Leadership Messages

Group CEO & Group COO Dialogue

Marking Our 80th Anniversary with a New Management Structure: Pursuing a New Growth Curve as a “Second Founding”

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Transition to a Pure Holding Company Structure: Faster Decision-Making, Greater Synergies, and Stronger Governance

Kobayashi: In 2026, KOSÉ reached the major milestone of its 80th anniversary. In this landmark year, we transitioned to a pure holding company structure. This decision was not merely an organizational restructuring, but a strategic move to further accelerate our medium- to long-term vision, *Vision for Lifelong Beauty Partner—Milestone2030*. To continue creating value in an increasingly uncertain global market, we have positioned this transition as a “second founding.” The transition to a holding company structure reflects our unwavering commitment to forging a new future for the Group as a whole.

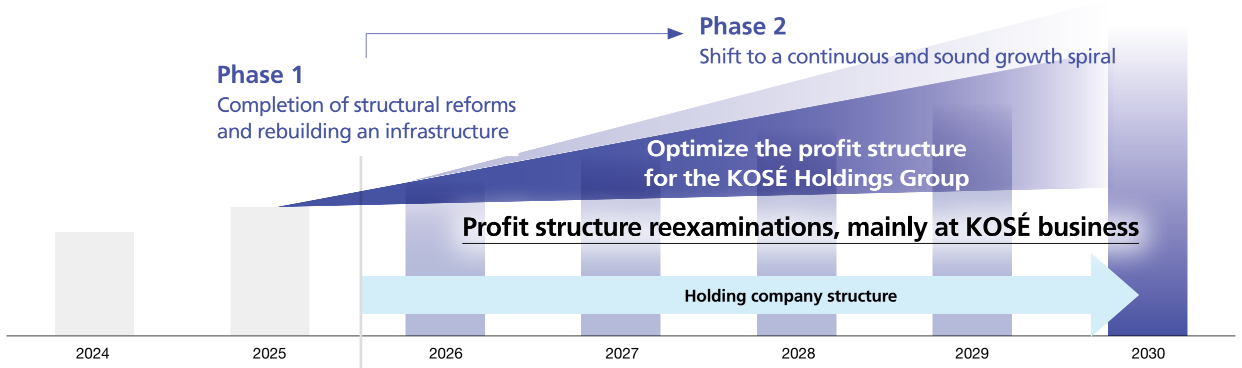
Under the pure holding company structure, the holding company is responsible for formulating Group-wide management strategies, creating synergies, and strengthening governance. Meanwhile, the operating companies will focus on swift business execution and enhancing competitiveness, thereby building a more agile and resilient management foundation. As Chairman and Group CEO, I am committed to steering the Group forward, including defining its medium- to long-term management policies and advancing the *Beauty Consortium Concept* through M&A and strategic alliances.

Shibusawa: I have also been a part of KOSÉ’s journey for many years since joining the Company in 1984, and I believe we are now at a true turning point. The key to the new structure is to achieve a high-level balance between the “centripetal force” of the holding company and the “centrifugal force” of the operating companies.

Chairman Kobayashi will lead the Group through the centripetal force of a firm management philosophy rooted in the spirit of ownership that has been passed down since the Company’s founding 80 years ago, enhanced by sophisticated strategic thinking and governance. As President and Group COO, I will be responsible for applying the centrifugal force by fostering an environment that enables each operating company to execute swiftly in response to market conditions while allowing our diverse brands to fully demonstrate their individuality and creativity to further maximize corporate value.

Kobayashi: To turn that centrifugal force into tangible results, we also need a structure that prevents fragmentation and duplication. That is why, under the pure holding company structure, we will take the Group-wide collaboration and co-creation to a new level. In areas with a high degree of commonality across operating companies, such as the supply chain, marketing, digital, and back-office functions, we will streamline operations on a cross-Group basis, reviewing overlaps and fragmentation to reduce overburdens, waste, and inconsistency. I expect each individual to view the interests of the Group as a whole as their own concern and to act beyond organizational boundaries.

Shibusawa: With net sales exceeding ¥300.0 billion and our brand portfolio becoming increasingly diverse and complex, clearly separating the Group’s overall optimal strategy from the agile execution of each business is an essential prerequisite for accelerating decision-making. Under this approach, the holding company will maintain a steady strategic direction and take responsibility for strategy and governance, while the operating companies will compete and win in the marketplace. This will enable us to build a structure that can respond with agility even in rapidly changing markets.



Redefining the Global Growth Strategy: Promoting Global Growth by Moving Beyond Our Own Resources and Localization

Kobayashi: In *Vision for Lifelong Beauty Partner—Milestone2030*, we have set the ambitious target of raising the overseas sales ratio to 50%. In fiscal 2025, *DECORTÉ’s* global campaign featuring Shohei Ohtani delivered outstanding results. However, to truly prevail in global competition, our future strategy cannot be a simple extension of our past successes; we must transform the very way we compete.

Shibusawa: At the core of this approach are “Promoting Global Growth by Moving Beyond Our Own Resources” and “localization.” While valuing the strengths we have cultivated in our Japan business, we are not simply exporting the “Japanese way” as is. Instead, we are advancing locally driven marketing and manufacturing based on partnerships with professionals who have deep knowledge of local markets and business practices.

Kobayashi: Rather than trying to do everything on our own, we will flexibly utilize M&A and licensing alliances involving leading local brands while also incorporating ODM and OEM as options where appropriate. By controlling investment risk, we will expand our areas of value with a sense of urgency.

Shibusawa: A concrete example is Tarte (Tarte, Inc.), the U.S. beauty company that joined the Group in 2014. We have delegated authority while giving the utmost respect to CEO Maureen Kelly's passion for product creation, refined sensibility, and strong execution capabilities. As a result, I believe this has enabled field-driven marketing that closely captures the needs of local customers and has steadily translated into business results. We will apply this success story and the insights to Thailand-based PURI (PURI CO., LTD.), which joined the Group in 2024. PURI's CEO, Vorravit Siripark, is also deeply committed to product creation, and by leveraging that strength, we will position the brand as the second Tarte, further strengthening its expansion in Asia and accelerating growth.

In the travel retail business as well, we have shifted away from a strategy centered solely on brands from the KOSÉ business to a broader portfolio strategy under which we propose the Group's brands as a whole. As a result, our negotiating power and presence at key points of sale have increased even further.

Kobayashi: In our regional strategy, we will continue to position China as a key market while also enhancing our presence in Europe and North America and stepping up investment in growth markets such as the Global South. By building the optimal portfolio for each region, we will pursue sustainable growth on a global basis.

In addition, while continuing to develop new markets, we will further strengthen our e-commerce strategy in every region. E-commerce offers the advantage of enabling us to capture customer needs and purchasing behavior in a timely manner as data and translate that into optimal proposals while also allowing us to respond flexibly and agilely to changes in the market environment. By more deeply integrating e-commerce with our existing physical retail network, we will refine our channel mix and improve marketing efficiency, thereby achieving profitable sales growth.

Strengthening Earning Power: Reducing Overburdens, Waste, and Inconsistency, and Advancing the Production Structure

Kobayashi: To continue making growth investments, we must steadily improve profitability in our existing businesses. In fiscal 2025, we undertook a rigorous review of administrative and marketing expenses and worked to achieve significant cost reductions. In fiscal 2026, we intend to go a step further and make it a year in which we complete structural reforms, including a review of our businesses and operations. The resources generated through these efforts will be reallocated not only to product development, but also to future growth areas such as global markets, wellness, and new beauty experiences.

Shibusawa: As Group COO, I have set a target of improving our earning power by more than ¥3.0 billion year on year in fiscal 2026 alone. We will thoroughly identify even the smallest inefficiencies on the ground and reduce overburdens, waste, and inconsistency, including by reviewing SKUs to reduce inventories and disposal losses and by standardizing delivery material specifications to streamline logistics operations.

Kobayashi: At the Minami Alps Factory, which will begin operations in July 2026, we will also unlock new operational efficiencies while significantly expanding our capabilities. It will not only raise our production capacity to approximately 1.4 times the current level, but also serve as a key base for consolidating skincare manufacturing functions. By centrally consolidating investments and administrative expenses that had been dispersed across individual plants, we will optimize management resources.

Shibusawa: By using automated equipment such as automated guided vehicles (AGVs), we will enhance productivity and also reduce inventories by shortening manufacturing lead times. Advancing in-house production will also help lower outsourcing costs, thereby contributing to an improvement in gross profit margins.

Kobayashi: Furthermore, sustainability is no longer a cost, but a source of competitiveness. At the Minami Alps Factory, we have introduced green hydrogen into cosmetics manufacturing for the first time in Japan and achieved the use of 100% CO_2-free electricity. In addition, in cosmetics manufacturing, water is not only indispensable as a raw material, but also a vital element supporting quality and stable operations in every aspect of the factory, from equipment cleaning and each production process to food and beverages for employees. Guided by this belief in the importance of water, we selected Yamanashi Prefecture as a production base because it offers the geographical advantage of the Minami Alps area, blessed with abundant supplies of clean, clear water.

In terms of energy as well, we are advancing initiatives rooted in Yamanashi Prefecture's rich water resources. For our main source of electricity, we will use CO_2-free electricity derived from prefectural hydropower, combined with solar power generated on site. For thermal energy, we plan to gradually shift from conventional fossil fuels to Yamanashi-produced "green hydrogen" manufactured using renewable energy. In collaboration with local governments, we will also promote a localized, circular energy model in which this water-derived energy remains entirely within the region.

Improving Capital Efficiency: Embedding ROIC-Based Management and Strengthening Shareholder Returns

Kobayashi: On the financial front, we take very seriously the fact that the return on invested capital (ROIC) remains below the weighted average cost of capital (WACC). To meet the expectations of the capital markets, we will formally introduce ROIC into executive remuneration and divisional performance evaluations beginning in fiscal 2026. To ensure that this strategy does not become a mere formality, we will translate it into specific on-the-ground KPIs and build a governance framework with real operational effectiveness so that every employee sees improving earning power and capital efficiency as issues they must address themselves.

Shibusawa: We will link initiatives such as improving the cost of sales ratio, reviewing the SG&A expenses ratio, and shortening the cash conversion cycle to the ROIC tree, thereby clarifying the responsibilities of each division. We will strategically allocate limited management resources to growth areas and steadily enhance both capital efficiency and corporate value.

Kobayashi: Shareholder returns are also an important commitment. The annual dividend for fiscal 2025 was ¥140 per share. For fiscal 2026, we plan to add a ¥10 commemorative dividend for our 80th anniversary, bringing the annual dividend to ¥150 per share. Furthermore, while maintaining a balance with growth investments, we also implemented a share repurchase program worth approximately ¥3.0 billion. By pursuing sustained improvements in capital efficiency and expanded shareholder returns in tandem, we will increase value for shareholders and enhance corporate value in a way that meets market expectations.

Toward the Next 100 Years: Human Capital Supporting Collaboration and Co-creation

Kobayashi: Lastly, I would like to talk about the power of people. Since its founding, KOSÉ has inherited the spirit of "Mind to Follow the Right Path." No matter how far AI and digital technologies evolve, the starting point for delivering value that resonates with customers and building brands that are loved for generations lies in a sincere attitude and in the strength of people. The transition to a pure holding company structure is also about creating an environment that enables us to maximize the strengths of our people.

Shibusawa: My mission is to appropriately delegate authority and responsibility to each operating company and build an organization in which the passion of people on the ground directly takes shape as each brand's individuality. Diverse brands will connect organically and elevate one another. We will advance the *Beauty Consortium Concept* that forms the foundation for this and evolve it into a platform that delivers new beauty experiences across every stage and moment of people's lives.

Kobayashi: We have now established the execution framework needed to ensure that our vision does not end as words alone, but takes firm shape. The unwavering "centripetal force" and the powerful "centrifugal force" generated by the passion of those on the front lines—by bringing these two forces to bear with speed, the entire Group will move forward as one onto a path of sustainable growth. I myself intend to stand at the forefront of this transformation with a strong sense of resolve. And as a lifelong Beauty Partner to customers around the world, we will create a richer future together.

Shibusawa: Together with Chairman Kobayashi, I will pursue management with an unwavering focus on results. With an eye on the KOSÉ Group's 100th anniversary and beyond, all of our employees will work as one to maximize corporate value.

Kobayashi: Together with all of our stakeholders, we hope to create a richer and more valuable future through beauty and well-being. We sincerely ask for your continued support.

The KOSÉ Group's Sustainable Growth Process

To fulfill the aspirations of our Statement of Purpose, the KOSÉ Group has established a medium- to long-term vision, *Vision for Lifelong Beauty Partner—Milestone2030*, and is working toward realizing it as *Your Lifelong Beauty Partner*.

Purpose

Statement of Purpose

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

Medium- to Long-Term Vision P.21

Vision for Lifelong Beauty Partner—Milestone2030

Capital Inputs → Value Creation Cycle → Outcomes of Business Activities → The Value We Provide

Capital Inputs P.17

- Human capital
- Manufactured capital
- Intellectual capital
- Social and relationship capital
- Natural capital
- Financial capital

External environment

- Demographic changes
- Diversification of beauty values
- Digital transformation
- Geopolitical risks and an uncertain global economy

Value Creation Cycle

Material Issues P.20

- For People P.49
- For the Earth P.51
- Business Fundamentals

Strengthening management capital

Outcomes of Business Activities

Social and environmental impacts

Indicators		2030 Milestone
Global key position fulfillment ratio		2.5x or higher
Ratio of products and services provided based on Adaptability ∞ (Eight)		100%
Number of initiatives for achieving well-being		500 activities or more
Number reached through environmental awareness initiatives		10 million people or more
CO_2 emissions reduction rate	Scope 1 and 2	-55%
	Scope 3	-30%

(Total volume compared to 2018)

Output

Providing products and services in the cosmetics and beauty fields

Providing products and services in the well-being field

Financial results through value-added offerings

Indicators	2030 Milestone
Net sales growth rate	CAGR 5% or higher
Overseas sales ratio	50% or higher
Operating margin	12% or higher
EBITDA margin	18% or higher
ROIC	10% or higher

The Value We Provide

Social Value

- Pursuit of adaptability
  Creating products that embody beauty that leaves no one behind by adapting to every individuality
- Enriching the entire value chain through sustainable procurement
- Achieving nature-positive outcomes through environmental initiatives such as climate change countermeasures and resource recycling
- Presenting a new concept of beauty by going beyond conventional boundaries and promoting products to a broader range of customers around the world, regardless of gender or age
- Approaches across both offline and online channels
  Providing experiences that enhance customer well-being

Capital Inputs

The KOSÉ Group has cultivated six types of capital since its founding. They underpin the Group's sustainable growth process and are essential for increasing corporate value. Looking ahead, we aim to achieve sustainable growth by utilizing our strengths based on these six types of capital.

Human capital

P.43

Our strengths

- An organizational culture that shares the founding spirit as a common set of values while encouraging employees to inspire one another and take on challenges

Recognized issues

- It is necessary to strategically build both strong individuals who demonstrate their unique value and a strong organization in which such individuals collaborate and cooperate, enabling leadership talent to be continuously developed

Number of employees (including temporary staff)
13,135

Annual training hours per employee[1] (management and non-management/beauty consultants)
24.2/132.3 hours

Manufactured capital

P.33 P.56

Our strengths

- A production system capable of responding to growing demand for cosmetics in Japan and overseas by reliably and promptly supplying high-quality, competitive products

Recognized issues

- Need for a responsible value chain capable of supporting sustainable manufacturing

Capital expenditure
¥21.2 billion

Production sites
6

Intellectual capital

P.7 P.20 P.27

Our strengths

- Research conducted at eight sites worldwide, collaboration with external partners, and marketing expertise in diverse global brand marketing, all of which support the creation of unique value

Recognized issues

- Local marketing and manufacturing are necessary in the countries and regions where we operate to create new customer experience value

R&D expenses **¥6.9** billion

Number of brands **38**

Number of registered patents[2]
Japan: **846** Overseas: **259**

Number of registered trademarks[2]
Japan: **7,823** Overseas: **7,308**

Number of registered designs[2]
Japan: **407** Overseas: **526**

Notes:
1. Figures for Group companies in Japan
2. Excludes Tarte and PURI. Number of registrations as of December 31, 2025
3. KOSÉ Group manufacturing departments
4. ROIC = Operating profit after tax ÷ invested capital; invested capital = interest-bearing debt + net assets (before application of new lease accounting standards)
5. ROE = Net income attributable to owners of the parent ÷ average shareholders' equity (average of beginning and end of period) × 100
6. Equity ratio = Equity capital ÷ Total assets × 100

Social and relationship capital

P.3 P.25 P.27

Our strengths

- Strong engagement with each stakeholder based on the KOSÉ Beauty Partnership

Recognized issues

- It is necessary to collaborate with external partners and utilize external assets to strengthen the business

Number of countries and regions where we operate
63

Overseas sales ratio
34.8%

Natural capital

P.33 P.51-53

Our strengths

- Manufacturing that makes maximum use of raw materials derived from natural resources

Recognized issues

- Preservation of the global environment is needed to keep our business activities sustainable. To that end, it is necessary to reduce the burden on the environment and use resources efficiently

Total energy consumption
387.8 (1,000 GJ)

Total water withdrawal[3]
302.4 (1,000 m^3)

Financial capital

P.23 P.35

Our strengths

- A strong financial base supported by a high equity ratio

Recognized issues

- Low profitability
- Improving capital efficiency through effective utilization of Group funds and enhanced shareholder returns

ROIC[4]
3.7%

ROE[5]
5.4%

Equity ratio[6]
72.2%

Analysis of Social and Environmental Issues, Opportunities, and Risks Surrounding the KOSÉ Group

To identify material issues, we first extracted changes and challenges in the social and environmental landscape surrounding the KOSÉ Group, as well as related opportunities and risks. We then conducted evaluations based on two axes: expectations from society and the business (financial) impact on the KOSÉ Group as assessed by relevant internal departments.

	By Issue	Opportunities	Risks
People and Society	• Business activities that contribute to solving social issues • Value creation in the well-being domain • Responsible marketing and advertising activities • Respect for diverse beauty values • Innovation in product formulation development • Improvement of consumers' quality of life (QOL) • Adaptation to digitalization in business domains • Promotion of diversity, equity & inclusion (DE&I) both within society and the Company • Preservation and continuation of sports and culture (total of 15 items)	• Profit generation through balancing business and social contributions • Potential for new business expansion • Development of new customer segments • Expansion of long-term customer engagement and LTV* • Creation of new value • Securing a stable workforce • Gaining consumer trust (and more) *LTV: Abbreviation for Lifetime Value, referring to the total value a customer brings over their lifetime.	• Slower profit growth • Slower growth in customer numbers and loss of existing customers • Impact on business transactions • Increase in reputation risk • Decline in trust toward the beauty industry • Impact on imports and exports due to regulations in each country • Loss of early customer touchpoint opportunities (and more)
Environment	• Concrete measures to address climate change • Efficient use of valuable forest resources • Concrete initiatives to protect biodiversity • Promotion of waste reduction and resource recycling • Efficient use of water resources • Environmental conservation in areas surrounding business sites • Realization of nature-positive outcomes • Raising environmental awareness among consumers • Development of sustainable packaging (total of 13 items)	• Product innovation and collaboration with other companies • Cost reduction through lower energy consumption • Market expansion through changes in purchasing behavior • Creation of packaging innovation • Gaining support from ethically conscious consumers • Enhancing innovation capabilities through proprietary research • Establishing uniqueness in the global market (and more)	• Impact on raw material procurement • Distribution restrictions due to regulations • Criticism for greenwashing • Increased risk to business continuity • Rising costs for environmental initiatives • Increased risk of legal action or pollution-related lawsuits • Deterioration of relationships with local communities (and more)
Management and Business Foundation	• Strengthening management governance structure • Transitioning to a business structure that generates profits • Strengthening the protection and utilization of intellectual capital • Adapting to global markets • Ensuring safe, secure, and sustainable quality • Respect for human rights • Maximizing human capital utilization and improving ES* • Operating the business from the customer's perspective • Building a resilient supply chain structure (total of 20 items) *ES: Abbreviation for Employee Satisfaction.	• Evolving into a resilient corporate structure • Stabilizing management and improving profitability • Enhancing international corporate credibility and value • Expanding business domains • Improving productivity • Strengthening competitiveness through securing talented personnel • Minimizing the impact on cost of goods (and more)	• Decline in trust from external stakeholders • Decrease in international competitiveness • Decline in business profitability • Impact on employee compensation and talent acquisition • Increased risk of legal violations • Reduced product supply capability due to suspension of business activities • Decrease in profit margins due to rising procurement costs (and more)

Quantitative Assessment

Evaluation from the Perspective of Societal Expectations
- Based on standards from a general societal perspective
- Quantitative assessments carried out based on issues society expects the Company to address in its business domains

Impact Assessment on the KOSÉ Group's Business
- Based on perspectives from each division with different missions
- From a management perspective, both importance and relevance were quantitatively assessed, and the results were then quantified as impact values.

Identification of Material Issues

Material Issues

The KOSÉ Group followed the process shown on the right to identify the material issues it should address. Material issues and medium- to long-term targets will also be reviewed on a regular basis.

After conducting a quantitative assessment, we integrated several items, including issues identified through a review of the previous medium- to long-term vision and identified them as material issues.

Detailed information on the process for identifying the material issues the KOSÉ Group should address, as well as the materiality map, is available on the corporate website.
https://koseholdings.co.jp/en/sustainability/plan/theme/

Social and Stakeholder Perspective
- Perspectives of diverse partners that grow together with us
- International frameworks

Perspective of Impact on the Company
- Alignment with the KOSÉ Group's management philosophy and policies
- Impact on management

Internal and External Opinions and Evaluations

Discussion and Approval

Framework for Progress Monitoring and Review
The Board of Directors, the Sustainability Committee, and the Sustainability Promotion Committee (an execution body overseen by the Sustainability Committee) regularly monitor progress and also periodically review the material issues and medium- to long-term targets.

Material issues in the medium- to long-term vision

	Matters that must be faced and societal expectations		Material issues	
Business issues	Development of priority global brands	Adapting to global markets	Accelerate global development	Business Fundamentals
	Reconstruction of business in Greater China	Creating an attractive brand portfolio		
	Improving profitability and efficiency	Optimizing inventory and investments for growth	Transformation to a resilient business structure	
	Upgrading business management functions	Promoting long-term management		
	Creating a value chain with a competitive edge (research, production to sales)	Creating an efficient production system		
	Developing leading technologies (raw material/formulation development and manufacturing technology)	Strengthening function linkage within the Group and improving comprehensive abilities		
	Reconstructing work processes and work fundamentals	Creating an organizational/mindset/workplace culture and improving productivity	Maximize human capital	
	Promoting DE&I (employee attributes, experience, and skills)	Improving employee engagement		
	Revitalizing manufacturing (quality, technology, and cost)	Creating values beyond cosmetics (well-being value)	Provide substantial added value centered on safety and confidence	
	Increasing seamless contact points with customers and enhancing customer experience	Increasing LTV while focusing on customer data (KOSÉ-ID)		
	Creating awareness of and empathy toward a wide range of generations	Creating business value linked to external resources and technologies		
	Operating business from the customers' perspective			
Social issues	Respect for diverse beauty values	Responsible advertising	Respect the diverse array of beauty	For People
	Value creation in the well-being domain	Improving consumer QOL	Support the healthy minds and healthy lives	
	Awareness of proper beauty habits and product use	Responsible raw material procurement with good working conditions		
	Gender equality	Promoting DE&I (social and employee diversity)	Help with social opportunities	
Environmental issues	Raising environmental awareness of consumers through marketing		Increase awareness of environmental issues	For the Earth
	Environmental conservation in areas surrounding business sites	Concrete initiatives to protect biodiversity	Play a role in solving environmental issues	
	Climate change countermeasures such as CO_2 reduction	Reducing environmental loading throughout product life cycles	Promote reduction of environmental impacts	
	Promotion of waste reduction and resource recycling	Development of sustainable packaging		

Medium- to Long-Term Vision

Vision for Lifelong Beauty Partner—Milestone2030

KOSÉ Creating Beauty in a Sustainable World

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

Belief: Basis for all business activities

Values

KOSÉ Beauty Partnership

Builds relationships for mutual progress among all stakeholders

Seven Strengths

Diverse brand portfolio

Internal R&D infrastructure

Internal manufacturing infrastructure

A sales system that delivers value directly to customers

Highly engaged human resources

The spirit of taking on new challenges

Management based on a long-term perspective

Guiding Principle

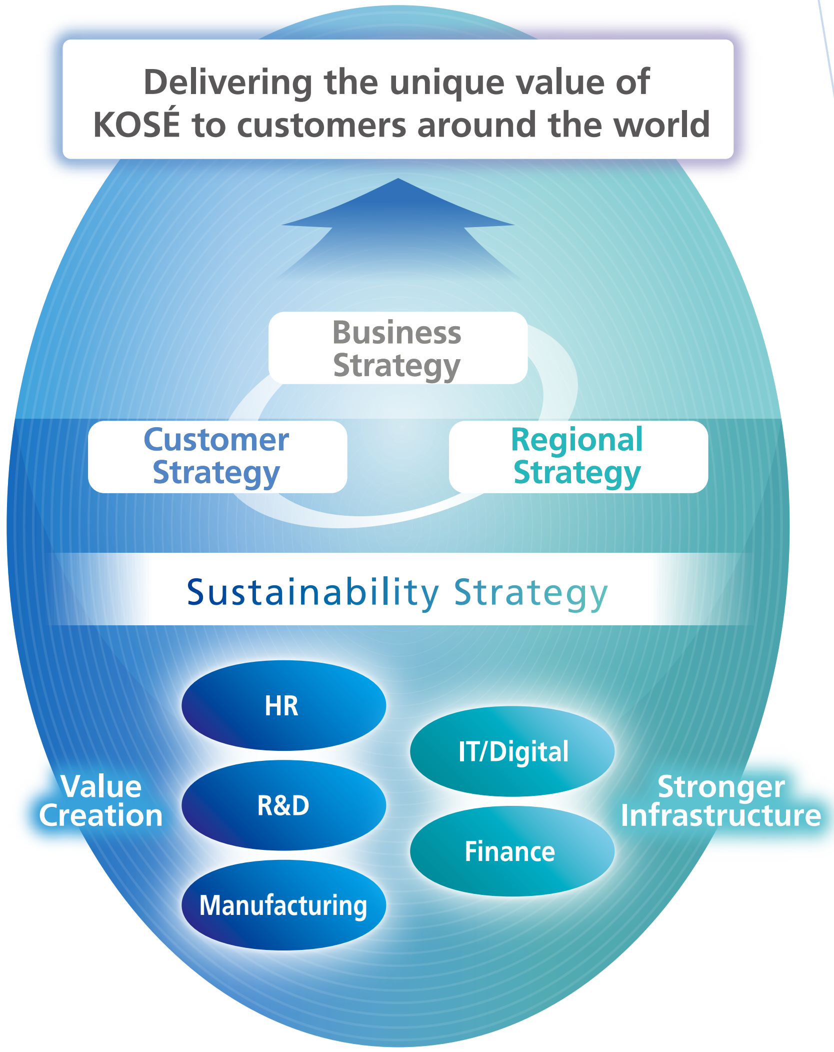
Embracing each other, we color our lives with beautiful moments

The 3Gs
(Global･Gender･Generation)

Adaptability
(Activities that meet diverse expectations)

Sustainability & Connectivity
(Activities as a constant partner)

Strategies: Business activities



Material Issues

For People | For the Earth | Business Fundamentals

Outcome: Offer value

Vision

Your Lifelong Beauty Partner

- Being free to define what beauty means to you
- Accepting each other as we are and growing together
- Building a future while honoring all our bonds
- Living in harmony with a healthy Earth for generations

Financial Targets

- Net sales growth rate
  - Overseas sales ratio
- Operating margin
- EBITDA margin
- ROIC

Non-financial Targets

- Global key position fulfillment ratio
- Ratio of products and services provided based on Adaptability ∞ (Eight)
- Number of initiatives for achieving well-being
- Number reached through environmental awareness initiatives
- CO_2 emissions reduction rate

Your Lifelong Beauty Partner

We promise to embrace each other and color our lives with beautiful moments through the power of beauty.

Concept and Overview

Vision for Lifelong Beauty Partner – Milestone2030 is centered on KOSÉ's purpose: Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. In pursuit of this purpose, we have established a new vision: *Your Lifelong Beauty Partner*.

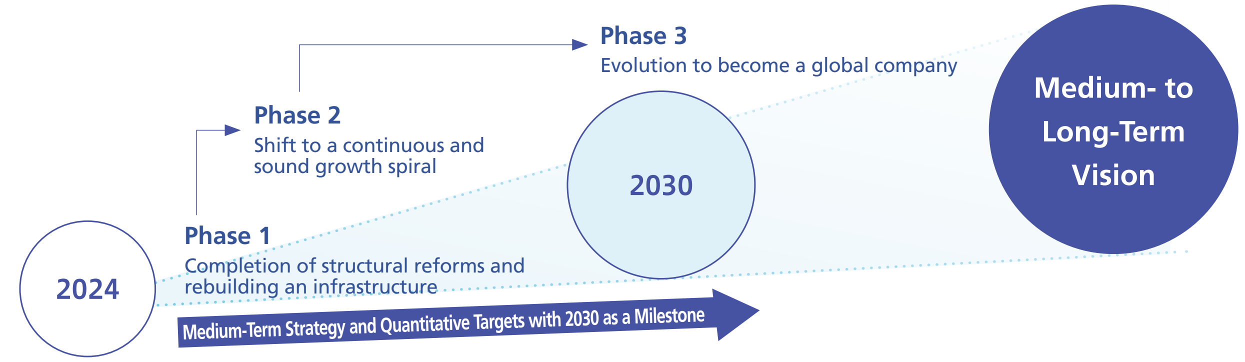
We want to be a source of diverse options for beauty to enable people worldwide to find the best ways to express their unique charm throughout their lives. By serving as a lifelong beauty partner, we are firmly committed to using the power of beauty to be a provider of color and brilliance throughout one's life, which is the spirit that has guided the KOSÉ Group since its inception. We aim for the growth of our corporate value by building even longer and deeper relationships with customers, business partners, employees, people worldwide including future generations, and the beauty of nature.

For more details on our medium- to long-term vision, please see here.
https://koseholdings.co.jp/en/info/mid/

Milestone2030

> Three phases toward achieving the vision

Phase 1	Phase 2	Phase 3
Completion of structural reforms and rebuilding an infrastructure	Shift to a continuous and sound growth spiral	Evolution to become a global company



Progress toward achieving the Milestone2030 targets

In fiscal 2025, we made steady progress in improving our earnings structure. In addition to an increase in gross profit driven by higher net sales, the efficient management of selling expenses and other costs in the KOSÉ business contributed to higher profits. In mainland China as well, we achieved profitability following the structural reforms implemented in fiscal 2024. We view these developments as a steady step toward Phase 2, “Shift to a continuous and sound growth spiral.”

> Milestone2030 quantitative targets

	Theme		Indicators		Fiscal 2024	Fiscal 2025	2030 Milestone
Financial targets	Sales	Sustainable sales growth	Net sales growth rate		+7.4%	+2.3%	CAGR 5% or higher
		Strengthen global expansion	Overseas sales ratio		34.5%	34.8%	50% or higher
	Profitability	Sustainable profit generation	Operating margin		5.4%	5.6%	12% or higher
			EBITDA margin		8.8%	9.4%	18% or higher
	Efficiency	Efficient and effective growth investment	ROIC[1]		2.6%	3.7%	10% or higher
Non-financial targets	Human capital	Talent base to support global growth	Global key position fulfillment ratio[2]		1.39x	1.85x	2.5x or higher
	Social issues	Respect the diverse array of beauty	Ratio of products and services provided based on Adaptability ∞ (Eight)[3]		86.4%	88.8%	100%
		Support the healthy minds and healthy lives	Number of initiatives for achieving well-being		198	265[4]	500 activities or more
	Environmental issues	Increase awareness of environmental issues	Number reached through environmental awareness initiatives		7.41 million people	7.80 million people[4]	10 million people or more
		Promote reduction of environmental impacts	CO_2 emissions reduction rate	Scope1 and 2	-44.8%	-50.2%[5,6]	-55%
				Scope 3	-19.2%	-20.2%[5,6]	-30%

Notes:
1. Before application of new lease accounting standards, ROIC = Operating profit after tax ÷ Invested capital; Invested capital = Interest-bearing debt + Net assets
2. Calculated as: Number of global talents ÷ Number of global key positions
3. Each brand selects focus items annually from KOSÉ’s original eight Adaptability ∞ themes. The overall achievement rate is calculated based on the number of services/products delivered for those selected items.
4. Cumulative total since 2020.
5. Reduction rate in total emissions versus 2018.
6. To be updated after third-party assurance is completed.

Review of Fiscal 2025

Fiscal 2025 consolidated results summary

(Billions of yen)	Fiscal 2024		Fiscal 2025		Change	% Change
	Amount	Ratio to net sale	Amount	Ratio to net sale		
Net sales	322.7	100.0%	330.1	100.0%	+7.4	+2.3%
Japan	211.3	65.5%	215.3	65.2%	+3.9	+1.9%
Asia	40.6	12.6%	44.1	13.4%	+3.4	+8.6%
North America/Others	70.7	21.9%	70.7	21.4%	+0.0	+0.0%
Gross profit	222.5	69.0%	227.9	69.0%	+5.4	+2.4%
Operating profit	17.3	5.4%	18.4	5.6%	+1.1	+6.3%
Ordinary profit	21.6	6.7%	21.4	6.5%	-0.1	-0.8%
Profit attributable to owners of parent	7.5	2.3%	15.1	4.6%	+7.6	+101.2%
Net income per share (basic)	¥131.62		¥264.84		+¥133.22	
ROE		2.8%		5.4%		
ROIC		2.6%		3.7%		
Capital expenditure		21.4		21.2		
Depreciation		9.7		10.8		

Review of consolidated results

Consolidated net sales for fiscal 2025 totaled ¥330.1 billion, up 2.3% year on year, and even on a real basis excluding foreign exchange effects, sales increased 2.6%. In addition to the core KOSÉ business, the ALBION and KOSÉ Cosmeport businesses posted steady growth, bringing the overseas sales ratio to 34.8%. On the profit side, improved profitability in the KOSÉ business offset declines in profit in the Tarte and ALBION businesses, resulting in operating profit of ¥18.4 billion, up 6.3% year on year. Profit attributable to owners of parent rose significantly to ¥15.1 billion, up 101.2% year on year, mainly due to the absence of structural reform expenses for the China business recorded in the previous fiscal year and a decrease in income taxes.

On the other hand, results fell short of the initial plan of ¥336.0 billion in net sales and ¥20.0 billion in operating profit. This shortfall was attributable to sluggish inbound demand and the weak performance of makeup brands, as well as a rise in the cost of sales ratio beyond initial assumptions, which offset the effect of tighter control of marketing expenses. Looking ahead to fiscal 2026, we will implement fundamental measures to address these issues.

Review of sales by region

Japan (Up 1.9% year on year)	Led by record-high sales in the high-prestige *DECORTÉ* brand and the KOSÉ Cosmeport business. While makeup brands struggled, *ALBION* and *ONE BY KOSÉ* posted steady growth. The diverse brand portfolio functioned effectively and sustained overall growth in the domestic market.
Asia (Up 8.6% year on year)	In the duty-free channel, the Company continued to restrain shipments on its own initiative. Despite the resulting negative impact on sales, higher sales in mainland China and contributions from the newly consolidated PURI business secured overall sales growth.
North America/ Others (Flat year on year)	Tarte, the Group’s core business, posted a slight decline on a yen basis due to yen appreciation but maintained sales at the previous year’s level on a local-currency basis. In addition, the rollout of *SEKKISEI* at a major North American retailer contributed to results.

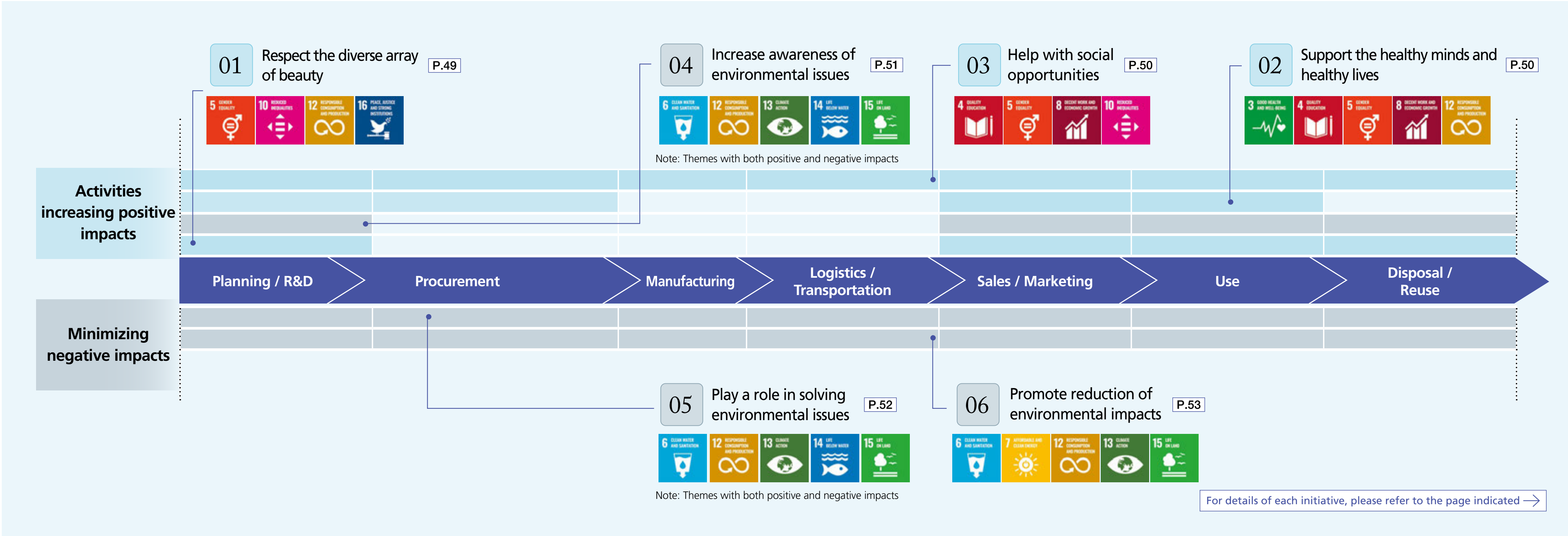
Value Chain

Basic Policy

In order to achieve sustainable corporate growth, it is important to make efforts throughout the value chain. From product planning and R&D to raw material procurement, disposal and reuse, the KOSÉ Group strives for value creation that emphasizes engagement with stakeholders at every stage. This will enable us to ensure the long-term competitiveness, thereby achieving sustainable growth and the delivery of value.

Sustainability issues and impact on value chain

Manufacturing and the provision of products and services at the KOSÉ Group involves the entire value chain. For that reason, the sustainability strategy of our medium- to long-term vision—*Vision for Lifelong Beauty Partner–Milestone2030*—clearly identifies the areas of the value chain that have particularly large impacts. We are promoting Group-wide efforts to increase value and help solve problems, for people and for the Earth.



Stakeholder Engagement

Basic Policy

The KOSÉ Beauty Partnership set forth in *Vision for Lifelong Beauty Partner–Milestone2030* aims to engage with each stakeholder through ongoing dialogue to co-create unique value through beauty.

In addition to improving the quality of our products and services, we will continue to be a trusted presence in every aspect of our business activities, including respect for human rights, the development of a better working environment, and environmental conservation. As a partner that remains close to people even as generations and values change, we will build relationships that make everyday life and the future of society healthier and more colorful for all people.

KOSÉ Beauty Partnership: Values that support the KOSÉ Group's corporate activities

Topics

1 Harnessing Diversity to Bring Smiles to the Office: The *Soumu* (Dream Creation) Unit

To help everyone shine in their own way, the *Soumu* Unit was established with the aim of enabling employees to make the most of their individual strengths and experience the joy and satisfaction of working. Led by employees with disabilities, the unit supports the creation of a comfortable workplace environment where everyone can work with ease. From providing business support to attentive cleaning and cheerful greetings, the members' activities bring smiles and vitality to the office. Together with promoting disability employment, the unit has become an indispensable force for our organization.

Topics

2 Joint Initiative with Kao Corporation to Address Logistics Challenges

In collaboration with Kao Corporation, we have launched joint delivery services in specific regions. This initiative aims to address the logistics challenges previously managed individually by each company. Beyond improving delivery efficiency, the partnership contributes to reducing environmental impacts by decreasing the number of trucks on the road and lowering CO_2 emissions.