

AQ

肌へ、湧き上がる生命美。

輪郭の印象まで、美しく上向きに。

AQベースメイクアップ、誕生。



DECORTÉ

3月16日発売 新商品 コスメデコルテ AQ スキン フォルミング リキッドファンデーション 7色 各30mL 12,000円(税抜) SPF20/PA++
スキン フォルミング パウダーファンデーション 11,000円(レフィル7色 各9,000円・ケース2,000円/スポンジ付)(税抜) SPF23/PA++
ベースメイクアップ 他8品 500円~12,000円(税抜)



KOSÉ Corporation

Results of Operations

Fiscal Year Ended March 31, 2019

April 26, 2019

1. FY03/2019 Results of Operations

**Shinichi Mochizuki, Executive Officer,
General Manager of Accounting and Finance Dept.**

2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

Record-high sales for the sixth consecutive year and record-high earnings at all levels

	FY03/2018		FY03/2019		YoY change		Vs plan (announced on July 31, 2018)	
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)	(billion yen)	(%)
Net sales	303.3	100.0	332.9	100.0	+29.5	+9.8 ^{note}	+7.9	+2.5
Cost of sales	81.5	26.9	88.6	26.6	+7.0	+8.7	-	-
SG&A expenses	173.4	57.1	191.9	57.7	+18.5	+10.7	-	-
Operating profit	48.4	16.0	52.4	15.7	+3.9	+8.3	(3.5)	(6.4)
Ordinary profit	48.5	16.0	53.9	16.2	+5.4	+11.3	(3.4)	(6.0)
Profit before income taxes	48.2	15.9	54.9	16.5	+6.7	+13.9	-	-
Profit attributable to owners of parent	30.6	10.1	37.0	11.1	+6.3	+20.9	(1.2)	(3.4)
Net income per share	536.63 yen		648.71 yen		+112.08 yen		(22.71) yen	

Note: Net sales increased 9.9% YoY after excluding the effects of changes in foreign exchange rates

Net Sales by Segment (sales to third parties)

Segment	FY03/2018	FY03/2019	YoY change (billion yen)	YoY change (%)	Share (%)	
	Amount (billion yen)	Amount (billion yen)			FY03/2018	FY03/2019
Cosmetics	229.6	254.9	+25.3	+11.1	75.7	76.6
Cosmetaries	71.3	74.6	+3.3	+4.6	23.5	22.4
Other	2.4	3.3	+0.9	+37.4	0.8	1.0
Total	303.3	332.9	+29.5	+9.8	100.0	100.0

Vs plan (announced on July 31, 2018)	
(billion yen)	(%)
+6.0	+2.4
+0.8	+1.1
+1.0	+47.7
+7.9	+2.5

Operating Profit by Segment (before elimination)

Segment	FY03/2018	FY03/2019	YoY change (billion yen)	YoY change (%)	Operating margin (%)	
	Amount (billion yen)	Amount (billion yen)			FY03/2018	FY03/2019
Cosmetics	46.3	51.4	+5.0	+10.8	20.2	20.2
Cosmetaries	5.8	5.0	(0.7)	(13.4)	8.1	6.7
Other	1.0	1.5	+0.4	+45.4	33.6	37.3
Adjustment	(4.8)	(5.5)	(0.7)	-	-	-
Total	48.4	52.4	+3.9	+8.3	16.0	15.7

Strong sales growth in Japan and Asia Ratio of overseas sales increased to 27.9%

Area	FY03/2018		FY03/2019		YoY change (billion yen)	YoY change (%)
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)		
Japan	227.8	75.1	240.2	72.1	+12.3	+5.4
Asia	35.2	11.6	51.4	15.5	+16.2	+46.1
North America	36.9	12.2	37.5	11.3	+0.6	+1.6
Other	3.3	1.1	3.7	1.1	+0.4	+13.0
Total	303.3	100.0	332.9	100.0	+29.5	+9.8
Overseas sales	75.5	24.9	92.7	27.9	+17.2	+22.9

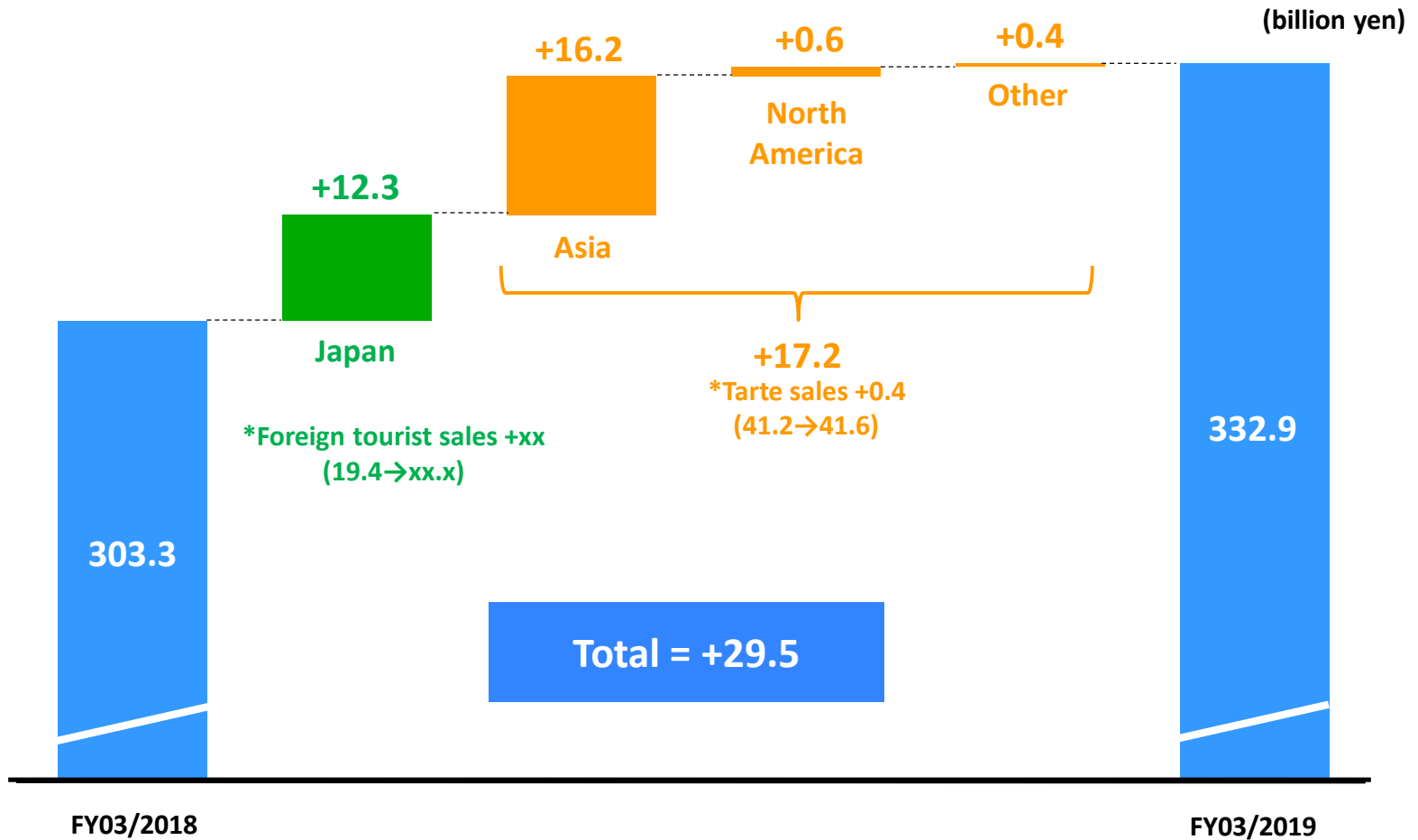
Japan: Sales to foreign tourists in Japan: FY03/2019 = xx billion yen (FY03/2018 = 19.4 billion yen)

Asia: Higher sales of COSME DECORTE and other brands in China and higher duty-free store sales in South Korea

North America: Tarte Sales: FY03/2019 = 41.6 billion yen (FY03/2018 = 41.2 billion yen)

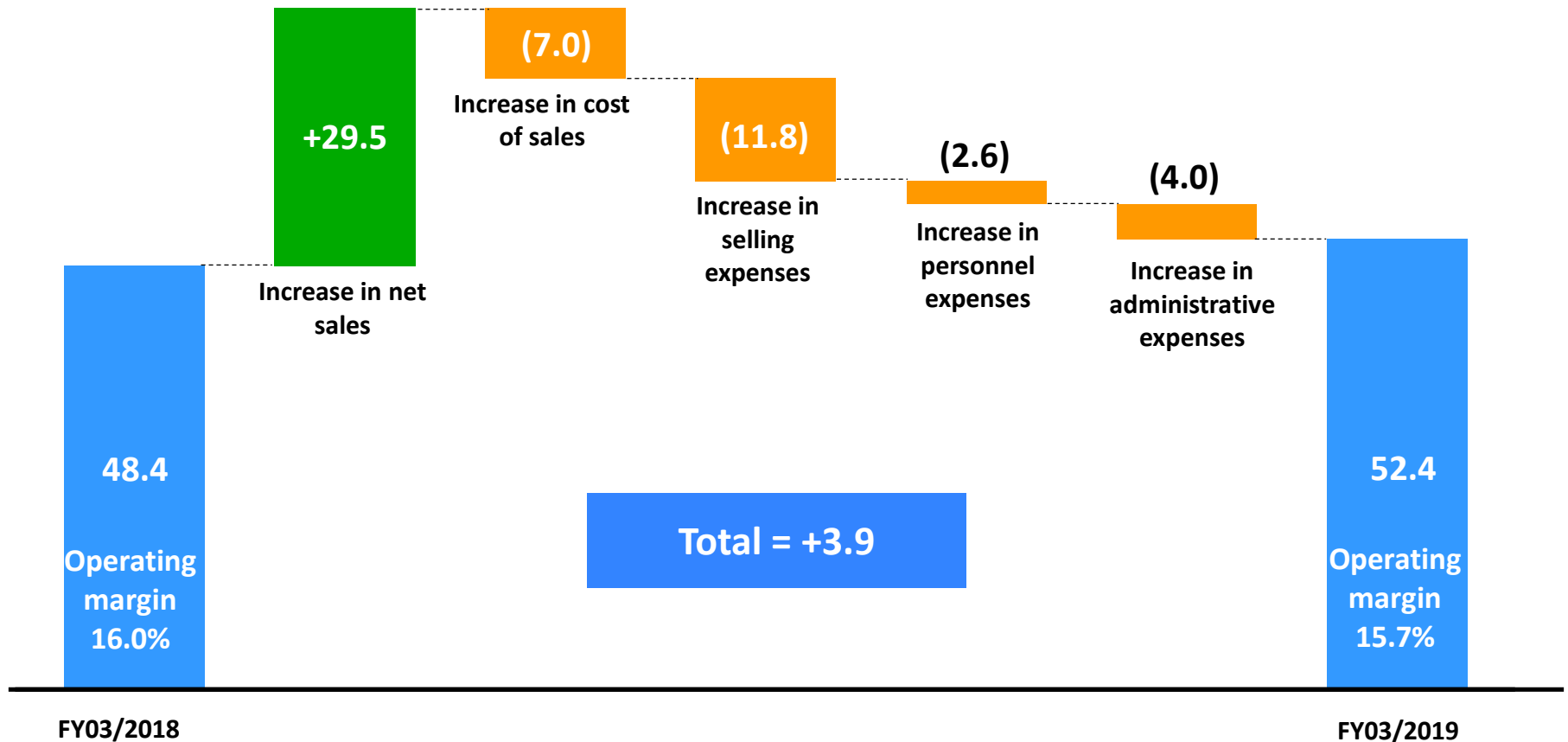
Note: including sales in Asia and other regions

Japan and Asia were the primary components of sales growth



Operating profit increased due to higher sales resulting from the use of substantial selling expenses

(billion yen)



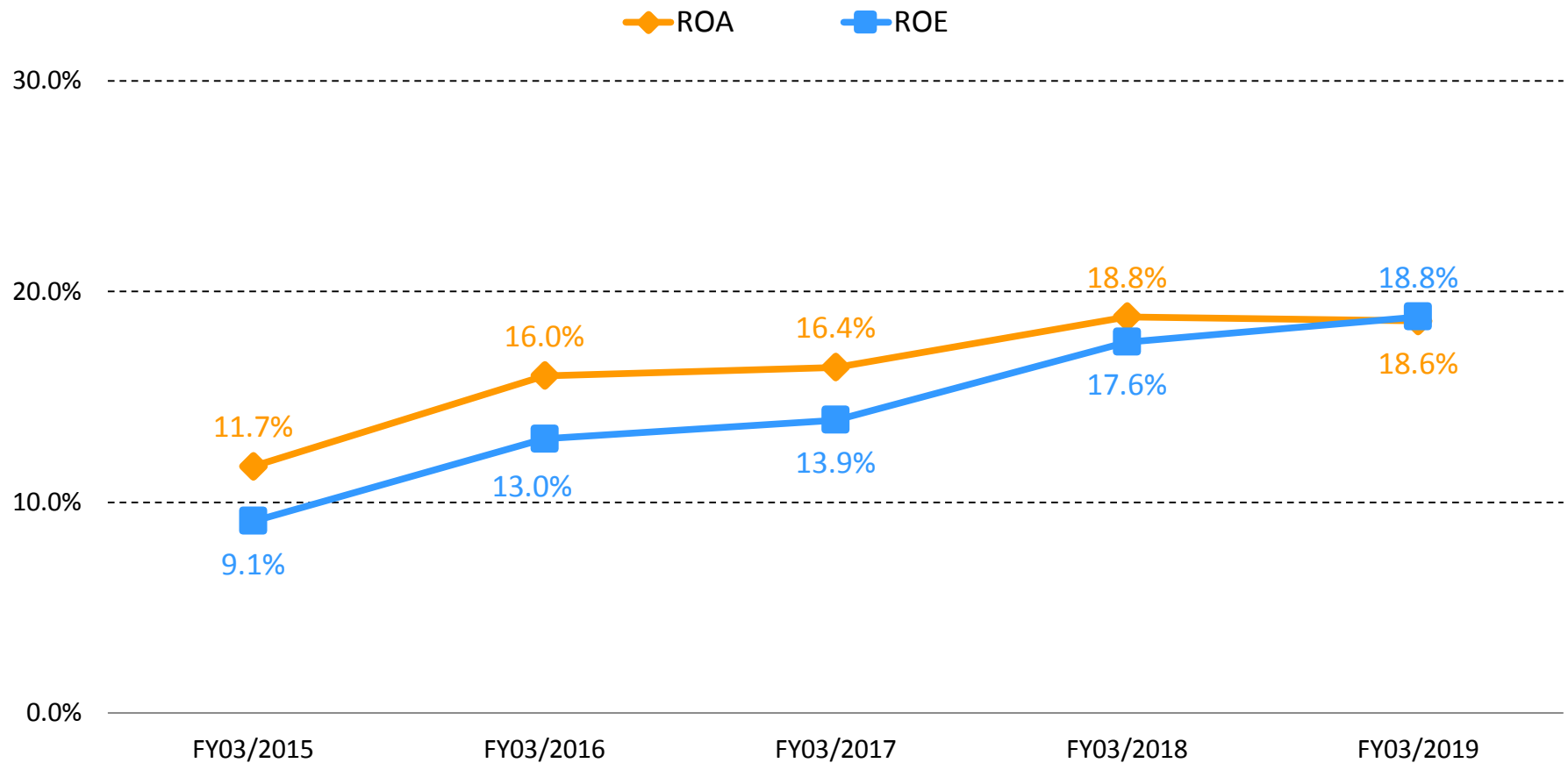
		FY03/2017		FY03/2018		FY03/2019		YoY change	
		Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)	(billion yen)	(%)
SG&A expenses		160.5	60.2	173.4	57.1	191.9	57.7	+18.5	+10.7
<Significant accounts>									
Selling expenses	Advertising	18.6	7.0	20.0	6.6	23.4	7.0	+3.4	+17.3
	Sales promotion	51.2	19.2	55.3	18.3	61.4	18.5	+6.0	+11.0
	Freightage and packing	9.6	3.6	11.7	3.9	14.0	4.2	+2.2	+19.6
Subtotal		79.5	29.8	87.1	28.7	98.9	29.7	+11.8	+13.6
General and administrative expenses	Personnel	52.2	19.6	54.3	17.9	57.0	17.1	+2.6	+4.9
	Depreciation	2.9	1.1	3.1	1.1	3.7	1.1	+0.5	+17.8
	R&D	4.9	1.9	5.3	1.8	5.3	1.6	+0	+1.3
	Others	20.8	7.8	23.4	7.7	26.8	8.1	+3.3	+14.5
Subtotal		81.0	30.4	86.3	28.5	93.0	27.9	+6.7	+8.3

Balance Sheet Highlights

	As of March 31, 2017		As of March 31, 2018		As of March 31, 2019		YoY change
	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	Amount (billion yen)	Share (%)	(billion yen)
Current assets	172.0	69.6	187.1	69.2	205.2	68.4	+18.1
Quick assets	122.9	49.7	133.3	49.3	139.1	46.4	+5.8
Inventories	40.7	16.5	50.9	18.8	60.7	20.2	+9.8
Non-current assets	75.1	30.4	83.2	30.8	94.9	31.6	+11.6
Property, plant and equipment	44.8	18.1	48.0	17.8	56.8	19.0	+8.8
Intangible assets	17.7	7.2	16.3	6.1	15.6	5.2	(0.7)
Total assets	247.1	100.0	270.3	100.0	300.1	100.0	+29.7
Current liabilities	56.0	22.6	62.7	23.2	66.1	22.0	+3.3
Non-current liabilities	14.0	5.7	8.9	3.3	9.2	3.1	+0.2
Total liabilities	70.0	28.3	71.7	26.5	75.3	25.1	+3.5
Total net assets	177.1	71.7	198.6	73.5	224.8	74.9	+26.2
Shareholders' equity	163.8	66.3	184.0	68.1	208.8	69.6	+24.7
Total liabilities and net assets	247.1	100.0	270.3	100.0	300.1	100.0	+29.7

Cash Flow Highlights, Capital Expenditures, Depreciation

	FY03/2017	FY03/2018	FY03/2019	YoY change (billion yen)
	Amount (billion yen)	Amount (billion yen)	Amount (billion yen)	
Cash flows from operating activities	17.3	34.9	32.6	(2.2)
Cash flows from investing activities	(8.1)	(10.3)	(20.6)	(10.3)
Cash flows from financing activities	(6.2)	(16.4)	(10.3)	6.0
Change in cash and cash equivalents	2.6	8.2	0.3	(7.8)
Cash and cash equivalents at beginning of period	52.9	55.6	63.8	8.2
Cash and cash equivalents at end of period	55.6	63.8	64.2	0.3
Capital expenditures	10.7	10.0	18.5	8.4
Depreciation	5.8	6.9	7.4	0.5



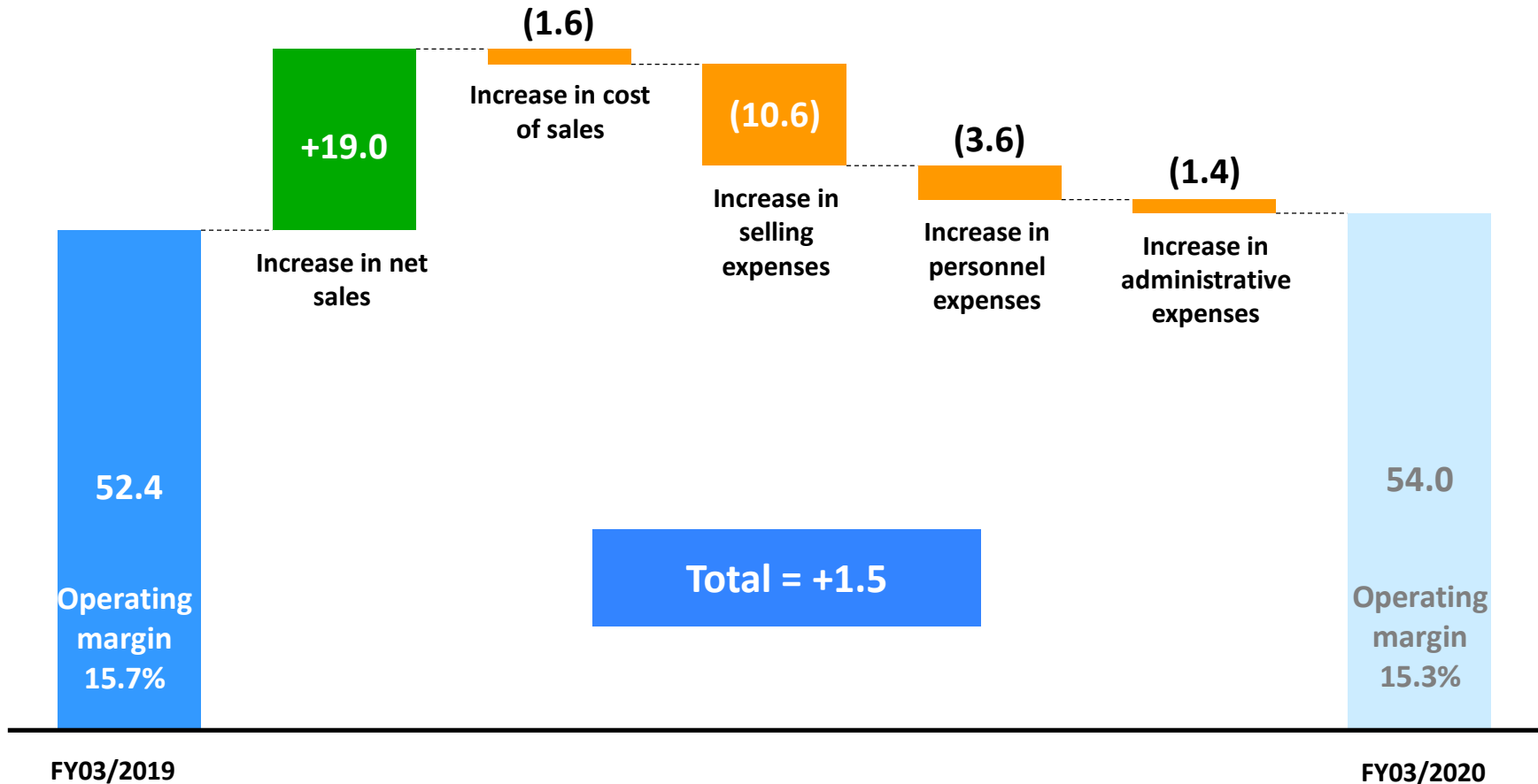
ROA = (Operating profit + Interest and dividends income) / Total assets (average at beginning and end of year) X 100

ROE = Profit / Shareholders' equity (average at beginning and end of year) X 100

	FY03/2019		FY03/2020		YoY change (billion yen)	YoY change (%)
	Amount (billion yen)	Ratio to net sales (%)	Amount (billion yen)	Ratio to net sales (%)		
Net sales	332.9	100.0	352.0	100.0	+19.0	+5.7
<i>Cosmetics</i>	254.9	76.6	273.3	77.7	+18.3	+7.2
<i>Cosmetaries</i>	74.6	22.4	74.7	21.2	+0	+0.1
<i>Other</i>	3.3	1.1	4.0	1.1	+0.6	+17.7
Operating profit	52.4	15.7	54.0	15.3	+1.5	+3.0
Ordinary profit	53.9	16.2	54.7	15.5	+0.7	+1.3
Profit attributable to owners of parent	37.0	101.1	37.1	10.5	+0	+0.3
Net income per share	648.71 yen		●			
Capital expenditure	18.5		18.1			
Depreciation	7.4		10.1			
<ul style="list-style-type: none"> Capital expenditures: Ordinary investment (mold, corner costs, etc.): 6.2 billion yen Manufacturing facilities: 2.8 billion yen ALBION Kumagaya Plant (partially): 3.4 billion yen 						
Foreign exchange rate						
	Currency	Actual	Estimate			
	US dollar/Yen	110	110			
	Taiwan dollar/Yen	3.7	3.6			
	Chinese yuan/Yen	16.7	16.7			
	100 Korean won/Yen	10.0	10.0			

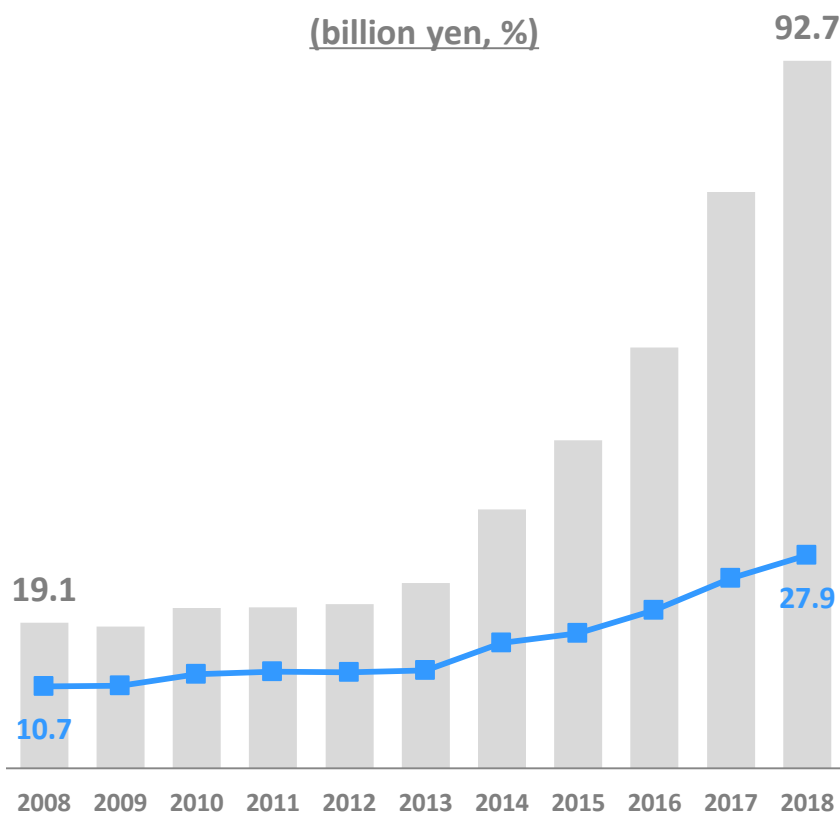
Expect an increase in operating profit due to higher sales resulting from the use of substantial selling expenses

(billion yen)



Due to the growth of overseas sales, a change was made to categorize the sales of overseas subsidiaries based on brands rather than countries

Overseas Sales Growth
(billion yen, %)



Until now
Prestige included overseas sales and duty-free sales

From now on
Sales of each brand are included in the corresponding categories

Example: Reporting of COSME DECORTE sales in China

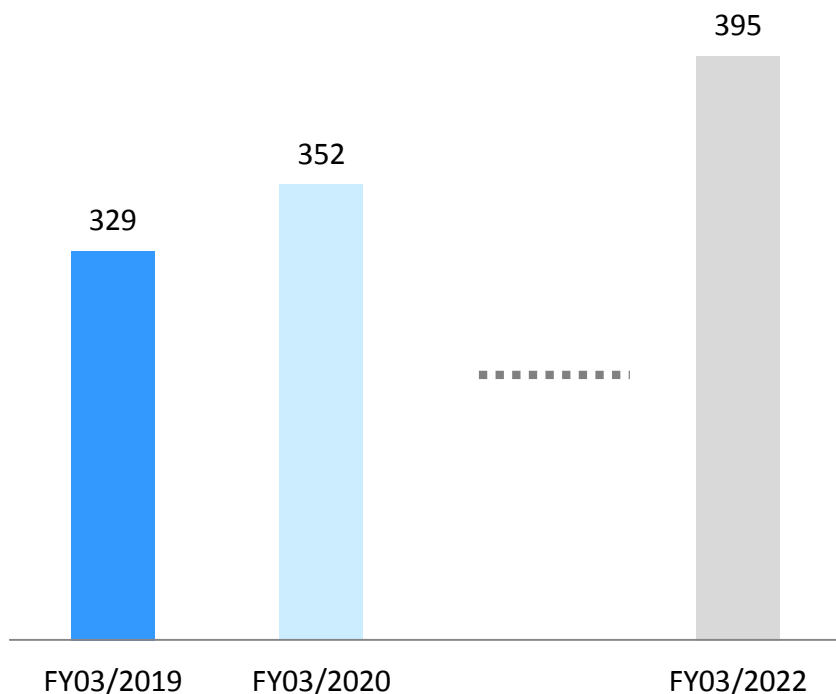
Until now: Overseas prestige sales



From now on: High prestige sales

Performance Benchmarks (FY03/2022)

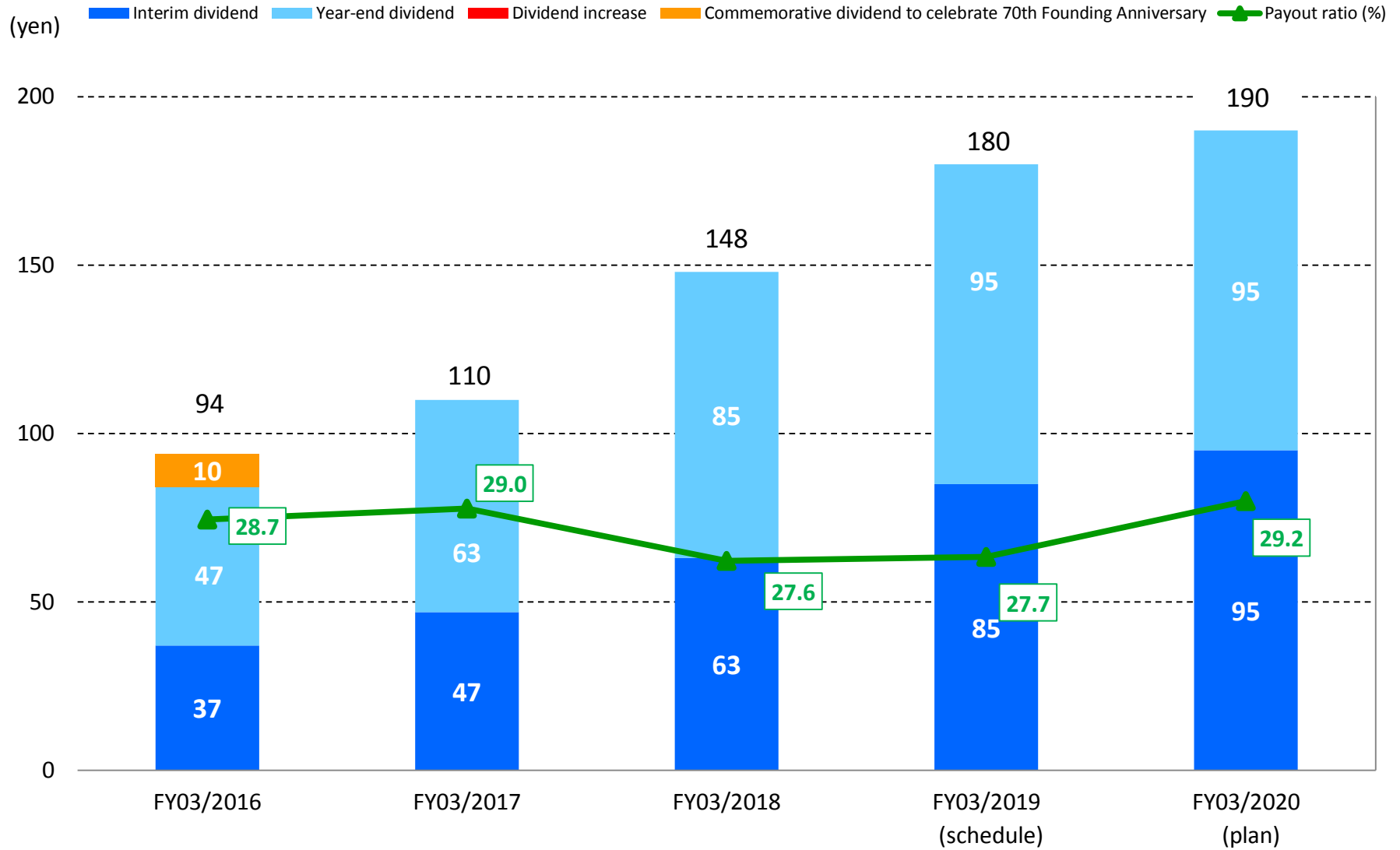
(billion yen)



Performance Benchmarks	
Net sales	¥395 billion
Operating margin	16.0%
ROA	18.0%
ROE	16.0%

Note: We revise the three-year numerical performance targets in our medium-term business plan every fiscal year to take into account progress and respond flexibly to the business environment (rolling method).

Dividends / Payout Ratio



1. FY03/2019 Results of Operations

**Shinichi Mochizuki, Executive Officer,
General Manager of Accounting and Finance Dept.**

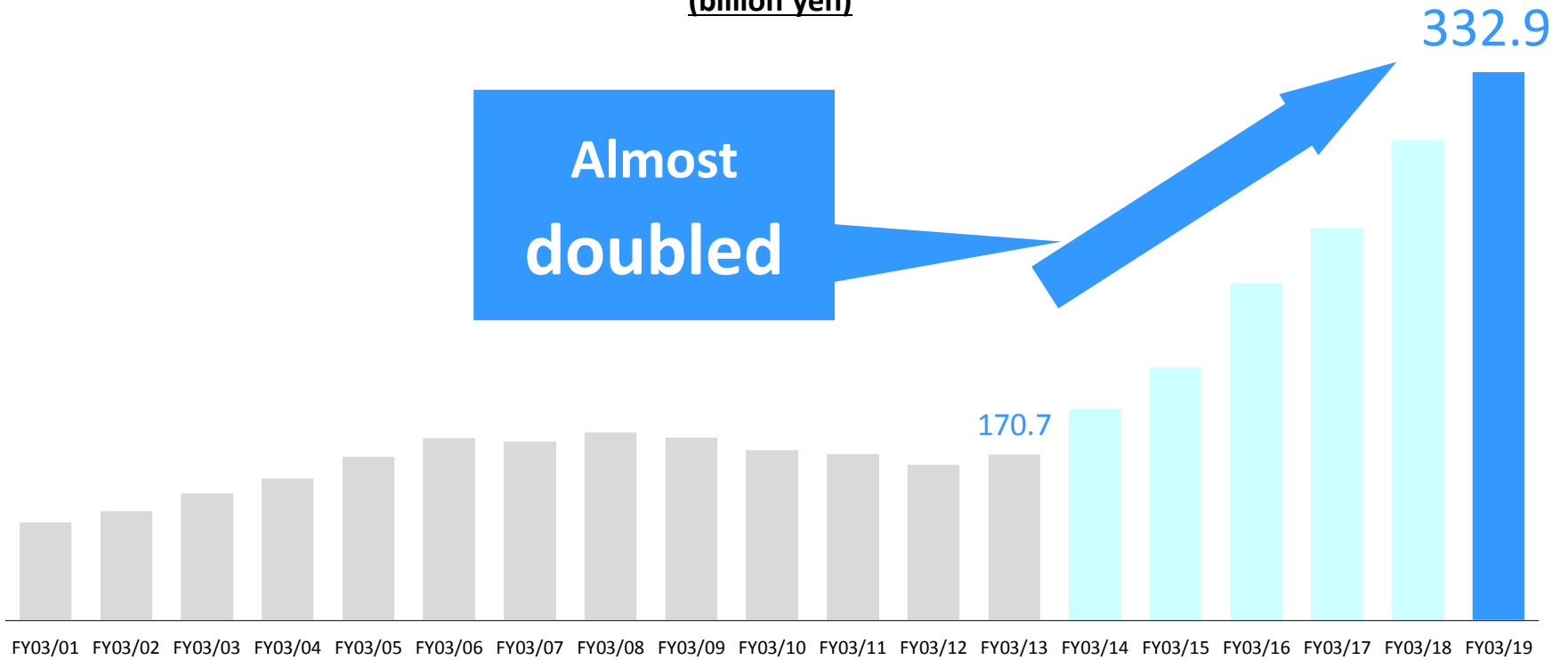
2. VISION2026 Progress Report and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

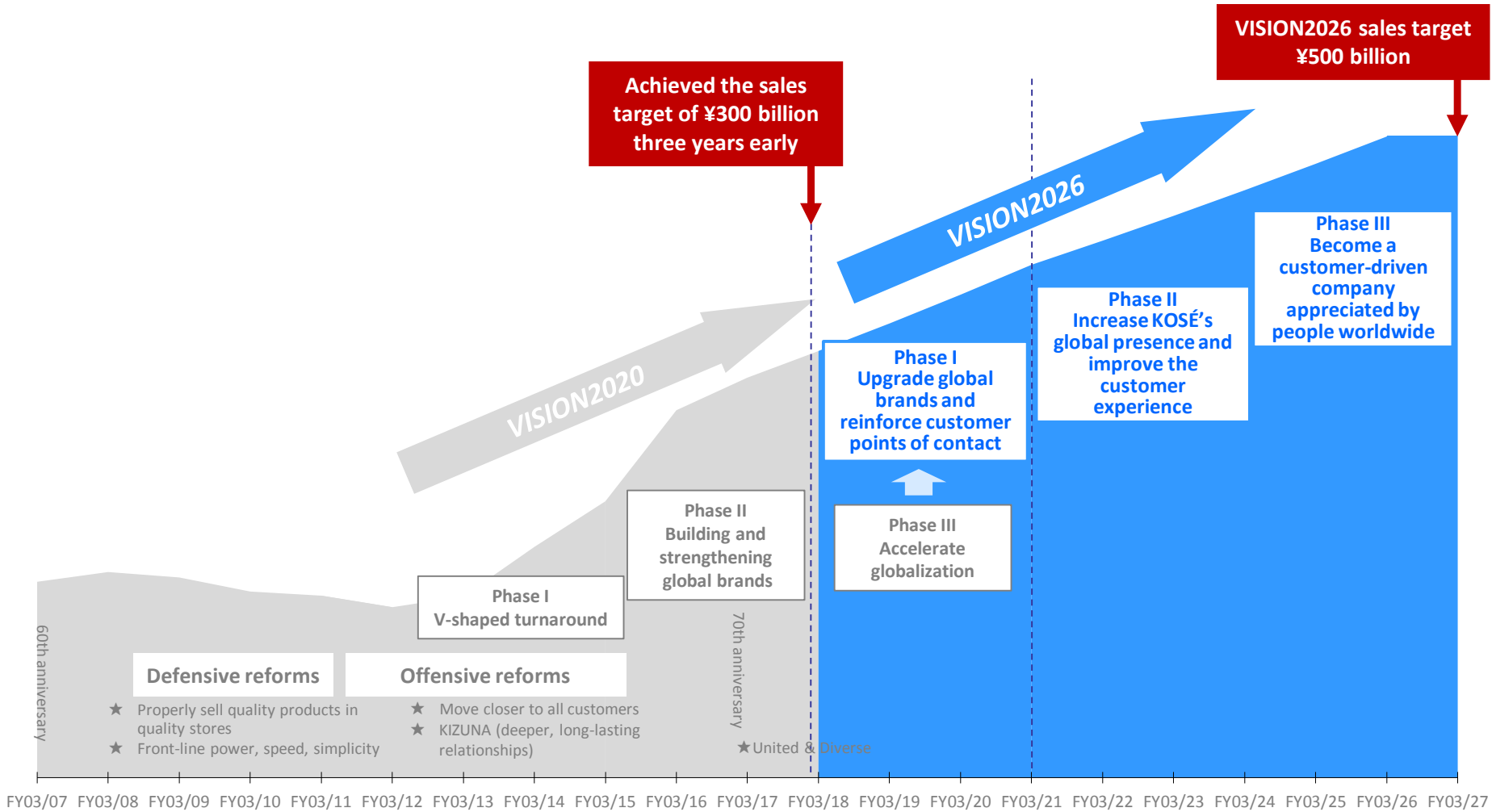
Record-high consolidated sales for the sixth consecutive year

Consolidated Sales

(billion yen)



Become a company with a global presence



Leverage a powerful business foundation capable of supporting growth in order to achieve global and borderless growth through the greatest possible use of KOSÉ's resources and the constant creation of innovative value.

Three growth strategies

- Accelerate globalization of brands
- Proactively develop unique products
- Explore new growth domains

One World,
One Market,
One Mind.

Two value creation vectors

- Aim for even more personal customer experiences
- Focus on unique forms of value by utilizing external resources and technologies

Three business foundations

- Build a sound foundation for the company growth
- Recruit people who can adapt to changes in market conditions
- Create an environment that allows people to realize their full potential

Major actions for achieving strategic goals

■ Accelerate globalization of brands

- ✓ Further increase activities for the growth of flagship global brands

■ Proactively develop unique products

- ✓ Establish an R&D infrastructure for supply of global-level value

■ Explore new growth domains

- ✓ Retain an aggressive stance about entering business domains that can become sources of new demand
- ✓ Faster e-commerce growth, non-traditional distribution channel initiatives, salon business growth

■ Aim for even more personal customer experiences

- ✓ More and better methods for customer interaction and upgraded counseling by using social media, devices and other measures

■ Focus on unique forms of value by utilizing external resources and technologies

- ✓ Use open innovation for the creation of new types of value

■ Build a sound foundation for the company growth

- ✓ Build a more powerful manufacturing infrastructure

■ Recruit people who can adapt to changes in market conditions

- ✓ Recruit people with specialized skills (global, digital and IT personnel)

■ Create an environment that allows people to realize their full potential

- ✓ Invest in talent management and other measures for enabling people at KOSÉ to realize their full potential

FY03/2027 Performance Targets

Net Sales

¥500 billion

(Average annual growth rate of 6% or more: 3% or more in Japan, 9% or more in Asia, 7% or more in Europe and U.S.)

Operating Margin

16% or more

ROA

18% or more

ROE

15% or more

Overseas Sales Ratio

–Initiatives to heighten KOSÉ’s global presence–

35% or more

FY03/2019: 27.9%

E-commerce/New Channel Sales Ratio

–Initiatives to target the increasingly diverse preferences of consumers–

15% or more

FY03/2019: 13.6%

Global Benchmarks

Euromonitor Premium Beauty and Personal Care Ranking

Moving up to the **top 8 in the world ranking**

*Source: Euromonitor

Consolidated Sales
 FY03/2019 **¥332.9 billion**
 ↓
 FY03/2027 **¥500 billion**

Overseas Sales Ratio
 FY03/2019 **27.9%**
 ↓
 FY03/2027 **35% or more**

E-commerce/New Channel Sales Ratio
 FY03/2019 **13.6%**
 ↓
 FY03/2027 **15% or more**

Asia

CAGR	Sales ratio
9%	21%

Japan

CAGR	Sales ratio
3%	65%

North America and Other

CAGR	Sales ratio
7%	14%

Current Channels

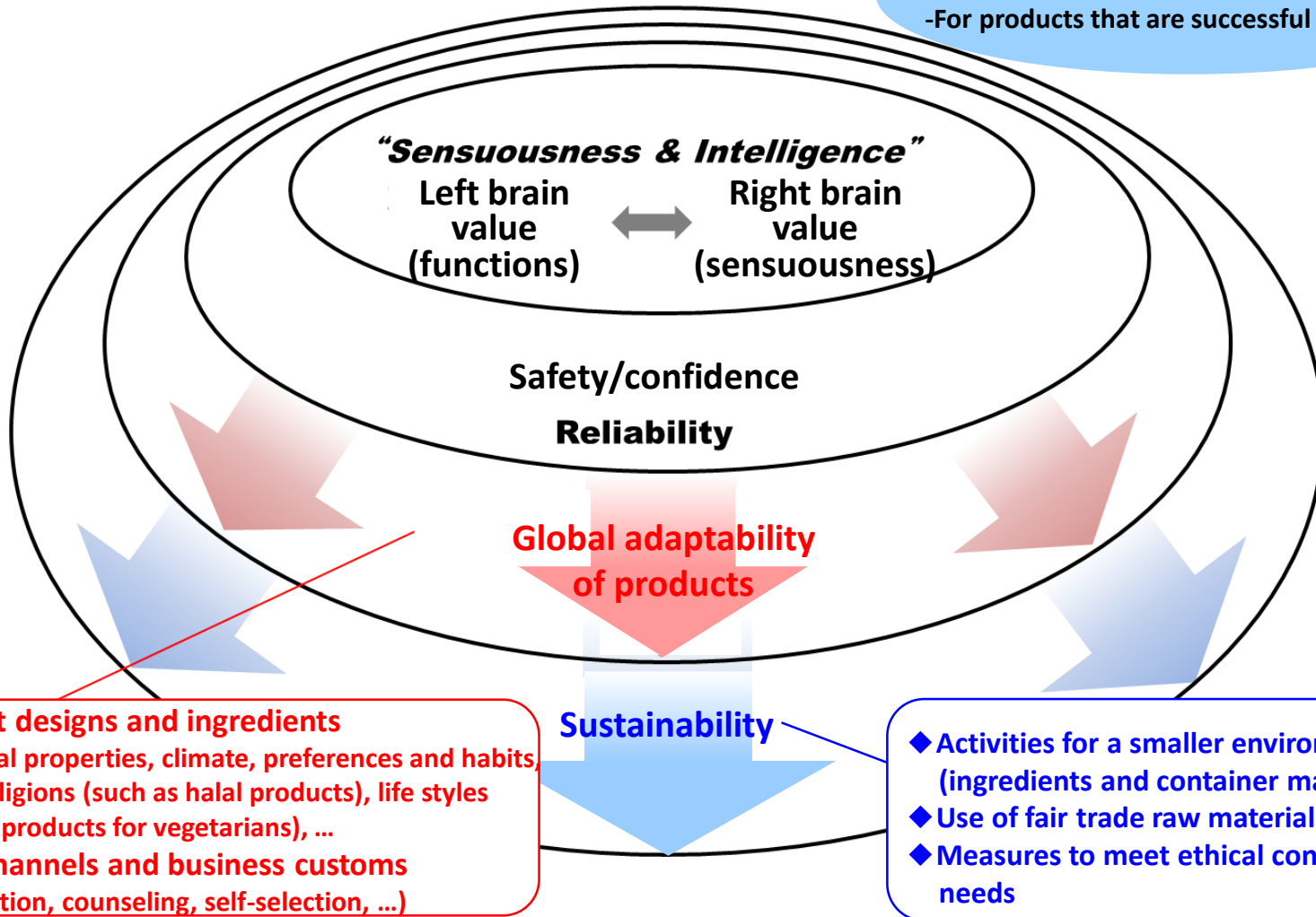
CAGR	Sales ratio
5%	85%

E-commerce/New Channels

CAGR	Sales ratio
8%	15%

“Monozukuri 2026”

-For products that are successful worldwide-



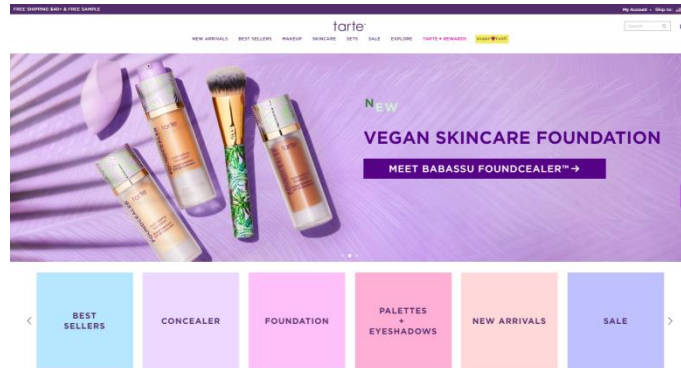
Face Tape Foundation
(50 color variations)



sugar rush™
(Generation Z cosmetics)



Tarte.com
(sold in 180 countries worldwide)



SEKKISEI “SAVE the BLUE” Project

What We Can Do Now to Protect the Beautiful Ocean
 美しい海を守るために、いま私たちができること

“SAVE the BLUE” Project
 Since 2009

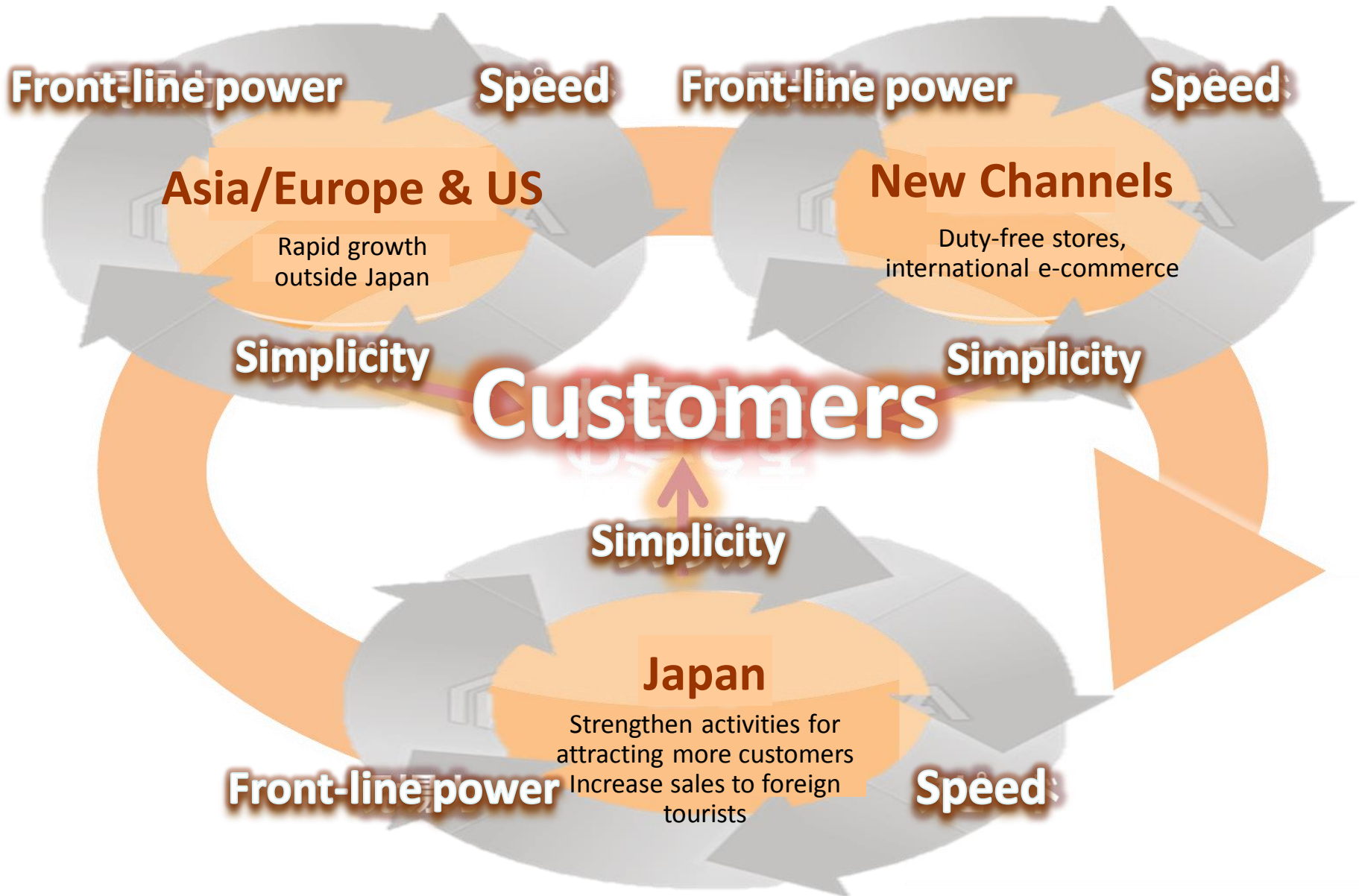


A project to protect the global environment

tarte “#kissandmakeup”



A campaign to end cyber bullying



50th anniversary of starting overseas operations in Hong Kong and 30th anniversary of starting operations in China

KOSÉ Hong Kong

50th Anniversary Ceremony 2018



China KOSÉ

30th Anniversary Ceremony 2018



KOSÉ Beauty Expo



Guangzhou Taikoo Hui



Shanghai Taikoo Hui



Chengdu Hong Xing Lu shopping arcade

The growing profile of DECORTÉ worldwide

Global sales: ¥68 billion
Sales increased 1.5 times

The debut of DECORTÉ in France



Maison KOSÉ (Paris)

Global RED Campaign



Beijing SKP



Isetan Chengdu



Beijing Hanguang Department Store

A new R&D base for innovation and creating new forms of value

Research Base



Advanced Technology Research Center completed in March 2019

Key Activities

Build a new **manufacturing framework**

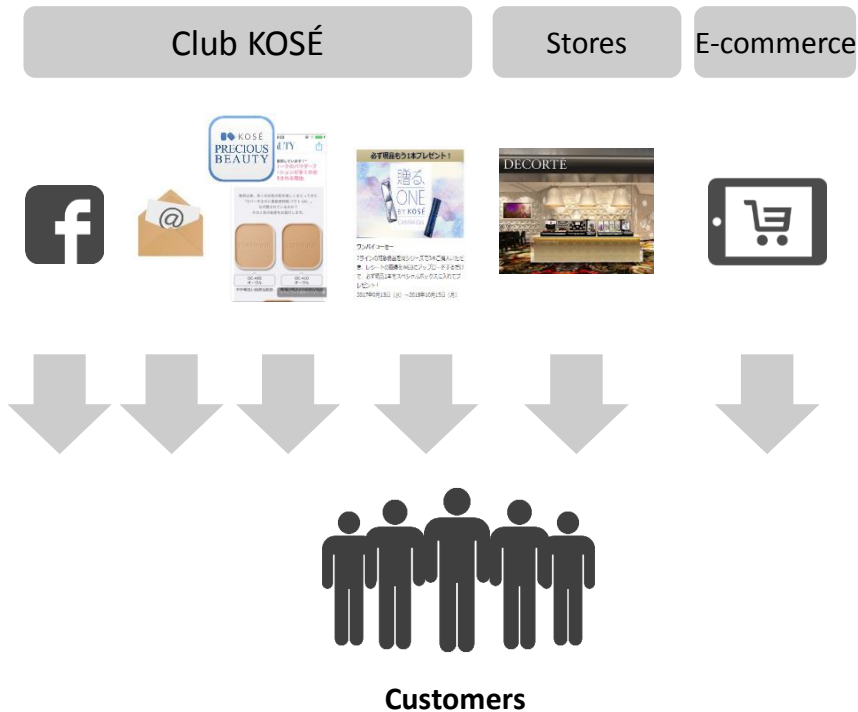
Create new forms of global value

Create **active ingredients** for new distinctive products

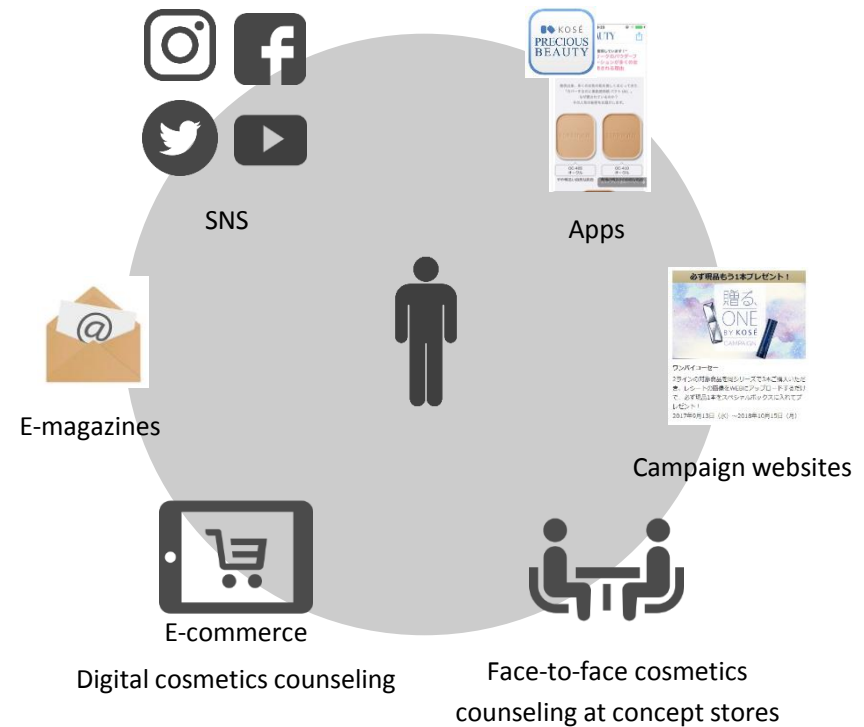
Training and experience for next-generation **leaders** for success on a global scale

Build a new platform that uses digital marketing

Previous customer points of contact



New platform customer points of contact



Multi-directional ties with customers individually for a new dimension of marketing

Create new value and enter new business domains by utilizing external resources and technologies

Partner Companies

Primary Actions

Business Domains

MILBON

- Jan. 2017 Capital and business alliance
- Jul. 2017 Established KOSÉ Milbon Cosmetics Co., Ltd.
- Sep. 2019 Launch of IMPREA, a brand exclusively for beauty parlor products (started sales to some beauty salons in April 2019)

Salon hair products

maruho

- Jul. 2019 Plan to establish a jointly owned company
- The goal is to use the value of both companies to produce and sell consumer healthcare products that help people maintain healthy skin

Skin care
pharmaceuticals

IMDR

- Jan. 2019 KOSÉ selected MDR at the Demo Day of the KOSÉ accelerator program, which aims to use external partners for the joint creation of new forms of value – The theme is “concept for an attractive computer-aided design”
- The goal is to combine MDR’s quantum computing and KOSÉ’s R&D resources to use the joint intelligence of people and computers for the creation of a new method for developing cosmetics.

Quantum computing

Constructing a new factory to make the supply/quality control infrastructure stronger

The new Minami Alps Factory (tentative name)



Proposed site	Minami Alps City, Yamanashi
Site area	133,000 m ²
Use	Cosmetics factory (mainly skin care/hair care products in large lots)
Production capacity	100 million items or more per year
Investment	¥15 - ¥25 billion
Start of production	During FY03/2022

Main Features

Compliance with ISO 22716, the Good Manufacturing Practices standard for cosmetics

- State-of-the-art quality assurance system
- Environmentally friendly factory designed to be highly economical and functional

A manufacturing base able to capture the greatest possible synergies with all other KOSÉ production bases

- Incorporates the manufacturing expertise accumulated over many years at other factories through digital technology by utilizing IoT/AI
- An infrastructure for the seamless sharing of R&D data created by research laboratories

Build a business foundation that is resilient to changes in market conditions **(reinforce the organization and recruiting activities)**

Corporate governance

- Establish the position of Chief Risk Officer
- Two outside directors (one man and one woman)

An organization structured for global operations

- Marketing Headquarters → A matrix framework for marketing for individual business units and regions
- Digital Marketing Division → Response to the shift of marketing activities to digital platforms
- International Operations Division → Divide into Asian Business and European and U.S. Business Divisions
- Research → Establish a unified framework for the global pharmaceutical business

Recruiting activities and work environment that reflect the changing business climate

- Recruit people with specialized skills (global, digital and IT personnel)
- Create a workplace environment that reflect workforce diversity; assistance and programs for women (return to work after a pregnancy or other needs for time off, work-at-home program, beauty specialist/contract employee program)
- Use working style reforms to improve productivity
- Consistently recognized as a White 500 Company under the Certified Health and Productivity Management Organization Recognition Program

Become a company with exceptional customer loyalty

- A portfolio filled with extremely appealing brands -

Ultimate Brand, True Loyalty, Prestige Company

A company people envy A company everyone knows, envies and gives due respect

A company like no other A distinctive company that is imbued with originality and similar to no other company

A company people need A company that customers cannot live without, resulting in high ratios of repeat purchases and long-term customers

These materials include estimates on the basis of the outlook on the future and plans as of April 26, 2019, but are not promises by KOSÉ Corporation regarding future performance. Actual results may differ from these forecasts due to risks associated with economic trends and other items as well as to other uncertainties. KOSÉ Corporation accepts no responsibility whatsoever with regard to any possible mistakes, missing information and other errors in the data and text in these materials.

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