
Results of Operations

Nine Months Ended September 30, 2024



KOSÉ Corporation
November 11, 2024

Net sales

¥238.7 billion: up ¥19.7 billion (9.0%) YoY
(up 6.0% excluding forex)

- Strong sales fueled mainly by Japan and Tarte, which offset lower sales in mainland China and the China travel retail sector

Operating profit

¥18.8 billion: up ¥2.7 billion (17.4%) YoY
(Operating margin: 7.9%)

- A drop in profitability from the first half because sales growth in Japan is slowing and the Greater China sales were weak

- Slight decrease in ordinary profit due to a decrease in foreign exchange gains.
- A big decrease in profit attributable to owners of parent because of an extraordinary loss for business restructuring expenses in China.

1Q-3Q							
	2023		2024		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	218.9	100.0%	238.7	100.0%	+19.7	+9.0%	+6.0%
Cost of sales	63.7	29.1%	71.9	30.1%	+8.1	+12.7%	
Gross profit	155.1	70.9%	166.8	69.9%	+11.6	+7.5%	
SG&A expenses	139.1	63.5%	147.9	62.0%	+8.8	+6.4%	
Operating profit	16.0	7.3%	18.8	7.9%	+2.7	+17.4%	
Ordinary profit	21.0	9.6%	20.6	8.7%	-0.3	-1.8%	
Profit before income taxes	20.5	9.4%	18.4	7.7%	-2.0	-10.1%	
Profit attributable to owners of parent	13.1	6.0%	9.4	3.9%	-3.7	-28.4%	
Net income per share	230.45 yen		164.96 yen		-65.49 yen		
Capital expenditures	4.9		18.2				
Depreciation	7.8		7.5				

Cost of Sales and SG&A Expenses

- The cost of sales ratio increased mainly because of a lower pct. of DECORTÉ sales caused by lower Greater China sales, a higher pct. of Tarte and other makeup category sales, and higher product disposal expenses associated with an updated lineup of KOSÉ Cosmeport products.
- SG&A expenses increased, mainly administrative and marketing expenses, but decreased as a pct. of sales due to sales growth.

1Q-3Q									
				2023		2024		Change (billion yen)	Change (ratio)
				Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cost of sales				63.7	29.1%	71.9	30.1%	+8.1	+12.7%
SG&A expenses				139.1	63.5%	147.9	62.0%	+8.8	+6.4%
	Selling expenses		Sales promotion	32.6	14.9%	34.3	14.4%	+1.7	+5.4%
			Advertising	18.5	8.5%	19.5	8.2%	+0.9	+5.4%
		Marketing cost		51.1	23.4%	53.9	22.6%	+2.7	+5.4%
		Freightage and packing		13.8	6.3%	13.8	5.8%	-0.0	-0.2%
		Subtotal			65.0	29.7%	67.7	28.4%	+2.7
	General and administrative expenses	Personnel		44.1	20.1%	46.6	19.5%	+2.5	+5.8%
		R&D		4.7	2.2%	4.9	2.1%	+0.2	+4.4%
		Depreciation		3.7	1.7%	3.6	1.5%	-0.0	-2.6%
		Others		21.4	9.8%	24.8	10.4%	+3.4	+16.1%
	Subtotal			74.1	33.8%	80.2	33.6%	+6.1	+8.3%

Sales and Operating Profit by Segment

- In the cosmetics segment, overall sales increased but earnings decreased. Double-digit growth at Tarte and in Japan but lower sales and earnings in China. Profitability decreased due to a higher cost of sales ratio caused by a change in the sales mix.
- In the cosmetaries segment, sales and earnings increased. KOSÉ Cosmeport brands and MAKE KEEP Series and other KOSÉ brands were the primary drivers of sales growth. A big increase in sales and higher profitability due to shifting some selling expenses to the fourth quarter.

Net sales

Operating segment	1Q-3Q					
	2023		2024		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Cosmetics	174.4	79.7%	187.4	78.5%	+12.9	+7.4%
Cosmetaries	42.8	19.6%	49.4	20.7%	+6.5	+15.3%
Others	1.6	0.7%	1.8	0.8%	+0.2	+14.0%
Total	218.9	100.0%	238.7	100.0%	+19.7	+9.0%

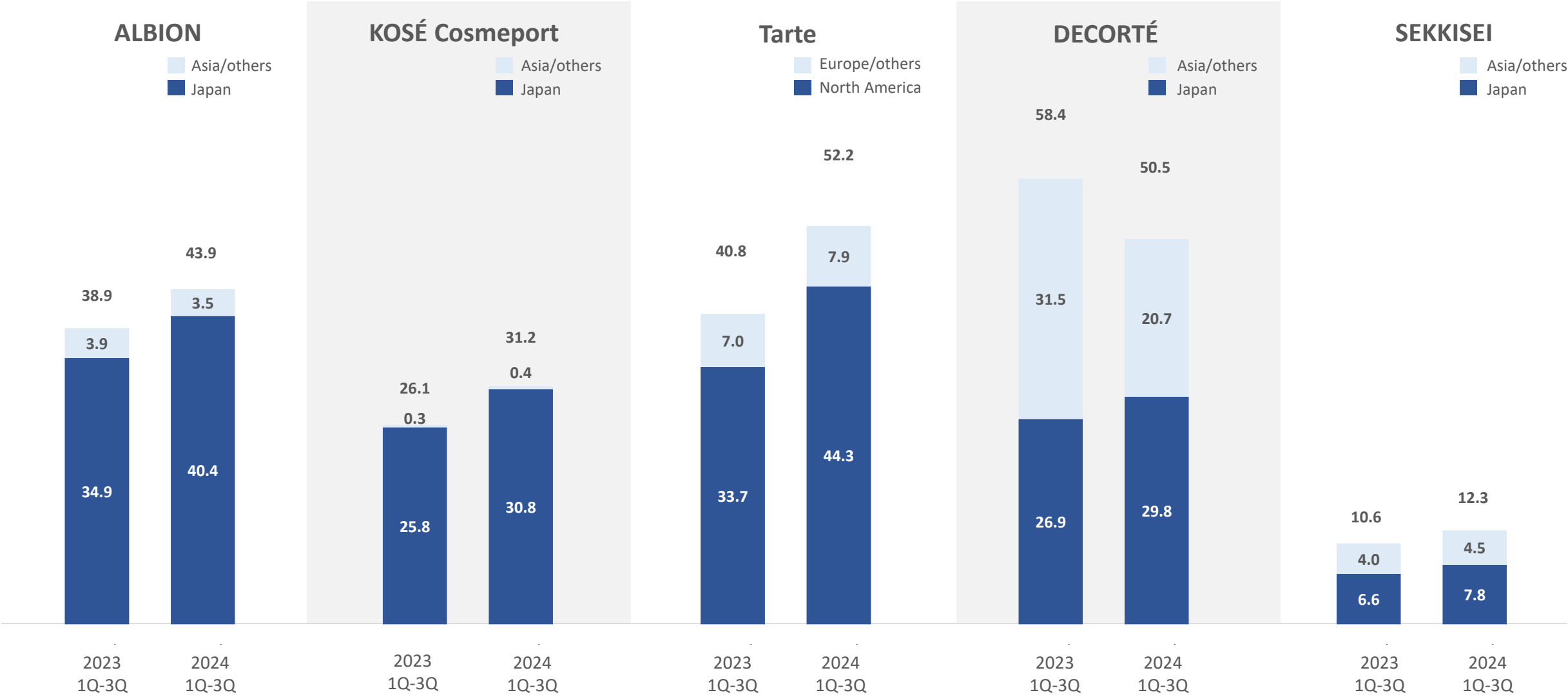
Operating profit

Operating segment	1Q-3Q					
	2023		2024		Change (billion yen)	Change (ratio)
	Amount (billion yen)	Operating margin	Amount (billion yen)	Operating margin		
Cosmetics	15.7	9.1%	15.5	8.3%	-0.2	-1.8%
Cosmetaries	3.9	9.2%	6.7	13.7%	+2.8	+73.0%
Others	0.6	32.5%	0.9	42.2%	+0.2	+45.1%
Adjustment	-4.3	-	-4.4	-	-0.0	-
Total	16.0	7.3%	18.8	7.9%	+2.7	+17.4%

(billion yen)

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

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



* Global Sales of Major Group Companies and Major Brands —Quarterly are on page 27 of the Supplementary Information.

- Sales remain strong although the growth rate has moderated due to the end of the upturn as economic activity resumed after the pandemic ended.
- At department stores and specialty cosmetics stores, sales of ALBION products were strong and DECORTÉ also contributed to sales growth.
- In the drug store and other mass retail channels, strong growth is continuing, primarily for major brands. Third quarter increase was smaller due to strong sales driven by new products launched in the same period last year.

	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
(billion yen)						
1Q-3Q	137.8	63.0%	155.4	65.1%	+17.6	+12.8%
1Q	41.3	60.6%	48.8	62.9%	+7.5	+18.2%
2Q	46.2	60.7%	52.3	64.2%	+6.1	+13.2%
3Q	50.3	67.4%	54.3	68.3%	+3.9	+7.9%

Market Trends

- The overall Japanese economy is recovering, but consumer spending remains stagnant.
- The sales growth rate for cosmetics is slower following the higher growth rate when economic activity resumed after the end of the pandemic.
- Record-high number of foreign tourists in Japan. Decline in purchases of cosmetics and perfume by tourists from China and Korea, which are a large pct. of all foreign tourists in Japan.

KOSÉ	
High prestige	<ul style="list-style-type: none">■ DECORTÉ sales remained strong. Despite of strong sales driven by the launch of the AQ series in September 2023, existing products and ZEN WEAR GLOW, launched in August 2024, contributed to sales growth.■ ALBION sales maintained double-digit growth. Strong sales of Elégance products at departments stores were the major source of growth. Sales at specialty cosmetics stores remained strong.
Prestige	<ul style="list-style-type: none">■ Double-digit growth of SEKKISEI products continued even after the large volume of new product sales during 3Q of 2023. BRIGHTENING Series lotions and emulsions were significant contributors to growth.■ ONE BY KOSÉ also maintaining double-digit growth. Strong sales of SERUM VEIL DEEP REPAIR after the August 2024 launch.
Cosmetaries	<ul style="list-style-type: none">■ Sales of KOSÉ Cosmeport’s CLEAR TURN increased significantly. Strong sales of other KOSÉ Cosmeport brands too. Successful start of sales of autumn and winter skin care products.■ Products of Visée and MAKE KEEP Series performed well.

➤ Sales in mainland China and China travel retail sector decreased significantly.
Consumer spending remains soft and market inventory is still stagnant.

(billion yen)	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q-3Q	40.8	18.6%	30.0	12.6%	-10.7	-26.5%
1Q	12.6	18.6%	9.6	12.4%	-3.0	-23.7%
2Q	19.2	25.3%	13.6	16.8%	-5.6	-29.2%
3Q	8.8	11.9%	6.7	8.4%	-2.1	-24.5%

Market Trends

China	<ul style="list-style-type: none">■ Consumer spending growth remains low with no signs of an upturn.■ Consumers are downgrading purchases of cosmetics due to concerns about the economic outlook and an increasing number of people are shifting to simpler skin care methods and products.■ Sales of brands of Chinese companies are consistently strong.
South Korea (duty-free)	<ul style="list-style-type: none">■ A challenging business climate because of the low volume of purchases by Chinese visitors and continuation of restrictions on duty-free store bulk sales to resellers. Increasing pressure to discount products to reduce slow-moving inventories at distributors and stores.

KOSÉ	
China (excluding TR)	<ul style="list-style-type: none">■ A slow recovery of consumer spending and increasing competition from Chinese brands are reducing the volume of products sold at stores, resulting in surplus inventories.■ E-commerce sales were far below one year earlier because of a reduction of gift-with-purchase offer and slow sales during online sales events.■ In the offline category, sales decreased due to measures to hold down bulk sales to resellers and the decline of customers at department stores despite more activities involving VIP customers to increase sales of high-end products.
China TR	<ul style="list-style-type: none">■ Sales decreased because of slow-moving inventories, restrictions on bulk purchases by resellers and inventory reductions by stores.■ KOSÉ’s controls on shipments of products have been strengthened.
South Korea/TR	<ul style="list-style-type: none">■ Continuing negative effects of slow-moving inventories and restrictions on bulk sales by duty-free store companies to resellers.

*Information about sales excluding forex changes is in “Sales Growth Rate by Business Segment” on page 29 of the Supplementary Information.

- Tarte sales and sales at stores were higher than one year earlier.
3Q sales up due to early shipments of holiday selling season products to offline retailers in North America; 1Q-3Q sales up due to strong North American EC sales and sales growth in Europe.

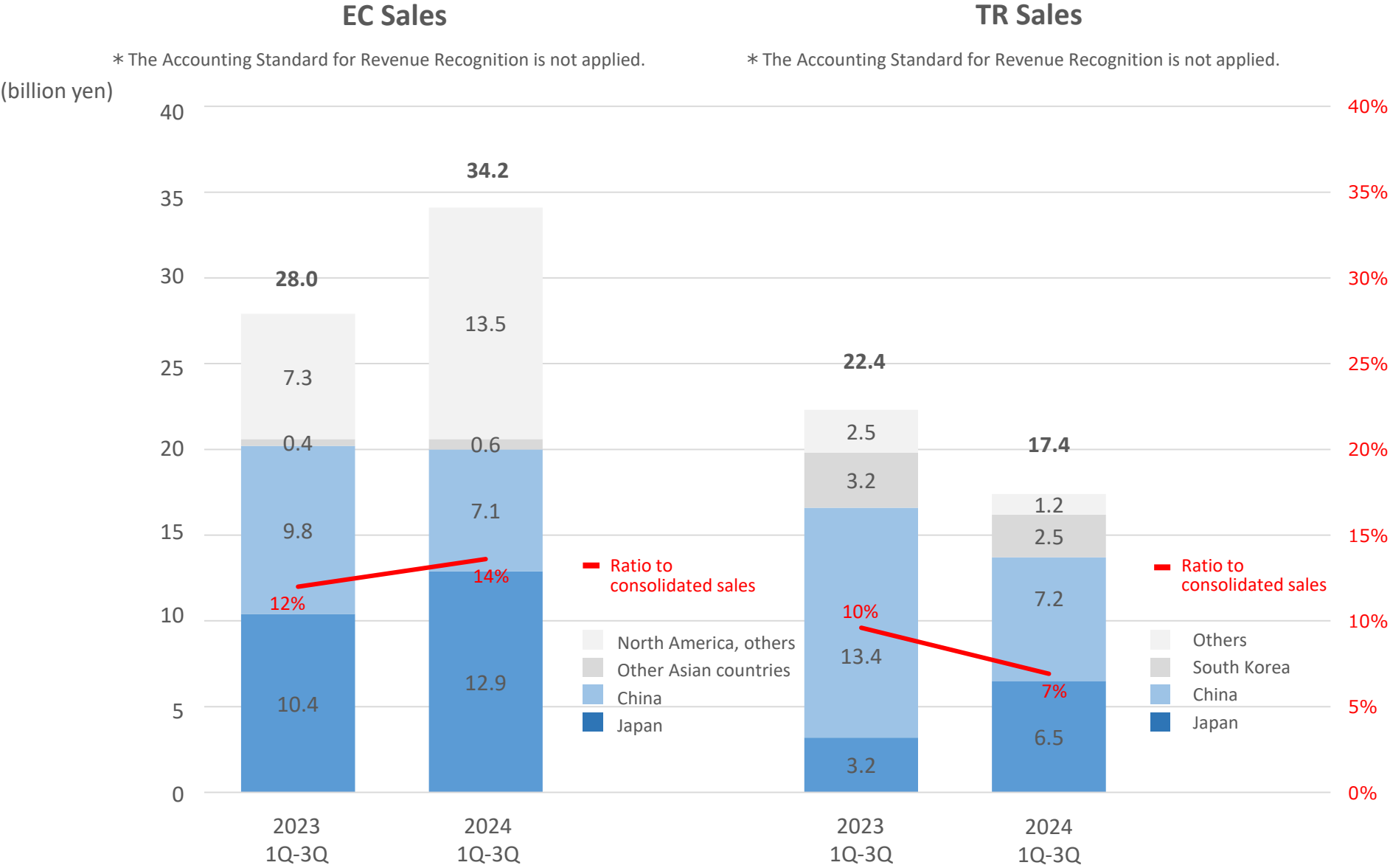
(billion yen)	2023		2024		YoY change (amount)	YoY change (ratio)
	Sales	Ratio to net sales	Sales	Ratio to net sales		
1Q-3Q	40.2	18.4%	53.2	22.3%	+12.9	+32.1%
1Q	14.1	20.8%	19.0	24.6%	+4.9	+34.6%
2Q	10.6	14.0%	15.5	19.1%	+4.9	+46.3%
3Q	15.4	20.7%	18.5	23.3%	+3.1	+20.2%

Market Trends

USA	<ul style="list-style-type: none">Continuing decline of unemployment has eliminated concerns on a potential slowdown of the labor market that were evident during the past several months.Consumer spending is still firm but the sales growth rate has decreased from the very high rate of the market overall following the end of the pandemic.
Europe	<ul style="list-style-type: none">While the economy is beginning to recover as inflation falls below the target of the European Central Bank, there are risks of prolonged low growth rate, inflation, and economic downturn. Demand for cosmetics was strong.

KOSÉ	
Tarte (USA)	<ul style="list-style-type: none">Sales increased in North American offline channels in part because of early shipments of merchandise for the year-end holiday selling season.Sales in the EC sector increased but the growth rate was moderate. Sales in 3Q of 2023 benefited from a large custom beauty kit sale that did not take place this year.Tarte maintained its market leadership in the concealer category. Lip and mascara products also sold well.
Tarte (Europe & other)	<ul style="list-style-type: none">Sales in Europe were strong.
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 29 of the Supplementary Information.



*Reference: “E-commerce/Travel Retail Sales (by region) —Quarterly” on page 30 includes offline sales in China.

Balance Sheet and Cash Flow Highlights

- BS: Total assets amounted to ¥ 365.1 billion and equity ratio was above 70%.

(billion yen)	As of December 31, 2023		As of September 30, 2024		Change
	Amount	Share	Amount	Share	Amount
Current assets	256.7	69.1%	240.4	65.8%	-16.3
Cash and deposits	132.8	35.7%	116.7	32.0%	-16.1
Accounts receivable	44.4	11.9%	43.0	11.8%	-1.3
Inventories	70.8	19.1%	75.1	20.6%	+4.2
Non-current assets	114.9	30.9%	124.7	34.2%	+9.8
Property, plant and equipment	61.2	16.5%	71.5	19.6%	+10.3
Intangible assets	14.1	3.8%	12.5	3.4%	-1.5
Total assets	371.6	100.0%	365.1	100.0%	-6.4

Current liabilities	70.2	18.9%	62.6	17.2%	-7.5
Accounts payable	27.1	7.3%	25.5	7.0%	-1.5
Short-term borrowings	0.5	0.1%	0.5	0.1%	-
Non-current liabilities	18.3	4.9%	18.0	4.9%	-0.3
Total liabilities	88.6	23.8%	80.7	22.1%	-7.8
Total net assets	283.0	76.2%	284.4	77.9%	+1.4
Shareholders' equity*	266.1	71.6%	267.1	73.1%	+0.9
Non-controlling interests	16.8	4.5%	17.3	4.8%	+0.4
Total liabilities and net assets	371.6	100.0%	365.1	100.0%	-6.4

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

- CF: Maintaining financial soundness even as uses of cash increased primarily for investment in the Minami Alps Factory.

(billion yen)	1Q-3Q	
	2023	2024
Profit before income taxes	+20.5	+18.4
Depreciation	+7.8	+7.5
Working capital (+Accounts receivable + Inventories - Accounts payable)	+5.8	-4.4
Others	-13.7	-14.3
Cash flows from operating activities	+20.4	+7.2
(Increase) decrease in time deposits	-1.3	-1.6
Purchase of non-current assets	-5.2	-17.2
Others	-1.1	+1.9
Cash flows from investing activities	-7.7	-16.9
Funds procured from external sources and repayments	-0.6	-
Cash dividends paid	-4.4	-8.4
Others	-0.2	-0.1
Cash flows from financing activities	-5.3	-8.5
Effect of exchange rate change on cash and cash equivalents	+2.6	+0.3
Change in cash and cash equivalents	+9.9	+17.9
Cash and cash equivalents at beginning of period	94.0	105.6
Cash and cash equivalents at end of period	104.0	87.7

Structural reforms are under way for operations of the KOSÉ Group in China. KOSÉ expects an extraordinary loss totaling ¥5.1 billion as a “loss on liquidation of business” in 2024 for these reforms. These expenses are for (1) the disposal of inventories in the KOSÉ China and travel retail sectors and (2) the store network downsizing by KOSÉ China.



KOSÉ is shifting to a business structure capable of the consistent generation of sales and earnings while preventing any degradation of the value of its brands.

Components of Extraordinary Loss for China Structural Reforms

inventory disposal	¥3.5 billion (recorded in 3Q)	<ul style="list-style-type: none">■ Disposal of surplus inventories resulting from the structural reforms in China
Store network downsizing	¥1.6 billion (of which ¥0.4 billion was recorded in 3Q)	<ul style="list-style-type: none">■ Assessments of department store counter performance and downsizing■ Disposal of products returned from stores in China that terminated sales contract with KOSÉ.

2024 Outlook (Revised Plan)

➤ Although sales are expected to be slightly above the initial forecast, the operating profit forecast is lower. Earnings are benefiting from strong sales growth in Japan and at Tarte but sales are down significantly in Greater China. The forecast for profit attributable to owners of parent is lower due to the aforementioned expenses for structural business reforms in China.

(billion yen)	2023 results (Jan.-Dec. 2023)		2024 initial plan (Jan.-Dec. 2024)		2024 revised plan (Jan.-Dec. 2024)	
	Amount	Ratio to net sales	Amount	Ratio to net sales	Amount	Ratio to net sales
Net sales	300.4	100.0%	312.0	100.0%	320.0	100.0%
Cosmetics	240.4	80.0%	250.8	80.4%	254.0	79.4%
Cosmetaries	57.6	19.2%	58.8	18.8%	63.3	19.8%
Others	2.2	0.8%	2.4	0.8%	2.7	0.8%
Operating profit	15.9	5.3%	20.0	6.4%	18.0	5.6%
Ordinary profit	20.2	6.7%	20.8	6.7%	21.1	6.6%
Profit attributable to owners of parent	11.6	3.9%	12.6	4.0%	8.0	2.5%
Net income per share	204.43 yen		220.83 yen		140.19 yen	
ROA	4.7%		5.6%		※ 5.7%	
ROE	4.4%		4.4%		※ 2.8%	
Capital expenditures	5.8		25.5		25.5	
Depreciation	9.5		10.5		10.5	

※ROA and ROE of 2024 revised plan are calculated based on a simplified method.

2023 results vs. 2024 revised plan		2024 initial plan vs. 2024 revised plan	
YoY change (amount)	YoY change (ratio)	YoY change (amount)	YoY change (ratio)
+19.5	+6.5%	+8.0	+2.6%
+13.5	+5.6%	+3.2	+1.3%
+5.6	+9.8%	+4.5	+7.7%
+0.4	+17.4%	+0.3	+12.5%
+2.0	+12.6%	-2.0	-10.0%
+0.8	+4.2%	+0.3	+1.4%
-3.6	-31.4%	-4.6	-36.5%

Foreign exchange rate			
Currency	2023 results	2024 initial estimate	2024 Nov. 11 revision
US dollar/ Yen	140.5	130.0	150.0
Chinese yuan/ Yen	19.8	19.0	21.0
Korean won/ Yen	0.107	0.102	0.111

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

Region (YoY change)	2023 sales	2024 sales plan Initial plan → Nov. 11 revision	Outlook for 2024 performance (As of Nov. 11, 2024)
Japan	+16.4%	+5% → + high single-digit %	With the resumption of economic activity following the pandemic, sales in the first half 2024 significantly surpassed initial plan, but sales growth is expected to moderate in the second half as the recovery peaks. However, sales are still expected to exceed the initial plan.
China (excluding TR)	-25.1%	+5% → Low -30% range	Although the initial plan expected sales to recover in the second half of 2024, inventories are expected to remain stagnant due to weak consumer spending and intense competition driven by the growth of Chinese companies. The 2024 sales outlook has been lowered significantly from the initial plan.
China/South Korea TR	-59.8%	+24% → High -20% range	Even in the second half, store sales are expected to remain weak, leading to stagnation of inventories. The plan for a significant recovery in the second half has been substantially downgraded.
Overseas (Tarte)	+27.7%	-3% → High +10% range	Sales remained robust throughout the third quarter. Although the surge in sales growth seen post-pandemic is expected to gradually slow, consumer spending is anticipated to stay strong. Additionally, with the impact of the weak yen, overall sales are expected to substantially exceed the initial plan.

- DECORTÉ brand's overall sales are projected to decline due to sluggish performance in Greater China. However, this decline is expected to be offset by the strong performance of ALBION and Tarte, leading to an overall increase in high prestige sales. Additionally, the steady sales in the prestige and cosmetaries segments are expected to drive consolidated sales above the initial plan.

Segment (YoY change)	2023 sales	2024 sales plan (%) Initial plan → Nov. 11 revision
Consolidated sales ^{*note 1}	+3.9%	+3.9% → + 6.5%
Cosmetics ^{*note 1}	+2.3%	+4.3% → + mid single-digit %
High prestige	-0.9%	+5.2% → + low single-digit %
DECORTÉ	-19.5%	+10.5% → Low -10% range
Prestige	+17.1%	+2.3% → + high single-digit %
SEKKISEI	+20.6%	+3.9% → Low +10% range
Cosmetaries ^{*note 1}	+10.4%	+2.0% → Low +10% range

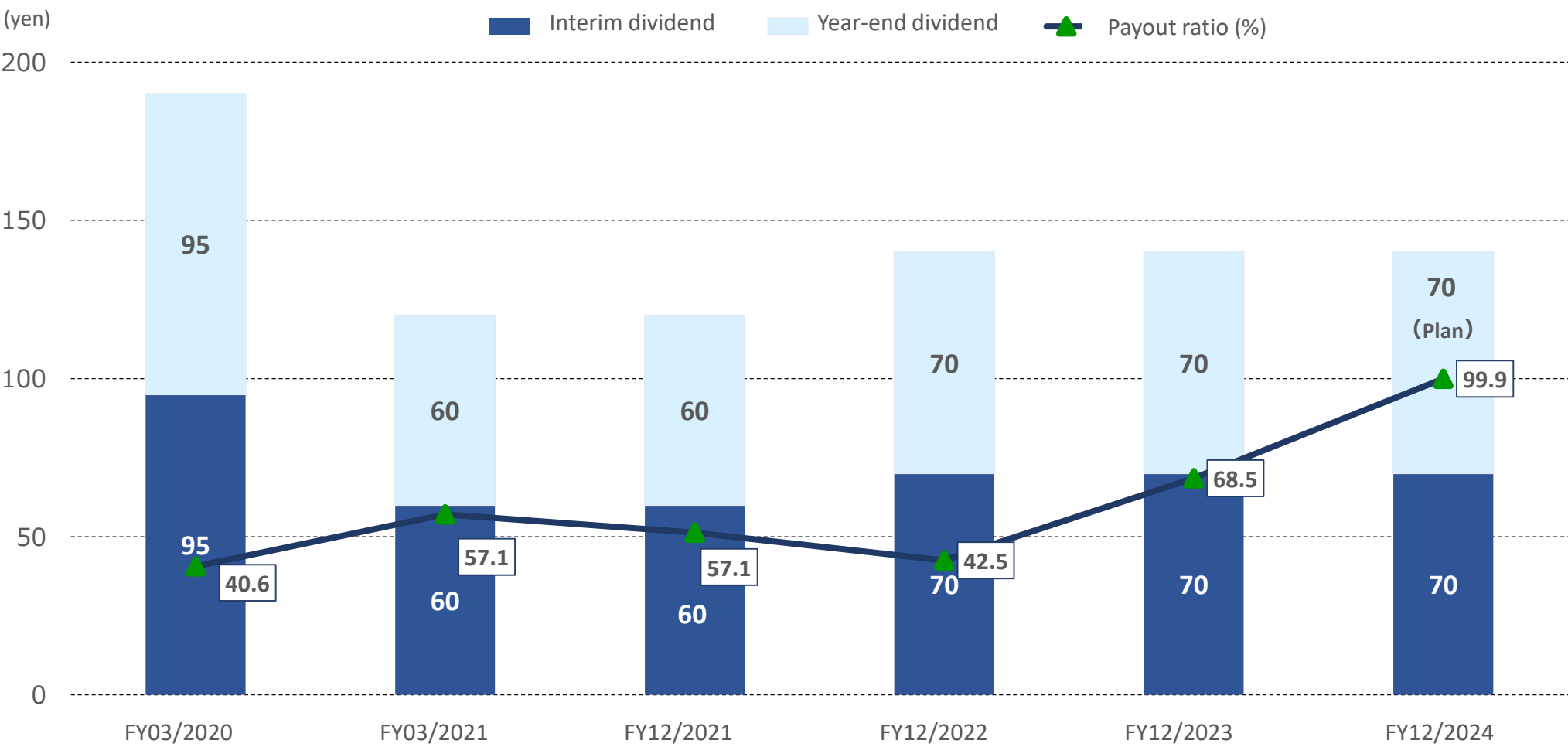
Major group companies (YoY change)	2023 sales	2024 sales plan Initial plan → Nov. 11 revision
JPY	ALBION	+4.3%
	KOSÉ Cosmeport	+3.8%
	KOSÉ China ^{*notes 1, 2}	-25.1%
	KOSÉ Korea ^{*note 1}	-51.3%
Local currency	Tarte ^{*note 1}	+27.1%
	KOSÉ China ^{*notes 1, 2}	-26.4%
	KOSÉ Korea ^{*note 1}	-77.4%
	Tarte ^{*note 1}	+18.9%

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.

➤ Dividend for 2024: The first half dividend was ¥70 per share.

The dividend for full year is expected to be ¥140 per share, as initially planned, despite the downward revision of profit attributable to owners of parent.



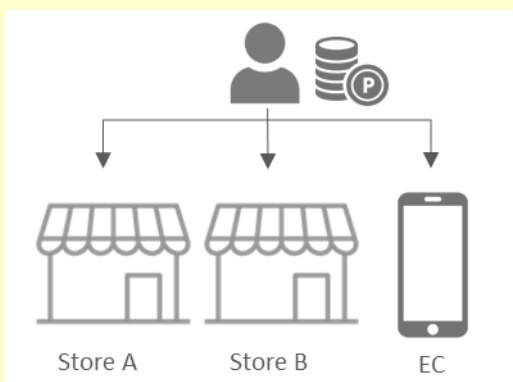
Brand Topics

◆ **DECORTÉ: KOSE-ID provides seamless offline-online linkage. Higher quality and volume of customer experiences attract more fans of this brand and increase brand loyalty.**

Launched CLUB DECORTÉ on September 30 to revamp the membership program and make further progress with OMO (Online Merges with Offline).



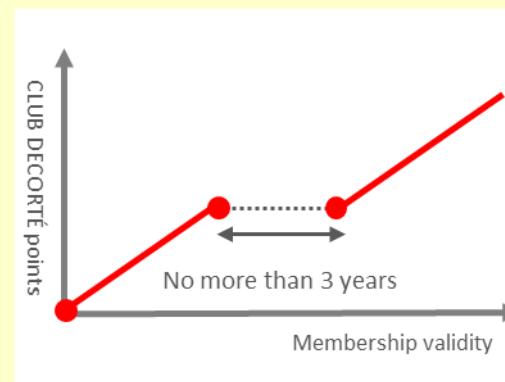
Visualization of offline and online purchases anywhere and the accumulation of loyalty points



Loyalty points accumulated by product purchases and brand experiences give customers ranks for access to exclusive services for each customer rank.



To provide services that meet requirements of every life stage of customers and maintain long-term relationships with them, points remain valid if there is another purchase within no more than three years of the last purchase.



* Points are lost after a three-year period of no purchases.

- ◆ **DECORTÉ:** A new lip serum in the LIPOSOME Series, a major driver of growth of the DECORTÉ brand
- ◆ **ALBION:** Launched Herbal Cream, aiming to develop a long-selling product



LIPOSOME Advanced Repair Lip Serum, which debuted on October 16, incorporates a newly developed multilayer bio-liposome for the lips. This serum provides deep and lasting moisturizing, and a full and attractive texture. Adding this serum enlarges the LIPOSOME Series, which is the symbol of advanced science used in DECORTÉ products, and will enhance cross-selling.



Sales of Herbal Cream started on October 18. This product was created to meet the user requests for a cream version of Herbal Oil, which has been posting solid sales since 2003.

- ◆ Visée: A new liquid version of the popular NENMAKU FAKE ROUGE strengthens the lip category of this brand.
- ◆ KOSÉ Cosmeport: Using the night sakura (cherry blossom) fragrance series across KOSÉ Cosmeport brands to raise awareness of these brands.



On October 16, Visée launched NENMAKU FAKE LIQUID, a popular glossy liquid-type version from the hit product series of NENMAKU FAKE ROUGE. This new product is expected to reinforce relationships with current customers and attract new ones.



Softymo
Cleansing oil



Softymo
Face washes and cleansing



CLEAR TURN
Sheet masks



Softymo clear pro
Cleansing oil



natu savon
Body wash

The night sakura series has been launched as a product that adds a nighttime concept, when cherry blossom products are available in stores early in December. Night sakura series products will encompass the lineup of the KOSÉ Cosmeport brands. The aim is to enlarge sales areas at stores and raise awareness of the KOSÉ Cosmeport products.

- ◆ The KOSÉ Group TNFD Report provides biodiversity information based on the Taskforce on Nature-related Financial Disclosure* framework.
- ◆ Start of the DECORTÉ Forest Project to protect white birch trees in Hokkaido's Bifuka-cho, an area that supplies ingredients for beauty care products.



Information in the report includes risks involving biodiversity concerning water and palm oil used for fabricating cosmetics and activities at the KOSÉ Group that create business opportunities for preserving and restoring biodiversity. Explanations include an analysis and assessment of these activities.

Group companies are dedicated to using even more measures to lower water usage and protect sources of water as well as to preserve biodiversity. There are also activities for sustainable procurement and use of palm oil.

URL: <https://corp.kose.co.jp/ja/sustainability/environment/biodiversity/> (Japanese only)

*The Taskforce on Nature-related Financial Disclosures (TNFD) develops a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.



An agreement for cooperation with Bifuka-cho in Hokkaido was signed on September 25 to start the DECORTÉ Forest Project for the preservation of white birch trees. As a part of DECORTÉ Sustainable Actions, this project is the first step of the Sustainable Ingredients Project for the protection of nature and joint activities with communities in areas that supply ingredients for KOSÉ products.

◆ Start of the inner beauty brand Nu+Rhythm and launch of a beauty protein product



KOSÉ's new Nu+Rhythm brand will be used for inner beauty products. The first product using this brand, which went on sale on September 20, is Yeast Protein Assort Set. The main ingredient is yeast protein, which has a lower environmental impact during manufacturing than products using cow or soy protein do. Yeast Protein Assort Set also includes Passienol™, a fruit-derived ingredient for good health that was developed by Morinaga & Co., Ltd. Starting business activities targeting the wellbeing market sector is a move to position KOSÉ as a source of products for “total beauty.”



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.

Regional outlook	2024 sales plan (%) Initial plan → Aug. 7 revision → Nov. 11 revision	Initiatives
Overall	+3.9% → + mid single-digit % → +6.5%	<ul style="list-style-type: none"> ■ Marketing expenditures, mainly in Japan and at Tarte, where sales are strong, to maintain sales growth ■ Continue actions to make brands more appealing in Europe, North America, ASEAN region and other areas while realigning and improving operations in China
Japan	+5% → + mid single-digit % → + high single-digit %	<ul style="list-style-type: none"> ■ Sales continue to increase in all channels as the demand for cosmetics climbs; aiming to achieve the sales target. ✓ For DECORTÉ, the goal is double-digit sales growth in Japan by strengthening AQ and LIPOSOME sales activities and adding new products. ✓ ALBION is using a SKIN CONDITIONER 50th anniversary event to use counseling for more points of contact with customers. Elégance sales remain strong, backed by purchases by foreign tourists. ✓ At SEKKISEI, there will be activities to increase sales of the new SEKKISEI series. Start sales of SEKKISEI BRIGHTENING CREAM in October. ✓ At KOSÉ Cosmeport, sales in all major product categories continue to increase as mass market demand climbs. Actions under way to launch new BIOLISS products to increase sales in the hair care category.
China (excluding TR)	+5% → Mid -10% range → low -30% range	<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.
China/South Korea TR	+24% → Low -10% range → high -20% range	<ul style="list-style-type: none"> ■ To make market inventories return to normal, stepping up centralized control of the supply of merchandise under the head office oversight
Overseas (Tarte)	-3% → Around +20% → high +10% range	<ul style="list-style-type: none"> ■ Aiming for sales growth by expanding channels and regions and using new products to attract new customers ✓ A stronger position in the lip/mascara category while maintaining leadership in the concealer category

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	14.3	1.3	+17.4%	-10.6%	8.9	0.1	10.6	0.1	+19.1%	-16.6%	8.6	2.9	13.3	2.5	+55.4%	-14.0%
3Q	12.8	1.0	14.3	1.1	+11.9%	+4.1%	9.7	0.0	11.3	0.1	+16.0%	+74.1%	12.9	2.2	15.3	2.7	+19.0%	+19.6%
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	10.0	10.1	+10.7%	-34.1%	2.3	1.2	3.0	1.2	+30.6%	+5.0%
3Q	9.1	5.5	9.7	4.0	+6.7%	-26.8%	2.3	1.5	2.3	1.5	-2.8%	-1.3%
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-3Q						
	2023		2024		YoY change (billion yen)	YoY change (ratio)
	Amount (billion yen)	Ratio to net sales	Amount (billion yen)	Ratio to net sales		
Japan	137.8	63.0%	155.4	65.1%	+17.6	+12.8%
Asia	40.8	18.6%	30.0	12.6%	-10.7	-26.5%
North America	35.2	16.1%	46.7	19.6%	+11.4	+32.4%
Others	4.9	2.3%	6.5	2.7%	+1.5	+30.4%
Total	218.9	100.0%	238.7	100.0%	+19.7	+9.0%
Overseas sales	81.0	37.0%	83.2	34.9%	+2.1	+2.7%

Sales Growth Rate by Business Segment



Nov		FY2023					FY2024				FY2024 Outlook Nov. 11 revision
		1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	1Q-3Q	
Consolidated sales*note 1		+15.5%	+6.4%	+6.2%	-7.7%	+3.9%	+13.8%	+7.1%	+6.6%	+9.0%	+6.5%
【Segment】											
Cosmetics*note1		+19.6%	+3.9%	+4.1%	-11.1%	+2.3%	+11.2%	+5.6%	+5.7%	+7.4%	+ mid single-digit %
High prestige		+17.3%	+4.3%	-2.4%	-14.8%	-0.9%	+6.4%	+3.7%	+6.2%	+5.4%	+ low single-digit %
DECORTÉ		+8.6%	-0.1%	-29.9%	-42.3%	-19.5%	-14.1%	-17.5%	-5.9%	-13.5%	Low -10% range
Prestige		+23.9%	+13.4%	+29.3%	+5.3%	+17.1%	+14.0%	+10.7%	+9.3%	+11.3%	+ high single-digit %
SEKKISEI		+28.1%	+22.4%	+40.1%	+0.7%	+20.6%	+28.2%	+21.1%	-2.4%	+14.6%	Low +10% range
Cosmetaries*note 1		-0.6%	+17.5%	+13.4%	+10.3%	+10.4%	+25.9%	+13.5%	+9.3%	+15.3%	Low +10% range
【 Major Group Companies】											
JPY	ALBION	-2.7%	+4.5%	+10.7%	+4.0%	+4.3%	+12.7%	+14.3%	+11.1%	+12.7%	+ high single-digit %
	KOSÉ Cosmeport	-5.4%	+14.6%	+6.3%	+0.0%	+3.8%	+21.2%	+16.8%	+10.6%	+15.8%	Low +10% range
	KOSÉ China*note 1, 2	-5.4%	+8.6%	-20.7%	-52.3%	-25.1%	-28.2%	-37.4%	-34.4%	-34.3%	Low -30% range
	KOSÉ China TR	-8.9%	-2.6%	-77.4%	-87.3%	-51.3%	-71.4%	-20.1%	-54.4%	-47.5%	High -20% range
	KOSÉ Korea*note 1	-68.5%	-78.3%	-67.0%	-85.7%	-76.1%	+43.7%	-27.8%	-56.7%	-22.5%	High +10% range
	Tarte*note 1	+66.5%	+7.4%	+25.5%	+20.4%	+27.1%	+30.0%	+37.5%	+19.1%	+28.1%	High +10% range
Local currency	KOSÉ China*note 1,2	-10.6%	+7.2%	-19.1%	-53.9%	-26.4%	-32.7%	-42.6%	-35.8%	-38.6%	Mid -30% range
	KOSÉ China TR	-21.0%	-9.5%	-78.7%	-87.7%	-55.8%	-73.3%	-29.5%	-58.9%	-52.9%	—
	KOSÉ Korea*note 1	-70.7%	-79.0%	-68.9%	-87.2%	-77.4%	+33.7%	-33.6%	-55.9%	-26.4%	—
	Tarte*note 1	+46.4%	+2.2%	+19.6%	+14.4%	+18.9%	+15.8%	+21.1%	+14.7%	+16.9%	+ high single-digit %

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.

EC (billion yen)	Total		YoY change
	2023	2024	
Total	42.7		
1Q	9.0	10.5	+17.2%
2Q	10.5	14.1	+34.3%
3Q	8.5	9.5	+11.7%
4Q	14.7		

TR (billion yen)	Total		YoY change
	2023	2024	
Total	26.5		
1Q	7.7	5.1	-33.8%
2Q	10.2	8.0	-21.6%
3Q	4.4	4.3	-1.9%
4Q	4.1		

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%
3.5	4.6	+28.5%	5.2	3.6	-30.4%	0.1	0.2	+27.8%	1.4	5.6	+277.8%
3.6	4.5	+23.1%	1.3	1.2	-10.6%	0.1	0.2	+32.5%	3.3	3.5	+7.2%
4.5			4.2			0.2			5.7		

Japan			China			South Korea			Others		
2023	2024	YoY change	2022	2023	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	2.2	+46.0%	5.6	4.6	-18.9%	1.3	1.0	-26.8%	1.6	0.1	-91.3%
1.1	2.7	+126.8%	1.7	0.8	-50.0%	1.1	0.5	-55.1%	0.3	0.2	-30.6%
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	2.3	1.3	-45.0%
3Q	1.9	0.9	+49.5%
4Q	1.8		

* The Accounting Standard for Revenue Recognition is not applied.

(yen)	2023				2024		
	Jan. – Mar.	Jan. – Jun.	Jan. – Sep.	Jan. – Dec.	Jan. – Mar.	Jan. – Jun.	Jan. – Sep.
US\$	132.3	134.8	138.1	140.5	148.6	152.2	151.2
CN¥	19.3	19.4	19.6	19.8	20.6	21.0	20.9
KRW	0.103	0.104	0.106	0.107	0.111	0.112	0.111

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- 2024 Earnings Announcement Schedule (tentative)
- 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 “-%”.