
Results of Operations

Three Months Ended March 31, 2023



KOSÉ Corporation

May 11, 2023

Net sales

**¥68.1 billion: up ¥9.1 billion (15.5%) YoY
(up 10.6% excluding forex)**

- Double-digit growth fueled mainly by Japan and Tarte, which offset sluggish sales in China and South Korea

Operating profit

**¥5.8 billion: up ¥5.4 billion (1,473.4%) YoY
(Operating margin: 8.6%)**

- A big increase as sales growth was more than the increases in the cost of sales and SG&A expenses

- Increases in ordinary profit and profit attributable to owners of parent because of a big increase in operating profit, offsetting a decline in foreign exchange gains

1Q							
	2022		2023		Change (billion yen)	Change (ratio)	Change (ratio) excluding the effect of foreign exchange rate changes
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales			
Net sales	59.0	100.0%	68.1	100.0%	+9.1	+15.5%	+10.6%
Cost of sales	18.1	30.8%	19.0	27.9%	+0.8	+4.8%	
Gross profit	40.8	69.2%	49.1	72.1%	+8.2	+20.2%	
SG&A expenses	40.4	68.6%	43.2	63.5%	+2.8	+6.9%	
Operating profit	0.3	0.6%	5.8	8.6%	+5.4	+1,473.4%	
Ordinary profit	3.0	5.1%	6.6	9.8%	+3.6	+120.2%	
Profit before income taxes	2.8	4.9%	6.2	9.2%	+3.4	+118.2%	
Profit attributable to owners of parent	1.4	2.4%	3.8	5.7%	+2.4	+171.1%	
Net income per share	25.20 yen		68.32 yen		-		
Capital expenditures	0.8		1.4				
Depreciation	2.2		2.5				

Cost of Sales and SG&A Expenses

- The overall cost of sales ratio decreased because of a higher percentage of sales from skin care products with a low cost of sales ratio.
- The cost of marketing increased as expenses were held down in China and South Korea but increased mainly in Japan and at Tarte. However, the SG&A expense ratio decreased because of the big increase in sales.

1Q							
		2022		2023		Change (billion yen)	Change (ratio)
		Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cost of sales		18.1	30.8%	19.0	27.9%	+0.8	+4.8%
SG&A expenses		40.4	68.6%	43.2	63.5%	+2.8	+6.9%
Selling expenses	Sales promotion	9.2	15.7%	9.4	13.9%	+0.1	+1.7%
	Advertising	4.9	8.4%	5.2	7.7%	+0.2	+5.1%
	Marketing cost	14.2	24.2%	14.6	21.6%	+0.4	+2.9%
	Freightage and packing	3.7	6.4%	4.8	7.1%	+1.0	+27.2%
Subtotal		18.0	30.6%	19.5	28.6%	+1.4	+8.0%
General and administrative expenses	Personnel	14.1	23.9%	14.1	20.8%	+0.0	+0.6%
	R&D	1.3	2.3%	1.5	2.2%	+0.1	+9.9%
	Depreciation	0.9	1.6%	1.0	1.5%	+0.1	+13.0%
	Others	5.9	10.1%	7.0	10.3%	+1.0	+17.1%
Subtotal		22.4	38.0%	23.7	34.9%	+1.3	+6.1%

- DECORTÉ and Tarte were the biggest contributors to sales growth in the cosmetics segment. SEKKISEI and ONE BY KOSÉ sales were also firm. The result was higher segment profit as the cost of sales and SG&A expense ratios declined.
- In the cosmetaries segment, KOSÉ Cosmeport sales were firm in Japan but slow in China. Operating profit increased because of a lower cost of sales and a lower-than-expected use of SG&A expenses.

Net sales

Operating segment	1Q					
	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cosmetics	46.7	79.2%	55.8	82.0%	+9.1	+19.6%
Cosmetaries	11.8	20.0%	11.7	17.3%	-0.0	-0.6%
Others	0.4	0.8%	0.5	0.8%	+0.0	+14.1%
Total	59.0	100.0%	68.1	100.0%	+9.1	+15.5%

Operating profit

Operating segment	1Q					
	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Operating margin	Amount (billion yen)	Operating margin		
Cosmetics	1.8	3.9%	6.4	11.6%	+4.6	+256.9%
Cosmetaries	-0.4	-4.2%	0.4	4.0%	+0.9	-
Others	0.1	33.7%	0.1	31.3%	+0.0	+5.9%
Adjustment	-1.1	-	-1.2	-	-0.1	-
Total	0.3	0.6%	5.8	8.6%	+5.4	+1,473.4%

Global Sales of Major Group Companies and Major Brands (1Q)

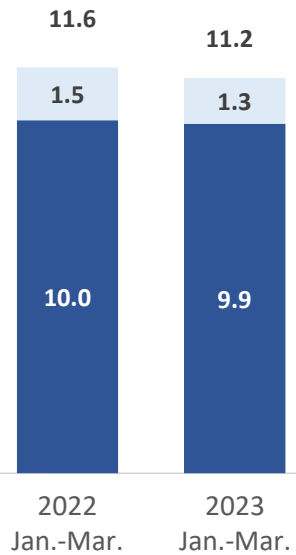
Major group companies

Major brands

ALBION

*The Accounting Standard for Revenue Recognition is applied.

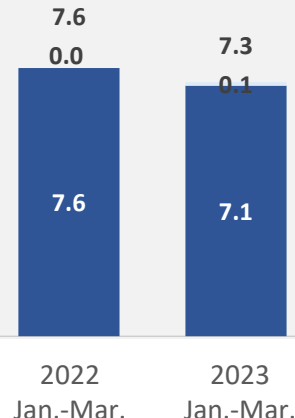
(billion yen) ■ Asia/others ■ Japan



KOSÉ Cosmeport

*The Accounting Standard for Revenue Recognition is applied.

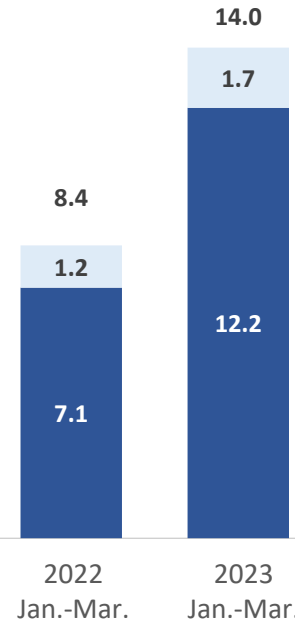
(billion yen) ■ Asia/others ■ Japan



Tarte, Inc.

*The Accounting Standard for Revenue Recognition is applied.

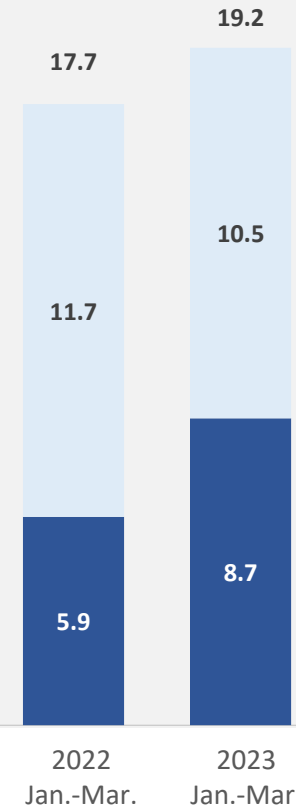
(billion yen) ■ Europe/ others ■ North America



DECORTÉ

*The Accounting Standard for Revenue Recognition is not used.

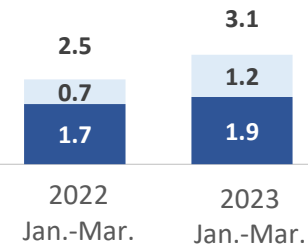
(billion yen) ■ Overseas ■ Japan



SEKKISEI

*The Accounting Standard for Revenue Recognition is not used.

(billion yen) ■ Asia/others ■ Japan



*Tarte operating profit is before goodwill amortization. Goodwill from acquisitions is not included.

* Global Sales of Major Group Companies and Major Brands —Quarterly are on page 26 of the Supplementary Information.

- Sales at department stores and specialty cosmetics stores were generally strong. Sales at drug stores and other mass retail channels are recovering as people return to these stores following the pandemic.

(billion yen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	36.5	61.9%	41.3	60.6%	+4.7	+13.0%

Market Trends

- The labor market and consumer spending are recovering as economic activity returns to normal. Japan ended the requirement to wear face masks on March 13.
- Inflation is continuing as the cost of energy, resources, raw materials and other items climbs.
- Demand from foreign tourists in Japan is recovering but the number of tourists from China is still low.

KOSÉ

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|------------------|---|
| High
prestige | <ul style="list-style-type: none"> ■ The LIPOSOME Series was a major source of DECORTÉ sales growth. Advertising featuring major leaguer Shohei Ohtani raised awareness of the DECORTÉ brand and contributed to sales growth. ■ Slow sales at ALBION in January-February, but sales are starting to recover due to steady sales of the FLARUNÉ Bright Line products (released in March) and an increase in demand from foreign tourists in Japan. ■ Sales of JILL STUART and ADDICTION were strong following the end of the requirement to wear face masks in Japan. |
| Prestige | <ul style="list-style-type: none"> ■ The recovery in SEKKISEI sales that began in the second half of 2022 is continuing. Launched a revised lineup of sunscreen products and conducted a marketing campaign featuring Shohei Ohtani. ■ Strong sales of the revised ONE BY KOSÉ MELANOSHOT W brightening serum |
| Cosmetaries | <ul style="list-style-type: none"> ■ Steady sales of softymo and SUNCUT products at KOSÉ Cosmeport ■ Lip and other new products of Visée brand performed well. |

Net Sales by Region: Asia

- In China, sales started to recover in the department store and travel retail categories in March, but e-commerce sales were sluggish.
- In South Korea, the travel retail category remains challenging as travel retailers hold down purchases of merchandise.

(billion yen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	14.0	23.9%	12.6	18.6%	-1.4	-10.1%

Market Trends

China	<ul style="list-style-type: none"> ■ After the easing zero-COVID restrictions, infections increased. Consumer spending remained weak at the beginning of period but started to recover in March.
South Korea (duty-free)	<ul style="list-style-type: none"> ■ Holding down purchases of merchandise by travel retailers

KOSÉ

China (excluding TR)	<ul style="list-style-type: none"> ■ E-commerce sales, including those involving International Women’s Day (March 8) sale, were slow because of the trend toward diversification of platforms. ■ At stores, sales were impacted by temporary closures and reduced operating hours due to an upturn in COVID-19 cases at the beginning of the period. Sales slowly began to recover in March.
China TR	<ul style="list-style-type: none"> ■ E-commerce sales operated by travel retailers were gradually recovered from February. ■ At Hainan Island, a slow recovery started in March
South Korea TR	<ul style="list-style-type: none"> ■ The low volume of merchandise delivered to stores is holding down sales.

*Information about sales excluding forex changes is in “Sales Growth Rate by Business Segment” on page 28 of the Supplementary Information.

➤ Tarte sales were higher than one year earlier in all regions.

(billion yen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	8.3	14.2%	14.1	20.8%	+5.8	+69.5%

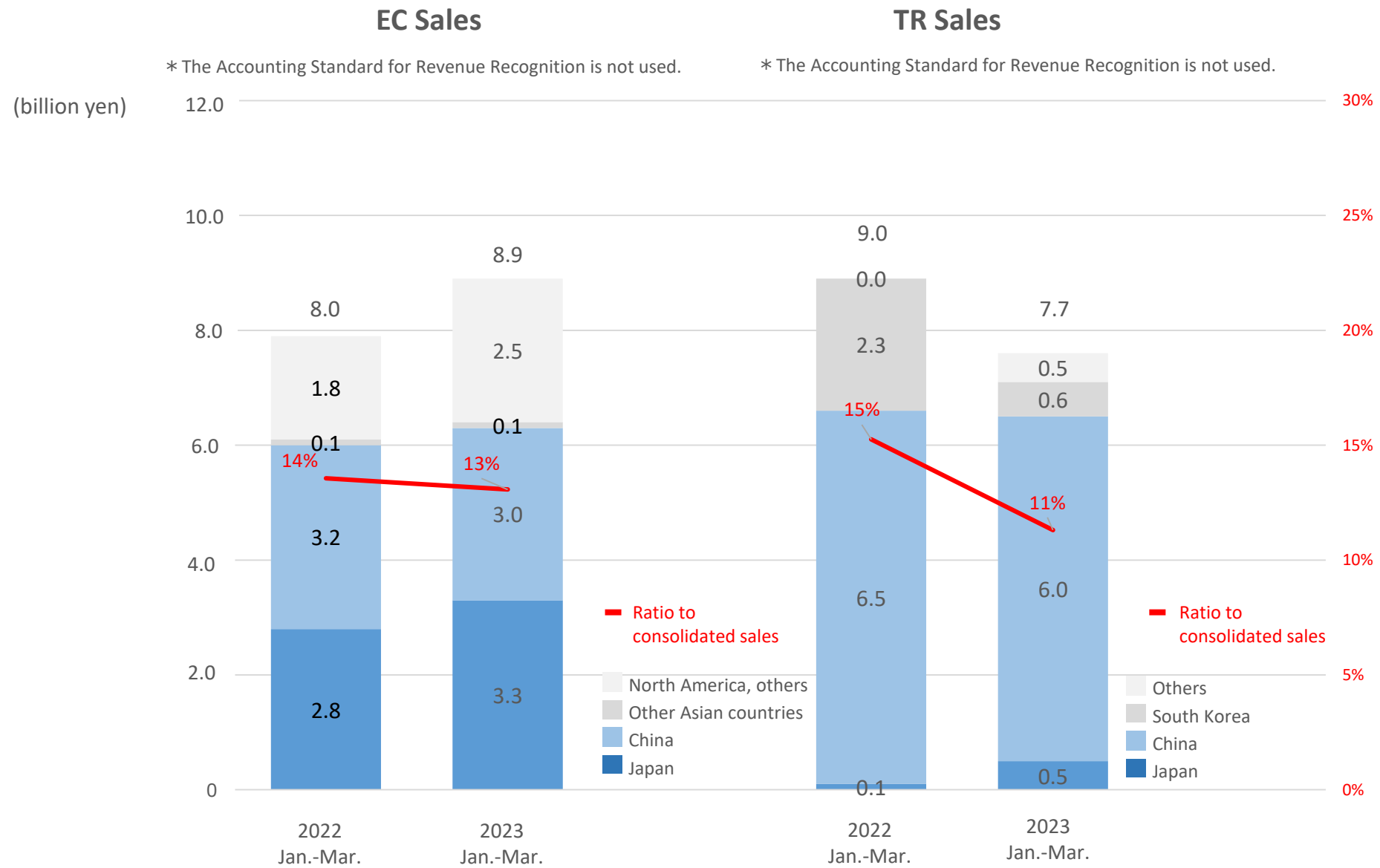
Market Trends

- | | |
|--------|---|
| USA | <ul style="list-style-type: none"> Interest rates and inflation remain high. Several financial institutions went bankrupt. Although there are growing concerns about long-term inflation, the U.S economy was supported by firm consumer spending due to a strong labor market. |
| Europe | <ul style="list-style-type: none"> Economic activity is returning to normal, but persistent inflation and continuation of the European Central Bank's policy of rising interest rates are impacting the economy. Demand for cosmetics remains firm. |

KOSÉ

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|-------------------|---|
| Tarte
(USA) | <ul style="list-style-type: none"> Mainstay products continued to maintain high market shares, and new products also performed well. 1Q sales include some shipments originally scheduled for the 2Q. Brand trips and promotions by influencers contributed to sales growth. |
| Tarte
(Europe) | <ul style="list-style-type: none"> Big increases in sales from one year earlier in all regions. Strong sales in areas where new stores were opened. |
| KOSE
America | <ul style="list-style-type: none"> SEKKISEI increased activities to sell products at major retail stores. |

*Information about sales excluding forex changes is in "Sales Growth Rate by Business Segment" on page 28 of the Supplementary Information.



*Reference: page 29 E-commerce/Travel Retail Sales (by region) —Quarterly; includes offline sales in China.

Balance Sheet and Cash Flow Highlights

➤ Total assets amounted to ¥353.4 billion and equity ratio was above 70%.

(billion yen)	As of December 31, 2022		As of March 31, 2023		Change
	Amount	Share	Amount	Share	Amount
Current assets	244.4	68.0%	240.1	67.9%	-4.3
Cash and deposits	116.5	32.4%	115.0	32.6%	-1.4
Accounts receivable	52.4	14.6%	45.5	12.9%	-6.8
Inventories	69.0	19.2%	72.3	20.5%	+3.2
Non-current assets	115.1	32.0%	113.2	32.1%	-1.8
Property, plant and equipment	63.9	17.8%	63.2	17.9%	-0.6
Intangible assets	14.4	4.0%	13.9	3.9%	-0.5
Total assets	359.6	100.0%	353.4	100.0%	-6.1
Current liabilities	67.5	18.8%	62.3	17.6%	-5.2
Accounts payable	26.2	7.3%	28.6	8.1%	+2.3
Short-term borrowings	1.3	0.4%	0.5	0.1%	-0.8
Non-current liabilities	16.6	4.6%	16.3	4.6%	-0.2
Total liabilities	84.2	23.4%	78.7	22.3%	-5.5
Total net assets	275.3	76.6%	274.6	77.7%	-0.6
Shareholders' equity*	258.9	72.0%	258.4	73.1%	-0.5
Non-controlling interests	16.3	4.5%	16.2	4.6%	-0.1
Total liabilities and net assets	359.6	100.0%	353.4	100.0%	-6.1

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

➤ Cash and cash equivalents down ¥1.4 billion but liquidity remains sound.

(billion yen)	1Q	
	2022	2023
Profit before income taxes	+2.8	+6.2
Depreciation	+2.2	+2.5
Working capital (+Accounts receivable + Accounts payable - Inventories)	+2.7	+5.9
Others	-9.1	-9.2
Cash flows from operating activities	-1.3	+5.5
(Increase) decrease in time deposits	-3.4	-0.5
Purchase of non-current assets	-1.1	-1.2
Others	+0.1	-0.0
Cash flows from investing activities	-4.4	-1.8
Funds procured from external sources and repayments	+0.8	-0.8
Cash dividends paid	-3.4	-3.9
Others	-0.0	-0.2
Cash flows from financing activities	-2.8	-5.3
Effect of exchange rate change on cash and cash equivalents	+1.7	+0.2
Change in cash and cash equivalents	-6.7	-1.4
Cash and cash equivalents at beginning of period	81.8	94.0
Cash and cash equivalents at end of period	75.0	92.6

Outlook for the Last Three Quarters of 2023

Regional outlook	2023 initial sales plan	Outlook
Overall	+5.5%	<ul style="list-style-type: none"> ■ Proactive investments are planned in 2023, which is a year for making various investments. We aim for an improvement in profitability starting in 2024. ■ Most marketing expenses will be for DECORTÉ, ALBION, Tarte and prestige brands (SEKKISEI and others). ■ Aiming to accomplish the 2023 sales plan as higher sales in Japan and Tarte offset the uncertain business climates in South Korea and China.
Japan	+5-7%	<ul style="list-style-type: none"> ■ The end of face mask requirements is expected to raise demand for cosmetics. ✓ More activities during the remainder of 2023 to increase repeat purchases in order to maintain the high level of DECORTÉ sales. ✓ ALBION is focusing on increasing the appeal of new products to attract new customers and retain current customers. ✓ SEKKISEI is increasing sunscreen marketing activities as the peak selling season approaches. ✓ KOSÉ Cosmeport plans to strengthen activities involving CLEAR TURN, SUNCUT and other key product categories.
China (excluding TR)	+10%	<ul style="list-style-type: none"> ■ The economy is expected to start returning to normal during the remainder of 2023. ✓ Working on how to respond to the increasingly diversified platforms for e-commerce channels. ✓ At stores, planning on opening new stores and creating flagship stores in order to raise awareness of DECORTÉ high-end products.
China/South Korea TR	+2-5%	<ul style="list-style-type: none"> ✓ In China, store sales are expected to recover due to the end of travel restrictions. ✓ In South Korea, the negative effects of holding down purchases of merchandise by travel retailers are expected to continue.
Overseas (Tarte)	No change	<ul style="list-style-type: none"> ✓ Sales are expected to remain firm despite concerns about the possibility of slowing economic growth.

➤ There is currently no revision to 2023 outlook announced on February 13, 2023.

(billion yen)	2022 results		2023 plan		YoY change (amount)	YoY change (ratio)
	Amount	Ratio to net sales	Amount	Ratio to net sales		
Net sales	289.1	100.0%	305.0	100.0%	+15.8	+5.5%
Cosmetics	234.9	81.3%	249.8	81.9%	+14.8	+6.3%
Cosmetaries	52.2	18.1%	53.1	17.4%	+0.9	+1.8%
Others	1.9	0.7%	2.0	0.7%	+0.0	+3.4%
Operating profit	22.1	7.7%	21.0	6.9%	-1.1	-5.1%
Ordinary profit	28.3	9.8%	20.3	6.7%	-8.0	-28.5%
Profit attributable to owners of parent	18.7	6.5%	13.3	4.4%	-5.4	-29.1%
Net income per share	329.03 yen		233.11 yen			
ROA		6.7%		5.6%		
ROE		7.5%		4.7%		
Capital expenditures		6.8		21.8		
Depreciation		9.7		10.8		

Foreign exchange rate		
Currency	2022 results	2023 estimate
US dollar/Yen	131.4	130.0
Chinese yuan/Yen	19.4	19.5
Korean won/Yen	0.101	0.102

Brand Topics

- ◆ Held 100 events featuring major leaguer Shohei Ohtani at department stores and specialty cosmetics stores throughout Japan. This campaign is increasingly attracting new customers by appealing to men and women of all ages.
- ◆ Attended the TFWA Asia Pacific 2023 in Singapore to prepare for boosting sales through the duty-free channels.



Prominently displayed advertisements and actively increased LIPOSOME ADVANCED REPAIR SERUM sales areas at department stores and specialty cosmetics stores.



Participation at the TFWA World Exhibition & Conference strengthened current partnerships with duty-free store companies and provided opportunities to negotiate for new sales channels in Europe and North America.

◆ Increase overall sales of the DECORTÉ brand and encourage repeat purchases by enhancing the touch-up and other services at stores with a focus on the LIPOSOME series, and promoting cross-selling within the brand.



ZEN WEAR FLUID
(Liquid foundation)



LIPOSOME ADVANCED REPAIR EYE SERUM
(Beauty serum for around the eyes)



LIPOSOME ADVANCED REPAIR SERUM
(Moisturizing beauty serum)



LIPOSOME ADVANCED REPAIR CREAM (Night cream)



KIMONO series
(Fragrances, etc.)



HYDRA CLARITY (Lotion, etc.)

- ◆ Steady demand for Elégance products among foreign tourists in Japan
- ◆ FLARUNÉ expanded its lineup by adding Bright Line in March 2023



LA Poudre Haute Nuance
(Face powder)



FEATHER VEIL
(Face powder)



MODELING COLOR UP BASE
(Makeup base)

LA Poudre Haute Nuance and all other Elégance products remained popular among foreign tourists in Japan even during the pandemic.



The FLARUNÉ lineup of skin care products, launched in August 2022, was enlarged in March 2023 with the addition of the Bright Line series in order to raise awareness of the FLARUNÉ products and to attract new customers.

- ◆ Sun screen advertisements featuring major leaguer Shohei Ohtani are in stores throughout Japan. The aim is to position SEKKISEI as a genderless brand that can appeal to people of all ages.
- ◆ Outside Japan, KOSÉ is using social networking service activities featuring key opinion leaders in order to raise awareness of the SEKKISEI brand.



There are many activities at stores. Many customers stop in front of displays with a life-size image of Shohei Ohtani. These promotions make SEKKISEI products appealing to people of all ages.

(Left) A live broadcast by a Chinese key opinion leader was held at Maison KOSÉ Ginza to further enhance the appeal of the SEKKISEI brand by publicly exposing the images of the brand ambassador figure skater Yuzuru Hanyu.

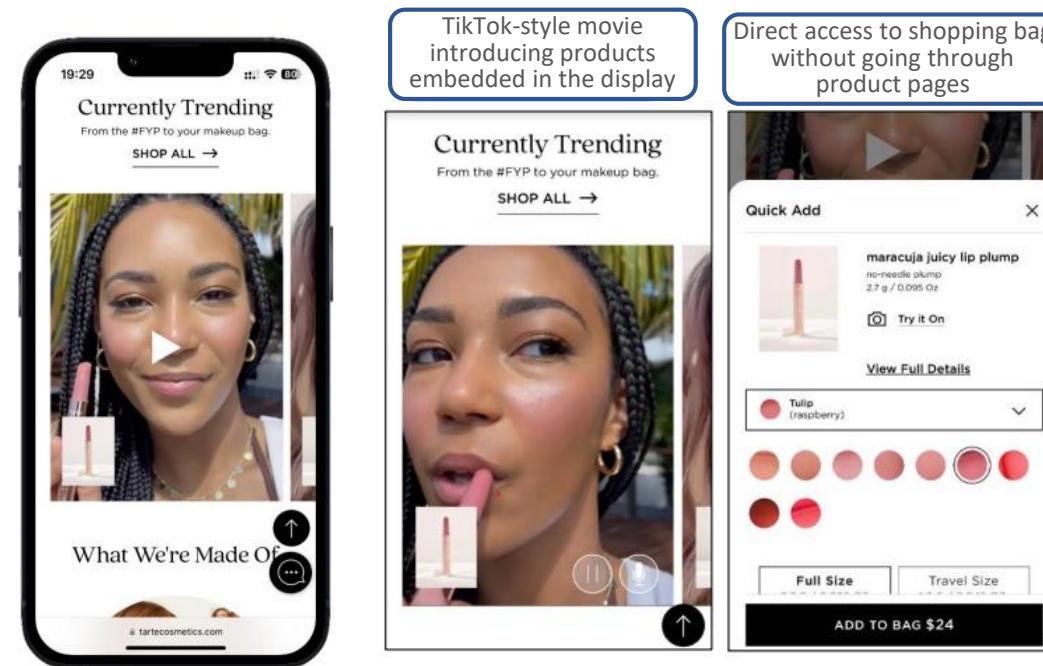
(Right) Key opinion leaders from Thailand, Singapore and Malaysia were invited to Maison KOSÉ Ginza to reinforce the public's perception of SEKKISEI as brand that represents a commitment to protecting the environment, including the KOSÉ "SAVE the BLUE" environmental project*

*Part of the sales of SEKKISEI products is donated to programs that protect coral reefs.

- ◆ New products are generating much attention; tarte ranked second*¹ in the U.S. prestige makeup market in the first quarter of 2023
- ◆ The official tarte e-commerce website (tarte.com) has been updated in order to provide a better mobile UX*². The updated website can even reflect new trends even faster due to the ease of site development activities and the addition of functions.



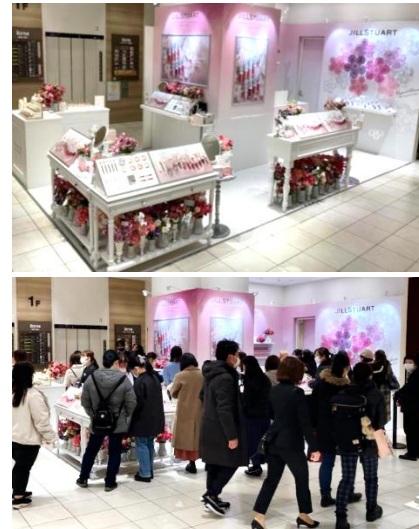
Launched in February, “blush tape liquid blush” and “shape tape™ correctors” have attracted a lot of SNS attention. Sales at stores are currently strong with very high sell-through rates.



Almost 80% of people who visit the tarte.com website use a smartphone or other mobile device. This update makes the website even easier to view and make purchases from a mobile device.

*1 Source: The NPD Group/U.S. Prestige Beauty Total Measured Market, Makeup Dollar Sales, March 2023
 *2: User experience

- ◆ Sales are consistently strong for JILL STUART, ADDICTION and other high-end makeup brands.
- ◆ Mainly for mid-range makeup brands, KOSÉ has started an advertising campaign called “don’t let your lips be naked.” KOSÉ is stepping up promotion activities for makeup especially for the lips as face masks are not required in public in Japan.



コーセーのルージュで、オンもオフも楽しもう

Visée

ヴィセ

FASIO

ファシオ

ESPRIQUE

エスプリーク

JILL STUART expanded its lip items by launching a lip plumper in February. Stores held special events for the start of sales of new products, creating even more opportunities for customers to see and purchase JILL STUART products.

The lip campaign goes from March 10 to December 31, 2023. Anticipating an upturn in makeup demand as the use of face masks declines in Japan, KOSÉ will conduct activities with emphasis on the mass-market brands ESPRIQUE, Visée and FASIO.

- ◆ KOSÉ has confirmed “Steps to make skincare a habit since childhood” demonstration trials at preschool facilities as effective to encourage children over two years old to begin making skin care a daily habit.
- ◆ KOSÉ has been ranked as a leader for three consecutive years in the Supplier Engagement Ratings of CDP.

A demonstration trial “Support to Start and Continue Skin Care”

240 kids participated

Preschool facilities

First Skin Care Set

Emulsion Skin care books Skin care picture book

Home

Kids enjoying skin care with friends

Children read
• picture books.
• skin care books

Results after 2 months of efforts by 2-5 year olds
Skin care at least once a week:
From 87% → 97%

Results of demonstration trials

KOSÉ has confirmed that this program has encouraged children to begin making skin care a daily routine from the age of two or more. Lessons learned from these demonstration trials will be used to extend this program to preschool facilities throughout Japan. Other events are under consideration. Information from these trials is also used for the development of skin care products that people of all ages can use safely.



KOSÉ’s placement on the leaderboard for three consecutive years is due to the company’s activities for lowering greenhouse gas emissions and the dedication of the entire KOSÉ Group to the disclosure of a larger volume of information about environmental programs.



Supplementary Information

Region (YoY change)	2022 sales ^{*note 1}	2023 sales plan (%)	2023 outlook
Japan	+7.3%	+5-7%	Economic recovery likely to continue due to the resumption of economic activities following the end of most pandemic restrictions but overseas economic downturns may limit the growth of Japan's economy.
China (excluding TR)	+1.4%	+10%	Consumer spending will probably recover following the end of pandemic restrictions and a full-scale recovery of cosmetics demand is expected.
China/South Korea TR	-0.8%	+2-5%	China duty-free sales are expected to increase, mainly on Hainan Island, but South Korea's heated duty-free competition with China is likely to continue.
Overseas (Tarte)	+27.1%	No change	Although inflation is slowing, inflation and interest rates will probably remain high and economic growth will decline. No change in sales due to the outlook for a continuation of the reduction in inventories at distributors.

- In the cosmetics segment, sales growth is expected to continue, chiefly in the high prestige category, but the growth rate will probably decline. Somewhat slower growth is also expected in the cosmetaries segment.

Segment (YoY change)	2022 sales ^{*note 1}	2023 sales plan (%)
Consolidated sales ^{*note 2}	+7.5%	+5.5%
Cosmetics ^{*note 2}	+7.9%	+6.3%
High prestige	+10.0%	+6%
DECORTÉ	+7.5%	+6%
Prestige	-6.0%	+5%
SEKKISEI	-4.1%	+10%
Cosmetaries ^{*note 2}	+6.2%	+1.8%

- Forecast a moderate economic recovery to continue in Japan and China as economic activity returns to normal but forecast no change in sales at Tarte and KOSÉ Korea.

Major group companies (YoY change)		2022 sales ^{*note 1}	2023 sales plan (%)
JPY	ALBION	+1.4%	+5%
	KOSÉ Cosmeport	+2.6%	+2%
	KOSÉ China ^{*note 2, 3}	+1.4%	+10%
	KOSÉ Korea ^{*note 2}	-20.3%	+2%
	Tarte ^{*note 2}	+27.1%	No change
Local currency	KOSÉ China ^{*note 2, 3}	-11.3%	+9%
	KOSÉ Korea ^{*note 2}	-24.7%	+1%
	Tarte ^{*note 2}	+6.2%	No change

Note 1: The YoY changes in FY2022 sales are comparisons with the same period of 2021 (January 1, 2021 – December 31, 2021) after retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) to the financial statements.

Note 2: Figures are after applying the Accounting Standard for Revenue Recognition. All other figures are before applying the standard. Note 3: KOSÉ China sales includes online and offline operations and does not include travel retail.

Basic Strategy		Key Initiatives
Three Growth Strategies	Accelerate Global Brand Development	<ul style="list-style-type: none"> • Further increase marketing activities for the growth of flagship global brands through strategic investment • Maximally attract demand from the Chinese people (China mainland and travel retail) • Capture Western markets centered on DECORTÉ and SEKKISEI
	Proactively Develop Unique Products	<ul style="list-style-type: none"> • Increase global competitiveness through the study of state-of-art technologies and unique forms of value • Further evolve product creation through new material development and new manufacturing equipment • Embody Monozukuri2026 (sustainability and adaptability)
	Explore New Growth Domains	<ul style="list-style-type: none"> • Expand genders/generations, and expand value proposition to areas of wellbeing • Expand areas that use digital technology (EC, OMO, counseling) • Produce results from efforts made in the areas of pharmaceutical products at hair salons
Pursuit of Two Values	Use Digital Technology for More and Better Personal Customer Experiences	<ul style="list-style-type: none"> • Improve LTV through customer-focused marketing across brands • Offer cosmetics value in the area of wellbeing • Improve customer service quality by leveraging the benefits of both in-person and online counseling
	Focus on Unique Forms of Value by Utilizing External Resources and Technologies	<ul style="list-style-type: none"> • Leverage external technologies in the “Monozukuri” (manufacturing) area • Create new types of value through open innovation • Collaborate with external resources from a global perspective
Three Bases	Build a Sound Foundation for the Company Growth	<ul style="list-style-type: none"> • Promote Monozukuri BPR and establish a system for sustainable production, including at the South Alps plant • Improve business efficiency by reducing costs, inventories and waste • Promote digital transformation (DX) as a global company • Invest resources in growth areas by improving labor productivity
	Diversity and Inclusion Management Practices	<ul style="list-style-type: none"> • Create an environment where diverse human resources can be utilized and provide employees with job satisfaction • Establish a human resources portfolio and optimize utilization of human resources
	Promote a Sustainability Strategy Across the Entire Value Chain	<ul style="list-style-type: none"> • Promote a unique sustainability strategy for human beings and the Earth • Instill and implement the “KOSÉ Sustainability Plan” • Accelerate initiatives by generating synergies within the Group and collaborating with other companies

Global Sales of Major Group Companies and Major Brands —Quarterly

Major group companies (billion yen)	ALBION						KOSÉ Cosmeport						Tarte					
	2022		2023		YoY change (ratio)		2022		2023		YoY change (ratio)		2022		2023		YoY change (ratio)	
	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	North America	Europe/ others	North America	Europe/ others	North America	Europe/ others
1Q	10.0	1.5	9.9	1.3	-1.5%	-17.0%	7.7	0.0	7.1	0.1	-6.6%	+893.3%	7.1	1.2	12.2	1.7	+71.1%	+39.9%
2Q	10.9	2.2					7.2	0.0					9.0	1.7				
3Q	10.8	1.6					8.9	0.0					10.3	1.7				
4Q	11.7	3.2					8.3	0.0					12.8	2.0				
Subtotal	43.6	8.7					32.3	0.0					39.3	6.8				
Total sales	52.3						32.3						46.2					
OP (ratio)	3.3 (6.5%)						0.6 (1.9%)						4.6 (10.2%)					

* The Accounting Standard for Revenue Recognition is applied for major group companies.

Major brands (billion yen)	DECORTÉ						SEKKISEI					
	2022		2023		YoY change (ratio)		2022		2023		YoY change (ratio)	
	Japan	Overseas	Japan	Overseas	Japan	Overseas	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others
1Q	5.9	11.7	8.7	10.5	+45.5%	-10.1%	1.7	0.7	1.9	1.2	+8.1%	+73.0%
2Q	6.8	17.6					1.6	1.1				
3Q	6.6	14.2					1.7	1.0				
4Q	9.3	23.6					2.2	1.2				
Subtotal	28.8	67.3					7.3	4.1				
Total sales	96.2						11.5					

* The Accounting Standard for Revenue Recognition is not applied for major brands.

1Q						
	2022		2023		YoY change (billion yen)	YoY change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Japan	36.5	61.9%	41.3	60.6%	+4.7	+13.0%
Asia	14.0	23.9%	12.6	18.6%	-1.4	-10.1%
North America	7.3	12.4%	12.9	19.0%	+5.6	+76.5%
Others	1.0	1.8%	1.2	1.9%	+0.2	+20.6%
Total	59.0	100.0%	68.1	100.0%	+9.1	+15.5%
Overseas sales	22.4	38.1%	26.8	39.4%	+4.3	+19.6%

Sales Growth Rate by Business Segment

YoY changes in sales, %	FY2022*note 1				
	1Q	2Q	3Q	4Q	Total
Consolidated sales*note 2	-3.7%	+12.2%	+13.9%	+7.4%	+7.5%

【Segment】

Cosmetics*note2	+2.2%	+9.7%	+13.1%	+6.7%	+7.9%
High prestige	+4.6%	+7.7%	+16.3%	+10.8%	+10.0%
DECORTÉ	-2.3%	+3.4%	+17.0%	+11.0%	+7.5%
Prestige	-10.6%	-8.3%	+4.8%	-7.9%	-6.0%
SEKKISEI	-7.1%	-22.5%	+12.3%	+6.1%	-4.1%
Cosmetaries*note 2	-21.4%	+25.2%	+18.8%	+12.3%	+6.2%

【Major Group Companies】

JPY	ALBION	+5.1%	+3.1%	-0.8%	-1.1%	+1.4%
	KOSÉ Cosmeport	-24.2%	+27.4%	+11.3%	+10.0%	+2.6%
	KOSÉ China*note 2, 3	-5.0%	-11.9%	+2.0%	+13.5%	+1.4%
	KOSÉ China TR	-	-	-	-	-
	KOSÉ Korea*note 2	-48.9%	+46.0%	-34.7%	-39.3%	-20.3%
	Tarte*note 2	+19.5%	+27.1%	+36.1%	+25.0%	+27.1%
Local currency	KOSÉ China*note 2, 3	-15.1%	-23.2%	-15.1%	+0.7%	-11.3%
	KOSÉ China TR	-	-	-	-	-
	KOSÉ Korea*note 2	+49.6%	+40.4%	-40.4%	-44.4%	-24.7%
	Tarte*note 2	+8.9%	+7.9%	+9.1%	+1.1%	+6.2%

FY2023
1Q
+15.5%
+19.6%
+17.3%
+8.6%
+23.9%
+28.1%
-0.6%
-2.7%
-5.4%
-5.4%
-8.9%
-68.5%
+66.5%
-10.6%
-21.0%
-70.7%
+46.4%

FY2023 Outlook
+5.5%
+6.3%
+6%
+6%
+5%
+10%
+1.8%
+5%
+2%
+10%
-
+2%
No change
+9%
-
+1%
No change

Note 1: The YoY changes in FY2022 sales are comparisons with the same period of 2021 (January 1, 2021 – December 31, 2021) after retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) to the financial statements.
 Note 2: Figures are after applying the Accounting Standard for Revenue Recognition. All other figures are before applying the standard. Note 3: KOSÉ China sales includes online and offline operations and does not include travel retail.

E-commerce/Travel Retail Sales (by region) —Quarterly

EC (billion yen)	Total		YoY change	Japan			China			Other Asian countries			North America, others		
	2021	2022		2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change
Total	43.8			11.2			21.2			0.4			10.8		
1Q	8.0	8.9	+12.2%	2.8	3.3	+16.3%	3.2	3.0	-4.9%	0.1	0.1	+8.9%	1.8	2.5	+35.9%
2Q	10.2			2.3			5.2			0.0			2.5		
3Q	7.5			2.4			2.7			0.1			2.2		
4Q	18.0			3.6			10.0			0.1			4.2		

TR (billion yen)	Total		YoY change	Japan			China			South Korea			Others		
	2021	2022		2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change	2021	2022	YoY change
Total	48.8			1.3			30.2			16.7			0.5		
1Q	9.0	7.7	-14.6%	0.1	0.5	+275.5%	6.5	6.0	-8.0%	2.3	0.6	-71.4%	0.0	0.5	+1,108.8%
2Q	13.0			0.1			5.8			6.8			0.1		
3Q	12.1			0.6			8.3			2.8			0.2		
4Q	14.6			0.3			9.4			4.6			0.1		

Offline (billion yen)	China		
	2021	2022	YoY change
Total	5.9		
1Q	1.3	1.2	-9.9%
2Q	2.3		
3Q	0.6		
4Q	1.5		

* The Accounting Standard for Revenue Recognition is not used.

(Yen)	2022			
	Jan. – Mar.	Jan. – Jun	Jan. – Sep.	Jan. – Dec.
US\$	116.2	122.8	128.0	131.4
CN¥	18.2	18.9	19.3	19.4
KRW	0.096	0.099	0.100	0.101

2023
Jan. – Mar.
132.3
19.3
0.103

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- 2023 Earnings Announcement Schedule (tentative)
 - 2nd quarter earnings announcement: August 9, 2023
 - 3rd quarter earnings announcement: November 13, 2023
 - Full-year earnings announcement: February 14, 2024