
Results of Operations

Six Months Ended June 30, 2023



KOSÉ Corporation

August 9, 2023

1. First Half (1H) 2023 Results of Operations

Shinichi Mochizuki, Director & CFO

2. Progress Report of Basic Strategy in 2023 and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

3. Supplementary Information

Net sales

**¥144.2 billion: up ¥13.6 billion (10.5%) YoY
(up 7.1% excluding forex)**

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

Operating profit

**¥10.4 billion: up ¥3.2 billion (44.5%) YoY
(Operating margin: 7.2%)**

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

Consolidated Income Statement Highlights

- Operating profit increased. Profit attributable to owners of parent was down slightly due to a decline in foreign exchange gains.

1H							
	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	130.6	100.0%	144.2	100.0%	+13.6	+10.5%	+7.1%
Cost of sales	38.9	29.8%	41.1	28.5%	+2.2	+5.7%	
Gross profit	91.6	70.2%	103.1	71.5%	+11.4	+12.5%	
SG&A expenses	84.4	64.7%	92.7	64.3%	+8.2	+9.8%	
Operating profit	7.2	5.5%	10.4	7.2%	+3.2	+44.5%	
Ordinary profit	15.1	11.6%	14.0	9.7%	-1.0	-7.2%	
Profit before income taxes	14.9	11.4%	13.6	9.5%	-1.2	-8.6%	
Profit attributable to owners of parent	8.8	6.8%	8.6	6.0%	-0.1	-2.1%	
Net income per share	155.72 yen		152.45 yen		-3.27 yen		
Capital expenditures	2.3		3.5				
Depreciation	5.0		5.1				

Cost of Sales and SG&A Expenses

- The cost of sales ratio decreased 1.3 pct. point because of strong sales of products with relatively lower cost rates.
- The cost of marketing increased, mainly in Japan and at Tarte, as demand for cosmetics recovered.

1H							
		2022		2023		Change (billion yen)	Change (ratio)
		Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cost of sales		38.9	29.8%	41.1	28.5%	+2.2	+5.7%
SG&A expenses		84.4	64.7%	92.7	64.3%	+8.2	+9.8%
Selling expenses	Sales promotion	20.7	15.9%	21.8	15.2%	+1.1	+5.6%
	Advertising	10.0	7.7%	12.4	8.6%	+2.3	+23.6%
	Marketing cost	30.8	23.6%	34.3	23.8%	+3.5	+11.5%
	Freightage and packing	7.8	6.0%	9.3	6.5%	+1.5	+19.2%
Subtotal		38.6	29.6%	43.6	30.3%	+5.0	+13.1%
General and administrative expenses	Personnel	28.2	21.6%	29.3	20.3%	+1.0	+3.8%
	R&D	2.8	2.2%	3.1	2.2%	+0.3	+12.8%
	Depreciation	2.2	1.7%	2.5	1.7%	+0.2	+11.3%
	Others	12.5	9.6%	14.0	9.7%	+1.5	+12.4%
Subtotal		45.8	35.1%	49.0	34.0%	+3.2	+7.0%

Sales and Operating Profit by Segment

- Tarte was the biggest contributor to sales growth in the cosmetics segment. DECORTÉ, SEKKISEI and ONE BY KOSÉ sales were strong. The result was higher segment profit as a lower cost of sales and higher sales.
- In the cosmetaries segment, sales of Visée and CLEAR TURN of KOSÉ Cosmeport were firm in Japan. The segment became profitable because of a lower cost of sales and higher sales.

Net sales

1H						
Operating segment	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cosmetics	105.5	80.8%	117.0	81.1%	+11.4	+10.8%
Cosmetaries	24.1	18.5%	26.2	18.2%	+2.0	+8.6%
Others	0.8	0.7%	1.0	0.7%	+0.1	+20.0%
Total	130.6	100.0%	144.2	100.0%	+13.6	+10.5%

Operating profit

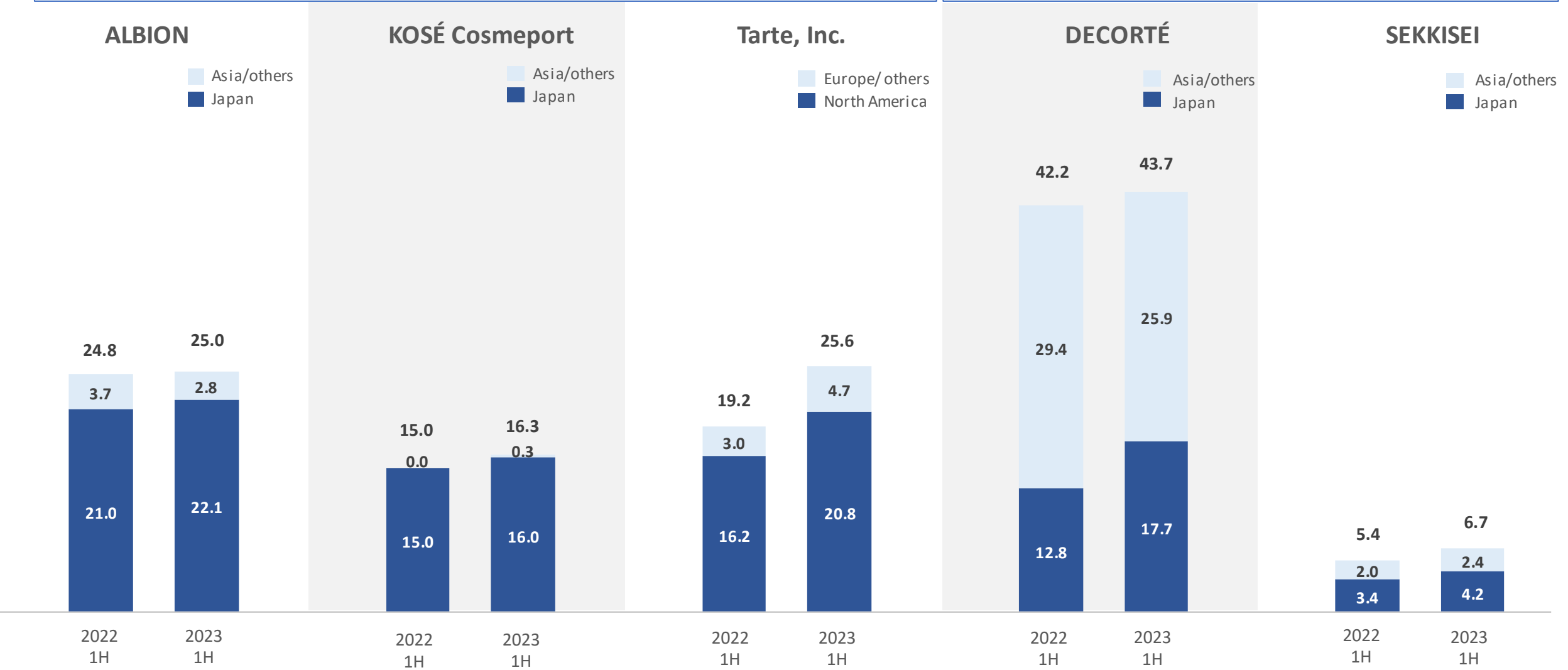
1H						
Operating segment	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Operating margin	Amount (billion yen)	Operating margin		
Cosmetics	9.9	9.4%	11.6	10.0%	+1.6	+17.0%
Cosmetaries	-0.5	-2.3%	1.1	4.4%	+1.7	-
Others	0.4	42.6%	0.4	34.9%	-0.0	-3.1%
Adjustment	-2.6	-	-2.8	-	-0.1	-
Total	7.2	5.5%	10.4	7.2%	+3.2	+44.5%

Global Sales of Major Group Companies and Major Brands

(billionyen)

Major group companies (The Accounting Standard for Revenue Recognition is applied.)

Major brands (The Accounting Standard for Revenue Recognition is not used.)



* 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 30 of the Supplementary Information.

Net Sales by Region: Japan

- Sales at department stores and specialty cosmetics stores remained strong.
- Sales at drug stores and other mass retail channels are recovering, driven by higher demand mainly in makeup products.

(billionyen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1H	75.7	58.0%	87.5	60.7%	+11.7	+15.5%
1Q	36.5	61.9%	41.3	60.6%	+4.7	+13.0%
2Q	39.2	54.8%	46.2	60.7%	+7.0	+17.9%

Market Trends

- The labor market and consumer spending are recovering as economic activity returns to normal. On May 8, the Japanese government downgraded the classification of COVID-19 to Category 5 – Common Infectious Disease.
- Demand from foreign tourists in Japan is recovering, excluding those from China.

KOSÉ

- | | |
|------------------|---|
| High
prestige | <ul style="list-style-type: none"> ■ DECORTÉ sales increased as sales of the LIPOSOME Series remained strong with the support of advertising featuring major leaguer Shohei Ohtani. ■ At ALBION, the May launch of the renewed lineup of eclafutur beauty serums was successful. Sales to foreign tourists in Japan remained strong in the second quarter. ■ Double-digit sales growth continued at high-end makeup brands, such as JILL STUART, ADDICTION |
| Prestige | <ul style="list-style-type: none"> ■ Sales of SEKKISEI sunscreen products increased due to a marketing campaign featuring major leaguer Shohei Ohtani. Overall, sales of SEKKISEI products are recovering. ■ At ONE BY KOSÉ, sales of newly introduced PORE CLEAR OIL cleansing oil have been strong. |
| Cosmetaries | <ul style="list-style-type: none"> ■ Sales of Softymo and CLEAR TURN products, KOSÉ Cosmeport's main brands, are strong. ■ New products of Visée brand performed well, mainly in the lip product category. ■ A makeup base product was added to the popular MAKE KEEP series. |

Net Sales by Region: Asia

- In China, e-commerce sales continued to decline but sales at department stores increased.
- In South Korea, the travel retail category remains challenging as in the first quarter because 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		
1H	36.0	27.6%	31.9	22.1%	-4.1	-11.5%
1Q	14.0	23.9%	12.6	18.6%	-1.4	-10.1%
2Q	22.0	30.7%	19.2	25.3%	-2.7	-12.4%

Market Trends

China	<ul style="list-style-type: none"> Following the end of the zero-COVID policy, sales were initially slow but demand is currently recovering slowly.
South Korea (duty-free)	<ul style="list-style-type: none"> Holding down purchases of merchandise by travel retailers

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China (excluding TR)	<ul style="list-style-type: none"> 618 (June 18) EC shopping festival sales were higher than in 2022 but total EC sales were negatively affected by the diversification of EC platforms. Sales at department stores were much higher than in the first half of 2022 because of the recovery in consumer spending and the rebound in purchases following the downturn caused by the Shanghai lockdown in May 2022.
China TR	<ul style="list-style-type: none"> China duty-free sales (including Hainan Island) decreased.
South Korea TR	<ul style="list-style-type: none"> A big decrease in sales because of a downturn in relation to the increase in the second quarter of 2022 and the low volume of merchandise delivered to stores in the first and second quarters of 2023.

*Information about sales excluding forex changes is in "Sales Growth Rate by Business Segment" on page 32 of the Supplementary Information.

Net Sales by Region: North America, Europe, Others

- A big increase in first half sales at Tarte; most of the increase in the first quarter as deliveries of merchandise were earlier than usual due to the relocation of a warehouse.
- Sales were higher than one year earlier in North America, Europe, the Middle East.

	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales (billionyen)	Ratio to net sales	Sales	Ratio to net sales		
1H	18.7	14.4%	24.8	17.2%	+6.0	+32.4%
1Q	8.3	14.2%	14.1	20.8%	+5.8	+69.5%
2Q	10.3	14.5%	10.6	14.0%	+0.2	+2.5%

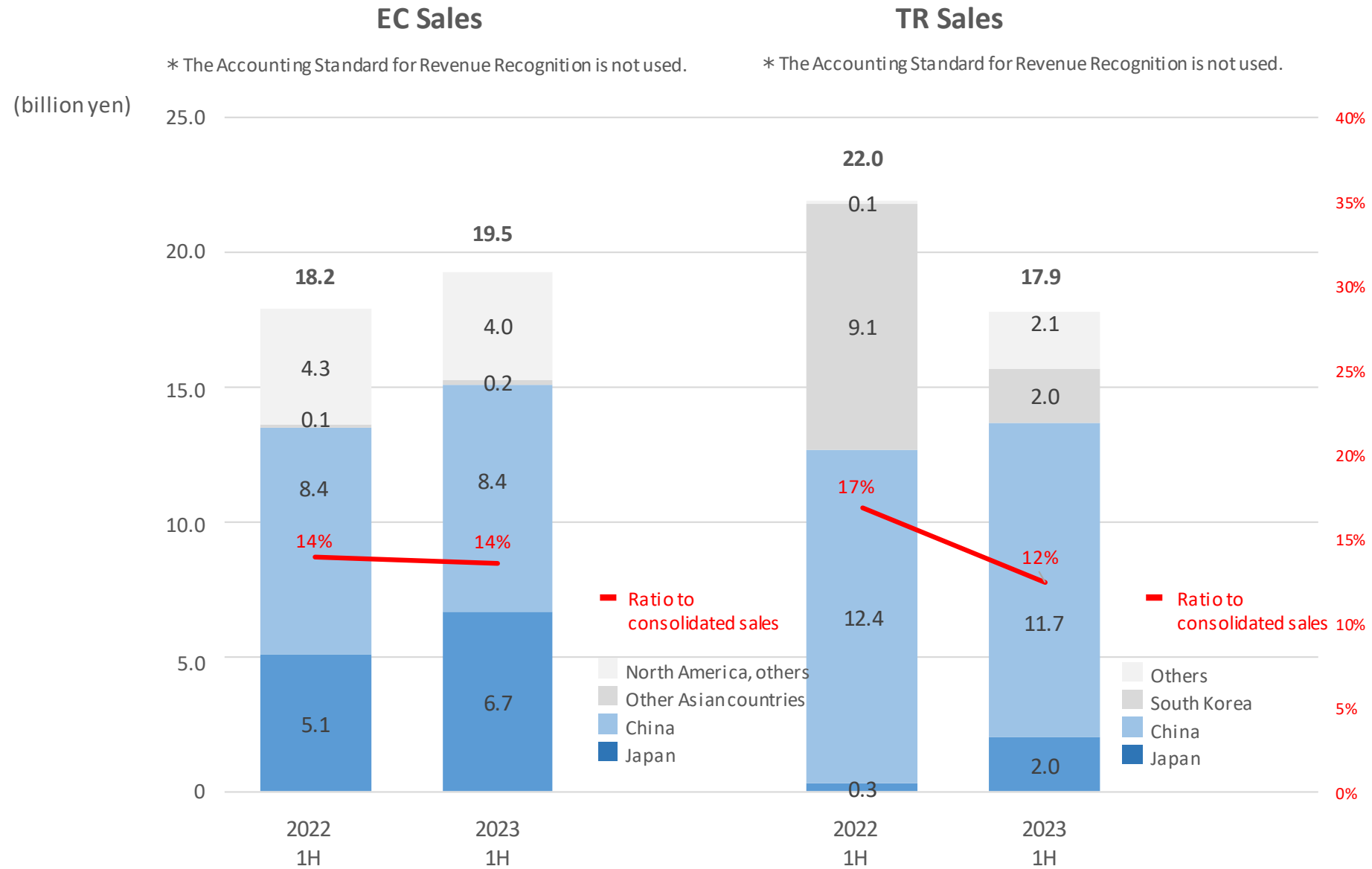
Market Trends

USA	<ul style="list-style-type: none"> ■ Interest rates and inflation remain high. ■ Although there are 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"> ■ The European Central Bank is continuing to raise interest rates as inflation remains high. Demand for cosmetics remains firm.

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Tarte (USA)	<ul style="list-style-type: none"> ■ Sales growth backed by core products and the popularity of the newly introduced line of concealers. ■ Promotional activities are contributing to sales growth, including marketing activities featuring popular influencers.
Tarte (Europe)	<ul style="list-style-type: none"> ■ Strong sales in Europe and the Middle East, primarily of concealer and lip products.
KOSE America	<ul style="list-style-type: none"> ■ Higher sales in the first quarter due to sales of SEKKISEI products to a major retailer. The additional products will be sold in the second half of 2023.

*Information about sales excluding forex changes is in "Sales Growth Rate by Business Segment" on page 32 of the Supplementary Information.



*Reference: page 33 E-commerce/Travel Retail Sales (by region) — Quarterly; includes offline sales in China.

Balance Sheet and Cash Flow Highlights

➤ Total assets amounted to ¥363.2 billion and equity ratio was above 70%.

(billion yen)	As of December 31, 2022		As of June 30, 2023		Change
	Amount	Share	Amount	Share	Amount
Current assets	244.4	68.0%	248.7	68.5%	+4.2
Cash and deposits	116.5	32.4%	126.2	34.7%	+9.6
Accounts receivable	52.4	14.6%	42.7	11.8%	-9.6
Inventories	69.0	19.2%	72.7	20.0%	+3.7
Non-current assets	115.1	32.0%	114.4	31.5%	-0.6
Property, plant and equipment	63.9	17.8%	62.9	17.3%	-1.0
Intangible assets	14.4	4.0%	14.9	4.1%	+0.5
Total assets	359.6	100.0%	363.2	100.0%	+3.6

Current liabilities	67.5	18.8%	62.1	17.1%	-5.4
Accounts payable	26.2	7.3%	28.6	7.9%	+2.3
Short-term borrowings	1.3	0.4%	0.5	0.1%	-0.8
Non-current liabilities	16.6	4.6%	17.6	4.9%	+1.0
Total liabilities	84.2	23.4%	79.8	22.0%	-4.4
Total net assets	275.3	76.6%	283.3	78.0%	+8.0
Shareholders' equity*	258.9	72.0%	266.9	73.5%	+7.9
Non-controlling interests	16.3	4.5%	16.4	4.5%	+0.0
Total liabilities and net assets	359.6	100.0%	363.2	100.0%	+3.6

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

➤ Cash and cash equivalents up ¥9.0 billion and liquidity remains sound.

(billion yen)	1H	
	2022	2023
Profit before income taxes	+14.9	+13.6
Depreciation	+4.6	+4.6
Working capital (+Accounts receivable + Inventories -Accounts payable)	-3.5	+11.0
Others	-13.6	-11.8
Cash flows from operating activities	+2.3	+17.3
(Increase) decrease in time deposits	-3.4	-0.5
Purchase of non-current assets	-2.4	-3.6
Others	-0.8	-1.0
Cash flows from investing activities	-6.7	-5.2
Funds procured from external sources and repayments	+2.5	-1.1
Cash dividends paid	-3.6	-4.2
Others	-0.3	-0.0
Cash flows from financing activities	-1.3	-5.4
Effect of exchange rate change on cash and cash equivalents	+5.3	+2.3
Change in cash and cash equivalents	-0.4	+9.0
Cash and cash equivalents at beginning of period	81.8	94.0
Cash and cash equivalents at end of period	81.4	103.1

Outlook for the Second Half of 2023

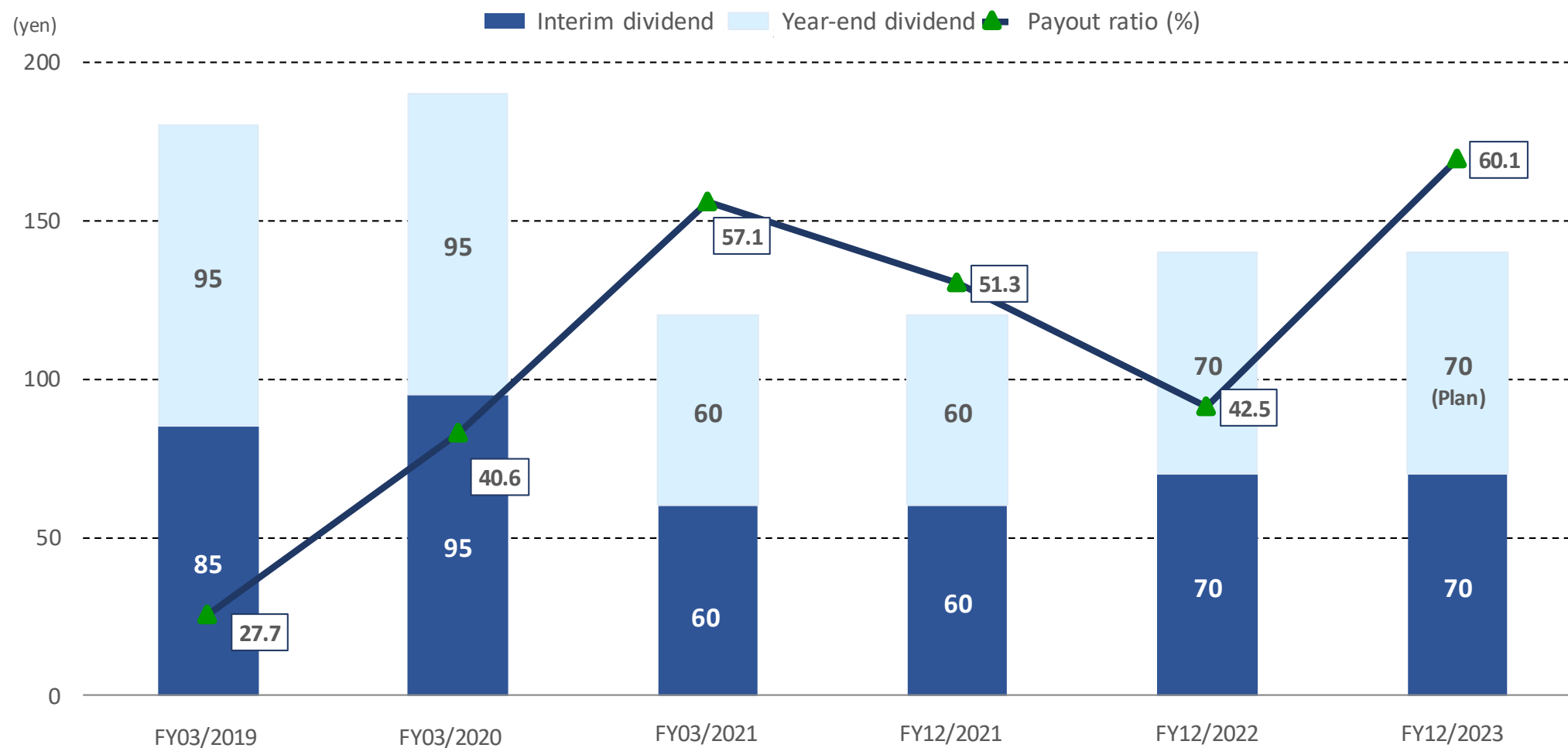
Regional outlook	2023 initial sales plan	Outlook
Overall	+5.5%	<ul style="list-style-type: none"> ■ Proactive investments are planned in 2023, which is a year for making various investments. We aim for an improvement in profitability starting in 2024. ■ Most marketing expenses will be for DECORTÉ, ALBION, Tarte and prestige brands (SEKKISEI and others). ■ Aiming to accomplish the sales plan by using sales growth in Japan and at Tarte to offset the big decline in demand in South Korea.
Japan	+5-7%	<ul style="list-style-type: none"> ■ Forecast strong demand for cosmetics as in the first half. ✓ For the DECORTÉ brand, where sales are strong, activities will continue for increasing repeat purchases and increasing sales of high-end products such as new AQ products and LIPOSOME. ✓ ALBION is focusing on attracting new customers and retaining current customers. ✓ SEKKISEI is stepping up activities for overall product lines, mainly on CLASSIC line, and is continuing marketing activities to position SEKKISEI as a genderless brand. ✓ KOSÉ Cosmeport plans to strengthen activities involving Softymo, CLEAR TURN and other key product categories. The goal is to add new customers by launching products targeting areas where the needs of consumers are high.
China (excluding TR)	+10%	<ul style="list-style-type: none"> ■ Although the economy is expected to return to normal in the second half, the pace of the economic recovery is slower than originally expected. ✓ Adding a new EC platform to strengthen EC channels in response to increasingly intense competition. Plan to conduct promotional activities with emphasis on the new AQ line. ✓ At department stores, planning on opening new stores and reinforcing flagship stores in order to raise awareness of DECORTÉ high-end products.
China/South Korea TR	+2-5%	<ul style="list-style-type: none"> ✓ Although there is still uncertainty about market conditions in China, a high-profile marketing campaign is under way on Hainan Island to raise awareness of the DECORTÉ brand. ✓ In South Korea, the negative effects of holding down purchases of merchandise by travel retailers are expected to continue in the second half of 2023.
Overseas (Tarte)	No change	<ul style="list-style-type: none"> ✓ Despite concerns about the possibility of slowing economic growth, sales are expected to remain firm and may exceed the plan.

➤ 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

- Dividend for 2023: The first half dividend is ¥70 and the dividend for full year is expected to be ¥140 per share. No change in the initial plan for 2023.



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3. Supplementary Information

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 Life Time Value 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

Increase Marketing Activities for the Growth of Flagship Global Brands: DECORTÉ

- ◆ Update of the AQ* line, which is the symbolic line of the luxury value of DECORTÉ, with the aim of reinforcing the brand's perception as a high-prestige brand and increasing its market share.
- ◆ Launched a revised lineup of EYE GLOW GEM, the core point makeup product, in response to the growing demand for makeup products.



The new AQ line launch will be widely promoted through mass advertising, TV commercials in Japan. Sales will begin first in China on September 1 and then expand on September 16 to Japan and 13 other countries. The main target is users of high-end skin care products.

*All AQ (Absolute Quality) products are based on the concept of providing customers with the best possible products in terms of quality, beauty theory and formula.



The popular EYE GLOW GEM, which has received many Best Cosmetics awards, was renewed on July 16 that are sold in Japan and 12 other countries. These products position KOSÉ to grow along with the increasing demand for makeup products in Japan as well as to add more new users of these products in other countries.

◆ Enlarging sales channels in response to the increase in overseas travelers.



In July, KOSÉ conducted a high-profile marketing campaign throughout Hainan Island that fully utilized duty-free stores on the island. In addition to this campaign, there were six pop-up shops, one of the largest pop-up shop promotions ever in Hainan Island's duty-free store sector.



In autumn 2023, KOSÉ will open a DECORTÉ shop at the duty-free store in Paris. The shop is expected to raise awareness of the DECORTÉ brand in Europe.

- ◆ Following last year's renewal of SKIN CONDITIONER products, ALBION has launched a revised lineup for eclairfutur, the primary brand for beauty serums.
- ◆ Elégance products appealing demand of foreign travelers, is contributing to higher sales at department stores.



The popular beauty serum eclairfutur incorporates exclusive ALBION ingredients to deliver an even higher level of benefits. Sales have been growing steadily since the May 18 launch of the revised lineup of these beauty serums, which is contributing to consolidated sales growth.



LA POUDRE HAUTE NUANCE
(Face powder)



MODELING COLOR UP BASE
(Makeup base)

Popular Elégance products, such as LA POUDRE HAUTE NUANCE and MODELING COLOR UP BASE, are increasing their sales at department stores, contributing to the overall sales growth of ALBION brands.

- ◆ Strong sales of SEKKISEI CLEAR WELLNESS sunscreen products due to the success of a stepped-up marketing campaign during the peak demand period for sunscreen.
- ◆ The ONE BY KOSÉ brand added SERUM SHIELD, a medicinal high moisture retention sealing balm, in a move to attract new customers.



Marketing activities featuring major leaguer Shohei Ohtani have increased by using larger sales areas for sunscreen products and holding special events when demand for this merchandise is highest. Both sell-in and sell-out sales were higher than one year earlier. The aim is to capture a larger share of Japan's sunscreen market.



SERUM SHIELD
(High moisture retention sealing balm)



SERUM VEIL
(Beauty serum)

SERUM SHIELD contains Japan's first active ingredients called Rice Power® No. 11+, which has been proven to be effective for improving the skin's ability to retain moisture and for benefits involving wrinkles. The aim is to meet consumers' increasingly diverse needs involving skin care and to increase the ONE BY KOSÉ brand's points of contact with customers. Another activity is cross-selling to existing customers by selling this new product and SERUM VEIL in a single package.

- ◆ The second promotional campaign encompassing the entire KOSÉ Group that targets the growing demand for skin care products for sensitive skin.

自然の力で、うるおいも透明感も。
SEKKISEI
雪肌精



SEKKISEI
CLEAR WELLNESS

Carté



KOSÉ Maruho Pharma
Carté HD

medicated skin cream
CERAMIAID
セラミイaid



KOSÉ Cosmeport
CERAMIAID

As in 2022, three KOSÉ Group companies conducted a joint sensitive skin campaign. This year, in particular, they widens the product lineup targeting infants and adults in order to establish a stronger presence in the growing market for sensitive skin care products.

- ◆ With people taking face masks on and off more frequently due to the end of pandemic mask requirements, KOSÉ has started selling new products with innovative technologies for even better durability.
- ◆ A big increase in store sales rates because of rapid growth in demand for makeup products in the lip and other categories

Visée NENMAKU FAKE ROUGE



This lipstick is glossy but formulated to minimize the transfer of color to a face mask. Only about one month after its launch in May, this product had already won Best Cosmetics awards from several media.

FASIO HITONURI Rouge



This lipstick lasts a long time and provides just the right color generation with only a single application. Marketing efforts that emphasize its easy to understand efficacy have made this product popular.

MAKE KEEP PRIMER



A makeup base type product (on left) has been added to the MAKE KEEP series, which has enjoyed strong sales of the powder type following the mist type product. The aim is to establish itself as series that leads the makeup fixer market.

◆ Providing products that consumers want by developing products that meet current needs

Deo carat



This quasi-drug body wash combines functions for both odors and acne care. Sales are strong due to this product's ability to meet the need of consumers for a body wash product with additional benefits.

Softymo clear pro
Cushion Cleansing Oil



Sales have been strong since the March 22 launch due to this product's matching to the needs of consumers. The success of this product is expected to strengthen KOSÉ's position in the cleansing oil category.

VITAPURU



VITAPURU will be launched on August 21 as a brand for new medical skin care products combining vitamins and lactic acid bacteria. The aim is to establish sales channels through drug stores by telling consumers about the efficacy of VITAPURU skin care products.

- ◆ The shape tape™ series contributed to sales growth as the introduction of new products by a social network influencer attracted attention.
- ◆ Overall growth was driven by store sales in Europe, the Middle East, and Asia.

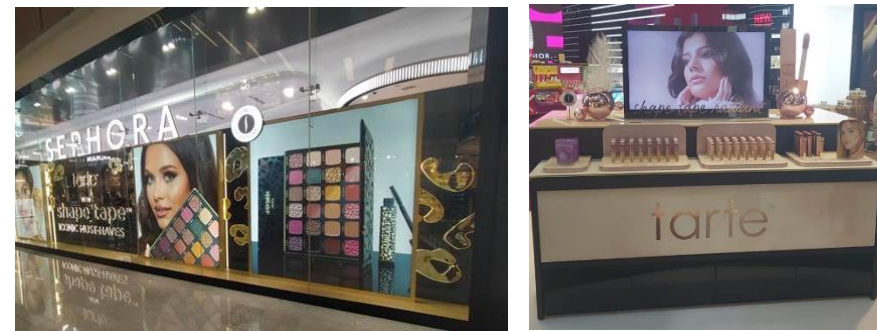


Added shape tape™ Radiant, a lightweight concealer (left), to the shape tape concealer series. In addition, the new base makeup products (right) of this series were introduced by popular influencer on SNS, contributing to sales growth on the e-commerce site and in physical stores.

Europe



The Middle East



Apart from North America, tarte successfully launched new stores in Europe, the Middle East, and Asia, outperforming the market in each of these regions.

- ◆ KOSÉ has activities to raise awareness of the importance of using sunscreen for UV protection. Furthermore, these community programs are creating new sources of demand for sunscreen products.
- ◆ New products for sensitive skin will be launched in order to meet the needs of people of all ages, including newborns.



KOSÉ started activities to raise awareness of the importance of UV protection following the launch of sunscreen marketing activities featuring major leaguer Shohei Ohtani. Nationwide awareness programs are based on activities closely linked to communities and regions, mainly by promoting the use of sunscreen and other KOSÉ products by teams in various sports.

SUN BLOCKERS is a program to make people aware of the importance of using sunscreen products when playing sports. This is a campaign of the SEKKISEI brand.



On September 16, KOSÉ will start selling SEKKISEI CLEAR WELLNESS Moist Repair Milk, a moisture retention product for sensitive skin that can be used even for newborn babies. The development of this product utilizes the knowledge of skincare ingredients that can be safely used on newborns, which KOSÉ obtained in collaboration with a medical team specializing in children's allergies.



1. First Half (1H) 2023 Results of Operations

Shinichi Mochizuki, Director & CFO

2. Progress Report of Basic Strategy in 2023 and Upcoming Initiatives

Kazutoshi Kobayashi, President & CEO

3. Supplementary Information

2023 Sales Plan (Regional/Business Segment/ Major Group Companies)

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%	+10%
	KOSÉ Korea ^{*note 2}	-24.7%	+2%
	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.

Global Sales of Major Group Companies and Major Brands —Quarterly

Major group companies (billionyen)	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	12.2	1.5	+11.3%	-30.6%	7.2	0.0	8.9	0.1	+20.8%	+503.6%	9.0	1.7	8.6	2.9	-5.0%	+71.5%
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 (billionyen)	DECORTÉ						SEKKISEI					
	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
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	9.0	15.4	+32.3%	-12.6%	1.6	1.1	2.3	1.2	+43.7%	-8.8%
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.

1H						
	2022		2023		YoY change (billion yen)	YoY change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Japan	75.7	58.0%	87.5	60.7%	+11.7	+15.5%
Asia	36.0	27.6%	31.9	22.1%	-4.1	-11.5%
North America	16.5	12.6%	21.6	15.0%	+5.1	+31.2%
Others	2.2	1.7%	3.1	2.2%	+0.9	+41.1%
Total	130.6	100.0%	144.2	100.0%	+13.6	+10.5%
Overseas sales	54.8	42.0%	56.7	39.3%	+1.9	+3.5%

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	2Q	1H
+15.5%	+6.4%	+10.5%
+19.6%	+3.9%	+10.8%
+17.3%	+4.3%	+10.1%
+8.6%	-0.1%	+3.6%
+23.9%	+13.4%	+18.6%
+28.1%	+22.4%	+23.7%
-0.6%	+17.5%	+8.6%
-2.7%	+4.5%	+1.2%
-5.4%	+14.6%	+4.5%
-5.4%	+8.6%	+3.4%
-8.9%	-2.6%	-5.9%
-68.5%	-78.3%	-75.9%
+66.5%	+7.4%	+33.3%
-10.6%	+7.2%	+0.7%
-21.0%	-9.5%	-15.6%
-70.7%	-79.0%	-77.0%
+46.4%	+2.2%	+21.5%

FY2023 Outlook
+5.5%

+6.3%
+6%
+6%
+5%
+10%
+1.8%

+5%
+2%
+10%
+2-5%
No change
+10%
+2-5%
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		
	2022	2023		2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change	2022	2023	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	10.5	+3.3%	2.3	3.3	+45.7%	5.2	5.3	+3.4%	0.0	0.1	+42.3%	2.5	1.5	-38.1%
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		
	2022	2023		2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change	2022	2023	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	10.2	-21.4%	0.1	1.5	+708.3%	5.8	5.6	-2.4%	6.8	1.3	-79.6%	0.1	1.6	+1,144.0%
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		
	2022	2023	YoY change
Total	5.9		
1Q	1.3	1.2	-9.9%
2Q	2.4	2.2	-7.0%
3Q	0.6		
4Q	1.5		

* The Accounting Standard for Revenue Recognition is not used.

Balance Sheet Highlights (vs. the end of June 2022)

	As of June 30, 2022		As of June 30, 2023		Change
	Amount	Share	Amount	Share	Amount
(billion yen)					
Current assets	231.1	69.1%	248.7	68.5%	+17.5
Cash and deposits	109.1	32.6%	126.2	34.7%	+17.0
Accounts receivable	43.3	12.9%	42.7	11.8%	-0.5
Inventories	74.0	22.1%	72.7	20.0%	-1.2
Other current assets	4.6	1.4%	7.0	1.9%	+2.3
Non-current assets	103.6	30.9%	114.4	31.5%	+10.8
Property, plant and equipment	59.9	17.9%	62.9	17.3%	+2.9
Intangible assets	14.7	4.4%	14.9	4.1%	+0.1
Investments and other assets	28.8	8.6%	36.5	10.1%	+7.7
Total assets	334.7	100.0%	363.2	100.0%	+28.4

	As of June 30, 2022		As of June 30, 2023		Change
	Amount	Share	Amount	Share	Amount
(billion yen)					
Current liabilities	58.8	17.6%	62.1	17.1%	+3.2
Accounts payable	24.7	7.4%	28.6	7.9%	+3.9
Short-term borrowings	3.3	1.0%	0.5	0.1%	-2.8
Others	30.8	9.2%	33.0	9.1%	+2.2
Non-current liabilities	8.7	2.6%	17.6	4.9%	+8.9
Total liabilities	67.6	20.2%	79.8	22.0%	+12.2
Total net assets	267.1	79.8%	283.3	78.0%	+16.2
Shareholders' equity*	250.9	75.0%	266.9	73.5%	+15.9
Non-controlling interests	16.1	4.8%	16.4	4.5%	+0.2
Total liabilities and net assets	334.7	100.0%	363.2	100.0%	+28.4

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

(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.	Jan. – Jun.
132.3	134.8
19.3	19.4
0.103	0.104

These materials include estimates on the basis of the outlook on the future and plans as of August 9, 2023, 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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- 2023 Earnings Announcement Schedule (tentative)

3rd quarter earnings announcement:	November 13, 2023
Full-year earnings announcement:	February 14, 2024