0	2.3	+11.0%	5.8	5.2	(10.7)%	0.0	0.0	(9.4)%	2.0	2.5	+22.9%	10.1	10.2	+1.0%

TR (billion yen)	Japan			China			South Korea			North America, others			Total		YoY change
	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	
1H	0.1	0.3	+81.3%	14.0	12.4	(11.8)%	9.3	9.1	(1.9)%	0.3	0.1	(48.5)%	23.9	22.0	(7.6)%
1Q	0.0	0.1	+127.8%	5.8	6.5	+12.9%	4.6	2.3	(49.8)%	0.1	0.0	(77.8)%	10.7	9.0	(15.2)%
2Q	0.1	0.1	+58.5%	8.2	5.8	(29.3)%	4.7	6.8	+45.0%	0.1	0.1	+4.6%	13.2	13.0	(1.5)%

Offline (billion yen)	China		
	2021	2022	YoY change
1H	4.4	3.7	(14.8)%
1Q	1.7	1.3	(22.4)%
2Q	2.6	2.3	(9.8)%

\* The Accounting Standard for Revenue Recognition is not used.

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Page 14 shows e-commerce(EC) and travel retail sales.

EC sales were JPY18.2 billion, up JPY1.0 billion YoY, but sales in 2Q were almost flat from the same period of the last year due to sluggish sales in the 618 shopping festival in China.

Travel retail sales were JPY22.0 billion, down JPY1.8 billion YoY, but again the main negative factor was China.

## Balance Sheet and Cash Flow Highlights



➤ Total assets amounted to ¥334.7 billion and equity ratio above 70%  
Inventories increased because of concerns about the rising cost of raw materials

BS (billion yen)	As of December 31, 2021		As of June 30, 2022		Change Amount
	Amount	Share	Amount	Share	
Current assets	217.3	67.9%	231.1	69.1%	+13.8
Cash and deposits	105.2	32.9%	109.1	32.6%	+3.8
Accounts receivable	44.2	13.8%	43.3	12.9%	(0.8)
Inventories	63.7	19.9%	74.0	22.1%	+10.2
Non-current assets	102.6	32.1%	103.6	30.9%	+0.9
Property, plant and equipment	59.5	18.6%	59.9	17.9%	+0.4
Intangible assets	14.2	4.5%	14.7	4.4%	+0.5
Total assets	320.0	100.0%	334.7	100.0%	+14.7

Current liabilities	59.1	18.5%	58.8	17.6%	(0.2)
Accounts payable	23.7	7.4%	24.7	7.4%	+0.9
Short-term borrowings	0.6	0.2%	3.3	1.0%	+2.7
Non-current liabilities	6.6	2.1%	8.7	2.6%	+2.1
Total liabilities	65.7	20.5%	67.6	20.2%	+1.8
Total net assets	254.2	79.5%	267.1	79.8%	+12.8
Shareholders' equity*	238.3	74.5%	250.9	75.0%	+12.6
Non-controlling interests	15.9	5.0%	16.1	4.8%	+0.2
Total liabilities and net assets	320.0	100.0%	334.7	100.0%	+14.7

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

➤ Overall cash flow remained stable despite a decrease of ¥0.4 billion in cash

CF (billion yen)	1H 2021	1H 2022
Profit before income taxes	+7.0	+14.9
Depreciation	+5.4	+4.6
Decrease (increase) in trade receivables	+9.8	+2.1
Decrease (increase) in inventories	(1.2)	(6.3)
Increase (decrease) in trade payables	(4.6)	+0.6
Others	(3.2)	(13.6)
<b>Cash flows from operating activities</b>	<b>+13.5</b>	<b>+2.3</b>
Capital expenditures	(2.9)	(2.3)
(Increase) decrease in time deposits	(9.9)	(3.4)
<b>Cash flows from investing activities</b>	<b>(13.7)</b>	<b>(6.7)</b>
Funds procured from external sources and repayments	(3.5)	+2.5
Cash dividends paid	(3.6)	(3.6)
<b>Cash flows from financing activities</b>	<b>(7.2)</b>	<b>(1.3)</b>
Effect of exchange rate change on cash and cash equivalents	+1.8	+5.3
Change in cash and cash equivalents	(5.6)	(0.4)
Cash and cash equivalents at beginning of period	71.4	81.8
Cash and cash equivalents at end of period	65.8	81.4

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Page 15 shows key balance sheet and cash flow items.

Total assets of BS were JPY334.7 billion, and although inventories increased by JPY10.2 billion due to higher raw material prices resulting from the global surge in energy prices and the securing of raw materials in the advance. We consider BS to remain healthy, as the capital adequacy ratio and other key financial indicators are generally favorable.

Cash flow for the six-month period showed a decrease of JPY0.4 billion from the beginning of the period, but the cash balance remained at a reasonable level of JPY81.4 billion.

- There is uncertainty about if the Japanese economy will continue to recover. Aime for a sales recovery in the prestige category while maintaining strong high prestige and cosmetaries sales.
- In China, sales are unlikely to start recovering soon because of the country’s zero-COVID policy. Duty-free sales in South Korea and Hainan Island are expected to recover after restrictions on various activities are reduced or terminated.
- Although there are concerns about the possibility of a recession in North America and Europe, the goal is sales growth and an improvement in profitability by increasing market share and strengthening sales activities for core products.

Regional outlook	
Japan	<ul style="list-style-type: none"> <li>■ In the high prestige category, DECORTÉ plans to increase sales while attracting more young customers, mainly by using LIPOSOME ADVANCED REPAIR SERUM and new products. ALBION expects steady sales growth in the second half backed by the FLARUNÉ skin care series, which will be launched in August.</li> <li>■ 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.</li> <li>■ In the cosmetaries category, updated versions are planned for the products of STEPHEN KNOLL NEW YORK and the BIOLISS BOTANICAL line, the core product of BIOLISS, for more growth in the large hair care category. Goals are to target a broader range of customer segments and increase points of contact with new customers. Plan on a second half recovery to offset the first half sales downturn and loss.</li> <li>■ At sales companies in Japan, the Flagship Shop Project 2024 will use activities that match the characteristics of individual specialty cosmetics stores to strengthen the operations of these stores and deepen ties with these stores with the goal of creating cosmetics stores that rank first in sales in their respective areas.</li> </ul>
Asia	<ul style="list-style-type: none"> <li>■ In China, strict restrictions based on the zero-COVID policy are expected to continue. A sales and earnings recovery is not expected to happen soon because of a downturn in prominent key opinion leader (KOL) live streaming in the EC sector and other reasons.</li> <li>■ Planning on a recovery in sales in travel retail (China, South Korea) as the number of tourists increases as pandemic restrictions are reduced or eliminated.</li> </ul>
North America/ Europe	<ul style="list-style-type: none"> <li>■ Sales are increasing at Tarte as its market share climbs and sales activities for core products are strengthened. Activities continue for improving profitability by lowering the cost of sales ratio.</li> </ul>

Page 16 shows the forecast for 2H of the year.

In Japan, we will work to recover prestige sales while maintaining the strong performance of high-prestige and cosmetaries.

In high-prestige, we aim to expand our customer base with new DECORTÉ and INFINITY products, while ALBION aims to achieve steady growth leveraging new products.

In the prestige and sensitive skin care markets, we will work to expand market share, centered on SEKKISEI, through cross-group promotions.

In cosmetaries, we will also renew the STEPHEN KNOLL NEW YORK and the BIOLISS BOTANICAL lines as a measure to strengthen the hair care market.

At sales companies in Japan, we will carry out defensive structural reforms and promote the Flagship Shop Project 2024 as an offensive structural reform. This project aims to strengthen relationships with specialty cosmetics stores by proposing initiatives tailored to the characteristics of each specialty store, with the goal of achieving the number one sales store in each region.

In China, the impact of the zero-coronavirus policy is expected to continue to have no small effect, and with the decrease in Top KOL live streaming and other factors, a negative impact on business performance is also expected.

Meanwhile, in duty-free stores in China and Korea, we will further increase market recognition of DECORTÉ as a high-prestige product and capture the recovery in demand after the easing of travel restrictions to recover sales and profits.

In Europe and the U.S., there are growing concerns about the economic recession, but we will counteract the downward swing in profits due to a higher cost of sales ratio by strengthening holiday season initiatives and sales promotion at Tarte.

- First half sales were in line with the initial forecast. The 2022 operating profit forecast has been lowered because of declining profitability in China caused by intense competition and the rising cost of sales ratio caused by increasing prices of raw materials. No revisions to the 2022 forecasts for ordinary profit and profit attributable to owners of parent because the yen's depreciation is increasing foreign exchange gains.

(billion yen)	FY2021 results (Jan. - Dec. 2021)		2022 initial plan		2022 revised plan		(Vs. FY2021 results) 2022 revised plan		(Vs. 2022 initial plan) 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%	293.0	100.0%	+24.0	+8.9%	-	-
Cosmetics	217.7	80.9%	238.5	81.4%	238.5	81.4%	+20.7	+9.5%	-	-
Cosmetaries	49.1	18.3%	52.6	17.9%	52.6	17.9%	+3.4	+6.9%	-	-
Other	2.0	0.8%	1.9	0.7%	1.9	0.7%	(0.1)	(8.0)%	-	-
Operating profit	15.6	5.8%	22.0	7.5%	20.0	6.8%	+4.3	+27.6%	(2.0)	(9.1)%
Ordinary profit	22.0	8.2%	22.6	7.7%	22.6	7.7%	+0.5	+2.5%	-	-
Profit attributable to owners of parent	11.1	4.1%	16.5	5.6%	16.5	5.6%	+5.3	+48.2%	-	-
Net income per share	-		289.22 yen		289.22 yen					
ROA	-			7.0%		7.0%				
ROE	-			6.4%		6.4%				
Capital expenditures	-			18.9		18.9				
Depreciation	-			10.3		10.3				

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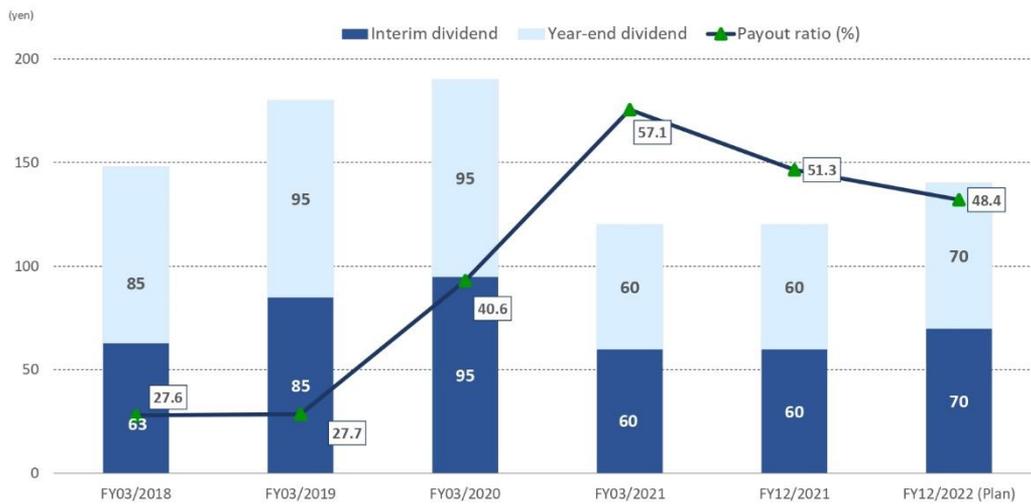
Page 17 shows the full-year consolidated earnings forecast.

Sales are expected to be in line with the plan at the beginning of the year, based on the gradual recovery trend in Japan as well as in the U.S., although downside risks remain strong in the Asian region.

However, we believe that the cost of sales ratio has increased and will continue to rise due to the rising cost of raw materials resulting from the increase in crude oil prices since last year. In addition, we expect profitability to deteriorate due to intensifying competition in the Chinese market and the duty-free market, and therefore we have revised our forecast of operating profit downward by JPY2.0 billion to JPY20.0 billion from the original plan.

On the other hand, ordinary income, and net income attributable to shareholders of the parent company are expected to land in line with the initial plan, since the uncertainty in the level of foreign exchange is expected to remain strong in the future, despite the foreign exchange gain in 1H of the year.

- 2022 annual dividend: The plan is a ¥140 dividend (includes ¥70 interim dividend)  
No change from the initial plan



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Finally, we discuss dividends.

Based on the interim financial results and the expected landing of the current fiscal year, we plan to maintain the initial plan for the interim and year-end dividends at JPY70 each, for a total annual dividend of JPY140 per share.

That concludes my brief explanation. Thank you very much.

**Nanba:** Now, President Kobayashi will explain the progress of the basic strategy for FY2022 and future initiatives.

**Kobayashi:** My name is Kobayashi. Thank you very much for taking time out of your busy schedule to join us today.

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 Growth Strategy
(4) Activities based on the sustainability strategy
(1) Strategic investments in China/travel retail, the markets with the most growth potential, to achieve global and borderless growth
✓ Strategic investments to further increase activities for the growth of flagship global brands
(2) More customer experiences to successfully execute the growth strategy
✓ Use digital/real methods for more and better personal customer experiences
✓ New forms of customer interaction value involving online and many other types of counseling services
✓ More and better digital communications
(3) Enlarge targeted customer segments and review sales infrastructure in Japan to support growth strategies and the provision of value
✓ Activities for more new customers
✓ Start new initiatives in Japan
✓ Use a more powerful sales infrastructure in Japan to improve profitability in Japan
(4) Activities aimed at helping solve issues in order to help achieve a sustainable society
✓ Develop products that are environmentally responsible and incorporate features and properties for adaptability

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I would like to focus on the four key initiatives for the current fiscal year, which were announced at the time of the closing of the accounts on February 14.

The first is to capture the Chinese market and travel retail market, the second is to enhance the value of the brand, the third is a structural reform and growth strategy with an eye on the post-COVID, and the fourth is to promote a sustainability strategy.

Key initiatives	First Half Assessment	Activities in the Second Half
(1) Target China and travel retail for growth	<ul style="list-style-type: none"> <li>● Lockdown in China has pushed back the DECORTÉ store opening plan.</li> <li>● Sales during China's 618 (June 1 to 18) shopping festival were generally as planned, but below the strong sales one year earlier.</li> <li>● Open the store including a sales counter and VIP room on Hainan Island for high-net-worth customers to raise awareness of KOSÉ's high-end products.</li> </ul>	<ul style="list-style-type: none"> <li>● Raise awareness of high-end products.</li> <li>● Raise awareness of the SEKKISEI brand.</li> <li>● Add new platforms as EC channels in China continue to diversify.</li> <li>● Expand travel retail operations in regions other than China.</li> </ul>
(2) Increase brand value (focus on personal customer experiences and distinctive forms of value)	<ul style="list-style-type: none"> <li>● Use online counseling to increase the number of young customers and attract new customers.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhancing digital communication.</li> <li>● Use digital technologies to give customers a more personal experience.</li> <li>● Make makeup products more appealing and competitive.</li> </ul>
(3) Post-COVID structural reforms and growth strategy	<ul style="list-style-type: none"> <li>● Promote selling new and existing products together.</li> <li>● Strengthen cleansing, hair care, sunscreen and other major product categories.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase the number of young customers who use high-end products.</li> <li>● Rebuild and reinvigorate the SEKKISEI brand.</li> <li>● Use all KOSÉ Group resources to target the growing market for products for sensitive skin.</li> </ul>
(4) Activities based on the sustainability strategy	<ul style="list-style-type: none"> <li>● Started the ALBION RECYCLE PROJECT.</li> <li>● Confirmed that KOSÉ sunscreen products do not affect coral growth.</li> <li>● Full-scale launch of the COSME BANK PROJECT.</li> </ul>	<ul style="list-style-type: none"> <li>● Open a beauty studio at KidZania Tokyo amusement park to help learn the importance of the diversity for the next generation.</li> <li>● Provide products and services with even more added value from the standpoint of wellbeing.</li> <li>● Update the target for reducing CO2 emissions.</li> </ul>

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On page 21, we review our efforts through 2Q and summarize our initiatives for 3Q and beyond.

We will explain the details of our future efforts later in the slide presentation.

◆ Raise awareness of DECORTÉ high-end products and aim for a higher profile in the large market for beauty cream products



KOSÉ plans to open a flagship store in October 2022 on Hainan Island that will have a floor area of 110m<sup>2</sup>. The store will sell a broad selection of high-end DECORTÉ products, including LIPOSOME and AQ line products. The store will also be the first duty-free store to include a treatment room.



Demand for skin care cream is strong in China as basic skin care because of the country's dry climate in many places. LIPOSOME ADVANCED REPAIR CREAM will be launched as a major DECORTÉ product in addition to beauty serum products. Sales are to begin on September 1, 2022 outside Japan and September 16 in Japan.

(The upper right photo and two lower photos were taken at the press conference in Japan in July to announce the launch of LIPOSOME Advanced Repair Cream.)

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First, I would like to discuss our strategy for the Chinese market.

Aiming to increase awareness of DECORTÉ's higher-priced line, a new flagship store will be opened on Hainan Island in October. With a sales floor of 110 square meters, the store is the first duty-free store to feature a treatment room, allowing customers to experience the entire line of DECORTÉ products in depth.

In addition to Tmall, we began selling some DECORTÉ products on Jingdong, one of China's EC platforms, in July to strengthen sales of DECORTÉ through other EC channels.

In January of this year, LIPOSOME ADVANCED REPAIR SERUM was launched in China, and a new product, LIPOSOME ADVANCED REPAIR CREAM, is scheduled to be launched in September. Since the cream category has the large market in China after that of serums, the new product will be an opportunity to increase the number of liposome regular users and expand sales of DECORTÉ's high-end line in China.

- ◆ Expand distribution channels to EC platforms other than Tmall as EC channels in China become more diverse.
- ◆ Make more customers aware of the SEKKISEI brand.



SEKKISEI opened a flagship store in March 2022 on Douyin (the Chinese version of TikTok). In April, Top KOL held a livestream commerce event for SEKKISEI products. Due to activities like these, SEKKISEI aims for promoting sales on EC platforms other than Tmall.



SEKKISEI participated in the Second China International Consumer Product Expo on Hainan Island, which was held from July 26 to 30, 2022. In the fall of 2022, SEKKISEI plans to open SEKKISEI Global Counter, which sells all of its products, for the first time at a duty-free store on Hainan Island.

Page 23 describes the activities of SEKKISEI in China.

To respond to the diversification of EC channels in China, we opened a flagship store for SEKKISEI in Jingdong in March. We will strengthen our sales by conducting live commerce through TOP KOL.

In addition, in order to further promote awareness of the SEKKISEI brand, we exhibited for the first time at the 2nd China International Consumer Product Expo held on Hainan Island in July, attracting many visitors during the event. This fall, we plan to open a "SEKKISEI Global Counter" on Hainan Island, which will carry the entire SEKKISEI lineup.

In this way, we will work to increase brand awareness in China, both online and offline, not only for DECORTÉ but also for SEKKISEI.

- ◆ Expand travel retail to more regions in anticipation of demand created as people in China resume traveling as the pandemic settles down.
- ◆ Start sales of ALBION products on Hainan Island.



In May 2022, the LOTTE duty-free store in Sydney, Australia, started selling DECORTÉ products. Australia is a popular destination for Chinese tourists. Demand for cosmetics is expected to increase in the near future. As the first DECORTÉ store in Oceania, the store is expected to raise the profile of this brand throughout the region.



In July 2022, ALBION opened its first duty-free store by using a pop-up space on the first floor of the CDF Sanya duty-free store on Hainan Island. This new store is expected to raise recognition of the ALBION brand.

Page 24 is about capturing the travel retail market.

In terms of duty-free stores, we have been opening stores mainly in the ASEAN region, but we would like to expand into other regions in the future.

In May, DECORTÉ was exhibited for the first time at the LOTTE Duty Free store in Sydney, Australia. Australia is a popular destination for Chinese tourists, and we expect high demand for cosmetics in the near future. As the first store in the Oceania region, we will also use the opening of this new store as an opportunity to spread brand awareness in the region.

Meanwhile, on the right, ALBION opened a duty-free store in Macau at the end of last year, and in July of this year, ALBION opened a limited-time pop-up store on Hainan Island. As a foothold in the Chinese travel retail market, ALBION will seek to expand awareness of the ALBION brand.

◆Tarte's TikTok Trip had a beneficent influence



Tarte hosted the first ever brand trip for TikTok influencers with CEO & Founder Maureen Kelly. Sixteen top beauty influencers – with over 35 million followers combined – experienced the Tarte products.



The top beauty influencers posted about Tarte organically, and the new launches “went viral” on TikTok. In particular, Maracuja Juicy Lip Plump beat the sales projections and sold out in the first week.

Page 25 is about Tarte.

Tarte has long been strong in promoting its products through social networking sites, and recently the brand has invited influencer beauty TikTokers to experience the world of the brand and its products through an invitation trip called TikTok trip. As a result, it was very much viewed and talked about on TikTok.

Especially for the new product, Maracuja Juicy Lip Plump, this kind of promotion on social networking sites has contributed greatly to sales.

Traditionally, following social networking platforms such as Instagram and Facebook, TikTok initiatives, which have become popular in the U.S., especially among young people, have helped keep the brand fresh and expand the customer base, which has also led to new product hits, and Tarte sales have been growing at a growth rate over the Prestige makeup market.

- ◆ A more advanced version of the Web-BC System, KOSÉ's exclusive counseling platform This all-inclusive system extends from counseling reservations and video conversation to purchasing products.



The Personal Beauty Mirror was added in July to allow customers to try different types of makeup on the screen while receiving online counseling. Even during a video conversation, customers can try different virtual makeup, such as point makeup colors and textures.

Video conversation screen



End of call screen



Cart screen



In September, the "Direct Cart-in" function will be added. This will allow customers to select a product explained by a beauty consultant during a video interaction by simply tapping the screen. Purchases are processed by using the official DECORTÉ Online Boutique.

Page 26 describes the new features of our proprietary counseling platform, WEB-BC SYSTEM.

DECORTÉ's online counseling system Personal Beauty Concierge, launched last September, has been well received by customers for its ability to provide counseling in the comfort of their own homes.

In July, a new feature, Personal Beauty Mirror, was launched, allowing customers to virtually try on makeup on the screen even during counseling.

A new "direct cart-in" feature will also be added in September that will allow customers to add products introduced by beauty consultants to their official EC site carts immediately on-screen during online counseling.

With the addition of these new features, the entire flow of the counseling appointment, video call, and product purchase can now be completed in a single flow line.

We will continue to leverage digital technology to provide customers with a personalized customer experience by offering the same detailed counseling online as in our brick-and-mortar stores.

◆ Sales of makeup products are recovering. KOSÉ makeup products received many Best Cosmetics Awards in the first half of 2022.



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Next, I would like to discuss the strengthening of makeup products in high-prestige brands. Page 27 lists the products that received the Best Cosmetics Award in 1H of 2022.

Sales of makeup products remained difficult for some time due to the normalization of wearing face masks as a result of the spread of the coronavirus infection, but with the recent lifting of travel restrictions, sales of makeup products in the high-prestige brand are on the road to recovery.

These Best Cosmetics Awards have led to new customer initiatives, and we will continue to leverage our capabilities to develop products that meet the various needs of our customers.

◆ Activities to increase sales of DECORTÉ and ALBION products to customers in younger age segments



In August, the AQ line of DECORTÉ launched AURA REFLECTOR, a multi-color facial powder. By adding a new product that targets the needs of consumers, this new product is expected to attract new customers and contribute to sales of existing products.



In August, ALBION launched the FLARUNÉ series of skin care products. These new products are intended to attract new customers, such as by enabling marketing activities targeting people who do not currently use skin care products.

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Next, I would like to discuss our growth strategy for our high-end brands.

DECORTÉ has so far succeeded in cultivating younger customers with its fragrance KIMONO, Hydra Clarity, launched in February, and ALBION's SKIN CONDITIONER ESSENTIAL, which was updated in May. Attractive new products are scheduled to be launched in 2H of the year.

DECORTÉ AQ, on the left, will launch AURA REFLECTOR, a multicolor face powder, and ALBION will launch FLARUNÉ, a new skincare series.

With the launch of the new products, we would like to continue to approach new buyer segments, especially younger age segment.

◆ For SEKKISEI, the core mid-price-range brand, the brand's first joint marketing campaign for several product series



A marketing campaign has started that covers SEKKISEI Classic, SEKKISEI MIYAVI and SEKKISEI Clear Wellness. Goals include raising awareness of SEKKISEI Clear Wellness and telling people about the features and differences for each series of beauty lotion.



A marketing campaign started on July 1, 2022 that featured two global muses: figure skater Yuzuru Hanyu and actress Yui Aragaki. Marketing activities promote the fact that these are genderless products and help target an even broader spectrum of potential users.

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Page 29 discusses efforts to rebuild the SEKKISEI brand in Japan.

In the past few years, SEKKISEI has been focusing on raising awareness of Clear Wellness, and having achieved a certain level of recognition, in July we launched the brand's first joint promotion, including the long-selling SEKKISEI Classic, under this SEKKISEI brand. Through this campaign, we will clearly emphasize the differences between the various series of lotions in the SEKKISEI line.

In addition to Yui Aragaki, Japanese actress, the campaign also featured Yuzuru Hanyu, Japanese figure skater, to promote the fact that SEKKISEI is a genderless brand, which has actually led to an increase in inquiries and purchases from male customers.

We will continue to expand our target audience through a variety of promotions to make more customers aware of the benefits of our products.

◆ Marketing campaigns spanning all KOSÉ Group products that target the consistently growing market for sensitive skin care products



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This is about a cross-group promotion in the sensitive skin category that we are planning for this fall.

In the sensitive skin category, which continues to grow in the coronavirus disaster, we will be conducting joint promotions of products from three KOSÉ Group companies, including KOSÉ's SEKKISEI Clear Wellness sensitive skin care products, KOSÉ Maruho Pharma's Carte HD, and the rightest KOSÉ COSMEPORT, Cerami-Aid. We hope to dominate the sensitive skin market by responding to the growing needs for sensitive skin care with a rich lineup of products through joint promotions.

◆ Support for learning the importance of diversity for the next generation

KOSÉ will open a Beauty Studio on October 5, 2022 at KidZania Tokyo where children can experience beauty from many perspectives.



	Women*	Other than women
Newborn		
Infant		
Toddler	Expand	
Child		
Adolescent		
Prime age adult	Previous targets	Expand
Middle aged		
Elder	Expand	



BEAUTY STUDIO

Occupation: Experience  
 Hair & Makeup Artists:  
 Experience the work of hair style or makeup artists  
 Perfumers:  
 Experience the work of Room Fragrance Perfumers

The Beauty Studio will help KOSÉ establish relationships with prospective customers at an early age and use KOSÉ's "wisdom of beauty" to give children a better understanding of the many aspects of beauty.

Next, I would like to discuss the promotion of sustainability activities.

First, we would like to report on our initiatives for the next generation.

This fall, starting October 5, we will offer the Beauty Studio, a pavilion where children can experience diverse values of "beauty" at KidZania Tokyo, where they can have fun while experiencing occupations and society. We believe this initiative helps KOSÉ establish relationships with prospective customers at an early age.

This pavilion is designed to give children the opportunity to experience the diverse ways of being "beautiful" through multiple occupational experiences as hair & makeup artists and perfumers, so that they can become aware of the importance of their own individuality during their impressionable years and, by coming into contact with personalities other than their own, become aware of diversity.

- ◆ KOSÉ received the Nadeshiko designation for the empowerment of women for the first time in 2022.
- ◆ The benefits to the skin and heart of KOSÉ's OMOIYARI\* Method, a unique KOSÉ skin care technique, have been confirmed.
- ◆ KOSÉ decided to aim for Carbon Neutral by achieving zero CO2 emissions by 2040.

\* A uniquely Japanese word that expresses an attitude of giving full consideration to the other person's situation and thought.



(Left) In 2022, KOSÉ received the Nadeshiko designation for the first time due to its strong commitment to programs for empowering women.

(Right) Skin, brain wave and oxytocin measurements have confirmed that the Kind Heart Method, a unique skin care technique developed by KOSÉ, has benefits for the skin and can bring about positive changes in one's spirit. From the standpoint of wellbeing with regard to the link between beauty and health, KOSÉ plans to expand in business domains irrespective of age and gender and to provide products and services with even more added value.

<p><b>New goal</b> Carbon Neutral (2040 target: Scope 1/2)</p> <p><b>Revision</b> Raised the Scope 1/2 CO2 emission reduction target from 35% to 55%*</p> <p><b>No revision</b> The Scope 3 CO2 emission reduction target is 30%*</p> <p>*Reductions are based on total emissions in 2018 for Scope 1, 2 and 3 and the target year is 2030.</p>
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Scope 1 covers direct emissions from owned sources  
(In-house fuel use and industrial processes)

Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating consumed by other companies

Scope 3 covers indirect emissions other than the Scope 1/2  
(Other companies' emissions related to business activities of the reporting company)

◆ KOSÉ Corporate website: Low Carbon Transition Plan, Sustainability <https://www.kose.co.jp/company/ja/sustainability/environment/actionplan/> ◆ See Supplementary Information on page 36.  
(Japanese only)

Lastly, I would like to discuss our efforts toward "For People, For the Earth".

First of all, with regard to "people," we were selected for the first time as a Nadeshiko designation in fiscal 2021 in recognition of our corporate commitment of actively promoting the empowerment of women.

In addition, in joint research with Professor Mitsukura of Keio University, a leading expert in brain wave signal analysis, we have confirmed that our proprietary skincare technique, the OMOIYARI Method, has positive effects on the skin and mind.

In the future, we will further clarify the power and potential of new beauty with scientific support and aim for a more enduring and personalized value proposition based on beauty and health-related wellbeing.

Next, as part of our "For the Earth" initiative, we have decided and released our new goal of becoming "carbon neutral" to achieve virtually zero CO2 emissions by 2040. We will continue to promote effective group-wide initiatives to reduce CO2.

Please check the Company website for specific future actions.

That is all from me. Thank you very much.

[END]

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***Document Notes***

1. *This document has been translated by SCRIPTS Asia.*

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