

## Summary of Financial Results for the Fiscal Year Ended December 31, 2023

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, Prime Market  
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 Scheduled date of general meeting of shareholders: March 28, 2024  
 Scheduled date of filing of Securities Report: March 28, 2024  
 Scheduled date of dividend payment: March 29, 2024  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for analysts)

(Rounded down to million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023

(January 1, 2023 – December 31, 2023)

(1) Consolidated financial results (YoY change % represents changes from the previous fiscal year)

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)
2023	300,406	3.9	15,985	(27.7)	20,252	(28.7)	11,663	(37.9)
2022	289,136	-	22,120	-	28,394	-	18,771	-

Note: Comprehensive income (million yen) 2023: 16,046 (down 44.4%) 2022: 28,866 (-%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary profit to total assets (%)	Operating profit to net sales (%)
2023	204.43	-	4.4	5.5	5.3
2022	329.03	-	7.5	8.4	7.7

Ref.: Equity in earnings of affiliates (million yen) 2023: - 2022: -

Note: The consolidated financial statements for FY12/2021 include results of operations of KOSÉ and its consolidated subsidiaries in Japan that had a March 31 fiscal year end for the period from April 1, 2021 to December 31, 2021, and of consolidated subsidiaries that had a December 31 fiscal year end for the period from January 1, 2021 to December 31, 2021. As a result, YoY comparisons for 2022 are not shown.

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2023	371,657	283,038	71.6	4,664.70
2022	359,600	275,349	72.0	4,539.45

Ref.: Shareholders' equity (million yen) 2023: 266,156 2022: 258,992

(3) Consolidated cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period (Million yen)
	Operating activities (Million yen)	Investing activities (Million yen)	Financing activities (Million yen)	
2023	30,443	(11,227)	(9,677)	105,669
2022	20,261	(6,311)	(7,313)	94,063

### 2. Dividends

	Dividend per share					Total dividends (Million yen)	Payout ratio (consolidated) (%)	Dividend on net assets (consolidated) (%)
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)			
2022	-	70.00	-	70.00	140.00	7,987	42.5	3.2
2023	-	70.00	-	70.00	140.00	7,988	68.5	3.0
2024 (forecast)	-	70.00	-	70.00	140.00		63.4	

### 3. Consolidated Forecast for 2024 (January 1, 2024 – December 31, 2024)

(YoY change % represents changes from the previous fiscal year)

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)	Net income per share (Yen)
Full year	312,000	3.9	20,000	25.1	20,800	2.7	12,600	8.0	220.83

## \* Notes

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others : None
- 2) Changes in accounting policies other than 1) above : None
- 3) Changes in accounting-based estimates : None
- 4) Restatements : None

(3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (incl. treasury shares) at end of the period
  - As of December 31, 2023 60,592,541 shares As of December 31, 2022 60,592,541 shares
- 2) Number of treasury shares at end of the period
  - As of December 31, 2023 3,535,001 shares As of December 31, 2022 3,538,707 shares
- 3) Average number of shares outstanding during the period
  - 2023 57,056,293 shares 2022 57,052,535 shares

## (Reference) Non-consolidated financial results

### Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023

(January 1, 2023 – December 31, 2023)

(1) Non-consolidated financial results (YoY change % represents changes from the previous fiscal year)

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Net income (Million yen)	YoY change (%)
2023	112,469	(2.5)	(2,177)	-	7,996	(62.7)	6,679	(61.4)
2022	115,402	-	6,426	-	21,433	-	17,324	-

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2023	117.07	-
2022	303.67	-

Note: Due to the change of the 2021 fiscal year end, the transitional fiscal period is a nine-month period from April 1, 2021 to December 31, 2021. As a result, no prior-year comparisons for 2022 are shown.

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2023	195,360	160,141	82.0	2,806.66
2022	201,290	163,459	81.2	2,865.01

Ref.: Shareholders' equity (million yen) 2023: 160,141 2022: 163,459

Note 1: The current financial report is not subject to audit by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to KOSÉ as of the announcement date of the summary. These statements are not promises by KOSÉ regarding future performance. As such, actual results may differ significantly from these projections resulting from changes in the economic environment and other risks and uncertainties. For discussion of the assumptions and other factors considered by KOSÉ in preparing the above projections, please refer to the section "1. Overview of Results of Operations (4) Outlook" of the attachments.

**Contents of Attachments**

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	4
(3) Cash Flows	5
(4) Outlook	5
(5) Profit Allocation Policy and Dividends for 2023 and 2024	6
(6) Management Policies	7
2. Basic Approach for the Selection of Accounting Standards	8
3. Consolidated Financial Statements and Notes	9
(1) Consolidated Balance Sheet	9
(2) Consolidated Statements of Income and Comprehensive Income	11
(3) Consolidated Statement of Changes in Equity	13
(4) Consolidated Statement of Cash Flows	15
(5) Notes to Consolidated Financial Statements	17
(Going Concern Assumption)	17
(Reclassifications)	17
(Information Concerning Revenue Recognition)	17
(Segment and Other Information)	18
(Per Share Information)	19
(Subsequent Events)	19

## 1. Overview of Results of Operations

### (1) Results of Operations

#### a. Review of Operations

Millions of yen, %

Operating segment	2022 (Jan. 1, 2022 – Dec. 31, 2022)		2023 (Jan. 1, 2023 – Dec. 31, 2023)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Cosmetics	234,969	81.3	240,450	80.0	5,481	2.3
Cosmetaries	52,234	18.1	57,656	19.2	5,422	10.4
Others	1,933	0.7	2,299	0.8	366	18.9
Total net sales	289,136	100.0	300,406	100.0	11,269	3.9

	2022 (Jan. 1, 2022 – Dec. 31, 2022)		2023 (Jan. 1, 2023 – Dec. 31, 2023)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	22,120	7.7	15,985	5.3	(6,134)	(27.7)
Ordinary profit	28,394	9.8	20,252	6.7	(8,141)	(28.7)
Profit attributable to owners of parent	18,771	6.5	11,663	3.9	(7,108)	(37.9)

In 2023 (January 1, 2023 to December 31, 2023), the Japanese economy continued to recover with the support of growing domestic demand as economic activities returned to normal following the COVID-19 pandemic. Consumer spending recovered, primarily in the food service and other service sectors, and demand generated by foreign tourists in Japan was strong due to the yen's weakness. There were concerns during the year due to the negative impact of persistently high prices on consumer sentiment and supply restrictions caused by Japan's severe labor shortage.

The primary markets for the KOSÉ Group outside Japan are Asia and the United States. In China, economic growth slowed as the recovery lost momentum. The government stepped up measures to support the economy, but the growth rate declined because of weakness in the real estate sector and other reasons. Economies continued to recover in other regions of Asia.

In the United States, the economy was supported by consumer spending that remained firm despite worries about the risk of an economic downturn due to high interest rates and inflation.

In the Japanese cosmetics market, sales have been recovering steadily at department stores and specialty cosmetics stores as well as at drug stores and other mass retail channels. The increasing number of foreign tourists in Japan was also the reason for the recovery in demand for cosmetics.

In China, cosmetics sales were down sharply because of the slow pace of the country's economic recovery, intense competition and the negative reaction to the release of treated wastewater into the ocean from the Fukushima nuclear power plant that started in August.

In other regions of Asia, sales recovered overall, although there were weaknesses in some regions.

The United States cosmetics market grew steadily with the support of firm consumer spending.

The KOSÉ Group continued to make progress with activities based on the VISION2026 medium to long-term vision that has the goal of becoming a company with a global presence. In 2023, these activities advanced to the second year with the goal of increasing KOSÉ's global presence and improving the customer experience. In accordance with basic strategies for accomplishing this vision, the KOSÉ Group is concentrating on the growth of business activities on a global scale, expansion to cover more business domains and customer segments, more and better use of digital communications, and the establishment of a management framework capable of supporting growth.

In 2023, sales in China and South Korea declined significantly, while sales in Japan and at Tarte, which sells its products primarily in the United States and Europe, increased significantly. As a result, sales increased 3.9% to 300,406 million yen (up 1.7% after excluding the effects of changes in foreign exchange rates). Overseas sales were 36.8% of total sales.

Earnings decreased mainly because of a sharp decline in sales in the China and South Korea travel retail sectors, which have high profit margins, and higher marketing and personnel expenses. Operating profit was 15,985 million yen, 27.7% lower than in 2022. Ordinary profit decreased 28.7% to 20,252 million yen due to a decline in foreign exchange gains. Profit attributable to owners of parent decreased 37.9% to 11,663 million yen.

## b. Results by Business Segment

### Cosmetics Business

Millions of yen, %

	2022	2023	YoY change	
			Amount	%
Sales to third parties	234,969	240,450	5,481	2.3
Intragroup sales and transfers	-	-	-	-
Total net sales	234,969	240,450	5,481	2.3
Operating profit	25,407	17,868	(7,538)	(29.7)
Operating margin	10.8	7.4	-	-

Sales at DECORTÉ, the major brand in the high prestige category, were strong in Japan throughout 2023. However, total sales of this brand were down significantly. The main reasons are slow sales in the China and South Korea travel retail sectors and the negative effects of the slow economic recovery and intense competition in China. Sales of other high prestige brands, including ALBION's Elégance and JILL STUART, were higher. At Tarte, which sells products mainly in the United States and Europe, sales rose to a record high because of strong sales of major products and new products.

In the prestige category, the continuing recovery in sales of SEKKISEI and ONE BY KOSÉ products made a big contribution to sales growth.

As a result, sales in the cosmetics business increased 2.3% from 2022 to 240,450 million yen and operating profit was down 29.7% to 17,868 million yen.

### Cosmetaries Business

Millions of yen, %

	2022	2023	YoY change	
			Amount	%
Sales to third parties	52,234	57,656	5,422	10.4
Intragroup sales and transfers	-	-	-	-
Total net sales	52,234	57,656	5,422	10.4
Operating profit	1,101	2,941	1,839	167.0
Operating margin	2.1	5.1	-	-

In the cosmetaries business segment, sales of Visée, the MAKE KEEP Series and KOSÉ Cosmeport Corp.'s brands including CLEAR TURN were higher. As a result, sales in this business segment increased 10.4% from 2022 to 57,656 million yen and operating profit increased 167.0% to 2,941 million yen.

### Others

Millions of yen, %

	2022	2023	YoY change	
			Amount	%
Sales to third parties	1,933	2,299	366	18.9
Intragroup sales and transfers	675	535	(140)	(20.7)
Total net sales	2,609	2,835	226	8.7
Operating profit	1,067	978	(89)	(8.4)
Operating margin	40.9	34.5	-	-

Sales of amenity products to hotels and golf clubs increased. As a result, sales in the others business segment increased 18.9% from 2022 to 2,299 million yen. Operating profit decreased 8.4% to 978 million yen due to an increase in marketing expenses.

**c. Net Sales by Region (Sales to Third Parties)***Millions of yen, %*

	2022		2023		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	163,037	56.4	189,777	63.2	26,739	16.4
Asia	80,789	27.9	52,774	17.6	(28,015)	(34.7)
North America	40,141	13.9	51,190	17.0	11,049	27.5
Others	5,168	1.8	6,664	2.2	1,495	28.9
Total net sales	289,136	100.0	300,406	100.0	11,269	3.9

**Japan**

Sales of high prestige products at department stores and specialty cosmetics stores remained strong because of a large number of hit products. At drug stores and other mass retail channels, sales of major skincare brands and makeup brands were also strong. As a result, sales in Japan increased 16.4% from 2022 to 189,777 million yen.

**Asia**

In China, sales recovered slowly during the first half of 2023 but weakened during the second half because of sluggish consumer spending and China's reaction to the release of treated wastewater from the Fukushima nuclear power plant. Offline sales, mainly at department stores, were about the same as in 2022 but e-commerce sales decreased significantly. In the China and South Korea travel retail sectors, declines in purchases of merchandise by distributors caused a big downturn in sales. As a result, sales in Asia decreased 34.7% from 2022 to 52,774 million yen.

**North America/Others**

In North America, Tarte maintained a high share of the prestige makeup market as sales increased in the concealer and other major categories as well as in the lip category. In addition, the increasing number of stores that sell Tarte products contributed to sales growth, and the impact of the yen's depreciation pushed up the yen-denominated amount of sales. As a result, sales in North America increased 27.5% from 2022 to 51,190 million yen.

Sales in the "others" regions (including Europe) increased 28.9% to 6,664 million yen driven by strong sales of Tarte products.

**(2) Financial Position**

The current ratio was 365.6%, 3.8 percentage points higher than one year earlier, and the quick ratio was 252.4%, an increase of 2.3 percentage points, as of December 31, 2023. These changes were attributable mainly to the following reasons:

Assets increased 12,057 million yen mainly the result of increases of 16,310 million yen in cash and deposits, 2,935 million yen in merchandise and finished goods, 916 million yen in leased assets and 4,248 million yen in retirement benefit asset, and decreases of 8,046 million yen in notes and accounts receivable-trade, 1,662 million yen in raw materials and supplies, 2,140 million yen in investment securities, 1,762 million yen in building and structures, 813 million yen in machinery, equipment and vehicles and 615 million yen in tools, furniture and fixtures.

Liabilities increased 4,368 million yen mainly due to increases of 714 million yen in notes and accounts payable-trade, 710 million yen in accrued expenses, 580 million yen in income taxes payable, 830 million yen in accrued consumption taxes, 871 million yen in long-term lease obligations and 622 million yen in deferred tax liabilities, and a decrease in 861 million yen in short-term borrowings.

Interest-bearing debt amounted to 10,215 million yen, and the debt-to-equity ratio was 0.04.

**(3) Cash Flows****1) Analysis of Cash Flows***Millions of yen*

	2022	2023	YoY change
Net cash provided by (used in) operating activities	20,261	30,443	10,181
Net cash provided by (used in) investing activities	(6,311)	(11,227)	(4,915)
Net cash provided by (used in) financing activities	(7,313)	(9,677)	(2,363)
Increase in cash and cash equivalents	12,187	11,605	(581)
Cash and cash equivalents at end of period	94,063	105,669	11,605

Cash and cash equivalents (consolidated basis) as of December 31, 2023 were 105,669 million yen, an increase of 11,605 million yen, or 12.3%, compared with December 31, 2022. The status of each cash flow and its factors at the end of the current fiscal period are as follows.

Net cash provided by operating activities increased 50.3% to 30,443 million yen. This was mainly the net result of profit before income taxes of 19,506 million yen, depreciation, a non-cash expense, of 9,557 million yen, an increase of 3,161 million yen in retirement benefit asset, a decrease of 8,711 million yen in trade receivables, an increase of 1,591 million yen in trade payables, a decrease of 1,414 million yen in other assets, and payment of corporate income taxes of 7,872 million yen.

Net cash used in investing activities increased 77.9% to 11,227 million yen. The major factors were the purchase of property, plant and equipment of 3,383 million yen, a net payment of 4,673 million yen into time deposit and purchase of intangible assets of 2,143 million yen.

Net cash used in financing activities increased 32.3% to 9,677 million yen. The major factors include cash dividends payment of 7,987 million yen.

**2) Cash Flow Indicators**

	FY03/2020 (12 months)	FY03/2021 (12 months)	FY12/2021 (9 months)	2022 (12 months)	2023 (12 months)
Shareholders' equity ratio (%)	72.5	73.1	74.5	72.0	71.6
Shareholders' equity ratio based on market prices (%)	246.4	289.7	232.6	228.8	162.3
Interest-bearing debt to cash flow ratio	0.0	0.4	0.1	0.5	0.3
Interest coverage ratio	3,942.6	1,891.8	2,385.1	382.7	2,338.6

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows (before deducting interests and income taxes) / Interest payments

- These indicators are calculated on a consolidated basis.

- Market capitalization is based on the number of shares issued less treasury shares.

The closing price of stock on the balance sheet date is adjusted in case KOSÉ conducts a stock split for shareholders of record at the fiscal year end.

- Cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.

- Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest expenses paid on the consolidated statement of cash flows is used for interest payments.

**(4) Outlook**

In 2024, monetary tightening by central banks and conflicts in the Middle East and Ukraine will probably have negative effects on the global economy.

In Japan, the economy will probably continue to recover at a moderate pace even though the initial post-pandemic surge in demand has come to an end. There are several risk factors that may cause an economic downturn in Japan, including weaker consumer spending due to inflation, slower growth of overseas economies and the labor shortage.

In Asia, consumer spending in China is unlikely to recover soon due to the prolonged real estate market slump and rising unemployment.

In the United States, the negative effects of high interest rates are likely to slow the economy, however, the labor market and consumer spending are expected to remain strong. As a result, the U.S. economy will probably continue to recover slowly and avoid a recession.

Based on this outlook, KOSÉ forecasts a 3.9% increase in sales to 312,000 million yen. This forecast is based on the outlook for a continuation of the challenging environment for sales in South Korea and for a slow and moderate recovery in China, especially in the travel retail segment. We expect more sales growth in Japan and at Tarte, which sells its products primarily in the United States and Europe. The sales forecast also incorporates the assumption that the yen will appreciate.

The forecast for operating profit is an increase of 25.1% to 20,000 million yen as a result of a rise in gross profit due to higher sales and an expected improvement in profitability in China, while we will incur marketing expenses to increase the brand awareness, especially in the United States. Ordinary profit and profit attributable to owners of parent are forecast to increase 2.7% to 20,800 million yen and 8.0% to 12,600 million yen as effects of foreign exchange rate fluctuations are neutral.

The forecast for capital expenditure is 25,500 million yen, up from a year earlier due to the start of construction of the Minami Alps Factory in Yamanashi prefecture, and the forecast for depreciation expense is 10,500 million yen.

\* Forecasts are based on foreign exchange rates of 130.0 yen to the U.S. dollar, 19.0 yen to the Chinese yuan and 0.102 yen to Korean won.

*Millions of yen, %*

Operating segment	2023		2024		YoY change	
	Amount		Amount		Amount	%
Cosmetics	240,450		250,800		10,349	4.3
Cosmetaries	57,656		58,800		1,143	2.0
Others	2,299		2,400		100	4.3
Total net sales	300,406		312,000		11,593	3.9

	2023		2024		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	15,985	5.3	20,000	6.4	4,014	25.1
Ordinary profit	20,252	6.7	20,800	6.7	547	2.7
Profit attributable to owners of parent	11,663	3.9	12,600	4.0	936	8.0

## (5) Profit Allocation Policy and Dividends for 2023 and 2024

Preserving a stable dividend is the fundamental policy for profit allocations. KOSÉ plans to return earnings to shareholders while taking into account the need to retain earnings to fund future growth as well as the company's current financial soundness, operating results and the dividend payout ratio.

KOSÉ plans to pay a year-end dividend of 70 yen per share as initially planned. Shareholders received an interim dividend of 70 yen per share on September 8, 2023. This will result in a dividend of 140 yen per share applicable to the current fiscal year (ended December 31, 2023).

In the next fiscal year (ending December 31, 2024), KOSÉ plans to pay an annual dividend of 140 yen per share.



## (6) Management Policies

### 1) Fundamental Management Policy

Since starting operations in 1946, KOSÉ has been dedicated to the mission to keep helping people achieve their dreams and goals through beauty. When KOSÉ established a corporate identity in 1991, this mission was expressed as a statement of the company's philosophy for business operations: Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. KOSÉ has grown year after year since then by adhering to this philosophy. In addition, KOSÉ established a corporate message: Creating beauty in a sustainable world. This message expresses the strong commitment to functioning as a "beauty creation company" in order to utilize a broad array of knowledge involving beauty in order to provide benefits for people and the world.

### 2) Performance Indicators

The Group is placing priority on improving the operating margin, return on total assets (ROA) and return on equity (ROE).

Note:  $ROA = (\text{Operating profit} + \text{Interest and dividends}) / \text{Total assets (average at beginning and end of year)} \times 100$

$ROE = \text{Profit attributable to owners of parent} / \text{Shareholders' equity (average at beginning and end of year)} \times 100$

### 3) Medium- and Long-Term Strategies and Important Issues

The KOSÉ Group is enacting VISION2026 for the purpose of providing guidelines for advancing to the next stage of growth as KOSÉ looks ahead to the 80th anniversary of its founding in 2026.

#### **The KOSÉ Group's vision: Become a company with a global presence exceptional customer loyalty**

As a leading cosmetics manufacturer, we will create a unique Japanese style makeup culture with the aim of becoming an aspirational and irreplaceable company that is chosen by as many stakeholders as possible by pursuing "the beauty for each individual", continuing to create "unique value" (a unique presence) ahead of other companies worldwide and by delivering a variety of original and attractive brands.

#### The KOSÉ Group Medium-to-Long-Term Vision "VISION2026"

##### ✓ Numerical Targets

- Net sales: 500 billion yen
- Operating margin: 16% or more
- ROA: 18% or more
- ROE: 15% or more

##### ✓ Road Map

- Phase I: Upgrade global brands and reinforce customer points of contact
- Phase II: Increase KOSÉ's global presence and improve the customer experience
- Phase III: Become a customer-driven company appreciated by people worldwide

##### ✓ Basic strategies

1. Three growth strategies
  - (a) Accelerate global brand development
  - (b) Proactively develop unique products
  - (c) Explore new growth domains

2. Two value creation vectors

- (a) Use digital technology for more and better personal customer experiences
- (b) Focus on unique forms of value by utilizing external resources and technologies

3. Three business foundations

- (a) Build a sound foundation for the company growth
- (b) Diversity and inclusion management practices
- (c) Promote a sustainability strategy across the entire value chain

**2. Basic Approach for the Selection of Accounting Standards**

The KOSÉ Group is continuing studies for the future adoption of International Financial Reporting Standards (IFRS) with objectives that include improved international comparability of financial data in capital markets and higher creditworthiness overseas. This is in line with its medium- and long-term strategies and factors in domestic and international circumstances in achieving the aim of becoming a company with a global presence.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheet

	<i>Millions of yen</i>	
	2022	2023
	(As of Dec. 31, 2022)	(As of Dec. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	116,535	132,846
Notes and accounts receivable-trade	52,451	44,405
Merchandise and finished goods	37,165	40,100
Work in process	2,853	3,386
Raw materials and supplies	29,058	27,395
Other	7,080	8,719
Allowance for doubtful accounts	(664)	(121)
Total current assets	244,481	256,732
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,458	52,666
Accumulated depreciation	(26,042)	(28,013)
Buildings and structures, net	26,415	24,652
Machinery, equipment and vehicles	22,161	22,661
Accumulated depreciation	(17,226)	(18,540)
Machinery, equipment and vehicles, net	4,934	4,120
Tools, furniture and fixtures	45,920	46,303
Accumulated depreciation	(39,666)	(40,664)
Tools, furniture and fixtures, net	6,254	5,638
Land	17,363	17,333
Leased assets	10,431	12,385
Accumulated depreciation	(2,299)	(3,337)
Leased assets, net	8,132	9,048
Construction in progress	824	453
Total property, plant and equipment	63,923	61,247
Intangible assets		
Software	4,619	5,084
Goodwill	4,356	3,621
Other	5,474	5,399
Total intangible assets	14,450	14,105
Investments and other assets		
Investment securities	17,979	15,838
Retirement benefit asset	10,296	14,545
Deferred tax assets	4,524	5,035
Other	4,560	4,828
Allowance for doubtful accounts	(616)	(675)
Total investments and other assets	36,745	39,572
Total non-current assets	115,119	114,925
Total assets	359,600	371,657

*Millions of yen*

	2022 (As of Dec. 31, 2022)	2023 (As of Dec. 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,913	8,628
Electronically recorded obligations-operating	18,383	18,491
Short-term borrowings	1,361	500
Lease obligations	828	1,050
Accounts payable-other	15,872	15,644
Accrued expenses	10,919	11,630
Income taxes payable	3,287	3,867
Accrued consumption taxes	1,476	2,307
Refund liabilities	5,533	5,756
Other	2,004	2,346
Total current liabilities	67,580	70,224
Non-current liabilities		
Lease obligations	7,793	8,664
Deferred tax liabilities	4,416	5,038
Other	4,462	4,692
Total non-current liabilities	16,671	18,395
Total liabilities	84,251	88,619
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	62	123
Retained earnings	240,147	243,823
Treasury shares	(9,082)	(9,073)
Total shareholders' equity	235,975	239,721
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,766	4,747
Foreign currency translation adjustment	10,770	14,256
Remeasurements of defined benefit plans	5,480	7,430
Total accumulated other comprehensive income	23,017	26,434
Non-controlling interests	16,356	16,881
Total net assets	275,349	283,038
Total liabilities and net assets	359,600	371,657

**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income***Millions of yen*

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net sales	289,136	300,406
Cost of sales	83,620	89,209
Gross profit	205,515	211,197
Selling, general and administrative expenses		
Advertising expenses	25,767	27,331
Promotion expenses	44,167	46,704
Freight and packing costs	17,414	18,820
Salaries and allowances	49,163	51,771
Retirement benefit expenses	352	215
Legal welfare expenses	7,741	8,212
Depreciation	4,916	5,063
Other	33,871	37,092
Total selling, general and administrative expenses	183,395	195,211
Operating profit	22,120	15,985
Non-operating income		
Interest income	580	1,135
Dividend income	212	219
Refunded consumption taxes	501	397
Foreign exchange gains	4,306	1,978
Miscellaneous income	1,072	756
Total non-operating income	6,673	4,487
Non-operating expenses		
Interest expenses	60	11
Provision of allowance for doubtful accounts	105	108
Loss on investments in investment partnerships	114	-
Miscellaneous loss	119	102
Total non-operating expenses	399	221
Ordinary profit	28,394	20,252
Extraordinary income		
Gain on sale of non-current assets	126	18
Gain on sale of investment securities	-	4
Total extraordinary income	126	22
Extraordinary losses		
Loss on disposal of non-current assets	266	235
Loss on valuation of investment securities	25	-
Loss on valuation of shares of subsidiaries and associates	25	3
Impairment loss	171	193
Loss on liquidation of business	-	336
Extra retirement payments	164	-
Total extraordinary losses	652	768
Profit before income taxes	27,867	19,506
Income taxes-current	7,074	6,746
Income taxes-deferred	1,320	228
Total income taxes	8,395	6,974
Profit	19,472	12,531
Profit attributable to non-controlling interests	700	868
Profit attributable to owners of parent	18,771	11,663

**Consolidated Statement of Comprehensive Income***Millions of yen*

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Profit	19,472	12,531
Other comprehensive income		
Valuation difference on available-for-sale securities	938	(2,011)
Foreign currency translation adjustment	6,424	3,470
Remeasurements of defined benefit plans, net of tax	2,029	2,055
Total other comprehensive income	9,393	3,514
Comprehensive income	28,866	16,046
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	28,008	15,081
Comprehensive income attributable to non-controlling interests	857	965

**(3) Consolidated Statement of Changes in Equity**

2022 (Jan. 1, 2022 – Dec. 31, 2022)

*Millions of yen*

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	26	228,791	(9,090)	224,576
Changes of items during period					
Dividends of surplus			(7,416)		(7,416)
Profit attributable to owners of parent			18,771		18,771
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		35		10	46
Net changes of items other than shareholders' equity					
Total changes of items during period	-	35	11,355	7	11,398
Balance at end of current period	4,848	62	240,147	(9,082)	235,975

*Millions of yen*

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	5,830	4,389	3,561	13,781	15,909	254,267
Changes of items during period						
Dividends of surplus						(7,416)
Profit attributable to owners of parent						18,771
Purchase of treasury shares						(3)
Disposal of treasury shares						46
Net changes of items other than shareholders' equity	936	6,380	1,919	9,236	447	9,683
Total changes of items during period	936	6,380	1,919	9,236	447	21,081
Balance at end of current period	6,766	10,770	5,480	23,017	16,356	275,349

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	62	240,147	(9,082)	235,975
Changes of items during period					
Dividends of surplus			(7,987)		(7,987)
Profit attributable to owners of parent			11,663		11,663
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		60		9	70
Net changes of items other than shareholders' equity					
Total changes of items during period	-	60	3,675	9	3,746
Balance at end of current period	4,848	123	243,823	(9,073)	239,721

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	6,766	10,770	5,480	23,017	16,356	275,349
Changes of items during period						
Dividends of surplus						(7,987)
Profit attributable to owners of parent						11,663
Purchase of treasury shares						(0)
Disposal of treasury shares						70
Net changes of items other than shareholders' equity	(2,018)	3,485	1,950	3,417	525	3,942
Total changes of items during period	(2,018)	3,485	1,950	3,417	525	7,688
Balance at end of current period	4,747	14,256	7,430	26,434	16,881	283,038



**(4) Consolidated Statement of Cash Flows***Millions of yen*

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	27,867	19,506
Depreciation	9,743	9,557
Impairment loss	171	193
Amortization of goodwill	959	1,025
Loss on liquidation of business	-	336
Extra retirement payments	164	-
Increase (decrease) in allowance for doubtful accounts	609	(491)
Decrease (increase) in retirement benefit asset	(3,757)	(3,161)
Loss (gain) on disposal of non-current assets	136	216
Interest and dividend income	(792)	(1,355)
Interest expenses	60	11
Foreign exchange losses (gains)	(3,465)	(491)
Loss (gain) on sale of investment securities	-	(4)
Loss on valuation of shares of subsidiaries and associates	25	3
Loss (gain) on valuation of investment securities	25	-
Loss (gain) on investment in partnerships	114	(48)
Decrease (increase) in trade receivables	(7,444)	8,711
Decrease (increase) in inventories	(3,008)	(329)
Increase (decrease) in trade payables	2,082	1,591
Increase (decrease) in refund liabilities	78	(7)
Decrease (increase) in other assets	1,700	1,414
Increase (decrease) in other liabilities	805	598
Subtotal	26,075	37,274
Interest and dividend income received	600	1,393
Interest expenses paid	(67)	(16)
Extra retirement payments	(698)	-
Compensation paid for business restructuring	-	(336)
Corporate income taxes paid	(5,646)	(7,872)
Net cash provided by (used in) operating activities	20,261	30,443
<b>Cash flows from investing activities</b>		
Payments into time deposits	(26,219)	(28,019)
Proceeds from withdrawal of time deposits	27,881	23,346
Purchase of property, plant and equipment	(4,250)	(3,383)
Proceeds from sales of property, plant and equipment	310	82
Purchase of intangible assets	(2,852)	(2,143)
Proceeds from sale of intangible assets	1	-
Purchase of investment securities	(1,256)	(716)
Proceeds from sales and redemption of investment securities	-	7
Decrease (increase) in other investments	157	(300)
Net decrease (increase) in short-term loans receivable	-	(23)
Expenditures from long-term loans	(84)	(76)
Proceeds from collection of long-term loans receivable	1	1
Net cash provided by (used in) investing activities	(6,311)	(11,227)

*Millions of yen*

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	781	(897)
Net decrease (increase) in treasury shares	(3)	9
Repayments of long-term borrowings	(98)	(196)
Cash dividends paid	(7,416)	(7,987)
Cash dividends paid to non-controlling shareholders	(410)	(439)
Other, net	(167)	(166)
Net cash provided by (used in) financing activities	(7,313)	(9,677)
Effect of exchange rate change on cash and cash equivalents	5,551	2,067
Net increase (decrease) in cash and cash equivalents	12,187	11,605
Cash and cash equivalents at beginning of period	81,876	94,063
Cash and cash equivalents at end of period	94,063	105,669

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Reclassifications****Consolidated Statement of Income**

“Subsidy income” under “non-operating income” presented as separate line item in the previous fiscal year is included in “miscellaneous income” in the current fiscal year due to a decrease in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated. Accordingly, “subsidy income” of 363 million yen under “non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified and included in “miscellaneous income.”

**Consolidated Statement of Cash Flows**

“Subsidy income” and “proceeds from subsidy income” under “cash flows from operating activities” presented as a separate line item in the previous fiscal year is included in “decrease (increase) in other assets” in the current fiscal year due to a decrease in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “subsidy income” of (363) million yen and “proceeds from subsidy income” of 363 million yen under “cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified and included in “decrease (increase) in other assets.”

**Information Concerning Revenue Recognition****Division of sales**

The KOSÉ Group has two reportable segments: cosmetics business and cosmetaries business. These are business units where the Board of Directors performs periodic studies in order to determine the allocation of resources and evaluate performance. The revenue of these two businesses is presented as sales. In addition, geographic sales are divided according to the locations of customers. The relationship between these geographic divisions of revenue and segment sales is as follows.

2022 (Jan. 1, 2022 – Dec. 31, 2022)

	<i>Millions of yen</i>				
	Japan	Asia	North America	Other	Total
Cosmetics	110,286	79,387	40,141	5,153	234,969
Cosmetaries	50,820	1,398	-	14	52,234
Total	161,107	80,786	40,141	5,168	287,203
Other (Note)	1,722	3	-	-	1,726
Revenue from contracts with customers	162,830	80,789	40,141	5,168	288,929
Other revenue	207	-	-	-	207
Sales to third parties	163,037	80,789	40,141	5,168	289,136

Note: The “other” segment consists of activities that are not included in any of the reportable segments: amenity products, etc.

2023 (Jan. 1, 2023 – Dec. 31, 2023)

	<i>Millions of yen</i>				
	Japan	Asia	North America	Others	Total
Cosmetics	130,985	51,626	51,190	6,648	240,450
Cosmetaries	56,495	1,145	0	15	57,656
Total	187,480	52,771	51,190	6,664	298,106
Others (Note)	2,089	2	-	-	2,092
Revenue from contracts with customers	189,569	52,774	51,190	6,664	300,199
Other revenue	207	-	-	-	207
Sales to third parties	189,777	52,774	51,190	6,664	300,406

Note: The “others” segment consists of activities that are not included in any of the reportable segments: amenity products, etc.

## Segment and Other Information

### Segment Information

#### (1) Overview of reportable segment

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

To offer products that meet a diverse range of customer needs, the KOSÉ Group uses a variety of brands to sell products that it conceives and develops. Group companies conduct business activities by establishing and implementing comprehensive strategies in Japan and overseas for each brand.

As a result, KOSÉ has two reportable business segments, cosmetics and cosmetaries, that are based on individual brands.

In the cosmetics segment, principal products are KOSÉ, SEKKISEI, ESPRIQUE, LECHÉRI, ONE BY KOSÉ, COSME DECORTÉ, PRÉDIA, INFINITY, JILL STUART, ADDICTION, ALBION, Tarte and others. In the cosmetaries segment, principal products are Visée, FASIO, MAKE KEEP MIST, NAIL HOLIC, softymo, SUNCUT®, CLEAR TURN, STEPHEN KNOLL NEW YORK and others.

#### (2) Calculation methods for net sales and profit or loss for each reportable segment

The accounting method used for reportable segments is generally the same as the methods listed in "Basis of Preparation of Consolidated Financial Statements".

Profit or loss for reportable segments are based on operating profit figures.

Intragroup sales and transfers are based on market prices.

#### (3) Information related to net sales and profit or loss for each reportable segment

2022 (Jan. 1, 2022 – Dec. 31, 2022)

Millions of yen

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	234,969	52,234	287,203	1,933	289,136	-	289,136
(2) Intragroup sales and transfers	-	-	-	675	675	(675)	-
Total sales	234,969	52,234	287,203	2,609	289,812	(675)	289,136
Segment profit	25,407	1,101	26,509	1,067	27,576	(5,456)	22,120

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	240,450	57,656	298,106	2,299	300,406	-	300,406
(2) Intragroup sales and transfers	-	-	-	535	535	(535)	-
Total sales	240,450	57,656	298,106	2,835	300,942	(535)	300,406
Segment profit	17,868	2,941	20,810	978	21,788	(5,802)	15,985

Notes: 1. The "others" segment consists of activities that are not included in any of the reportable segments: amenity products and real estate leasing.

2. Adjustments to segment profit are as follows.

Millions of yen

	2022	2023
Eliminations for intersegment transactions	(215)	(103)
Corporate expenses that cannot be allocated to reporting segments	(5,240)	(5,699)
Total	(5,456)	(5,802)

Corporate expenses consist primarily of expenses related to the administration division at KOSÉ and expenses for basic research that are not assigned to any particular reportable segment.

3. Segment profit is adjusted with operating profit shown on the consolidated financial statements.

## (4) Geographic sales information

2022 (Jan. 1, 2022 – Dec. 31, 2022)

Millions of yen

Japan	Asia	North America	Others	Total
163,037	80,789	40,141	5,168	289,136

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

Japan	Asia	North America	Others	Total
189,777	52,774	51,190	6,664	300,406

**Per Share Information**

Yen

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Net assets per share	4,539.45	4,664.70
Net income per share	329.03	204.43

Notes: 1. Net income per share (diluted) is not presented since KOSÉ has no outstanding dilutive securities.

2. The following is a reconciliation of net income per share.

Millions of yen

	2022 (Jan. 1, 2022 – Dec. 31, 2022)	2023 (Jan. 1, 2023 – Dec. 31, 2023)
Profit attributable to owners of parent	18,771	11,663
Net income not attributable to common shareholders	-	-
Profit attributable to owners of parent available to common stock	18,771	11,663
Average number of shares outstanding (thousand shares)	57,052	57,056

**Subsequent Events**

Not applicable.

*Note: This is a translation of Japanese Kessan Tanshin (including attachments), a summary of financial statements prepared in accordance with accounting principles generally accepted in Japan. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.*