
Results of Operations

Three Months Ended March 31, 2024



KOSÉ Corporation

May 8, 2024

Net sales

¥77.5 billion: up ¥9.4 billion (13.8%) YoY
(up 9.9% excluding forex)

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

Operating profit

¥7.9 billion: up ¥2.0 billion (35.5%) YoY
(Operating margin: 10.2%)

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

Consolidated Income Statement Highlights

- Increases in ordinary profit and profit attributable to owners of parent due to an increase in foreign exchange gains and higher operating profit.

	1Q						Change (ratio) excluding the effect of foreign exchange rate changes
	2023		2024		Change (billion yen)	Change (ratio)	
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales			
Net sales	68.1	100.0%	77.5	100.0%	+9.4	+13.8%	+9.9%
Cost of sales	19.0	27.9%	21.4	27.7%	+2.4	+12.7%	
Gross profit	49.1	72.1%	56.1	72.3%	+7.0	+14.3%	
SG&A expenses	43.2	63.5%	48.2	62.1%	+4.9	+11.4%	
Operating profit	5.8	8.6%	7.9	10.2%	+2.0	+35.5%	
Ordinary profit	6.6	9.8%	10.2	13.3%	+3.6	+54.1%	
Profit before income taxes	6.2	9.2%	10.2	13.2%	+3.9	+63.2%	
Profit attributable to owners of parent	3.8	5.7%	6.9	8.9%	+3.0	+78.1%	
Net income per share	68.32 yen		121.69 yen		+53.38 yen		

Capital expenditures	1.4	1.4
Depreciation	2.5	2.5

Cost of Sales and SG&A Expenses

- Although the cost of sales increased due to slow DECORTÉ sales in China and a change in the product mix, the cost of sales ratio decreased because of declines in disposals of products and valuation losses.
- The cost of marketing increased mainly in Japan and at Tarte and was held down in China. SG&A expense ratio decreased because of the large increase in sales.

1Q							
		2023		2024		Change (billion yen)	Change (ratio)
		Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cost of sales		19.0	27.9%	21.4	27.7%	+2.4	+12.7%
SG&A expenses		43.2	63.5%	48.2	62.1%	+4.9	+11.4%
Selling expenses	Sales promotion	9.4	13.9%	10.8	13.9%	+1.3	+14.4%
	Advertising	5.2	7.7%	6.3	8.2%	+1.1	+21.9%
	Marketing cost	14.6	21.6%	17.1	22.2%	+2.5	+17.1%
	Freightage and packing	4.8	7.1%	4.5	5.9%	-0.2	-5.4%
Subtotal		19.5	28.6%	21.7	28.0%	+2.2	+11.5%
General and administrative expenses	Personnel	14.1	20.8%	15.3	19.8%	+1.1	+8.3%
	R&D	1.5	2.2%	1.5	2.0%	+0.0	+3.7%
	Depreciation	1.0	1.5%	1.2	1.6%	+0.1	+18.9%
	Others	7.0	10.3%	8.2	10.6%	+1.2	+17.9%
Subtotal		23.7	34.9%	26.4	34.1%	+2.6	+11.3%

Sales and Operating Profit by Segment

- In the cosmetics segment, sales and earnings increased and operating margin remained above 10% as strong sales in Japan and Tarte more than offset the impact of lower DECORTÉ sales in China.
- In the cosmetaries segment, KOSÉ Cosmeport and VISÉE, FASIO and other makeup brands were the primary drivers of sales growth. Earnings were up sharply, including a delay in the recognition of some SG&A expenses.

Net sales

Operating segment	1Q					
	2023		2024		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cosmetics	55.8	82.0%	62.1	80.1%	+6.2	+11.2%
Cosmetaries	11.7	17.3%	14.8	19.1%	+3.0	+25.9%
Others	0.5	0.8%	0.6	0.8%	+0.0	+18.2%
Total	68.1	100.0%	77.5	100.0%	+9.4	+13.8%

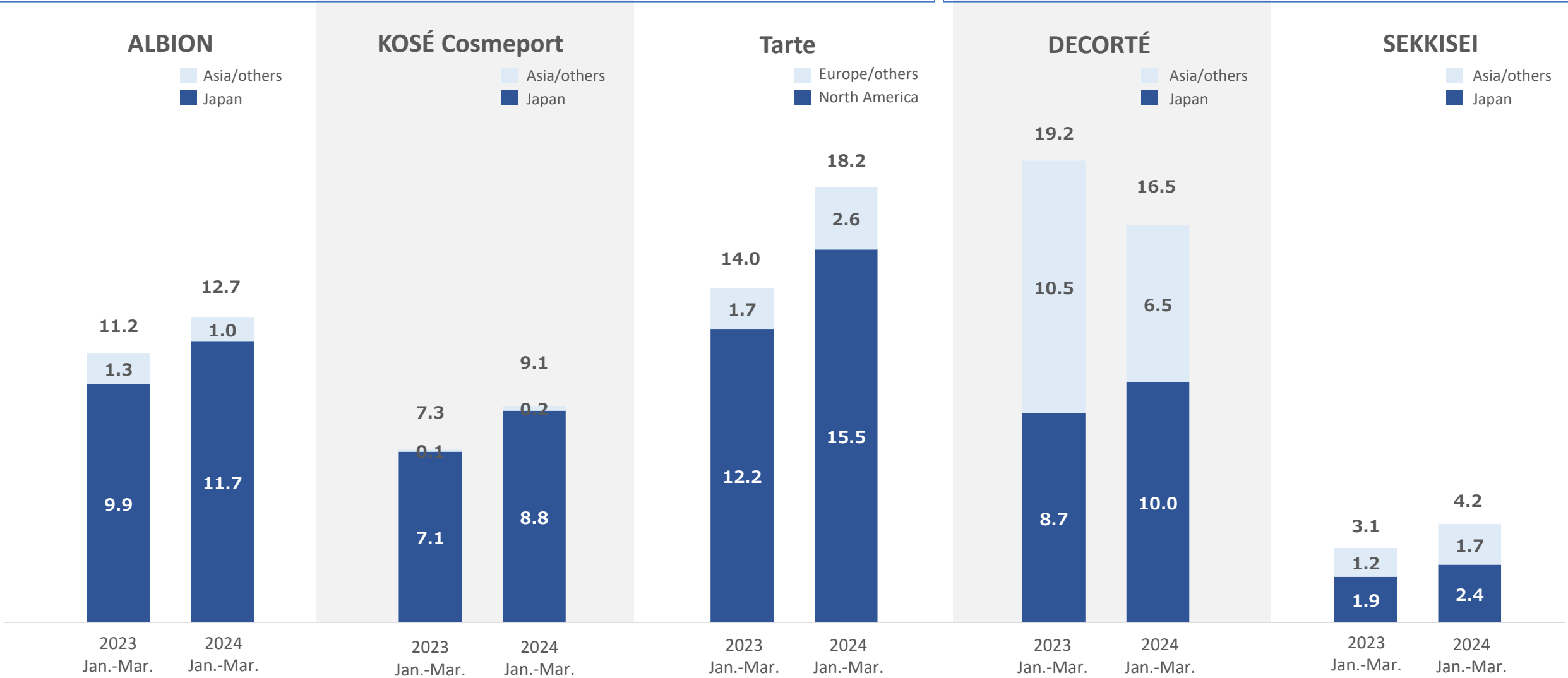
Operating profit

Operating segment	1Q					
	2023		2024		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Operating margin	Amount (billion yen)	Operating margin		
Cosmetics	6.4	11.6%	6.8	11.0%	+0.3	+5.5%
Cosmetaries	0.4	4.0%	2.3	15.6%	+1.8	+385.8%
Others	0.1	31.3%	0.1	20.2%	-0.0	-25.2%
Adjustment	-1.2	-	-1.3	-	-0.0	-
Total	5.8	8.6%	7.9	10.2%	+2.0	+35.5%

(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.

Net Sales by Region: Japan

- A large increase in sales as products accurately targeted demand in the department store and specialty cosmetics store channel and the drug store and other mass retail channels.

(billion yen)	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	41.3	60.6%	48.8	62.9%	+7.5	+18.2%

Market Trends

- The slow recovery of Japan's economy is continuing with the support of recoveries in employment and personal income.
- Inflation is continuing because of rising prices of energy, resources, raw materials and other items.
- The number of foreign tourists in Japan is more than in 2019. However, there is only a slow recovery in tourists from China and their purchases of cosmetics in Japan.

KOSÉ	
High prestige	<ul style="list-style-type: none"> ■ DECORTÉ sales benefited from new and repeat customers for existing products. The updated version of LOOSE POWDER and the new AQ brightening skin care series also contributed to sales. ■ At ALBION, sales were strong at department stores and sales are recovering at specialty cosmetics stores. Sales to foreign tourists in Japan were another reason for sales growth. ■ Sales of JILL STUART were strong.
Prestige	<ul style="list-style-type: none"> ■ Sales following the launch of SEKKISEI BRIGHTENING ESSENCE LOTION were generally as planned. ■ At ONE BY KOSÉ, the decrease in sales of ONE BY KOSÉ MELANOSHOT W following its introduction in 2023 was offset by higher sales of existing products. ■ ESPRIQUE sales are recovering due to the success of new products.
Cosmetaries	<ul style="list-style-type: none"> ■ At KOSÉ Cosmeport, CLEAR TURN, Softymo and SUNCUT, as sales activities for this brand are being strengthened, contributed to sales growth. ■ Products of VISÉE, FASIO and MAKE KEEP Series performed well.

Net Sales by Region: Asia

- A challenging business climate for mainland China and China travel retail
- In South Korea travel retail, sales increased as demand rose prior to the enactment of tighter restrictions; sales to tourists from China were slow.

(billion yen)	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	12.6	18.6%	9.6	12.4%	-3.0	-23.7%

Market Trends

China	<ul style="list-style-type: none"> ■ Although there were briefly signs of a recovery, economic growth is slowing due to a lackluster consumer spending recovery and weakness in the real estate sector. ■ Consumers want to limit spending and competition is becoming more heated. ■ Tightening of restrictions on reseller bulk purchases
South Korea (duty-free)	<ul style="list-style-type: none"> ■ Duty-free store companies are continuing to hold down purchases of merchandise as they intensify inventory reductions.

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China (excluding TR)	<ul style="list-style-type: none"> ■ In the EC category, a slow upturn in sales at a platform entered last year was not enough to offset low sales at the existing platform. ■ In the offline category, activities targeting VIP customers are increasing for more sales of high-end products.
China TR	<ul style="list-style-type: none"> ■ Sales were low because of restrictions on bulk purchases by resellers, excess inventories, and measures by distributors and stores to reduce inventories.
South Korea TR	<ul style="list-style-type: none"> ■ There was a brief upturn in sales due to purchases prior to the enactment of even tighter restrictions on bulk purchases by resellers. ■ Excess inventories in China are holding back the recovery of travel retail sales in South Korea.

*Information about sales excluding forex changes is in “Sales Growth Rate by Business Segment” on page 30 of the Supplementary Information.

Both sales and store sales at Tarte increased from one year earlier despite a temporary upturn in merchandise deliveries prior to the 2023 warehouse relocation

(billion yen)	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q	14.1	20.8%	19.0	24.6%	+4.9	+34.6%

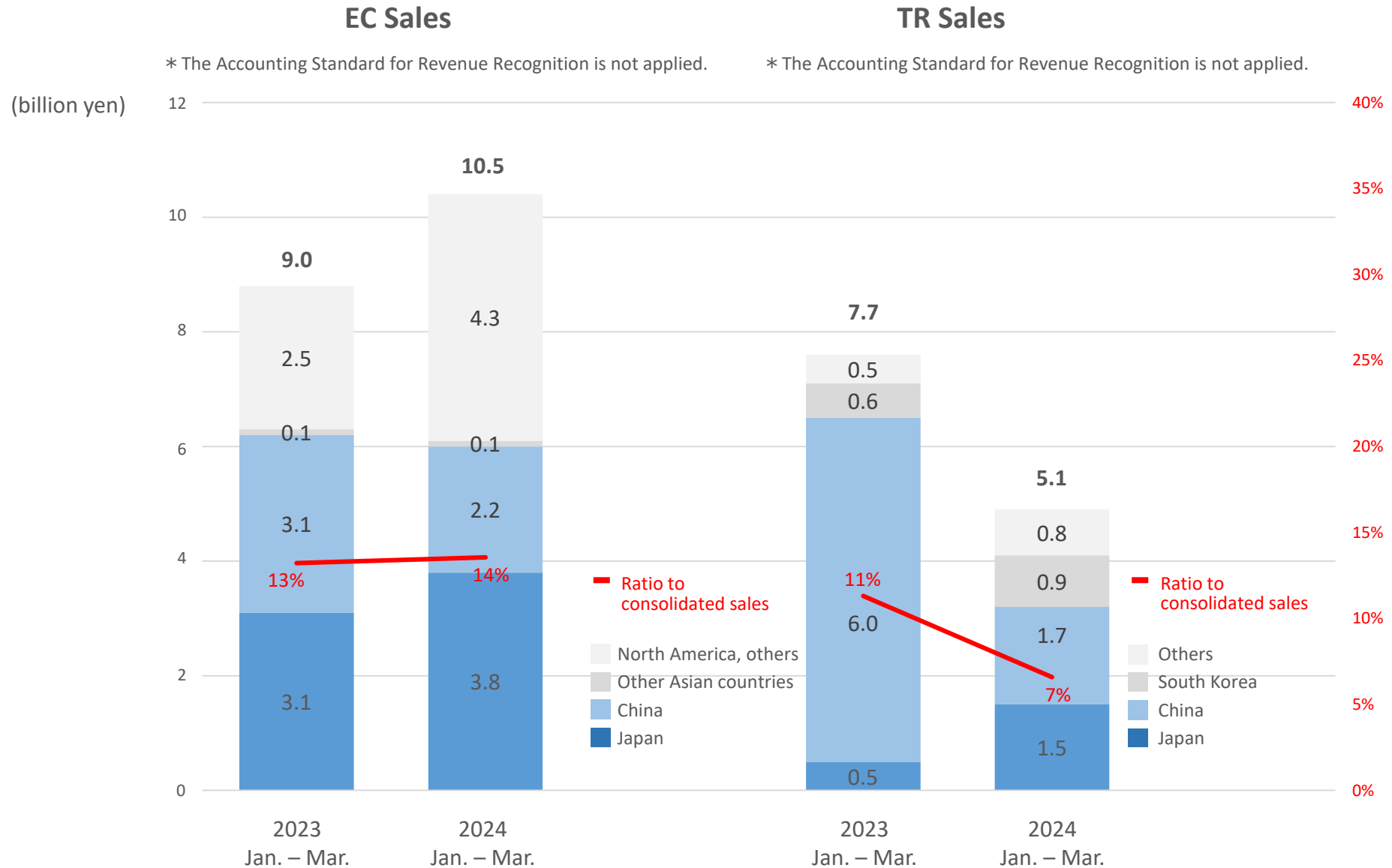
Market Trends

USA	<ul style="list-style-type: none"> ■ Inflation remains high and there is no change in interest rates. ■ The U.S. economy is strong with the support of firm consumer spending.
Europe	<ul style="list-style-type: none"> ■ Inflation is easing but the European Central Bank is holding interest rates steady. Demand for cosmetics remains firm.

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Tarte (USA)	<ul style="list-style-type: none"> ■ Growth of SNS channel sales was a major reason for the increase in sales. ■ Tarte maintained its market leadership in the concealer category, a core product. ■ Strong sales of lip and mascara products, which are categories targeted for growth ■ Aggressive marketing investments, including a brand trip with influencers
Tarte (Europe & other)	<ul style="list-style-type: none"> ■ Strong sales in Europe contributed to sales growth. ■ Increases in store sales from one year earlier in all regions.
KOSÉ America	<ul style="list-style-type: none"> ■ SEKKISEI contributed to sales in this region due to activities to increase sales of these products at major retail stores.

*Information about sales excluding forex changes is in "Sales Growth Rate by Business Segment" on page 30 of the Supplementary Information.



*Reference: page 31 E-commerce/Travel Retail Sales (by region) —Quarterly; includes offline sales in China.

Balance Sheet and Cash Flow Highlights

➤ BS: Total assets amounted to ¥373.9 billion and equity ratio was above 70%.

(billion yen)	As of December 31, 2023		As of March 31, 2024		Change
	Amount	Share	Amount	Share	Amount
Current assets	256.7	69.1%	258.6	69.2%	+1.9
Cash and deposits	132.8	35.7%	123.9	33.2%	-8.9
Accounts receivable	44.4	11.9%	49.3	13.2%	+4.9
Inventories	70.8	19.1%	77.6	20.8%	+6.7
Non-current assets	114.9	30.9%	115.0	30.8%	+0.0
Property, plant and equipment	61.2	16.5%	61.1	16.4%	-0.0
Intangible assets	14.1	3.8%	14.0	3.8%	-0.0
Total assets	371.6	100.0%	373.6	100.0%	+2.0


Current liabilities	70.2	18.9%	67.0	17.9%	-3.1
Accounts payable	27.1	7.3%	30.0	8.1%	+2.9
Short-term borrowings	0.5	0.1%	0.5	0.1%	-
Non-current liabilities	18.3	4.9%	18.3	4.9%	-0.0
Total liabilities	88.6	23.8%	85.3	22.8%	-3.2
Total net assets	283.0	76.2%	288.3	77.2%	+5.2
Shareholders' equity*	266.1	71.6%	271.4	72.6%	+5.2
Non-controlling interests	16.8	4.5%	16.8	4.5%	+0.0
Total liabilities and net assets	371.6	100.0%	373.6	100.0%	+2.0

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

➤ CF: Negative operating cash flow mainly because of higher receivables and inventories. No effect on financial soundness due to a large volume of cash and cash equivalents.

(billion yen)	1Q	
	2023	2024
Profit before income taxes	+6.2	+10.2
Depreciation	+2.5	+2.5
Working capital (+Accounts receivable + Inventories - Accounts payable)	+5.9	-8.7
Others	-9.2	-8.8
Cash flows from operating activities	+5.5	-4.7
(Increase) decrease in time deposits	-0.5	+0.5
Purchase of non-current assets	-1.2	-1.1
Others	-0.0	-0.1
Cash flows from investing activities	-1.8	-0.7
Funds procured from external sources and repayments	-0.8	-
Cash dividends paid	-3.9	-4.2
Others	-0.2	-0.0
Cash flows from financing activities	-5.3	-4.2
Effect of exchange rate change on cash and cash equivalents	+0.2	+1.0
Change in cash and cash equivalents	-1.4	-8.7
Cash and cash equivalents at beginning of period	94.0	105.6
Cash and cash equivalents at end of period	92.6	96.9

2024 Sales Plan (Regional/ Business Segment/ Major Group Companies)

Region (YoY change)	2023 sales (%)	2024 sales plan (%)	2024 outlook
Japan	+16.4%	 +5%	The post-pandemic recovery in demand has ended but the economy is expected to continue recovering slowly. Economic growth may slow as inflation reduces consumer spending growth and due to slower overseas economic growth and Japan's labor shortage.
China (excluding TR)	-25.1%	+5%	Consumer spending is unlikely to recover soon due to the prolonged real estate market slump and rising unemployment.
China/South Korea TR	-59.8%	+24%	China: Expecting a challenge at the beginning of 2024 as high distribution channel inventories continue to hold down purchases by travel retailers. Forecast a slow and moderate recovery in shipments as inventories return to normal and consumer spending recovers. South Korea: In the travel retail sector, more time will be needed to return distributor inventories to normal because the number of Chinese tourists is not increasing.
Overseas (Tarte)	+27.7%	-3%	The negative effects of high interest rates in 2023 are likely to slow the economy but the labor market and consumer spending are expected to remain strong. Forecast a slow recovery as a recession will be avoided.

➤ In the cosmetics segment, sales in the high prestige category are expected to grow, driven by DECORTÉ. Sales in the prestige category are expected to perform well in Japan but decline overseas. A solid performance is also expected in the cosmetaries segment.

Segment (YoY change)	2023 sales (%)	2024 sales plan (%)
Consolidated sales*note 1	+3.9%	+3.9%
Cosmetics*note 1	+2.3%	+4.3%
High prestige	-0.9%	+5.2%
DECORTÉ	-19.5%	+10.5%
Prestige	+17.1%	+2.3%
SEKKISEI	+20.6%	+3.9%
Cosmetaries*note 1	+10.4%	+2.0%

➤ A steady sales growth in all categories are expected in Japan. Overseas, sluggish sales in China and South Korea will continue, but a slow and moderate recovery is expected in China, especially in the travel retail segment. Tarte (U.S. and Europe) is expected to perform steadily, but its yen-based sales will decrease due to the strong yen assumption.

Major group companies (YoY change)		2023 sales (%)	2024 sales plan (%)
JPY	ALBION	+4.3%	+3.1%
	KOSÉ Cosmeport	+3.8%	+3.5%
	KOSÉ China*notes 1, 2	-25.1%	+4.8%
	KOSÉ Korea*note 1	-51.3%	-3.1%
	Tarte*note 1	+27.1%	-3.3%
Local currency	KOSÉ China*notes 1, 2	-26.4%	+9.3%
	KOSÉ Korea*note 1	-77.4%	+2.3%
	Tarte*note 1	+18.9%	+4.0%

Note 1: Figures are after applying the Accounting Standard for Revenue Recognition. All other figures are before applying the standard.

Note 2: KOSÉ China sales includes online and offline operations and does not include travel retail.

Outlook for the Last Three Quarters of 2024

Regional outlook	2024 initial sales plan	Outlook
Overall	+3.9%	<ul style="list-style-type: none"> ■ Marketing expenditures, mainly in Japan and at Tarte, where sales are strong, to maintain sales growth ■ Making brands more appealing in Europe, North America, ASEAN region and other areas while realigning and improving operations in China
Japan	+5%	<ul style="list-style-type: none"> ■ Forecast sales growth in all channels as the demand for cosmetics recovers moderately ✓ For DECORTÉ, the goal is double-digit sales growth in Japan by strengthening the AQ and LIPOSOME lineups and adding new products. ✓ ALBION is using counseling services, a key strength of this company, to increase sales of skin care products. Priorities are attracting new customers and retaining current customers. ✓ At SEKKISEI, there will be activities throughout 2024 to increase sales of the new SEKKISEI series. Also more measures for growth involving the 3Gs (global, gender, generation) for expanding this brand to a broader range of customer segments. ✓ At KOSÉ Cosmeport, the goal is a larger market share for CLEAR TURN, Softymo and other key product categories. Increasing sales activities for SUNCUT sunscreen products as the peak season approaches.
China (excluding TR)	+5%	<ul style="list-style-type: none"> ■ More sales activities for high-end products and measures to create the next hit products ■ Reexamining expenses for EC promotions to improve profitability ✓ DECORTÉ is focusing on adding new customers and reinforcing ties with current customers of AQ and LIPOSOME products by using counseling and makeup and treatment services. In the EC category, more activities for AQ and LIPOSOME products and measures to increase sales per customer. Activities that reflect the increasing diversity of EC platforms and for differentiating sales methods. ✓ For SEKKISEI, more stores selling the MIYAVI series of high-end products and activities for adding new sales channels for expansion of the sales network.
China/South Korea TR	+24%	<ul style="list-style-type: none"> ■ Distributors are continuing to lower inventories in the 2Q and a recovery is expected to begin in the 3Q ✓ Reinforcing centralized control under the oversight of the head office of the supply of merchandise.
Overseas (Tarte)	-3%	<ul style="list-style-type: none"> ■ Anticipate sales to remain firm despite concerns about the possibility of slower economic growth

➤ There is currently no revision to 2024 outlook announced on February 14, 2024.

(billion yen)	2023 results		2024 plan		YoY change (amount)	YoY change (ratio)
	Amount	Ratio to net sales	Amount	Ratio to net sales		
Net sales	300.4	100.0%	312.0	100.0%	+11.5	+3.9%
Cosmetics	240.4	80.0%	250.8	80.4%	+10.3	+4.3%
Cosmetaries	57.6	19.2%	58.8	18.8%	+1.1	+2.0%
Others	2.2	0.8%	2.4	0.8%	+0.1	+4.3%
Operating profit	15.9	5.3%	20.0	6.4%	+4.0	+25.1%
Ordinary profit	20.2	6.7%	20.8	6.7%	+0.5	+2.7%
Profit attributable to owners of parent	11.6	3.9%	12.6	4.0%	+0.9	+8.0%
Net income per share	204.43 yen		220.83 yen			
ROA		6.7%		5.6%		
ROE		4.4%		4.4%		
Capital expenditures		5.8		25.5*		
Depreciation		9.5		10.5		

Foreign exchange rate		
Currency	2023 results	2024 estimate
US dollar/Yen	140.5	130.0
Chinese yuan/Yen	19.8	19.0
Korean won/Yen	0.107	0.102

*Construction of the Minami Alps Factory is planned to start in 2024.

Brand Topics

- ◆ **DECORTÉ:** Raise awareness and market share by adding new products in growing categories
- ◆ **ALBION:** Activities centered on counseling on the launch of new products and limited-time-only products



Left: Plumping Lip Serum was launched on April 16, targeting the post-pandemic recovery in lip makeup demand.

Right: Sales of AQ RADIANCE Watery Gel Cleansing and AQ RADIANCE Airy Cream Wash will start on May 16. Strengthens the AQ lineup as high-end cleansing and face washing products capture larger shares of these market sectors.



Left: A website was created for SKIN CONDITIONER, now celebrating its 50th anniversary, as this brand upgrades both online and offline ways to contact customers. Creating more opportunities for counseling by using SNS for customer sampling and selling limited-time-only products that will be launched on May 18.

Right: Sales of Elégance LA POUDRE HAUTE NUANCE will begin on June 1.

- ◆SEKKISEI: Following beauty lotion in March, an emulsion will be relaunched on July 1 to target the demand for brightening skin care
- ◆ONE BY KOSÉ: Introduced a peel-off beauty serum to meet the increasing need among young people for pore cleansing and care



BRIGHTENING ESSENCE LOTION



BRIGHTENING EMULSION

Started selling SEKKISEI BRIGHTENING ESSENCE LOTION in March and plan to launch BRIGHTENING EMULSION on July 1. Strengthen the line of skin care products to attract more new customers and to cultivate a larger number of loyal SEKKISEI fans.



ONE BY KOSÉ will start selling CLEAR PEEL SERUM on May 16. To position this as a genderless product, advertisements will feature volleyball player Ran Takahashi, who plays in the Italian Serie A volleyball league.

- ◆ **VISÉE:** Cumulative shipments of NENMAKU FAKE ROUGE have surpassed 1.3 million units. This brand will continue to focus on the lip category.
- ◆ **KOSÉ Cosmeport:** Redesign products in the key cleansing and sunscreen categories to meet the increasingly diverse needs of customers.



Sales of VISÉE NENMAKU FAKE ROUGE, launched in May 2023, have been consistently strong. At the end of March 2024, cumulative shipments surpassed 1.3 million units. This product has become popular and symbolizes the VISÉE brand.



On February 21, Softymo launched new versions of four products in the Speedy Cleansing Series. Demand is increasing for products that can quickly and easily remove makeup.



First quarter sales of the SUNCUT Tone Up Series are higher than one year earlier due to the renewal and the quick placement of these products in stores in December 2023 (usually in February). Adding fragrance appeal to the sunscreen function successfully attracted young customers.

- ◆ Held an International Shape Tape™ Day event worldwide and in all sales channels. Cumulative Shape Tape sales are now more than 40 million units.
- ◆ Promotions featuring popular SNS influencers contributed to strong growth of lip and mascara products launched in February



Tarte's flagship concealer series, Shape Tape, is attracting many new customers across all sales channels. Continuing activities to increase repeat purchases of these products. Tarte is maintaining its leading position in the North America concealer category.



In February Tarte started selling maracuja juicy lip vinyl, the newest formula in this category. They also launched Tarte's latest innovation in tubing mascara, tartelette XL, which is flake free and smudgeproof. These two products rank first and second respectively among best sellers (sales volume) on the Tarte.com website.



- ◆ DECORTÉ beauty care salons at department stores enable the use of offline counseling to increase the number of loyal customers
- ◆ For online, a variety of KOLs are used in live e-commerce.



Beauty consultants at department stores allow customers to try beauty care techniques using AQ and AQ MELIORITY and customers are invited to events at stores and hotel salons. These activities create opportunities for customers to experience the worldview and outstanding quality of DECORTÉ products.

For live e-commerce, a variety of KOLs are appointed for promotions that reflect the characteristics of individual sales channels.

- ◆ Outstanding consumer-oriented management award of the Consumer Affairs Agency
- ◆ Selection as a 2023 Nadeshiko Brand company. Extended personnel/employee benefit systems to cover employees with same-sex partners as part of DE&I initiatives. Also, programs for employees to improve awareness and understanding of various DE&I issues.



The consumer-oriented management award recognizes KOSÉ's commitment to adaptable manufacturing that creates products for the needs of a broad range of people regarding their gender, age, race, nationality, cultural background and other characteristics. The award also recognizes programs that alter consumer behavior and lead to the future by making skin care a habit beginning with early childhood and educating people about the need for UV skin protection.



KOSÉ was selected as a 2023 Nadeshiko Brand company. KOSÉ has extended employee benefits such as extended leave and various allowances to care for a family member, to cover employees who have a partner with the same gender on the family register. DE&I programs have been implemented throughout the company to increase awareness and understanding of these issues.

- ◆ Additional medium/long-term sustainability targets to reinforce environmental protection activities
- ◆ New and more specific targets for cutting CO2 emissions and for environmentally responsible plastic containers and packaging

	Commitment	Item	Target	Goal
New targets	Reduction of CO2 emissions	Scope 1, 2 and 3	Net zero ^{*1}	2050
	Environmentally responsible designs for plastic containers and packaging	Utilization of recycled/biomass plastics	50% ^{*2}	2030
		Volume of petroleum-based virgin plastic	Down 50% ^{*3} vs. 2018 in relation to production volume	2030
		Utilization of refillable containers	To be announced in 2025	

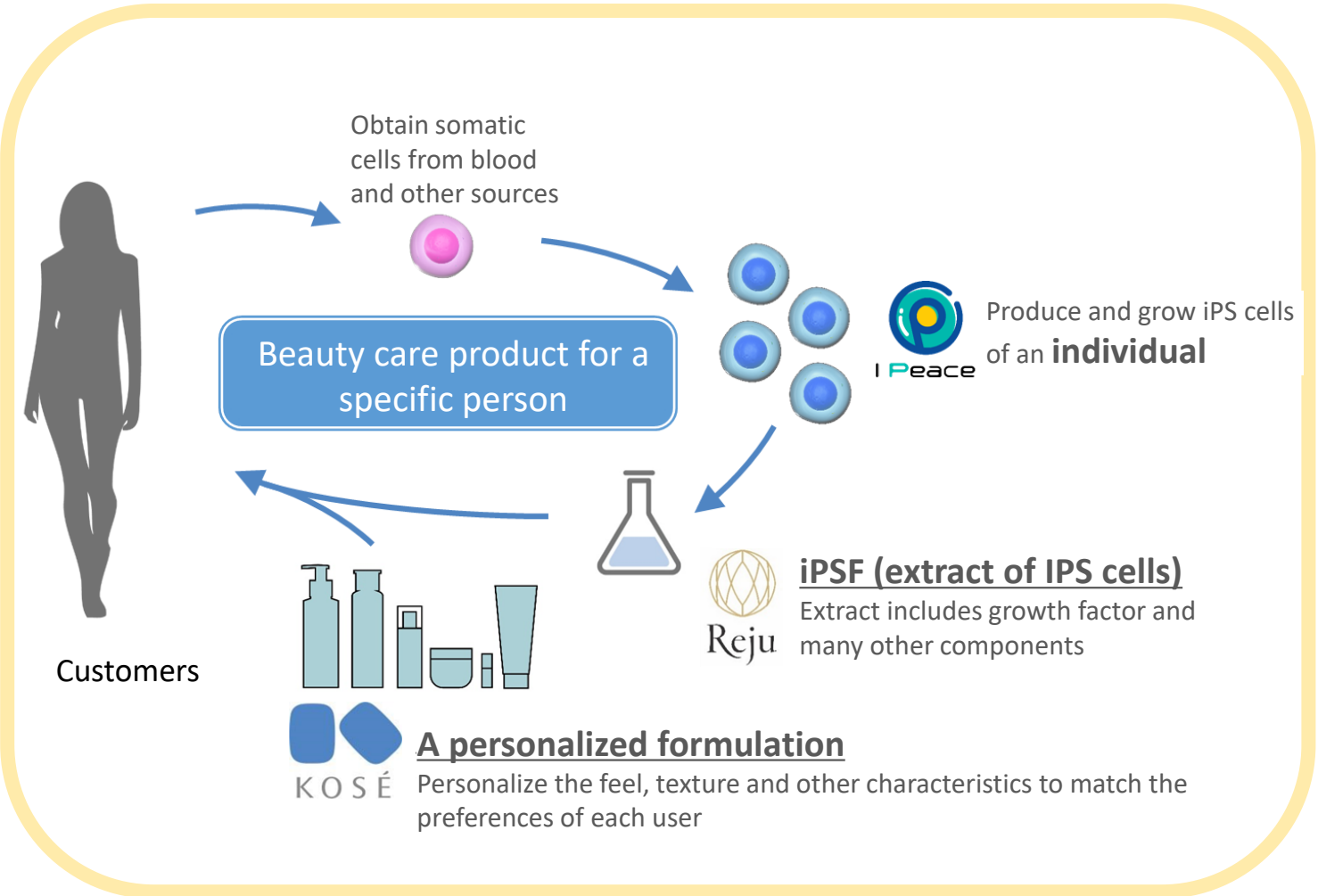
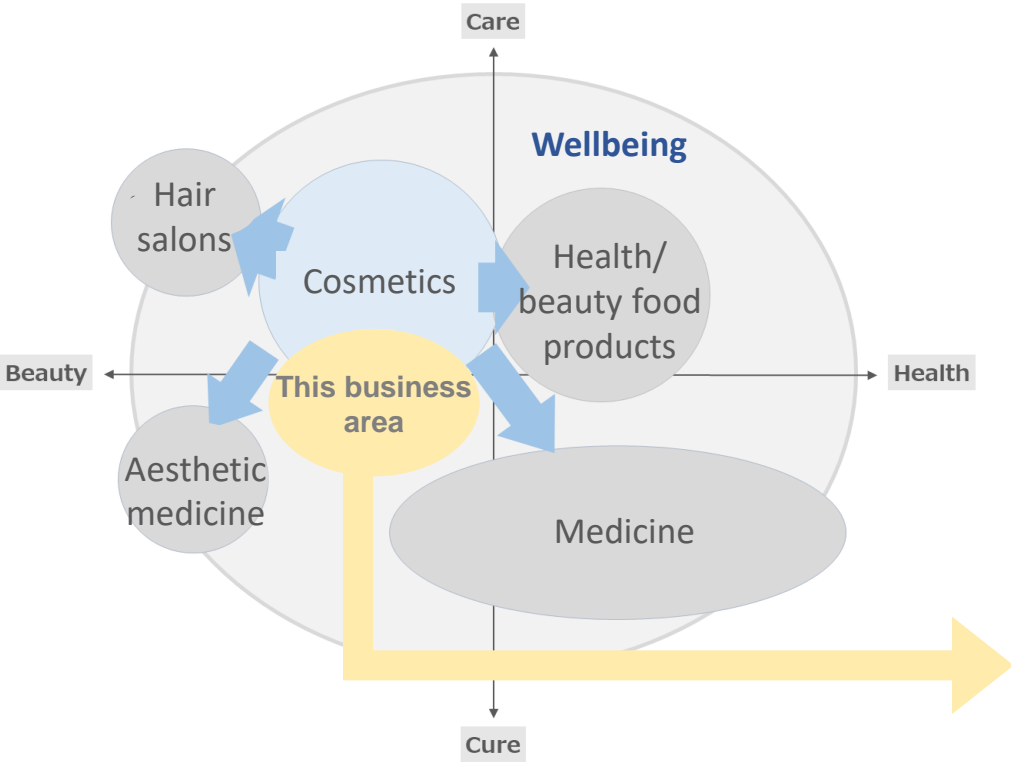
*1 Target established in 2023 and included with these revisions
 *2 For new products launched in the applicable year
 *3 For products shipped in the applicable year

In the KOSÉ Sustainability Plan, some targets for activities involving people and society have been revised upward and, to reinforce activities to protect the environment, new and more specific targets were added. The goal for CO2 emissions is net zero by 2050. Another goal is plastic container and packaging designs that contribute to sustainability to be achieved by 2030.



A biomass plastic is used for the SEKKISEI BRIGHTENING ESSENCE LOTION (launched on March 1) container. To lower the amount of plastic required, the amount of resin in the container was reduced and there is no wrapping film. These steps also reduced CO2 emissions associated with production of the containers.

◆ KOSÉ/I Peace/Reju technology alliance for creating personalized beauty care products*1 using iPS cells*2



Activities

- ◆ iPS cell banking service for individuals
- ◆ Contract production/sale of iPS cells for medical/research activities of companies

- ◆ Beauty and health products and services using iPSF (extract of iPS cells)

*1 These products are provided by medical institutions and used with the oversight of a physician. The products of this business are not cosmetics as defined by the Pharmaceuticals and Medical Devices Act.
 *2 iPS cells are a type of stem cell that can differentiate into many types of tissues and organs and have a virtually unlimited propagation capacity. Many applications in the field of regenerative medicine are expected.



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 LTV through customer-focused marketing across brands • Offer cosmetics value in the area of wellbeing • Improve customer service quality by leveraging the benefits of both in-person and online counseling
	Focus on Unique Forms of Value by Utilizing External Resources and Technologies	<ul style="list-style-type: none"> • Leverage external technologies in the “Monozukuri” (manufacturing) area • Create new types of value through open innovation • Collaborate with external resources from a global perspective
Three Bases	Build a Sound Foundation for the Company Growth	<ul style="list-style-type: none"> • Promote Monozukuri BPR and establish a system for sustainable production, including at the South Alps plant • Improve business efficiency by reducing costs, inventories and waste • Promote digital transformation (DX) as a global company • Invest resources in growth areas by improving labor productivity
	Diversity and Inclusion Management Practices	<ul style="list-style-type: none"> • Create an environment where diverse human resources can be utilized and provide employees with job satisfaction • Establish a human resources portfolio and optimize utilization of human resources
	Promote a Sustainability Strategy Across the Entire Value Chain	<ul style="list-style-type: none"> • Promote a unique sustainability strategy for human beings and the Earth • Instill and implement the “KOSÉ Sustainability Plan” • Accelerate initiatives by generating synergies within the Group and collaborating with other companies

Growth Strategies	Key Initiatives in 2024
Accelerate Global Brand Development	<ul style="list-style-type: none">➤ Japan: Continue raising KOSE's profile in the high prestige market Larger share for mass market products➤ Tarte: Further growth in countries and regions where Tarte operates➤ China/TR: Increase the value of brands and improve profitability➤ North America and Europe/ASEAN/India: New markets for the KOSÉ brands
Business Foundations	Key Initiatives in 2024
Build a Sound Foundation for the Company Growth	<ul style="list-style-type: none">➤ Established the Product Headquarters as a single unit to oversee all operations involving manufacturing with the aim of stronger communications and cooperation among different departments and even better global supply chain capabilities➤ Strengthen overseas operations by opening a France Branch and sending a supervisor to coordinate operations in the ASEAN region and India➤ Establish a Business Process Reform Office at KOSÉ Sales Co., which sells KOSÉ products in Japan. Use a sales support system to become more profitable.

Global Sales of Major Group Companies and Major Brands —Quarterly

Major group companies (billion yen)	ALBION						KOSÉ Cosmeport						Tarte					
	2023		2024		YoY change (ratio)		2023		2024		YoY change (ratio)		2023		2024		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	9.9	1.3	11.7	1.0	+17.9%	-21.4%	7.1	0.1	8.8	0.2	+24.3%	+48.3%	12.2	1.7	15.5	2.6	+27.0%	+51.2%
2Q	12.2	1.5					8.9	0.1					8.6	2.9				
3Q	12.8	1.0					9.7	0.0					12.9	2.2				
4Q	13.7	1.6					8.3	0.0					15.5	2.4				
Subtotal	48.7	5.5					34.1	0.4					49.2	9.4				
Total sales	54.2						34.6						58.7					
OP (ratio)	3.9 (7.2%)						2.7 (7.8%)						8.5 (14.6%)					

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

Major brands (billion yen)	DECORTÉ						SEKKISEI					
	2023		2024		YoY change (ratio)		2023		2024		YoY change (ratio)	
	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others	Japan	Asia/ others
1Q	8.7	10.5	10.0	6.5	+15.4%	-38.5%	1.9	1.2	2.4	1.7	+28.0%	+38.7%
2Q	9.0	15.4					2.3	1.2				
3Q	9.1	5.5					2.3	1.5				
4Q	11.3	7.6					2.4	1.1				
Subtotal	38.2	39.2					9.1	5.2				
Total sales	77.4						14.3					

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

1Q						
	2023		2024		YoY change (billion yen)	YoY change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Japan	41.3	60.6%	48.8	62.9%	+7.5	+18.2%
Asia	12.6	18.6%	9.6	12.4%	-3.0	-23.7%
North America	12.9	19.0%	16.8	21.7%	+3.9	+30.5%
Others	1.2	1.9%	2.2	2.9%	+0.9	+76.8%
Total	68.1	100.0%	77.5	100.0%	+9.4	+13.8%
Overseas sales	26.8	39.4%	28.7	37.1%	+1.9	+7.1%

Sales Growth Rate by Business Segment

YoY changes in sales, %	FY2023				
	1Q	2Q	3Q	4Q	Total
Consolidated sales ^{*note 1}	+15.5%	+6.4%	+6.2%	-7.7%	+3.9%

【Segment】

Cosmetics ^{*note1}	+19.6%	+3.9%	+4.1%	-11.1%	+2.3%
High prestige	+17.3%	+4.3%	-2.4%	-14.8%	-0.9%
DECORTÉ	+8.6%	-0.1%	-29.9%	-42.3%	-19.5%
Prestige	+23.9%	+13.4%	+29.3%	+5.3%	+17.1%
SEKKISEI	+28.1%	+22.4%	+40.1%	+0.7%	+20.6%
Cosmetaries ^{*note 1}	-0.6%	+17.5%	+13.4%	+10.3%	+10.4%

【 Major Group Companies】

JPY	ALBION	-2.7%	+4.5%	+10.7%	+4.0%	+4.3%
	KOSÉ Cosmeport	-5.4%	+14.6%	+6.3%	+0.0%	+3.8%
	KOSÉ China ^{*note 1, 2}	-5.4%	+8.6%	-20.7%	-52.3%	-25.1%
	KOSÉ China TR	-8.9%	-2.6%	-77.4%	-87.3%	-51.3%
	KOSÉ Korea ^{*note 1}	-68.5%	-78.3%	-67.0%	-85.7%	-76.1%
	Tarte ^{*note 1}	+66.5%	+7.4%	+25.5%	+20.4%	+27.1%
Local currency	KOSÉ China ^{*note 1, 2}	-10.6%	+7.2%	-19.1%	-53.9%	-26.4%
	KOSÉ China TR	-21.0%	-9.5%	-78.7%	-87.7%	-55.8%
	KOSÉ Korea ^{*note 1}	-70.7%	-79.0%	-68.9%	-87.2%	-77.4%
	Tarte ^{*note 1}	+46.4%	+2.2%	+19.6%	+14.4%	+18.9%

FY2024
1Q
+13.8%
+11.2%
+6.4%
-14.1%
+14.0%
+28.2%
+25.9%
+12.7%
+21.2%
-28.2%
-71.4%
+43.7%
+30.0%
-32.7%
-73.3%
+33.7%
+15.8%

FY2024 Outlook
+3.9%
+4.3%
+5.2%
+10.5%
+2.3%
+3.9%
+2.0%
+3.1%
+3.5%
+4.8%
+24%
-3.3%
+9.3%
—
+4.0%

Note 1: Figures are after applying the Accounting Standard for Revenue Recognition. All other figures are before applying the standard.

Note 2: 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
	2023	2024	
Total	42.7		
1Q	9.0	10.5	+17.2%
2Q	10.5		
3Q	8.4		
4Q	14.7		

Japan			China			Other Asian countries			North America, others		
2023	2024	YoY change	2023	2024	YoY change	2023	2024	YoY change	2023	2024	YoY change
14.9			14.0			0.5			13.0		
3.1	3.8	+21.3%	3.1	2.2	-30.1%	0.1	0.1	+62.2%	2.5	4.3	+68.1%
3.3			5.3			0.1			1.5		
3.7			1.3			0.0			3.3		
4.5			4.2			0.2			5.7		

TR (billion yen)	Total		YoY change
	2023	2024	
Total	26.5		
1Q	7.7	5.1	-33.8%
2Q	10.2		
3Q	4.4		
4Q	4.1		

Japan			China			South Korea			Others		
2023	2024	YoY change	2023	2024	YoY change	2023	2024	YoY change	2023	2024	YoY change
5.1			14.7			3.6			2.8		
0.5	1.5	+216.3%	6.0	1.7	-71.0%	0.6	0.9	+49.1%	0.5	0.8	+51.3%
1.5			5.6			1.3			1.6		
1.1			1.7			1.1			0.3		
1.9			1.3			0.4			0.3		

Offline (billion yen)	China		
	2023	2024	YoY change
Total	7.3		
1Q	1.1	0.7	-30.3%
2Q	2.2		
3Q	1.9		
4Q	1.8		

* The Accounting Standard for Revenue Recognition is not used.

(Yen)	2023			
	Jan. – Mar.	Jan. – Jun	Jan. – Sep.	Jan. – Dec.
US\$	132.3	134.8	138.1	140.5
CN¥	19.3	19.4	19.6	19.8
KRW	0.103	0.104	0.106	1.107

2024
Jan. – Mar.
148.6
20.6
0.111

These materials include estimates on the basis of the outlook on the future and plans as of May 8, 2024, 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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➤ 2024 Earnings Announcement Schedule (tentative)

2nd quarter earnings announcement:	August 7, 2024
3rd quarter earnings announcement:	November 11, 2024
Full-year earnings announcement:	February 12, 2025

*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 “-%”.