
Results of Operations

Nine Months Ended September 30, 2023



KOSÉ Corporation
November 13, 2023

Net sales

**¥218.9 billion: up ¥18.0 billion (9.0%) YoY
(up 6.4% excluding forex)**

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

Operating profit

**¥16.0 billion: up ¥3.5 billion (28.4%) YoY
(Operating margin: 7.3%)**

- Operating profit increased as sales growth was more than the increases in the cost of sales and SG&A expenses

Consolidated Income Statement Highlights

➤ Operating profit increased. Ordinary profit and profit attributable to owners of parent were down due to a decline in foreign exchange gains.

1Q-3Q							
	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	200.8	100.0%	218.9	100.0%	+18.0	+9.0%	+6.4%
Cost of sales	59.8	29.8%	63.7	29.1%	+3.9	+6.5%	
Gross profit	141.0	70.2%	155.1	70.9%	+14.1	+10.0%	
SG&A expenses	128.5	64.0%	139.1	63.5%	+10.6	+8.3%	
Operating profit	12.4	6.2%	16.0	7.3%	+3.5	+28.4%	
Ordinary profit	22.5	11.2%	21.0	9.6%	-1.4	-6.6%	
Profit before income taxes	22.1	11.0%	20.5	9.4%	-1.5	-7.2%	
Profit attributable to owners of parent	13.8	6.9%	13.1	6.0%	-0.6	-5.0%	
Net income per share	242.61 yen		230.45 yen		-12.16 yen		
Capital expenditures	4.3		4.9				
Depreciation	7.8		7.8				

Cost of Sales and SG&A Expenses

- The cost of sales ratio decreased as a decline in this ratio mainly at Tarte more than offset the negative effect of lower sales in Asia of DECORTÉ products, which have a low cost of sales ratio.
- The cost of marketing increased, mainly in Japan and at Tarte, as demand for cosmetics increased.

1Q-3Q							
		2022		2023		Change (billion yen)	Change (ratio)
		Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cost of sales		59.8	29.8%	63.7	29.1%	+3.9	+6.5%
SG&A expenses		128.5	64.0%	139.1	63.5%	+10.6	+8.3%
Selling expenses	Sales promotion	30.2	15.0%	32.6	14.9%	+2.4	+8.0%
	Advertising	16.1	8.0%	18.5	8.5%	+2.4	+14.9%
	Marketing cost	46.3	23.1%	51.1	23.4%	+4.8	+10.4%
	Freightage and packing	12.2	6.1%	13.8	6.3%	+1.6	+13.3%
	Subtotal	58.5	29.2%	65.0	29.7%	+6.4	+11.0%
General and administrative expenses	Personnel	42.3	21.1%	44.1	20.1%	+1.7	+4.2%
	R&D	4.4	2.2%	4.7	2.2%	+0.2	+6.5%
	Depreciation	3.6	1.8%	3.7	1.7%	+0.0	+2.7%
	Others	19.4	9.7%	21.4	9.8%	+1.9	+10.2%
Subtotal		69.9	34.8%	74.1	33.8%	+4.1	+6.0%

Sales and Operating Profit by Segment

- In the cosmetics segment, sales and earnings increased despite lower sales and earnings of DECORTÉ products in South Korea and China as other brands performed well.
- In the cosmetaries segment, overall sales were firm in Japan. A big increase in segment profit because of higher sales and a lower cost of sales.

Net sales

Operating segment	1Q-3Q					
	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cosmetics	160.7	80.0%	174.4	79.7%	+13.7	+8.5%
Cosmetaries	38.8	19.3%	42.8	19.6%	+4.0	+10.4%
Others	1.3	0.7%	1.6	0.7%	+0.3	+23.6%
Total	200.8	100.0%	218.9	100.0%	+18.0	+9.0%

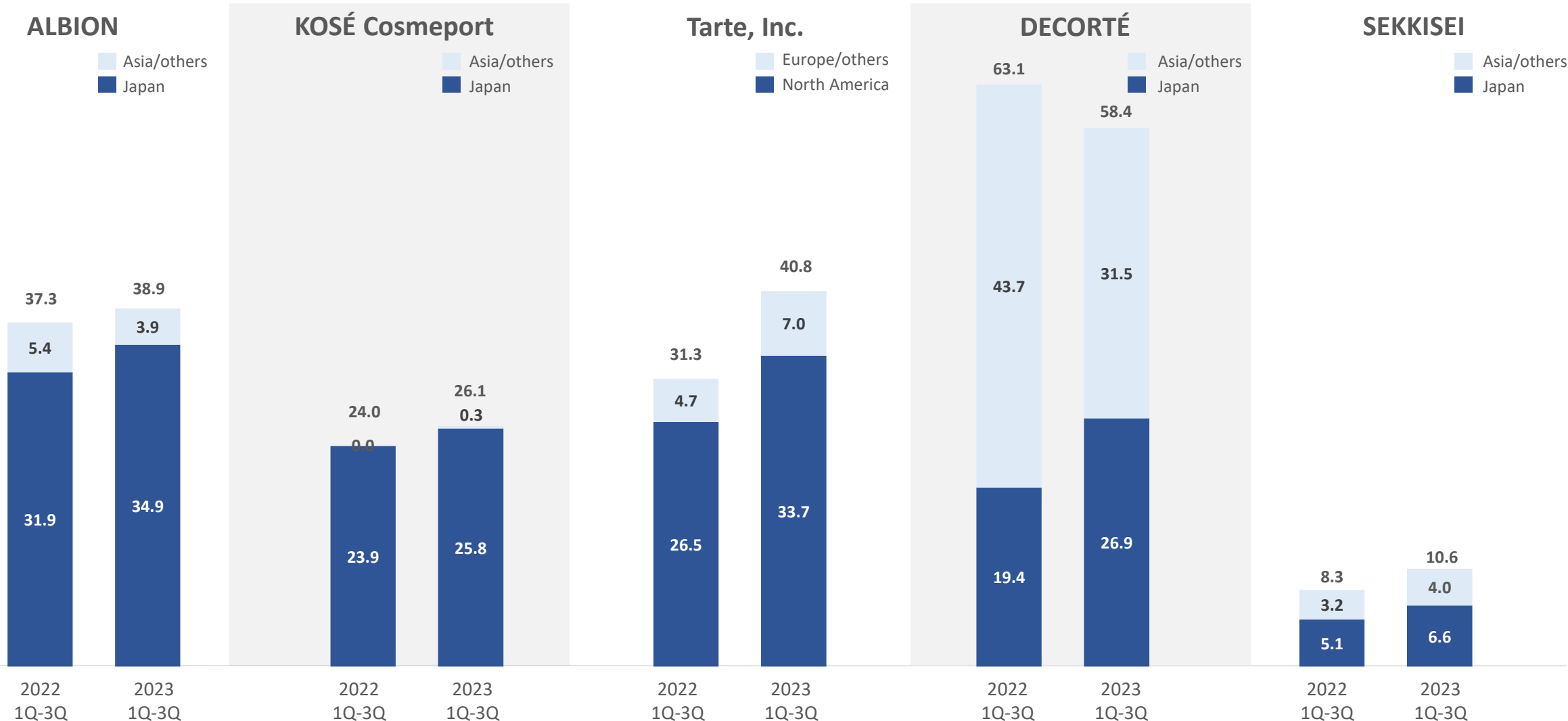
Operating profit

Operating segment	1Q-3Q					
	2022		2023		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Operating margin	Amount (billion yen)	Operating margin		
Cosmetics	15.4	9.6%	15.7	9.1%	+0.3	+2.2%
Cosmetaries	0.2	0.7%	3.9	9.2%	+3.6	-
Others	0.7	43.1%	0.6	32.5%	-0.1	-17.4%
Adjustment	-4.0	-	-4.3	-	-0.3	-
Total	12.4	6.2%	16.0	7.3%	+3.5	+28.4%

(billion yen)

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

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



* 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 24 of the Supplementary Information.

Net Sales by Region: Japan

- Sales at department stores and specialty cosmetics stores remained strong.
- At drug stores and other mass retail channels, sales of skincare and makeup products increased along with the return of customers to these stores.

(billion yen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q-3Q	116.9	58.2%	137.8	63.0%	+20.8	+17.8%
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%
3Q	41.2	58.7%	50.3	67.4%	+9.1	+22.1%

Market Trends

- Economic activity returns to normal.
- Strong inbound demand from foreign tourists (except China) in Japan, backed partly by the yen's weakness, is contributing to sales growth.
- The number of tourists from China has increased as the Chinese government lifted the ban on group tours to Japan in August. However, the release of treated wastewater from the Fukushima nuclear power plant is slowing down the pace of the recovery in travel from China.

KOSÉ	
High prestige	<ul style="list-style-type: none"> ■ Double-digit sales growth of DECORTÉ backed mainly by the LIPOSOME series. The launch of new versions of the Eye Glow Gem and AQ series has attracted new customers. ■ At ALBION, progress with establishing the FLARUNÉ brand, resulting in sales growth in Japan to be higher in the third quarter. Sales of Elégance products to foreign tourists in Japan remained strong in the third quarter. ■ Sales of JILL STUART and ADDICTION makeup brands remained firm.
Prestige	<ul style="list-style-type: none"> ■ Sales of SEKKISEI products increased mainly for the CLASSIC series. Sales of sunscreen products were also strong due to a marketing campaign featuring major leaguer Shohei Ohtani. ■ At ONE BY KOSÉ, sales of the SERUM SHIELD launched in August have been strong.
Cosmetaries	<ul style="list-style-type: none"> ■ Sales of Softymo and CLEAR TURN products, KOSÉ Cosmeport's main brands, are strong. ■ Products of Visée, MAKE KEEP series and FASIO also performed well.

Net Sales by Region: Asia

- In China, sales increased at department stores but sales have been decreasing since August due to the impact of the Fukushima treated wastewater release on the EC and travel retail channels, which are a large share of sales in China.
- In South Korea, the travel retail category remains challenging as in the first half because travel retailers are holding 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-3Q	53.1	26.5%	40.8	18.6%	-12.3	-23.2%
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%
3Q	17.0	24.3%	8.8	11.9%	-8.2	-48.1%

Market Trends

China	<ul style="list-style-type: none"> ■ The real estate market downturn and a weak labor market are slowing down the recovery of consumer spending. An upturn in this spending began to emerge in the third quarter due to economic stimulus measures by the Chinese government. ■ Due to China's criticism of the Fukushima treated wastewater release since August, retailers in China are not making big purchases of Japanese products and there are other negative effects.
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"> ■ Added a new platform for EC sales channel. EC sales decreased partly because of suspensions of some marketing activities beginning in August. ■ Sales at department stores were higher year on year because of the recovery in consumer spending.
China TR	<ul style="list-style-type: none"> ■ Sales decreased as store inventories increased, the result of the slow recovery in the number of customers, and tightening of restrictions on bulk purchases by resellers in Hainan Island.
South Korea TR	<ul style="list-style-type: none"> ■ A big decrease in sales because of the low volume of merchandise delivered to stores in the first nine months of 2023.

*Information about sales excluding forex changes is in "Sales Growth Rate by Business Segment" on page 26 of the Supplementary Information.

Net Sales by Region: North America, Europe, Others

- Tarte sales were higher than one year earlier in all area.
- Progressing development of KOSÉ brand products in Europe and the U.S.

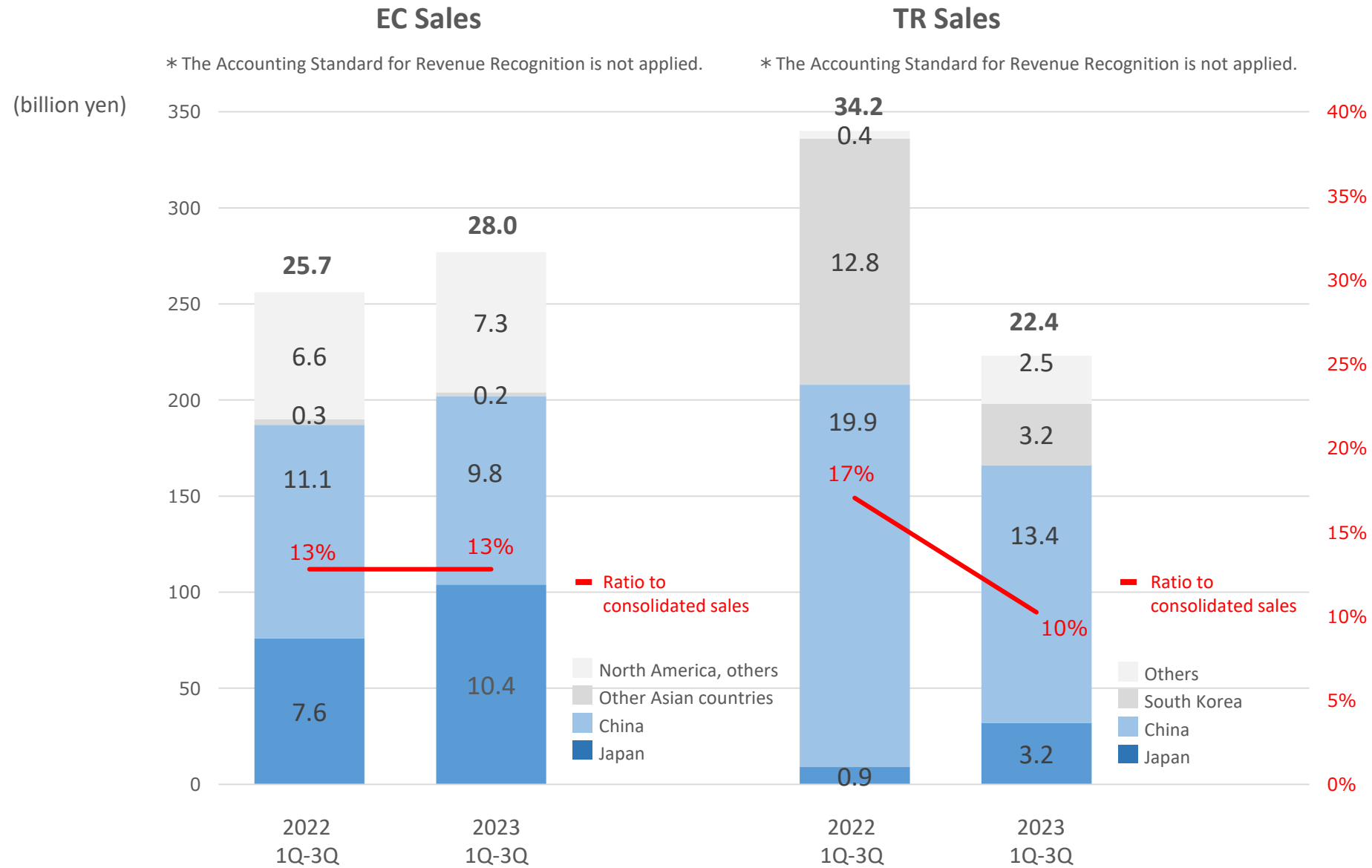
(billion yen)	2022		2023		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q-3Q	30.7	15.3%	40.2	18.4%	+9.5	+31.1%
1Q	8.3	14.2%	14.1	20.8%	+5.8	+69.5%
2Q	10.3	14.5%	10.6	14.0%	+0.2	+2.5%
3Q	11.9	17.0%	15.4	20.7%	+3.4	+29.1%

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.
Europe	<ul style="list-style-type: none"> ■ Inflation remains high and the European Central Bank has stopped raising interest rates and is holding rates level. Demand for cosmetics remains firm.

KOSÉ	
Tarte (USA)	<ul style="list-style-type: none"> ■ Sales growth driven by strong sales of lip and concealer products. ■ Successful major marketing campaign in September in the EC channel. Higher digital ad expenditures have produced a big increase in sales generated from SNS and ads.
Tarte (Europe)	<ul style="list-style-type: none"> ■ Strong sales in Europe and the Middle East, primarily of lip products. Popularity of concealer products remains firm.
KOSÉ America	<ul style="list-style-type: none"> ■ Beginning ADDICTION operations in the U.S. and EC transactions have started. ■ Increase in SEKKISEI sales due to sales to a major retailer in the third quarter just as in the first quarter.

*Information about sales excluding forex changes is in “Sales Growth Rate by Business Segment” on page 26 of the Supplementary Information.



*Reference: page 27 E-commerce/Travel Retail Sales (by region) —Quarterly; includes offline sales in China.

Balance Sheet and Cash Flow Highlights

➤ Total assets amounted to ¥368.1 billion and equity ratio was above 70%.

(billion yen)	As of December 31, 2022		As of September 30, 2023		Change
	Amount	Share	Amount	Share	Amount
Current assets	244.4	68.0%	254.3	69.1%	+9.8
Cash and deposits	116.5	32.4%	127.8	34.7%	+11.3
Accounts receivable	52.4	14.6%	42.9	11.7%	-9.5
Inventories	69.0	19.2%	75.6	20.5%	+6.5
Non-current assets	115.1	32.0%	113.8	30.9%	-1.2
Property, plant and equipment	63.9	17.8%	62.8	17.1%	-1.1
Intangible assets	14.4	4.0%	14.7	4.0%	+0.2
Total assets	359.6	100.0%	368.1	100.0%	+8.5

Current liabilities	67.5	18.8%	65.8	17.9%	-1.6
Accounts payable	26.2	7.3%	29.1	7.9%	+2.8
Short-term borrowings	1.3	0.4%	0.5	0.1%	-0.8
Non-current liabilities	16.6	4.6%	17.7	4.8%	+1.1
Total liabilities	84.2	23.4%	83.6	22.7%	-0.5
Total net assets	275.3	76.6%	284.5	77.3%	+9.1
Shareholders' equity*	258.9	72.0%	267.9	72.8%	+8.9
Non-controlling interests	16.3	4.5%	16.5	4.5%	+0.2
Total liabilities and net assets	359.6	100.0%	368.1	100.0%	+8.5

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

➤ Cash and cash equivalents up ¥9.9 billion and liquidity remains sound.

(billion yen)	1Q-3Q	
	2022	2023
Profit before income taxes	+22.1	+20.5
Depreciation	+7.8	+7.8
Working capital (+Accounts receivable + Inventories -Accounts payable)	-9.2	+5.8
Others	-11.4	-13.7
Cash flows from operating activities	+9.3	+20.4
(Increase) decrease in time deposits	+0.6	-1.3
Purchase of non-current assets	-4.1	-5.2
Others	-0.8	-1.1
Cash flows from investing activities	-4.3	-7.7
Funds procured from external sources and repayments	+1.6	-0.6
Cash dividends paid	-7.8	-4.4
Others	-0.4	-0.2
Cash flows from financing activities	-6.5	-5.3
Effect of exchange rate change on cash and cash equivalents	+5.6	+2.6
Change in cash and cash equivalents	+4.0	+9.9
Cash and cash equivalents at beginning of period	81.8	94.0
Cash and cash equivalents at end of period	85.9	104.0

Regional outlook	2023 initial sales plan	Outlook
Overall	+5.5%	<ul style="list-style-type: none"> ✓ Proactive investments 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 and China.
Japan	+5-7%	<ul style="list-style-type: none"> ■ Forecast strong demand for cosmetics. ✓ 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"> ■ Pace of the economic recovery is slowing. ■ Fukushima treated wastewater release is negatively impacting the sales recovery due to a change in purchasing behavior for Japanese products. ✓ In the EC and department store channels, working on attracting more customers by raising awareness of DECORTÉ high-end products, chiefly the LIPOSOME series and the new AQ product line.
China/South Korea TR	+2-5%	<ul style="list-style-type: none"> ■ In China, travel retailers have become reluctant to purchase Japanese products following the start of the Fukushima treated wastewater release. ✓ Increasing counseling and other care services at stores to bring more people into stores. ■ 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 and to exceed the results in the previous fiscal year and the initial plan.

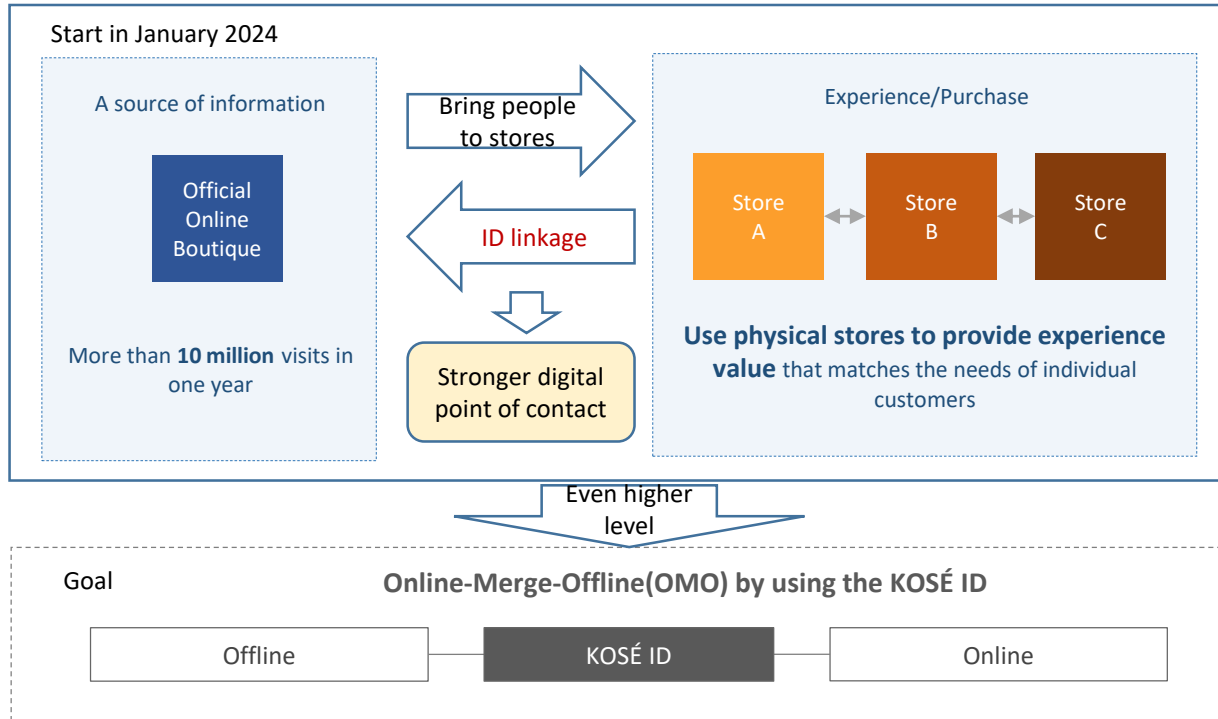
➤ There is currently no revision to 2023 outlook announced on February 13, 2023.

(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%		
Year-end dividend per share (interim)	140 yen (70 yen)		140 yen (70 yen)			
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

- ◆ **Unified customer ID as part of OMO (Online-Merge-Offline) measures for improving the quality of the customer experience.**
- ◆ **Successful launch in Japan of the new AQ products due to even more marketing activities.**



Launch event of the new line of AQ products at a hotel in Tokyo

In January 2024 the official DECORTÉ Online Boutique will add services that further strengthen links with stores. For example, customers will be able to see their store purchase histories. Implementation of the OMO centered on unifying the in-store and online customer ID will advance DECORTÉ to the stage of giving customers a personalized experience.

The new AQ (Absolute Quality) products were unveiled at a press release in July at a hotel in Tokyo.

This was followed by pre-launch promotions at department stores and specialty cosmetics stores and the acceptance of reservations. Sales started on September 16. TV commercials, and an AQ products demonstration event with well-known guests was held to express the evolution of AQ as a premier brand for beauty care products and its philosophy.

- ◆ A larger lineup for more customer contact for FLARUNÉ, a popular brand among young people.
- ◆ Aiming for sales growth with new products and new versions of current products.



FLARUNÉ Lively Line lineup



New products

- Left: SWIPE REFRESHNER
- Middle: CALMY TEARDROP MASK
- Right: MOIST HEART MASK



Elégance
REFINE VELVETY FOUNDATION



SPA LANKA
(Cleansing oil and oil beauty serum)

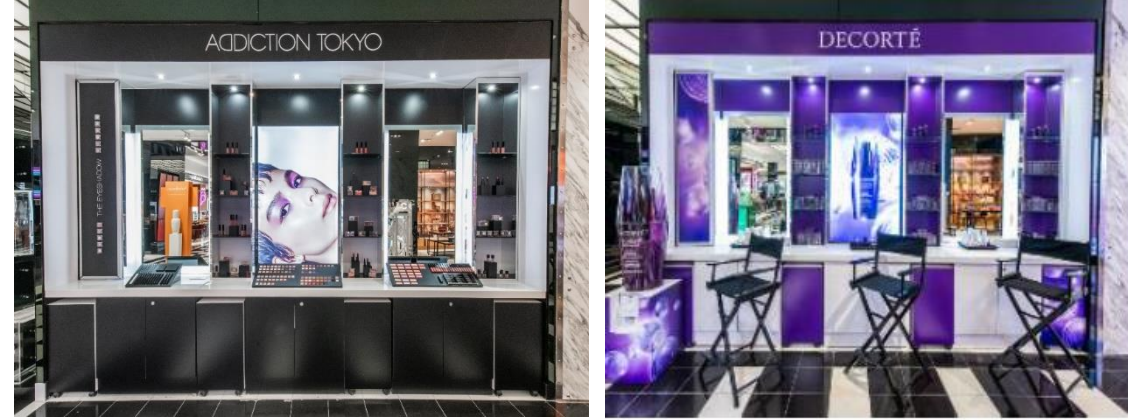
Since its August 2022 debut, FLARUNÉ has steadily increased its popularity mainly among in the 20-30 age range. The percentage of repeat purchases is rising steadily.

On October 17, three products were added to the Lively Line of this brand. The addition of sub-items reinforces the selection of Lively Line products and is expected to attract more buyers to the main products.

(Left) On September 18, a new version of the Elégance foundation that was very successful in 2022 was launched for the autumn and winter seasons. Sales have been strong with the support of word-of-mouth recommendations.

(Right) On October 17, ALBION started selling SPA LANKA products that are inspired by Ayurveda, one of the world's three major traditional medical sciences. These products incorporate an exclusive extract developed at ALBION's Institute of Traditional Plants in Sri Lanka.

- ◆ Tarte's concealer and lip products have gained significant popularity beyond the North American market, prompting a proactive investment strategy for the upcoming holiday selling season.
- ◆ ADDICTION sales started in the U.S. in September and have started e-commerce transactions as part of measures to develop KOSÉ brands worldwide.



Sales of the new shape tape™ radiant concealer product started in North America in April and then expanded to Europe and other regions in July. This product drove sales growth. Sales of lip product also increased in all regions, contributing to the sales expansion.

(Left) A pop-up shop operated from September 8 to October 12 at a New York City department store to back up the opening of the ADDICTION e-commerce website

(Right) A pop-up shop for the LIPOSOME Series of DECORTÉ operated between August 11 and September 7. The most popular products of this series were featured to raise awareness of the DECORTÉ brand in North America.

- ◆ In the prestige category, development of the product line is expected to increase demand. ONE BY KOSÉ has proactively launched new products.
- ◆ In the cosmetaries category, the recovery is continuing in part due to marketing activities by KOSÉ Cosmeport that encompass many brands.



On November 1, ONE BY KOSÉ launched WRINKLE DOUBLE REPAIR, a beauty serum that both helps conceal and reduce wrinkles. The serum can even be applied over makeup. Adding this dual-benefit product is expected to help increase demand for products for dry skin during the winter season.



Softymo
Face washes and cleansing



Softymo natu savon
Body wash



CLEAR TURN
Sheet masks



BIOLISS
Shampoo and conditioner



Coen Rich
Hand cream

KOSÉ Cosmeport has started selling new products based on the concept of fragrant olive (“kinmokusei” in Japanese) in its brands. Products using the kinmokusei concept have become popular in Japan. Among these products, CLEAR TURN Keana Komachi Kinmokusei face mask has made a significant contribution to sales.

- ◆ During KOSÉ Sustainability Month (Aug. 22-Sep. 25), there were many “Three G” (Global, Gender, Generation) activities.
- ◆ Tarte conducted a “tarte loves teachers” project to support teachers that also helped increase the number of Tarte users.

KOSÉ

KidZania Tokyo
A workshop for hand-made ocean
key holders
(For people, for the Earth)



As part of SEKKISEI “SAVE the BLUE – Ocean Project” activities, a workshop was held where participants made key holders. The workshop taught children about the importance of protecting the oceans and of using skin care products regularly.

Minami Alps City × KOSÉ
Beauty care event on Respect for
the Aged Day*
(For people)



In the City of Minami Alps in Yamanashi prefecture, where KOSÉ plans to build a new factory, KOSÉ and the City of Minami Alps held an event where grandparents and grandchildren had fun using cosmetics. Participants tried various types of makeup and used outdated cosmetics products as art supplies for making postcards and other items.

Note: A public holiday in Japan celebrated annually to honor elderly people.

Tarte

tarte loves teachers
(For people)



This project, which took place in July, provided assistance to teachers for buying school supplies on their wish lists. Many teachers often use their own money to purchase these supplies for their students. About 2,000 teachers came to the Tarte head office and other locations for a variety of events. About half of the participants became new Tarte customers.



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

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.

- 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.

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%

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 (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	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	12.8	1.0	+18.2%	-34.9%	8.9	0.0	9.7	0.0	+9.4%	+81.3%	10.3	1.7	12.9	2.2	+25.2%	+27.4%
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	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	1.3	2.3	1.2	+43.7%	-8.8%
3Q	6.6	14.2	9.1	5.5	+37.3%	-61.1%	1.7	1.1	2.3	1.5	+39.9%	+35.5%
4Q	9.3	23.6					2.2	0.9				
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-3Q						
	2022		2023		YoY change (billion yen)	YoY change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Japan	116.9	58.2%	137.8	63.0%	+20.8	+17.8%
Asia	53.1	26.5%	40.8	18.6%	-12.3	-23.2%
North America	27.0	13.5%	35.2	16.1%	+8.1	+30.2%
Others	3.6	1.8%	4.9	2.3%	+1.3	+37.9%
Total	200.8	100.0%	218.9	100.0%	+18.0	+9.0%
Overseas sales	83.8	41.8%	81.0	37.0%	-2.7	-3.3%

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 ^{*note 2}	+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%	+16.2%	+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	3Q	1Q-3Q
+15.5%	+6.4%	+6.2%	+9.0%
+19.6%	+3.9%	+4.1%	+8.5%
+17.3%	+4.3%	-2.4%	+5.8%
+8.6%	-0.1%	-29.9%	-7.5%
+23.9%	+13.4%	+29.3%	+22.2%
+28.1%	+22.4%	+40.1%	+29.3%
-0.6%	+17.5%	+13.4%	+10.4%
-2.7%	+4.5%	+10.7%	+4.4%
-5.4%	+14.6%	+6.3%	+5.2%
-5.4%	+8.6%	-20.7%	-2.8%
-8.9%	-2.6%	-77.4%	-32.7%
-68.5%	-78.3%	-67.0%	-73.4%
+66.5%	+7.4%	+25.5%	+30.3%
-10.6%	+7.2%	-19.1%	-4.1%
-21.0%	-9.5%	-78.7%	-39.3%
-70.7%	-79.0%	-68.9%	-74.8%
+46.4%	+2.2%	+19.6%	+20.8%

FY2023 sales plan
+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
	2022	2023	
Total	43.8		
1Q	8.0	8.9	+12.2%
2Q	10.2	10.5	+3.3%
3Q	7.5	8.4	+12.0%
4Q	18.0		

Japan			China			Other Asian countries			North America, others		
2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change
11.2			21.2			0.4			10.8		
2.8	3.3	+16.3%	3.2	3.0	-4.9%	0.1	0.1	+8.9%	1.8	2.5	+35.9%
2.3	3.3	+45.7%	5.2	5.3	+3.4%	0.0	1.0	+42.3%	2.5	1.5	-38.1%
2.4	3.7	+49.6%	2.7	1.3	-49.1%	0.1	0.0	-41.0%	2.2	3.3	+48.4%
3.6			10.0			0.1			4.2		

TR (billion yen)	Total		YoY change
	2022	2023	
Total	48.8		
1Q	9.0	7.7	-14.6%
2Q	13.0	10.2	-21.4%
3Q	12.1	4.4	-63.4%
4Q	14.6		

Japan			China			South Korea			Others		
2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change	2022	2023	YoY change
1.3			30.2			16.6			0.5		
0.1	0.5	+275.5%	6.5	6.0	-8.0%	2.3	0.6	-71.4%	0.0	0.5	-
0.1	1.5	+708.3%	5.8	5.6	-2.4%	6.8	1.3	-79.6%	0.1	1.6	-
0.6	1.1	+79.3%	7.5	1.7	-77.3%	3.6	1.1	-68.4%	0.2	0.3	+40.2%
0.3			10.2			3.8			0.1		

Offline (billion yen)	China		
	2022	2023	YoY change
Total	7.9		
1Q	1.3	1.2	-9.9%
2Q	2.4	2.2	-7.0%
3Q	1.5	1.9	+24.5%
4Q	2.5		

* The Accounting Standard for Revenue Recognition is not applied.

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

	As of September 30, 2022		As of September 30, 2023		Change
	Amount	Share	Amount	Share	Amount
(billion yen)					
Current assets	236.7	68.9%	254.3	69.1%	+17.5
Cash and deposits	109.6	31.9%	127.8	34.7%	+18.1
Accounts receivable	43.6	12.7%	42.9	11.7%	-0.7
Inventories	76.4	22.3%	75.6	20.5%	-0.8
Other current assets	6.8	2.0%	7.8	2.1%	+1.0
Non-current assets	106.8	31.1%	113.8	30.9%	+7.0
Property, plant and equipment	59.3	17.3%	62.8	17.1%	+3.4
Intangible assets	15.0	4.4%	14.7	4.0%	-0.2
Investments and other assets	32.4	9.4%	36.2	9.9%	+3.8
Total assets	343.5	100.0%	368.1	100.0%	+24.5

	As of September 30, 2022		As of September 30, 2023		Change
	Amount	Share	Amount	Share	Amount
(billion yen)					
Current liabilities	61.9	18.0%	65.8	17.9%	+3.8
Accounts payable	26.7	7.8%	29.1	7.9%	+2.4
Short-term borrowings	2.3	0.7%	0.5	0.1%	-1.8
Others	32.8	9.6%	36.2	9.8%	+3.3
Non-current liabilities	9.9	2.9%	17.7	4.8%	+7.8
Total liabilities	71.9	20.9%	83.6	22.7%	+11.7
Total net assets	271.6	79.1%	284.5	77.3%	+12.8
Shareholders' equity*	255.5	74.4%	267.9	72.8%	+12.3
Non-controlling interests	16.0	4.7%	16.5	4.5%	+0.4
Total liabilities and net assets	343.5	100.0%	368.1	100.0%	+24.5

* 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.	Jan. – Sep.
132.3	134.8	138.1
19.3	19.4	19.6
0.103	0.104	0.106

These materials include estimates on the basis of the outlook on the future and plans as of November 13, 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)

Full-year earnings announcement:	February 14, 2024
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*Unless otherwise indicated, in these materials figures less than the indicated unit have been truncated, while ratios and percentage changes have been rounded. In addition, cases where the percentage of change exceeds 1,000% are shown as “-%”.