

Our Philosophy

Wisdom and Beauty for People and the Earth

Statement of Purpose

Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence.

Behavioral Charter

Mind to Follow the Right Path

Editorial policy

The report aims to provide stakeholders with a deeper understanding of our activities by reporting not only financial information, but also non-financial information including our management policies, strategies and our approaches behind the scenes. Please refer to our website for information related to IR and sustainability.

Forward-looking statements

This report contains forward-looking statements about KOSÉ Corporation's future plans, strategies, and performance that are not historical facts. Risks and uncertainties resulting from changes in the business environment may have a significant effect on actual business results. Please also note that we shall not be held responsible for any omissions or errors in data and content in this document.

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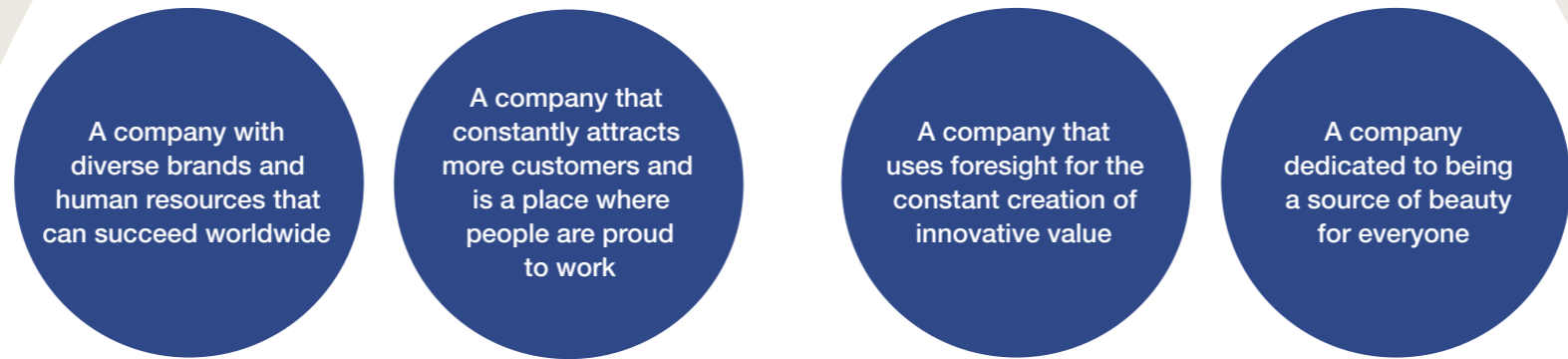
Value Creation Process

Through its three strengths, KOSÉ aims to realize VISION 2026 and to make great strides toward becoming a company that uses its wisdom regarding all kinds of beauty to benefit people worldwide and for the future of the Earth.

Wisdom and Beauty for People and the Earth

VISION 2026

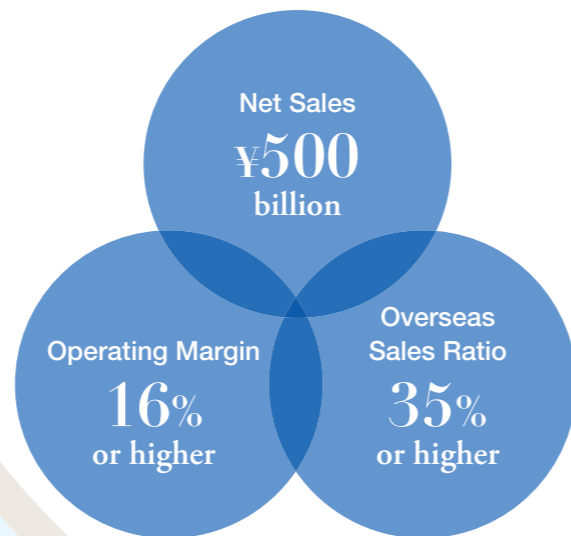
Evolving into a Company with a Global Presence



Our Strengths

- Research and development
- Unique brand marketing
- Commitment to quality

Our Targeted Position



Three Growth Strategies

- Accelerate globalization of brands
- Proactively develop unique products
- Explore new growth domains

Two Value Creation Vectors

- Aim for even more personal customer experiences
- Focus on unique forms of value by utilizing external resources and technologies

Three Foundations

- Build a sound foundation for the Company's growth
- Recruit people who can adapt to changes in market conditions
- Create an environment that allows people to realize their full potential

Our Current Position



Priority Activity Themes



The Path of Value Creation

One by one, innovative, high-quality products have defined the path of KOSÉ's value creation. We will continue to be swift in comprehending the changes in our world to create products with presence, delivering unique value and gaining the appreciation of all customers.

Creation of High-Quality Cosmetics

Since its founding, KOSÉ's legendary commitment to quality has led to many long-selling brands, such as *La bonne*.

Giving Rise to New Beauty for the Times

Through numerous innovative products that have consistently anticipated individual needs as they changed with the times, we have introduced new concepts of beauty.

Growing Global Presence

Providing New Value to Customers Worldwide

By using the strong results we have built up in Japan to cultivate flagship global brands, we are expanding our overseas markets and providing innovative value to raise our global presence.

Foundation–1960s

1970s–1990s

2000s

2010s

1946

On March 2, 1946 Kozaburo Kobayashi founded KOBAYASHI UNLIMITED PARTNERSHIP in Oji, Kita-ku, Tokyo (established as KOBAYASHI KOSÉ COMPANY LIMITED in June 1948)

1963

Establishment of technological alliance with L'Oréal of France (joint venture contract ended in 2001)

1964

- Establishment of the Sayama Factory in Sayama City, Saitama
- Opening of a laboratory (current KOSÉ Research Laboratory) in Kita-ku, Tokyo

1968

Start of sales in Hong Kong, KOSÉ's first full-scale entry into an overseas market



Event at a department store in Hong Kong

1970

Launch of the *COSME DECORTE* luxury brand

1975

Creation of the industry's first beauty serum, *ALPHARD R.C LIQUID*, and new categories including liquid foundation for summer use, powder foundation and two-way foundation

1980

Receipt of the industry's first Deming Prize by our production headquarters for the introduction of modern quality management methods



Counseling sales, an area of focus since our foundation

1985

Launch of *SEKKISEI*, a skin care brand that combines oriental herbal extracts

1987

Entry into China

1988

Establishment of Cosmeport Corp. (current Kosé Cosmeport Corp.), a cosmetics distributor for general cosmetics

1992

Launch of *COSME DECORTE* Moisture Liposome, standard-bearer for the *COSME DECORTE* brand



Beauty training in Indonesia

2001

Entry into South Korea

2005

Introduction of the *JILL STUART* brand in the Japanese cosmetics market

2009

Launch of the *ADDICTION* makeup brand



In-store counseling by Beauty Advisors

2012

Start of sales of *DECORTÉ* in Italy

2014

Tarte, Inc., a cosmetics company in the United States, became a subsidiary of KOSÉ

2016

- Start of sales of *DECORTÉ* at department stores in North America
- Start of sales in Brazil

2017

- Capital and business alliance with Milbon Co., Ltd.
- Establishment of KOSÉ MILBON COSMETICS CO., LTD. in July



The KOSÉ Beauty Festa attracts customers from all over Japan

2017

- Start of operation of a new manufacturing facility at the Gunma Factory to increase production capacity for high value-added products
- Establishment of research center in Lyon, France, our first research facility in Europe

2018

First concept shop in Europe
Opening of Maison KOSÉ in Paris

2019

- Completion of the KOSÉ Advanced Technology Laboratory in March
- Basic agreement to establish a joint venture with Maruho Co., Ltd.



KOSÉ Beauty Expo (China), celebrating our 30th anniversary in China

Brands at a Glance

To create attractive, valuable brands, KOSÉ aims to develop cosmetics under the two key words “intelligence” and “sensuousness.” We currently meet the various needs of our customers with two groups of brands: diverse and highly distinctive individual brands, as well as the KOSÉ brands that bear the Company’s name.

We have also rolled out many brands overseas to establish a global presence.

Main Sales Regions : J Japan A Asia U North America & Others E Europe

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by integrating all of KOSÉ’s cutting-edge technologies. They are sold mainly at specialty cosmetics stores and department stores that distribute exclusive brands.

KOSÉ’s specially trained Beauty Advisors offer meticulous counseling to help customers select the products that suit them best.

High Added Value

Cosmetics Business

Individual Brands

PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

A group of brands that, while pursuing high added value, meet the needs of a broad range of distribution channels, from specialty cosmetics stores to mass retailers, drugstores and e-commerce.

雪肌精

ONE BY KOSÉ

LECHÉRI
ESPRIQUE

米肌
MAIHADA

CRIE

DR. PHIL COSMETICS INC.
PHIL NATURNT
FORMULE

COSMETARIES Brands

For Daily Life One Step Above

A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products “cosmetaries.”** We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

* Cosmetaries: A coined term combining “cosmetics” and “toiletries”

Basic Value

Cosmetaries Business

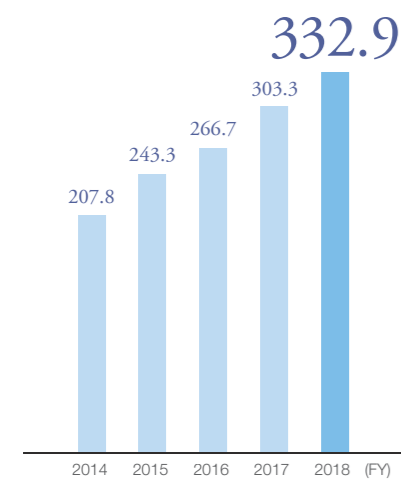
Financial and Non-Financial Highlights

KOSÉ Corporation and Consolidated Subsidiaries (Years Ended March 31)

Financial

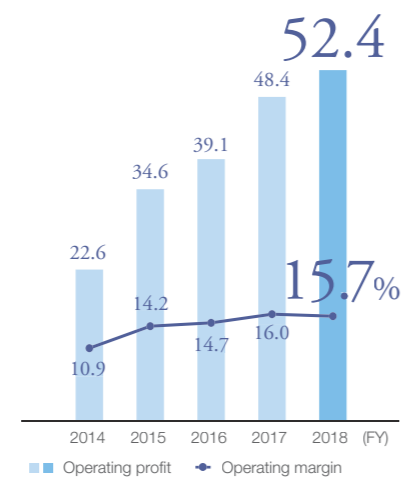
Net Sales

(Billions of yen)



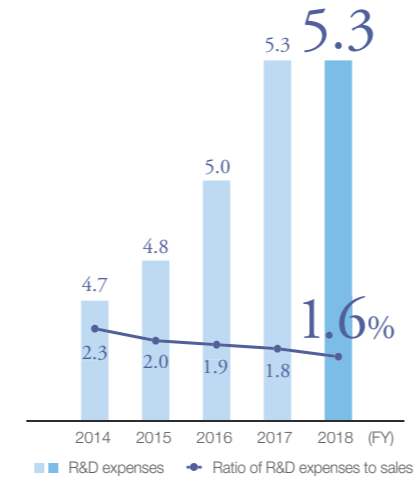
Operating Profit/ Operating Margin

(Billions of yen)



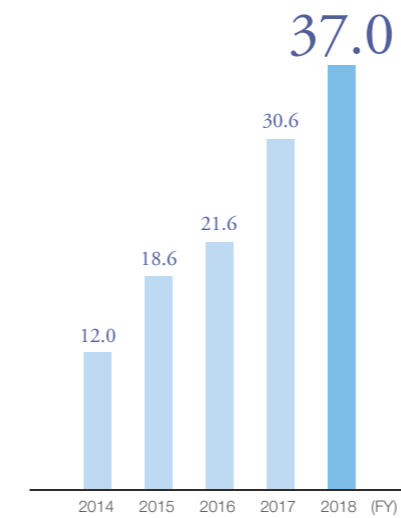
R&D Expenses/Ratio of R&D Expenses to Sales

(Billions of yen)



Profit Attributable to Owners of Parent

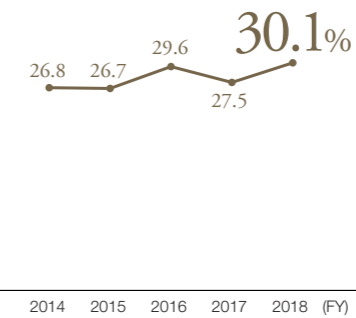
(Billions of yen)



Non-Financial

Ratio of Female Managers and Supervisors

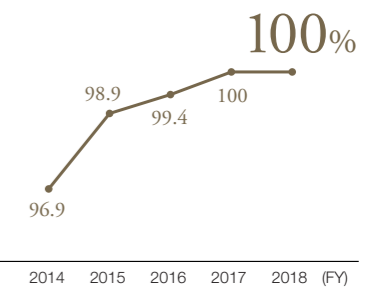
We are striving to create a work environment that fulfills women's desire to succeed by enabling them to balance their work with private life while fully leveraging their individuality and capabilities.



Note: Female managers and supervisors includes female employees with subordinates, either officially or unofficially.

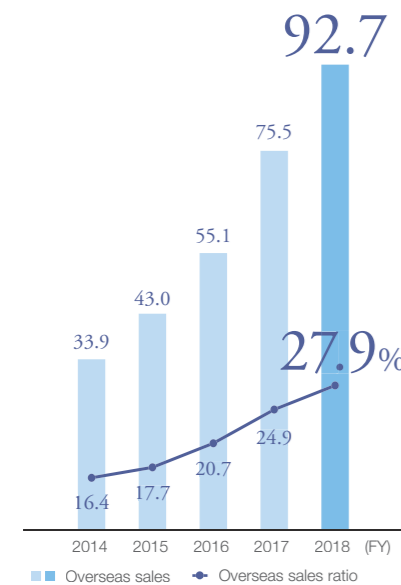
Proportion of Female Employees Who Gave Birth Who Took Childcare Leave

All female employees who gave birth took childcare leave. We are striving to enhance our systems and carry out work environment improvements that support work-life balance, including shortened working hours.



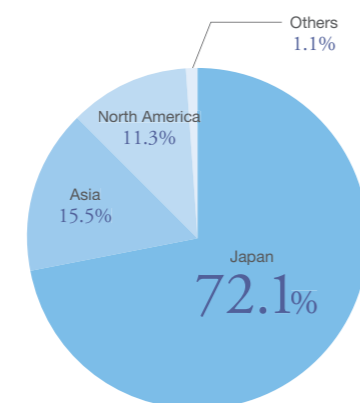
Overseas Sales/ Overseas Sales Ratio

(Billions of yen)



Share of Net Sales by Region

(Fiscal 2018)



ROA/ROE

(%)



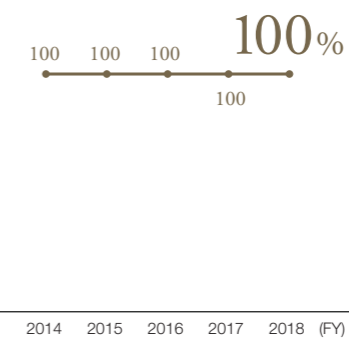
Net Income per Share (Basic)

(Yen)



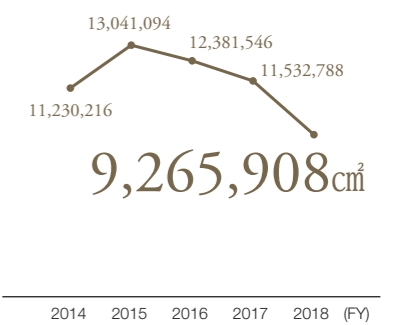
Recycling Rate

Achieved zero emissions (recycling rate of 99.5%) at Gunma Factory and Sayama Factory in 2005. Currently, all factories in Japan have achieved zero emissions.



Area Planted with Coral Reefs

We started the SAVE the BLUE project in 2009 to protect coral reefs in Okinawa that are in danger of extinction. Every year, we plant an area of coral equivalent to the total area of the bases of all the SEKKISEI bottles sold during the campaign.



Notes:

1. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100
2. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100
3. Non-financial data is for KOSÉ Corporation only.

Interview with the President



Kazutoshi Kobayashi
Representative Director and President

K. Kobayashi

We will steadily implement VISION 2026 to increase KOSÉ's global presence.

Q1 What were KOSÉ's business results for fiscal 2018 and the factors behind them?

Japan and Asia drove growth in fiscal 2018 as we reached record highs for net sales and operating profit for the sixth and fifth consecutive years, respectively.

In fiscal 2018, we started VISION 2026 and steadily implemented its strategies, pushing forward toward our goal of evolving into a company with a global presence. In terms of our business results, strong sales in Japan and Asia resulted in record highs for net sales, operating profit and every other level of profit.

In the cosmetics business, *DECORTÉ* posted record sales in the high-prestige category in Japan and overseas, and *ALBION CO., LTD.* and *Tarte, Inc.* performed steadily. In the prestige category, sales of *ONE BY KOSÉ*, a brand featuring unique products with outstanding efficiency that perform specific beauty care functions, grew strongly in Japan, and we worked to cultivate *LECHÉRI*, a new skin care brand in the mid-price range, and other products. In the cosmetaries category, strong sellers included the *SUNCUT* sunscreen brand and *SALON STYLE BIOLISS* botanical hair care products. Other contributors to sales growth included the *VISÉE* makeup brand, the *STEPHEN KNOLL NEW YORK* hair care brand and the *NAIL HOLIC* nail care brand.

By region, performance was strong in Japan, where we had success with our strategy of increasing points of contact with new customers across brands and distribution channels.

Overseas, performance in Asia was driven by China, where e-commerce transactions grew notably, and South Korea, where sales were strong in the duty-free channel. The overseas sales ratio, including North America and Europe, increased to 27.9%.

Q2 Please share your thoughts on VISION 2026. What are its main points?

Continuing our global and borderless growth without becoming complacent with our good performance will be key.

We achieved substantial growth under VISION 2020, our previous medium-term management plan. We steadily achieved our goals of a V-shaped turnaround and global brand development, and reached our fiscal 2020 target of ¥300 billion in net sales three years ahead of schedule.

On the other hand, despite the strong growth of our business results, we have still not reached a level we are satisfied with in the global rankings for Premium Beauty and Personal Care (Euromonitor International), which KOSÉ uses as a metric from a global perspective. In a business environment where conditions are changing markedly, such as the spread of AI and IoT in recent years, we recognize the importance of further strengthening our initiatives to create value with ideas and methods that are not simply an extension of our past efforts. We will continue working to expand our market share in Japan and grow further overseas. Through global and borderless growth, we aim to evolve into a company with a global presence.

One key point for achieving this is craftsmanship that earns the support of customers around the world. Maintaining this support will require more than just reliability in terms of peace of mind and safety. Our global expansion will require adaptability that responds to various tastes and lifestyles around the world, as well as sustainability, which positions factors including environmental friendliness as added value in product quality. Regarding global adaptability, Tarte already designs its products with consideration not only of various tastes, customs and values, as



Tarte's 50 colors of liquid foundation allow customers to match their skin tones.



exemplified by its launch of liquid foundation in 50 colors, but also for different beliefs and religious backgrounds. Among our sustainability activities, we have been conducting our SAVE the BLUE project to protect coral reefs in Okinawa since 2009. From 2018, this has evolved into broader activities to protect our blue planet with the start of a winter campaign focused on forest conservation. These activities have expanded to a total of 10 countries and regions in Asia, and the United States. To contribute to achieving the Sustainable Development Goals (SDGs) advocated by the United Nations, we will use the elements of adaptability and sustainability in these ways as we strive for craftsmanship that adds value on a whole new level.

Another point is attracting new customers. Along with craftsmanship, we are promoting the acquisition of new customers from a global and borderless perspective, and I recognize that our current good business performance is the result of the effective organic linkage of both aspects. Because this virtuous cycle is continuing, I am not very concerned about the impact on inbound consumption (purchases by overseas visitors to Japan) from the e-commerce law¹ that went into effect in China in January 2019. Rather, the accelerating erosion of borders in the cosmetics market caused by digital technology is bringing us closer to customers we could not previously reach, and I consider it an opportunity to make better use of our strengths.

As we move toward fiscal 2026, which will mark the 80th anniversary of our founding, we will continue to work for world-class craftsmanship and new customer acquisition to raise our global presence. Under VISION 2026, we aim to achieve new quantitative targets: consolidated net sales of ¥500 billion, an overseas sales ratio of 35% or higher, and a ratio of sales from e-commerce and other new sales channels of 15% or higher by fiscal 2026.

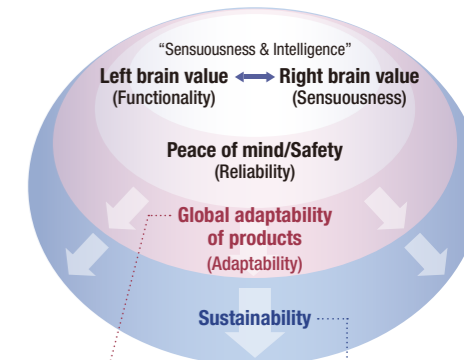
1. A comprehensive law related to electronic commerce transactions. It regulates resellers of products purchased overseas with the main purpose of regulating "third-party purchasing" by individuals.



SEKKISEI SAVE the BLUE campaign

Achieving World-Class Craftsmanship

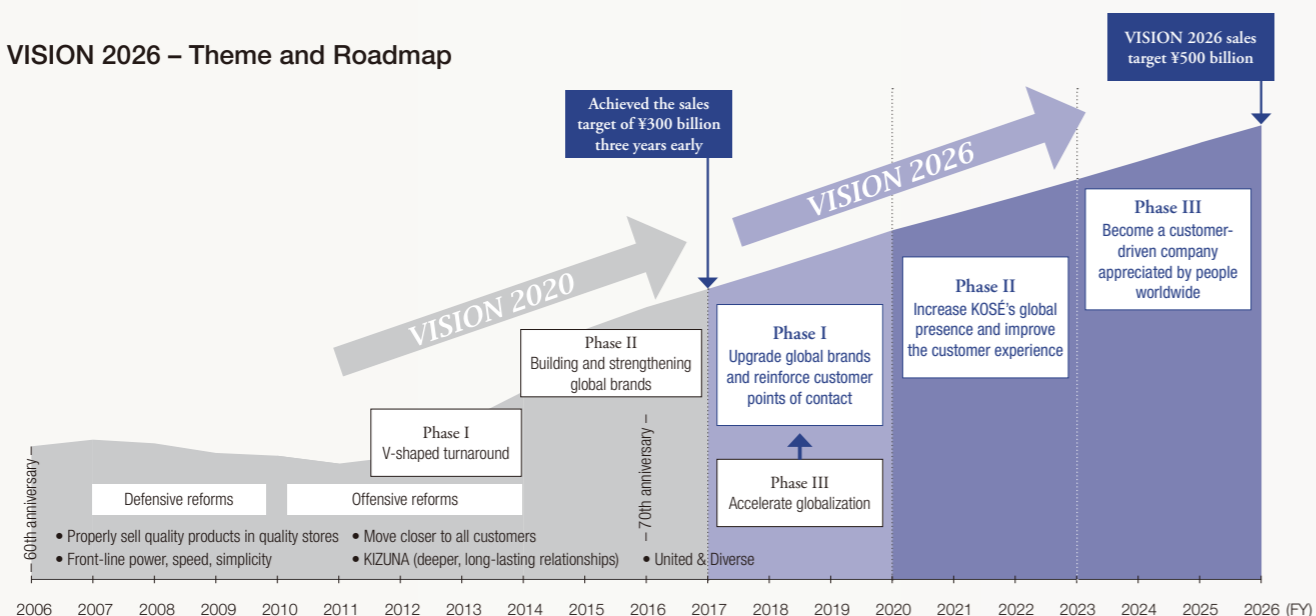
— For products that are successful worldwide —
"Monozukuri 2026"



- Product designs and ingredients
Medicinal properties, climate, tastes and habits, races, religions (such as halal products), lifestyles (such as products for vegetarians), etc.
- Sales channels and business customs
Distribution, counseling, self-selection, etc.
- Other

- Activities to lessen environmental impact
Ingredients and container materials
- Use of fair trade raw materials
- Measures to meet ethical consumption needs
- Other

VISION 2026 – Theme and Roadmap



Q3 How have the basic strategies of VISION 2026 been progressing?

We are advancing toward global and borderless growth by tirelessly striving to create unique value.

VISION 2026 details three growth strategies. The first is to "Accelerate globalization of brands." We are working to further enhance the global potential of the five brands² we have positioned as key global brands. A noteworthy development in fiscal 2018 was our global sales promotion of *DECORTÉ* and the start of sales at a directly managed store in France. As a result of these efforts, global sales of *DECORTÉ* grew 1.5 times compared with fiscal 2017 to over ¥68.0 billion. The second growth strategy is to "Proactively develop unique products." The completion of our Advanced Technology Laboratory in March 2019 was part of this strategy. There, we will create new value and innovate with a focus on establishing a structure for our craftsmanship, creating global value and developing new active ingredients. For the



DECORTÉ AQ base makeup series



JILL STUART Flora Notis, a brand that adds a floral fragrance to your lifestyle

third growth strategy, “Explore new growth domains,” we have established business alliances and joint ventures with three companies outside the KOSÉ Group in the beauty salon channel and the fields of dermatology products and quantum computing. These moves will enable us to expand into new growth areas and to strengthen our research and development using open innovation.

At the same time, we will pursue our two value creation vectors of “Aim for even more personal customer experiences” and “Focus on unique forms of value by utilizing external resources and technologies.” To establish an omnidirectional platform for connecting directly with customers, we intend to create new points of customer contact that differ from conventional brands and channels. We also intend to cooperate with the three partner companies I mentioned earlier to create new value and expand our areas of business.

To underpin these three growth strategies and two value creation vectors, we are proactively working to build a business foundation that is resilient to changes in market conditions. To bolster our production and supply structure, we decided to build a new production base, the Minami Alps Factory (provisional name), to meet growing demand. Operation is scheduled to begin in fiscal 2021. The factory will be environmentally friendly and have a comprehensive quality assurance system that conforms to ISO 22716 Good Manufacturing Practices for Cosmetics. By applying AI and IoT to digitalize and pass on the high level of craftsmanship accumulated in existing factories and through seamless sharing of development data from our research laboratories, we will establish the new factory as a base for craftsmanship that maximizes synergy among all our production bases. Through timely and reliable product supply, inventory and cost reductions, and other benefits that result, we will meet growing global demand for products that are made in Japan.

In addition, we are steadily enhancing our corporate governance in ways such as strengthening our risk management structure and increasing the number of external directors. In terms of our organizational structure, in addition to the existing matrix structure of our Marketing Division, which is broken down by business department and area, we changed our R&D organization in April 2019 in anticipation of the globalization of pharmaceutical affairs functions. To develop human resources and enhance working environments, we are promoting improvement in corporate productivity through employee health management, and results of our efforts include our selection by the Ministry of Economy, Trade and Industry as an Excellent Enterprise of Health and Productivity Management (White 500) for 2019.

In this way, underpinned by a strong business foundation that supports our corporate growth, we will achieve global and borderless growth by making full use of these resources as we tirelessly continue to create unique value.

2. DECORTÉ, SEKKISEI, JILL STUART, ADDICTION and CLEAR TURN

Q4 What is your stance on shareholder returns?

We will continue working to return more profits to our shareholders.

At KOSÉ, stable dividends are the basis of our returns to shareholders. Our policy is to return profits to our shareholders after giving consideration to securing internal funds for future business expansion and taking into account factors such as our financial condition, business results and the payout ratio.

The year-end dividend per share for fiscal 2018 was ¥95, a year-on-year increase of ¥10. Including the ¥85 interim dividend, total annual dividends per share were ¥180. For fiscal 2019, we plan to pay total annual dividends of ¥190 per share.



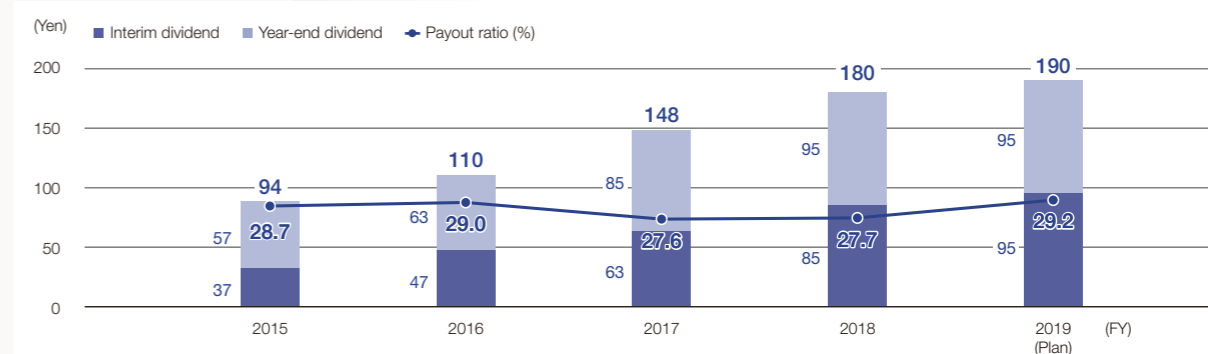
Promotional rollouts for DECORTÉ have been conducted globally.

Q5 Please tell us your aspirations for the future and your message to stakeholders.

We will not become complacent with our current situation; we will proactively take on challenges that are more than just an extension of what we have done so far.

Our successful reforms to date have established a springboard for our global expansion. The very fact that we have entered this new stage of sustained strong performance means that we must resolutely conduct reforms that are more than just an extension of what we have done so far. We will not become complacent with our current situation; we will proactively take on challenges and continue to create new value through ceaseless efforts. In doing so, our vision is to become a company with diverse brands and human resources that can succeed worldwide, a company that constantly attracts more customers and is a place where people are proud to work, a company that uses foresight for the constant creation of innovative value, and a company dedicated to being a source of beauty for everyone. You can expect great things from KOSÉ, and we look forward to your continuing support.

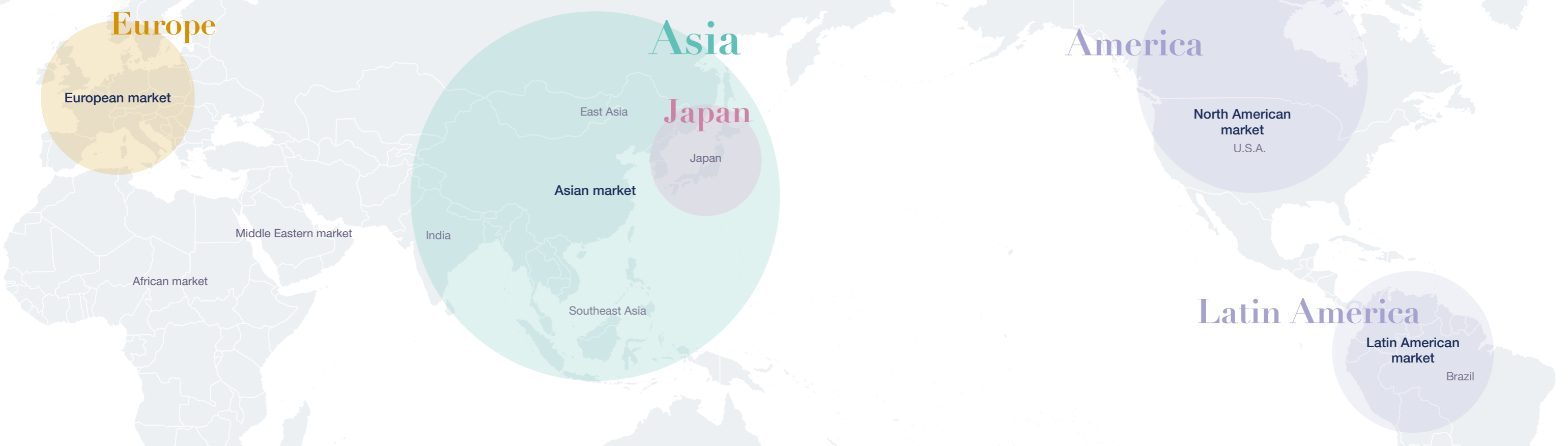
Dividends/Payout Ratio



Our Global Presence

Strategies by Region

KOSÉ is accelerating its worldwide expansion with the aim of evolving into a company with a global presence. By setting strategies that focus on the needs of each region, we will continue to be a source of beauty for everyone.



Global

Build stronger presence and images for brands globally

Further reinforce brands in the prestige market category by using carefully selected and focused investments

Borderless

Constantly increase interaction and deepen ties with borderless customers

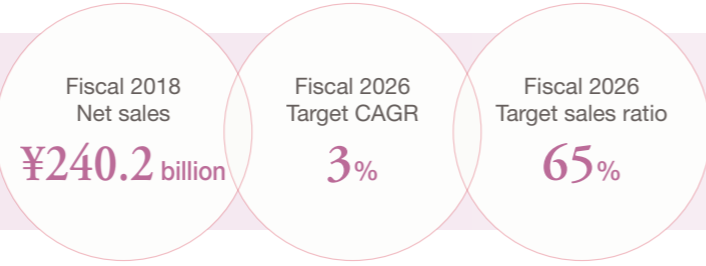
Upgrade marketing strategies that target customers in Greater China, a region with strong consumer spending and a significant influence on other markets

Brand Strategies Driving Global Growth

Main Sales Regions: J Japan A Asia U North America & Others E Europe

<p>DECORTÉ</p> <p>J A U E</p> <ul style="list-style-type: none"> Expand share of in-store sales in Japan Firmly establish the brand in Asia Increase activities in North America and Italy 	<p>CLEAR TURN クリアターン</p> <p>J A</p> <ul style="list-style-type: none"> Establish a dominant position in Japan's self-selection cosmetics market Target opportunities in other countries where there are good prospects for success
<p>雪肌精 SEKKISEI</p> <p>J A U E</p> <ul style="list-style-type: none"> Aim for rapid sales growth in East Asia Increase global promotional activities 	<p>ALBION</p> <p>J A U E</p> <ul style="list-style-type: none"> Enter new business categories and attract borderless customers
<p>JILLSTUART</p> <p>J A U</p> <ul style="list-style-type: none"> Make the brand more powerful on a global scale Strengthen and expand travel retail operations and measures to add new distribution channels 	<p>tarte high-performance naturals</p> <p>A U E</p> <ul style="list-style-type: none"> Conduct digital marketing and strengthen measures in each sales channel
<p>ADDICTION</p> <p>J A</p> <ul style="list-style-type: none"> Position as Asia's leading brand for makeup artists Quickly start selling products in other countries and establish the brand in overseas markets 	

Japan



At KOSÉ, we have made getting closer to all our customers a theme of our corporate activities, and we are working to increase venues and opportunities for our employees, including those at our head office, to interact with customers. By using the know-how cultivated to attract customers for each brand, we are steadily increasing contact points with new customers. Specifically, each year since 2013 we have held the KOSÉ Beauty Festa in various locations, going beyond the boundaries of distribution channels to bring all of our brands together under one roof.

Capturing the inbound demand of overseas visitors to Japan is also important. Initially, overseas visitors to Japan were known for binge shopping—buying desired items in large quantities—but recently demand is strong for detailed counseling before purchasing, and counseling brands such as DECORTÉ and ALBION are extremely popular. Factors such as the increase in the department stores in China and the start of online sales are creating a virtuous cycle in which visitors to Japan continue to buy KOSÉ products after returning to their home countries.

Strategies for Major Brands and Group Companies

DECORTÉ

Created in 1970, DECORTÉ embodies the ambition of KOSÉ's founder to deliver the highest quality cosmetics with the best service to women who seek sophisticated beauty. We have continued to bring together leading-edge technologies to launch products with a commitment to the highest quality, but when the eye highlighter we launched in 2016 became a hit product, it triggered widespread support among a broad range of customers. For the new series of base makeup products launched in 2018, we held hands-on events at six locations throughout Japan, leveraging our know-how from the KOSÉ

Beauty Festa. More than half of the customers who received counseling or touch-up services at the events later visited stores that sell DECORTÉ. By using this strategy of stimulating interest at events to attract customers to specialty stores, we will continue to increase contact points with new customers.

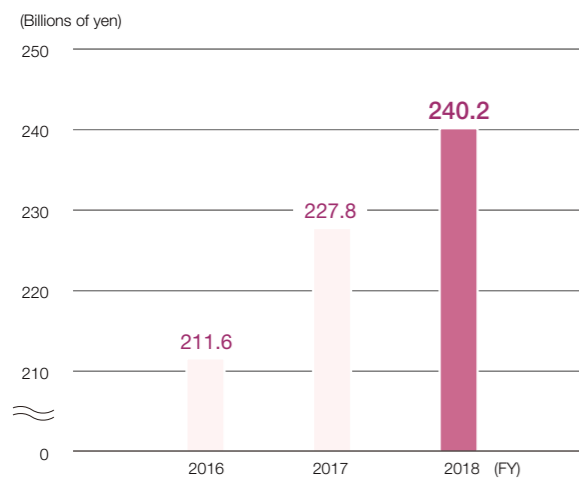
ALBION

Under the theme of encounters with new customers, the core of the ALBION Group's strategy is to attract new customers using ideas and methods that break from convention.

As new business formats in Japan, we are rolling out ALBION DRESSER and ATELIER ALBION stores that sell only the ALBION brand. At DRESSER stores, which are located in high-end commercial districts, sales have been steady as a result of encounters with new customers. Following DRESSER stores, ATELIER stores, for which location is more flexible, began opening in fiscal 2018. Aiming to open a total of 100 ATELIER stores by fiscal 2026, we will enhance our strategies for both tangible aspects such as store facilities and intangible aspects such as service to strengthen new customer attraction.

In addition, in autumn 2018 we held the ALBION Foundation Fes for a total of five days in Tokyo, Nagoya and Osaka. The success of the event demonstrated the high level of interest in ALBION. In 2019, which is the 45th anniversary of the creation of skin conditioners, we will attract new customers by emphasizing engagement at events and stores.

Sales in Japan



DECORTÉ base makeup series



ALBION DRESSER store



Advanced iP.Shot from DECORTÉ

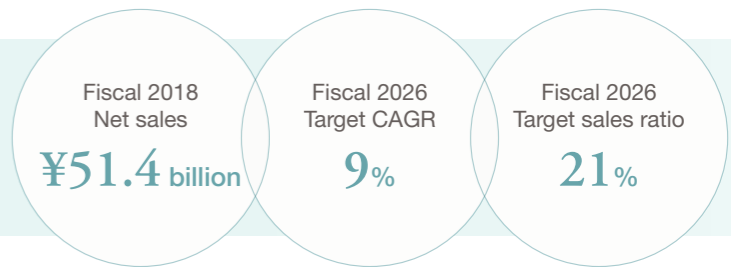
THE WRINKLESS from ONE BY KOSÉ

Topics

Launch of Medicated Wrinkle Reducing Creams from DECORTÉ and ONE BY KOSÉ

Needs for anti-aging skin care are high, on par with moisturizing and skin-brightening, and the market is growing rapidly. In response, KOSÉ launched the quasi-drug products Advanced iP.Shot from DECORTÉ in September 2018 and THE WRINKLESS from ONE BY KOSÉ in October 2018. The products contain a mixture of original ingredients and niacinamide, a substance that reduces wrinkles by acting on both the dermis and the epidermis. Together with the high-moisturizing anti-aging skin care brand LECHÉRI, these products are effective against a wide range of adult skin concerns.

Asia



KOSÉ's first entry into overseas markets was in Hong Kong in 1968. In the 1970s and 1980s, we also expanded into Malaysia, Thailand, Taiwan and China. We have put down roots in each location by steadily conducting counseling sales, a method that is unique to Japan, to establish a foundation in the Asian market.

In China, for example, we established a joint venture in China in 1987 to manufacture and sell low-priced products. Although we experienced some difficulties from excessive store openings due to business expansion driven by China's economic growth, we overcame those problems through structural reform of production and sales. Our business in China is growing rapidly.

KOSÉ's Growth in China



Asia

Strategies for Major Brands and Group Companies

DECORTÉ

DECORTÉ's first launch in Asia was in Taiwan in 1997, and it has also been sold in China since 2009. In China, counseling sales at department stores and treatments using techniques perfected in Japan have gained support among affluent customers. In addition, to reach the Millennial generation, which will be a major customer group in the future, we opened a store in 2018 on Tmall,* one of China's largest B2C online retail websites, selling mainly products that are popular among Chinese visitors to Japan. In addition, new channels in Asia, such as inflight sales on international routes and duty-free shops in South Korea, are contributing to sales growth. We will continue expanding DECORTÉ sales in the Asian cosmetics market through optimal use of sales channels to drive overall growth for KOSÉ.

ALBION

The ALBION Group has stepped up its overseas expansion since 2017, and in some Hong Kong and Singapore department stores, its counters account for the top sales. On the other hand, raising brand awareness is an issue in China and South Korea. Therefore, in China, while conducting a

strategy of steady customer attraction in department stores, the ALBION Group also began sales on Tmall Global* in 2018. Analysis of customer attributes and tastes for use in publicizing brand information is improving recognition. In addition to opening a Lotte duty-free shop in South Korea, the ALBION Group opened a duty-free shop at Haneda International Airport in Japan in 2018 to meet inbound demand from Asia. In Taiwan, the aim is to get closer to customers by expanding into department stores through direct negotiations, without going through a sales agent.

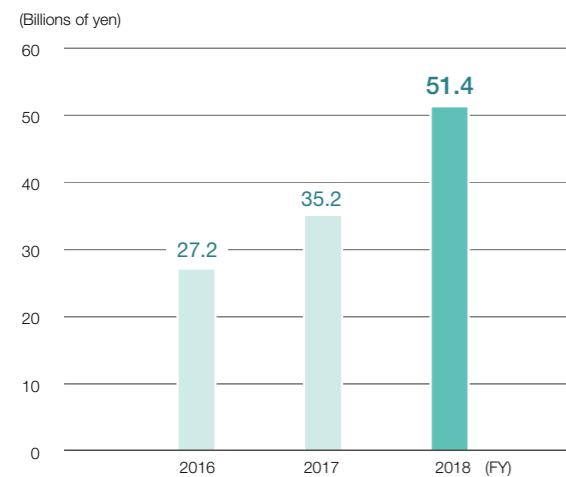
* One of the largest online sales platforms in China, operated by the Alibaba Group

SEKKISEI/JILL STUART/ADDICTION

For SEKKISEI, we have been establishing counters at department stores in Asian countries to develop the premium-priced SEKKISEI MYV (MIYAVI) into a next-generation global brand.

For JILL STUART and ADDICTION, we are working to increase global presence by leveraging various sales channels, including department stores, duty-free shops and inflight sales.

Sales in Asia (Excluding Japan)



Topics

KOSÉ Beauty Expo (China)

From September through November 2018, we held the KOSÉ Beauty Expo (China) in Guangzhou, Shanghai, and Chengdu, China. A total of more than 40,000 customers from China and other countries attended. One of our booths enabled attendees to experience the brand's image and a digital makeup simulation. Targeting the Millennial generation, we will continue to conduct strategic brand communication that combines the digital domain, including online retail sales, with real-life events.

North America & Others

Fiscal 2018
Net sales
¥41.2 billion

Fiscal 2026
Target CAGR
7%

Fiscal 2026
Target sales ratio
14%

KOSÉ's global expansion, which began in Asia, has made significant strides since 2012. In addition to debuts in the European countries of Italy, Germany, Denmark, the United Kingdom, France and Spain, in 2014 we made the U.S. company Tarte, Inc. a subsidiary with the aim of cultivating the North American market.

Strategies for Major Brands and Group Companies

DECORTÉ

DECORTÉ debuted in Europe in 2012 with the start of sales in Italy. Since 2016, we have opened counters in stores in the United States and Canada, starting with the venerable New York department store Saks Fifth Avenue.

Launched in 1970, DECORTÉ has a long history of offering the highest levels of quality and service. We intend to make this strength the core of our expansion, which will include rollouts into each country in Europe and use of the duty-free channel.

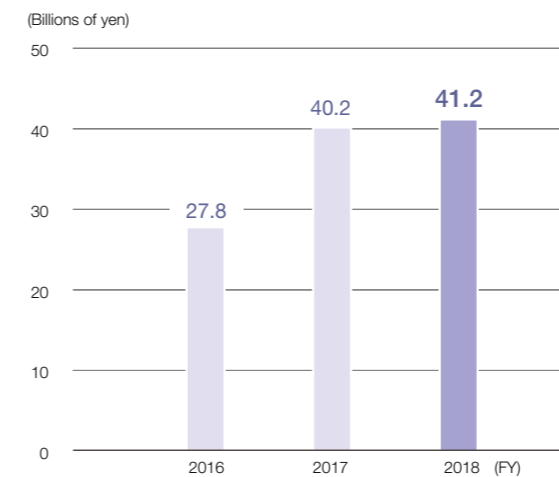
Tarte

Established in 1999 in the United States, Tarte, Inc. has grown by earning the support of women in their 20s and 30s. Under a brand concept of "high performance naturals," the company develops makeup and skin care products containing natural ingredients. Its main sales channels are cosmetics retailers

including Sephora and ULTA, online retailers and television shopping. Since KOSÉ made Tarte a subsidiary in 2014, the number of sales outlets has increased steadily, and by the start of fiscal 2018, sales had grown more than five-fold. Sales increased further in fiscal 2018 due to strong performance at ULTA, among other factors. Tarte will continue to provide products that meet customer needs.

In addition, Tarte began expanding into Europe in fiscal 2019, with steady results in France, where sales first started. By May 2019, sales had also begun in five other countries including Spain. The Tarte brand is a good example of global adaptability. Born in the United States, it has expanded its sales channels to 180 countries worldwide by responding to diverse tastes and lifestyles. KOSÉ will step up its efforts for craftsmanship that displays this global adaptability.

Sales in North America & Others



sugar rush™, launched by Tarte in February 2019

Enhancing Digital Marketing

Aiming to Provide True Satisfaction and New Value by Getting Closer to Customers



Even in the digital domain, we value person-to-person communication.

Makoto Fujii

Group Manager,
Digital Marketing Division

We will offer new value by combining our in-store and digital expertise.

Hiroshi Sugisaki

Manager, EC Promotion Section
Digital Marketing Division



Pursuing Customer Satisfaction by Adhering to Our Founding Belief

KOSÉ has been working to improve the value it offers customers in the digital domain. Efforts include operating online shopping websites for *JILL STUART*, *ADDICTION* and other brands, and sales through a Group company of the *MAIHADA* brand, which is exclusively a direct marketing brand.

We are making a digital shift in response to the rapid move in that direction in recent years, but we view this shift as essentially another way of getting “closer to our customers.” Using digital media, we can get a clear picture of the otherwise “invisible asset” of communication with our customers through their behavior history, enabling us to meet their needs to a greater degree than ever before. Since its founding, KOSÉ has worked to be a source of beauty for everyone based on a belief in making quality products that truly exceed the expectations of each customer, and offering those products with a personal touch. Even as we shift to digital technology, we will continue to pursue customer satisfaction that embodies this belief.

Combining Physical Stores and Digital Experiences to Fully Leverage New Value

To conduct a digital shift that retains KOSÉ's values, we will apply the expertise we have already cultivated in digitalization to other brands, and combine our expertise in in-store counseling, direct marketing, and online shopping website management.

To achieve this goal, we established the Digital Marketing Department in April 2018. Among its various areas of focus, this department develops systems and utilizes customer data to maximize online sales for the entire Group and to promote digitalization at stores, branches and other locations. It also uses open innovation and other means to develop new business models that leverage digital technologies, and conducts digital branding on social media and online shopping websites for strategic brands.

The department's first initiative in fiscal 2018 was to begin building a digital marketing platform. The initial goal is to meet increasingly diverse and sophisticated needs in Japan through integrated management of the customer purchasing information we have accumulated at physical stores and in the digital field,

including e-commerce. The second initiative was the Maison KOSÉ business, which combines a concept shop that brings together KOSÉ's diverse brands with its owned media.* The lineup of KOSÉ's major products allows customers to choose products that address their individual concerns, rather than by brand. We previously operated single-brand concept shops, but this is our first attempt at a concept shop that brings together numerous brands. We intend to continue our relationships of coexistence and co-prosperity with our existing business partners by sharing the information we obtain from this store. At the same time, we plan to continue building up our owned media, incorporating beauty articles while adding online shopping functions and increasing the number of brands handled. Counseling brands will also be presented on our website to help attract customers to physical stores. Furthermore, by analyzing data that tracks customer views, we will accurately grasp their needs to promptly respond to their requests at the concept shop.

* Owned media: Media such as self-published brochures and websites owned by a company for communication with consumers.

Striving to Create Unique KOSÉ Value for Customers Worldwide

We are now working to develop our owned media and establish a business model for experiencing it in the real world. We believe that combining in-store sales and digital media will enable us to pursue customer satisfaction head-on, so that we can be a source of beauty for more people. Although we are proceeding with a view toward a global rollout in the future, we do not think that our strategy for success in Japan will be applicable as is overseas. In localizing operations, language and other methods of communication change significantly. We will adapt the methods we established in Japan to each country or region with the aim of offering KOSÉ's unique new value to customers around the world.

Brand Marketing

KOSÉ has cultivated numerous long-selling brands, each with a unique presence in a cosmetics market characterized by diverse sales methods and channels, and increasing access to products across borders. Our goal now is to roll out to markets worldwide a collection of brands that have been refined under the discerning eye of our Japanese customers.

Numerous Long-Selling Brands through Brand Marketing with a Long-Term Perspective

KOSÉ's founder Kozaburo Kobayashi began manufacturing and selling cosmetics in 1946, with a passion for cosmetics that offer people dreams and hope. He maintained a spirit of coexistence and co-prosperity with his business partners and a commitment to consistently providing high-quality products. In the 1970s, KOSÉ created a series of original, trailblazing products, including beauty serum and powder foundation, and also became known for its unique R&D capabilities. In 1991, we announced the introduction of a corporate identity program and began working to establish our corporate brand while conducting unique brand marketing activities. Since 2011, we have realigned our corporate structure, which had been divided by function, and established a system to manage the value chain by brand. As a result of these measures, customer feedback is quickly and accurately reflected in products, sales

and services. Today, we constantly keep a close watch on changes in society and the business environment and are building our ability to respond with agility in ways such as diversifying into digital and other sales channels and stepping up our global expansion. In its brand development, KOSÉ devises strategies from a long-term viewpoint. We safeguard the unique value and image that infuse each brand as we adjust and cultivate them to better match customer tastes and purchasing styles, which constantly evolve. This strategy is what drives our brand marketing, and is what has allowed us to build a portfolio of numerous long-selling brands that have enjoyed loyal customer support for more than 30 years.

KOSÉ Beauty Festa: Where Customers Can Explore Brands and Meet Employees

The KOSÉ Beauty Festa assembles all of the representative brands in the KOSÉ Group portfolio under one roof for a limited time. Since fiscal 2013, KOSÉ has held the event in Tokyo, Osaka and other major cities throughout Japan, including Sapporo and Nagoya in fiscal 2018. Aggregate attendance at KOSÉ Beauty Festa since it began has exceeded 68,000.

Visitors to a KOSÉ Beauty Festa are free to look at and try out a variety of brands that under normal circumstances would be marketed separately in different channels. The event is an opportunity for existing and potential customers to explore products across brands and marketing channels. For KOSÉ, the event allows product planning and development teams to interact directly with customers, which often leads to new product concepts and proposals.



KOSÉ Beauty Festa ran for three days, from March 8, 2019, in the first floor event spaces of Nagoya JR Gate Tower. Long lines formed for the DECORTÉ booth.

A Hub for Transmitting Japanese Beauty and Culture: Maison KOSÉ Opens in Paris, France

In November 2018, Maison KOSÉ, our first concept shop in Europe, opened in Paris, a city at the forefront of beauty. The shop provides the opportunity to experience our spirit of craftsmanship as a Japanese cosmetics manufacturer as well as our fusion of traditional Japanese culture and cutting-edge technology through counseling sales and services for SEKKISEI, DECORTÉ and other products. The shop will also act as a hub for transmitting information throughout Europe about KOSÉ as it creates unique value that originates in Japan.



Maison KOSÉ

Next Step toward Becoming a Company with a Global Presence: KOSÉ Celebrates 50 Years of Operations outside Japan and 30 Years in China

KOSÉ began operating in overseas markets in 1968 in Hong Kong. We started by selling a lineup of products considered KOSÉ's strengths, such as beauty serum and powder foundation, unique products that carved out a new genre in the cosmetics industry. Back then, KOSÉ was not well known in Hong Kong, nor was the unique Japanese concept of

counseling sales, so steady effort and time were necessary. However, we built a following among local customers, and in recent years customers throughout Asia are regular purchasers of brands such as SEKKISEI and DECORTÉ. We will promote brand rollouts for customers worldwide with the aim of establishing world-class brands.



Ceremonies were held in Hong Kong and Shanghai in October 2018 for the 50th anniversary of KOSÉ's expansion overseas and its 30th anniversary in China.



Executive Director Masanori Kobayashi delivering a speech at the Hong Kong anniversary ceremony

Borderless Initiatives beyond the Scope of the Cosmetics Business

Established in 2017 as a joint venture with Milbon Co., Ltd., KOSÉ MILBON COSMETICS CO., LTD. launched IMPREA, a new cosmetics brand sold through beauty salons. We are also focusing on initiatives that go beyond the scope of the cosmetics business. In July 2019, KOSÉ established a joint venture with Maruho Co., Ltd., a manufacturer of dermatology products. The venture will leverage the value that KOSÉ and Maruho offer in cosmetics and pharmaceuticals, respectively.

25th Anniversary of the Makeup Brand VISÉE

VISÉE, a makeup brand that has consistently used contemporary fashion leaders as its image character to maintain its position as a trendsetter among young women in each era, celebrated its 25th anniversary.

In tune with the times, we are also enhancing our initiatives for personalized beauty to offer products in a wide range of colors to suit each individual's skin. We have advanced the fusion of beauty and digital technology with the introduction of VISÉE AI Personal Color Finder, a personal color diagnostic service that uses AI technology to instantaneously determine the range of colors that match the user's skin tone based on a portrait photo. In May 2019, we held a 25th anniversary event where attendees could experience the brand's image and products.



25th anniversary event for the VISÉE brand

Research and Development

KOSÉ has taken a concept dating back to its earliest days emphasizing cosmetics of the finest quality that elicit total customer satisfaction and summarized it in three words: intelligence, sensuousness and reliability. Our R&D activities follow a guiding principle of integrating these three values. In refining our products with a priority on safety, we will continue to take on the challenge of creating products that consistently bring about new ideas and innovation in cosmetics culture.



Reaching beyond Convention to Achieve the Finest Quality for Customers

KOSÉ's R&D activities are guided by a basic philosophy of creating value and a culture that are uniquely beautiful through the high-level integration of the three values espoused by the Company's founder—intelligence, sensuousness and reliability—and supplying affordable yet superior products. Research emphasizing originality and speed generates high-value-added results and drives KOSÉ's growth.

Since its establishment, KOSÉ has brought trailblazing cosmetics to market. We have created many new categories in cosmetics, such as beauty serum in 1975, and powder foundation in 1976. In 1992, we launched *COSME DECORTE MOISTURE LIPOSOME*, a beauty serum incorporating liposome technology, which we had been studying as a delivery mechanism for cosmetics classified as quasi-drugs. Liposomes were difficult

to stabilize, so they had not been applied to a cosmetic product before. Our success with *COSME DECORTE MOISTURE LIPOSOME* was an industry first. This product is a long-seller, and has enjoyed robust sales exceeding 7 million bottles. Since its launch, we have continued to develop a series of highly effective beauty ingredients, including astaxanthin and kojic acid. These achievements reflect a deeply rooted corporate culture that enables researchers to rise to various challenges. Moreover, on the occasion of our 70th anniversary in 2016, we established our "Laboratory Vision" to accelerate global growth. We are working to realize this vision by identifying issues, formulating action plans to resolve those issues, and going through the plan-do-check-act (PDCA) cycle.

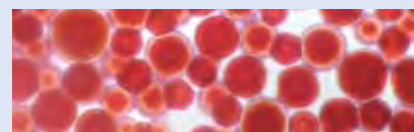
Laboratory Vision

Be constantly producing "good things" for customers through innovation that reaches beyond conventional thinking and assumptions, thereby serving as a driving force to expand the number of avid supporters of KOSÉ in Japan, throughout Asia, and around the world.

Representative Beauty Ingredients from KOSÉ R&D

Astaxanthin

A red antioxidant component extracted from salmon, algae and other sources



Liposomes

Successful stabilization of multilayered phospholipid membranes



Kojic acid

Created from rice fermentation technology



Focusing on Dermatology to Address Aging and Allergic Diseases

We promote basic research with a long-term perspective in a quest for cosmetics discoveries that will help address social issues and consumer concerns. Our strength in basic research is in the field of dermatology, with a focus on aging and the application of findings to new skin care products. Among our successes in this field, in 1994 we pinpointed the impact of singlet oxygen on skin aging. In 2009, we partnered with Keio University School of Medicine and began joint research on skin care and the skin's barrier function. We established an endowed course in 2013 to promote further research and have been working to contribute to preventative medicine for allergic diseases and better quality of life (QOL) during periods of remission.* We are also exploring induced pluripotent stem (iPS) cell research to identify the mechanism behind the skin aging process and are engaged in the development of new anti-aging skin care ingredients.

* Remission: A period in which the symptoms of a disease decrease temporarily or disappear



Aging-related research using iPS cells

Building an R&D Structure for Speed and Originality

We are reorganizing our research structure to strengthen global competitiveness and cultivate new markets. In 2017, we established the Customer Value Creation Laboratories as an organization for new innovation and also opened our first European research center in Lyon, France—the France Laboratory Branch—which is regarded as a hub for leading-edge dermatological technology. We will draw on the advantages of the local environment while pursuing dermatological research and applying the findings to the development of cosmetics. In addition, the Advanced Technology Laboratory was opened in spring 2019, concentrating domestic research facilities in Oji, Kita-ku, Tokyo, the district of KOSÉ's original operations.

Through these changes, we aim to build a high-performance, flexible R&D structure. The changes will enhance the coordination of research, thus raising the value of the products we provide to customers and research of next-generation technologies that underpin the creation of new value.

Ultimately, this structure will facilitate quick commercialization of products.



Advanced Technology Laboratory, completed in March 2019 (Oji, Kita-ku, Tokyo)

Promoting Beauty-Centered Open Innovation

In June 2018, KOSÉ began the industry's first Accelerator Program with the aim of generating new value through co-creation. The program combines the resources we have cultivated in-house with external entities solicited through a wide-ranging, open invitation. We solicited ideas from start-ups in domains where we intend to strengthen collaboration in the future, centered on integrating beauty with digital technology, and beauty with cutting-edge technologies. Six companies were selected from the more than 80 that responded. Six co-creation teams were formed with the addition of selected KOSÉ employees to each company's team. The teams prepared interim reports in October 2018, then refined their research topics for demonstrations. As a result, in the final report in January 2019, we decided to incorporate quantum computing, which we had been working on with MDR Inc., into our R&D. We have adopted the research theme of co-creation between humans and computers, and are now moving into the proof-of-concept stage.

Through such co-creation with external entities, we will generate new value that more clearly expresses beauty in comfortable, fulfilling lifestyles.

Overview of the Accelerator Program

Three Domains Where We Intend to Strengthen Collaboration

- (1) Using technology in communicating with users
- (2) Creating new beauty services
- (3) Using cutting-edge technologies to develop products and services

Schedule



MDR Inc. members and KOSÉ employees selected for a co-creation team in the Accelerator Program

Satisfying Customers

Since its earliest days, the KOSÉ Group has been totally committed to meticulous quality control, from raw materials procurement to manufacturing, in order to produce the finest cosmetics. The underlying message in the KOSÉ Quality Policy, established in fiscal 2010, is “Customer satisfaction is our goal.” It emphasizes quality from a perspective that is both broad and deep.

Adhering to Our Founder’s Belief: Ongoing Enhancement of Quality Assurance

Kozaburo Kobayashi, who founded KOSÉ in 1946, believed the Company had a duty to develop products of superior quality that would make consumers happy. Amid persistent supply shortages in the postwar years, KOSÉ scrambled to procure high-quality ingredients and took pride in being known by customers as a company that delivered quality. The number of loyal customers grew as a result of this high quality, behind which was Kobayashi’s belief that “only one product out of millions of cosmetics delivered to the market reaches the customer, so cherish the one.” KOSÉ still adheres to this belief today. We pursue the highest quality at each stage of the entire value chain. In the 1970s, we were quick to introduce quality control using scientific methods at our production sites, and in 1980 we marked a domestic cosmetics industry first when our Manufacturing Department won a Deming Prize.¹ In the 1990s,

we adopted ISO 9001 international quality standards as well as a cosmetics GMP²-compliant management system in our ongoing commitment to quality.

1. Deming Prize: An award given in Japan to companies and individuals who have successfully implemented total quality management of industrial products
2. Cosmetics GMP (Good Manufacturing Practices for cosmetics): Technical standard for production and quality control of cosmetic products



Product inspection process

KOSÉ Quality for the World

Appreciation for made-in-Japan, refined, high-quality cosmetics is rising worldwide, and KOSÉ’s own production volume has expanded considerably to meet demand. In March 2017, we built a new manufacturing facility on the grounds of our Gunma Factory to increase production capacity for high-value-added cosmetics. Furthermore, in addition to increasing production capacity at the Sayama Factory and Kumagaya Factory of ALBION CO., LTD., we will construct a new production base, the Minami Alps Factory (provisional name), which is scheduled to begin operating in 2021. We will proactively enhance our production and supply structure and promote technological innovation to deliver the ultimate in quality.



New manufacturing facility at the Gunma Factory

KOSÉ is also working to globalize its quality assurance system in step with efforts to accelerate rollouts of its brands and products on the world stage. As part of these efforts, we updated the KOSÉ Quality Assurance Standards from a global perspective, and are sharing them with domestic and overseas contract manufacturers, as well as companies that make the containers and packaging that we use in our products. In addition, to ensure the global suitability of final products shipped from our domestic factories to markets overseas, we are building a quality assurance system that links research laboratories, the Production Department and the Quality Assurance Department.



Artist's rendition of the new Minami Alps Factory (provisional name)

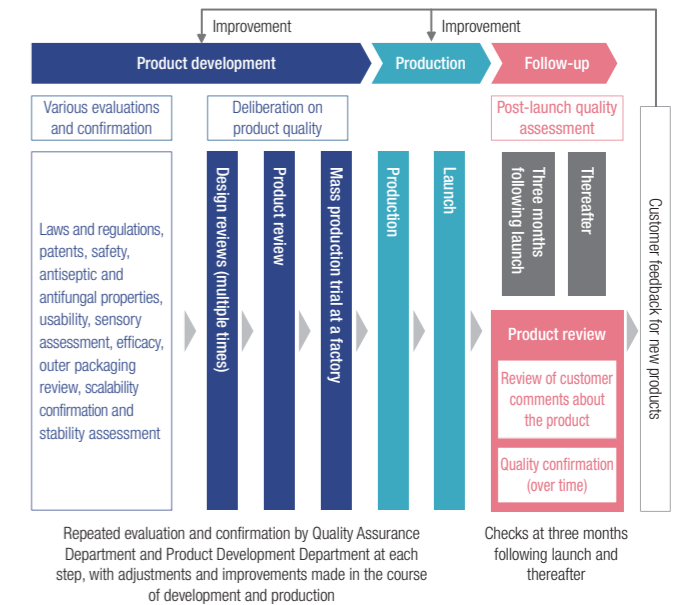
Building a Framework That Prioritizes Peace of Mind and Safety While Valuing Novelty

Because cosmetics come in direct contact with the skin and hair, to ensure that customers can use our products with peace of mind, we prioritize safety in the development of new products through rigorous and repeated evaluations in line with the highest quality standards at each step from raw materials to finished products. Before putting products on the market, for final confirmation of safety we run them through tests under the various conditions in which they are expected to be used.

KOSÉ has built a system in which the Quality Assurance Department and the Product Development Department work together from the initial stage of development to evaluate the safety of new products. This system enables us to rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and imaginative approaches. Furthermore, while giving the highest priority to safety, we develop our cosmetics, including quasi-drugs, under a policy of using testing methods that do not involve animals.

▶ For details: <https://www.kose.co.jp/company/en/csr/theme1/>

Quality Assurance in the KOSÉ Group’s New Product Development



Our Declaration of Consumer Orientation: “Closer to Our Customers”

KOSÉ established the slogan “Closer to Our Customers” for use inside the Company and in April 2018 announced its Declaration of Consumer Orientation. It signifies that each employee thoroughly adopts an approach of taking the viewpoint of customers to deliver cosmetics with value, and has been in use since it was set forth as the basic policy of KOSÉ’s medium-term management plan for fiscal 2011. We intend to step up our efforts to further advance a customer viewpoint in the activities of all departments.

We strive to communicate information to our customers in an appropriate and timely matter through shops and websites. Knowledge stored at our Customer Service Center is shared throughout the KOSÉ Group, including affiliated companies, and is used by various departments.

To promptly utilize the valuable opinions and comments of our customers, we share them throughout the Company in real time using the Smile Data System. The content is aggregated,

analyzed and regularly reported to the relevant departments, which use it to improve products and services, thus heightening customer satisfaction.

Examples of Improvements Utilizing Customer Feedback



Notches in the refill pouch make it easy to tell that it contains shampoo.



Labeling on the outer box clearly identifies the different types of SEKKISEI, making it easier to select the desired product.

▶ Note: Declaration of Consumer Orientation

<https://www.kose.co.jp/company/ja/info/customer-oriented/> (Japanese only)



Creating an Environment That Allows People to Realize Their Full Potential

To achieve its goal of becoming a company with a global presence, KOSÉ needs human resources that can succeed worldwide—people who use foresight for the constant creation of innovative value. Based on three management foundations, we work to create an environment that enables our employees to realize their full potential, ultimately leading to the achievement of the targets stated in our medium-term management plan.



Promoting Human Rights Education and Awareness-Raising and Diversity Management

Employees are the source of corporate growth and competitiveness. For employees to grow, they must have a healthy workplace environment. As a cosmetics company, the KOSÉ Group aims to cultivate a workplace environment that allows women to realize their full potential and enables diverse human resources to demonstrate their skills. To that end, we promote human rights education and awareness-raising and diversity management. In the KOSÉ Group Action Guidelines, we stipulate respect for the human rights of all and zero tolerance for any actions that might lead to discrimination. We

encourage acceptance and understanding in the workplace and endeavor to build a healthy workplace environment where diversity is valued. In management development programs, we conduct training and raise awareness of human rights to ensure respect for such rights regardless of nationality, race, religion, educational background or age. We also promote understanding of gender diversity (LGBT* and others) including sexual orientation and gender identity.

* LGBT: An acronym for Lesbian, Gay, Bisexual and Transgender



Establishing Working Conditions That Promote Work-life Balance

To achieve a good balance between our employees' professional and private lives, we are making efforts to enhance their health and working conditions. Specifically, we endeavor to accurately track each employee's working hours and set reduction targets for overtime work to optimize time spent on the job. We also offer wellness guidance by industrial doctors based on the results of

annual health checks and respective work situations. In addition, we have introduced childcare/nursing care leave, shortened working hours and other programs tailored to life events in order to help employees balance career and family. All regular employees who took maternity leave also took childcare leave, and more than 90% of these women later returned to work.

Certified as an Excellent Enterprise of Health and Productivity Management (White 500)

From a management viewpoint, strategically encouraging employees to manage their own health will lead to higher productivity. The concept of health and productivity management has thus been proposed from the perspective of an investment that will lead to higher profitability. Wholeheartedly embracing this concept, the KOSÉ Group promotes health and productivity management measures for its employees' working environment, particularly in regard to keeping working hours to an appropriate level and helping employees maintain good health. In recognition of these efforts, KOSÉ has been certified for the third consecutive year since 2017 as an excellent corporation that engages in health and productivity management in cooperation with insurers in the White 500 for 2019, sponsored by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.



Developing Human Resources and Fostering a Corporate Culture That Promotes Innovation

As part of our global strategy, we focus on attracting and keeping people who fearlessly embrace challenges with a flexible perspective, give us the benefit of their individuality and add a new dimension of diversity to our talent pool.

We maintain an in-house recruitment system that gives existing employees with a desire to take on new challenges the opportunity to work at different jobs within the Company. In addition, we have integrated Link,¹ a program for generating innovation to create new value in beauty that we have been conducting since 2017, with our Accelerator Program. Employees who we expect to play key roles in the future are

given the task of commercializing new businesses in cooperation with external start-ups. This is just one way in which we create a structure that supports enthusiasm and a spirit of challenge.

1. Link (Leadership and Innovation program for New KOSÉ): An internal incubation program launched in 2017



Developing Global Beauty Professionals

We also emphasize training for Beauty Advisors, who interact most closely with customers, in order to create a group of beauty professionals. In fiscal 2014, we promoted contract employees to regular employee status, and in fiscal 2015, we switched to a practice of hiring new graduates as regular employees rather than contract employees. For mid-career hires, we introduced an exam-based promotion system, with more than 100 Beauty Advisors passing the test each year. As a result of these measures, the proportion of Beauty Advisors who are regular employees has risen to about 90%. In addition, we run a program for Beauty Advisors that gives them the option to change branches and continue their careers in different locations nationwide. Concurrently, our in-house recruitment system enables Beauty Advisors to take on the challenge of

working in other roles within the Company. These efforts expand career path options and enhance job satisfaction.

Seeking to improve the technical skills of Beauty Advisors, in fiscal 2014 we complemented an existing training and instruction program with our own distinctive KOSÉ Makeup Lesson Examination, which has been approved by Japan's Ministry of Health, Labour and Welfare. The examination contributes to enhancing skills and spurs motivation. It consists of Level Two for base makeup, for which all Beauty Advisors in Japan are eligible, and Level One for makeup highlights, which can be taken by those who pass Level Two. Since the examination was introduced, more than 1,200 Beauty Advisors have passed one of the levels. In the future, we aim to have all Beauty Advisors obtain these qualifications as a preparatory job skill.

The 8th Global EMB Contest to Select Top Beauty Advisors

About 5,000 Beauty Advisors from Asia including Japan participated in the 8th Global EMB* Contest. This event is aimed at encouraging the development of world-class Beauty Advisors by offering contestants the opportunity to present the results of their efforts to refine their customer service skills and beauty knowledge and techniques to impress and bring joy to the greatest number of customers. The final round of the contest took place in April 2019, with the 17 remaining contestants from their respective districts gathering at KOSÉ's Oji Training Center in Kita-ku, Tokyo to showcase their skills. The next day, results were announced and an awards ceremony was held at the Hilton Tokyo Bay in Urayasu City, Chiba. The grand prize went to Yoshiko Ota, a Beauty Advisor in Japan, with Japan's Minami Nakada and Taiwan's Yu-Chien Wei as runners-up. * EMB (Expectation, Meet, Beyond): Implies that people not only meet, but exceed expectations



Announcement of the grand prize winner

SAVE the BLUE Project

For 10 years, KOSÉ has been conducting the SAVE the BLUE project as an initiative that embodies its corporate message “Wisdom and Beauty for People and the Earth.” We will continue to support activities to protect the global environment with the aim of realizing a sustainable society.



Activities in Japan: Steps We Can Take Now to Protect Our Beautiful Oceans and Blue Planet

The SAVE the BLUE project debuted in 2009, with a portion of sales from *SEKKISEI*, a brand loved by many customers, directed toward activities to protect the coral reefs in Okinawa. Corals, which are highly susceptible to temperature and other environmental changes, are in need of greater conservation efforts. A portion of sales from select products in the *SEKKISEI* series purchased by customers during our summer campaigns is donated to a local organization in Okinawa. The funds are used to cover the cost of growing an amount of corals equivalent to the total surface area of the bottoms* of the containers of project-designated *SEKKISEI* products, and for

transplanting the cultivated corals onto reefs in Okinawa. Over the past 10 years, corals covering a total of 96,757,321 cm², or about 25.8 times the size of an official short-course (25 m) swimming pool, have been transplanted.

To mark the first decade of the project, in 2018 we also held a winter campaign. Since rich forest soil is indispensable for oceans to thrive, we have also started planting trees to cover an area equivalent to the total surface area of the bottoms of designated *SEKKISEI* products sold.

* In the case of *SEKKISEI* lotion regular size: approx. 4 cm x 5 cm = approx. 20 cm²



Summer campaign poster (Transplanting corals)

Winter campaign poster (Forest conservation)



We also held a program for elementary school students entitled “Give Your Impressions of the SAVE the BLUE Coral Protection Story in Words and Pictures and Win a Trip to Study Corals.”

Global Activities: Projects in 10 Countries or Regions

The SAVE the BLUE Project has spread globally. In fiscal 2018, it was conducted in China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia, the United States and Japan. We also carried out a program for staff from overseas to study corals in Okinawa and to present their environmental conservation activities in their respective regions.

KOSÉ has announced its support of the Sustainable Development Goals (SDGs) advocated by the United Nations, and through the SAVE the BLUE project it will

further advance its efforts to protect our blue planet through marine conservation.



A global program for traveling to Okinawa to study corals



China Desert afforestation

Taiwan Marine conservation

Thailand Marine conservation

Singapore Coral reef preservation

Malaysia Sea turtle preservation

Promoting Sports

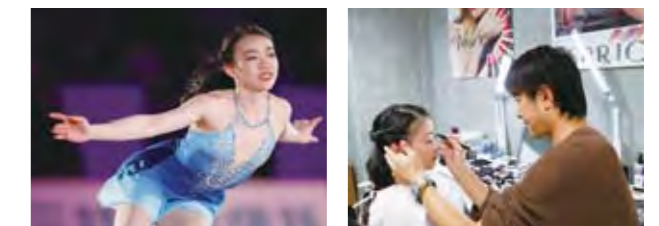
To enhance people's quality of life, KOSÉ is involved in the promotion of sports, which are an important part of healthy lifestyles. As a cosmetics company, we continue to cosponsor and support teams and individual athletes in various sports, particularly those that combine beauty, art and fashion.



Figure Skating

As an official partner of the Japan Skating Federation since 2006, KOSÉ has mainly provided makeup and makeup lessons to figure skaters. We incorporate recent trends in proposing makeup colors and looks that match the images the skaters wish to project, and then advise them on how to apply their own makeup. In addition, we have enhanced our support at exhibitions and ice shows by providing staff to apply the skaters' makeup. We have received a positive response from the skaters, with comments such as “The makeup really motivated me. You did a beautiful job, which helped me perform with confidence.”

In 2016, we marked a first as the title sponsor of the KOSÉ Team Challenge Cup, an international event on the figure skating circuit. We are expanding the range of our support, including signing individual contracts with athletes who participate in the tournament.



Skater Rika Kihira

Applying makeup to skaters at the makeup booth

Artistic Swimming

In April 2006, KOSÉ signed an official cosmetic partner agreement with the Japanese national team, nicknamed “Mermaid Japan,” which represents Japan in international artistic swimming competitions. Since then, we have provided constant support for the team. We create makeup designs matched to costumes and music and conduct a regular course of lessons so that team members can apply their own makeup at competition sites. We use only commercially available products that are highly waterproof and colorfast, such as *FASIO* and *ADDICTION*, and help team members focus on their performance with confidence by providing detailed guidance on makeup techniques that

prevent it from coming off during intense movements in the pool. Our expertise goes beyond competition makeup to offer total beauty solutions, including suggestions on daily skincare.



Swimmer's competition makeup

Makeup lesson

Snow Sports

In October 2018, we signed a contract with the Ski Association of Japan (SNOW JAPAN) to become an official sponsor. We actively support athletes who perform on the world stage and support the development of all snow sports.



SNOW JAPAN

Addressing Climate Change and Reducing Environmental Burden

KOSÉ's sustainability activities reflect its corporate message "Wisdom and Beauty for People and the Earth." We based the KOSÉ Basic Environmental Policy on the fundamental concept that underpins ISO 14001, the international standard on environmental management, with activities conducted primarily by cross-departmental environmental working groups.



Reducing Environmental Burden at Every Stage of the Value Chain

KOSÉ recognizes that business activities (such as production, marketing and logistics) have an impact on the environment and we vigorously strive to reduce this burden. We set benchmarks for CO₂ emissions, water consumption and waste as priority targets and publish data on our website to show the impact that our corporate activities have on the environment. In production activities, we continue to reduce industrial waste, save energy and prevent environmental pollution. We also promote energy-saving activities at all of our factories. For example, we install energy-saving equipment such as cogeneration systems. Meanwhile, with respect to product development and sales, we take steps to develop and improve the raw materials used in cosmetics and the materials used in containers, packaging and

in-store display cases, paying attention to the impact that such components have on the environment.



An environment-friendly cogeneration system using natural gas at our Gunma Factory

Use of Environmentally Responsible FSC-Certified Paper to Promote Sustainable Forestry

Forest Stewardship Council (FSC)-certification is given to wood that is harvested and processed in a manner that promotes sustainable forestry, benefits local communities and is also economically sustainable. FSC-certified paper is made from such wood. FSC-certified paper is used for the outer box of some *SEKKISEI* products.



Launched in December 2018 as a limited-edition product, medicated *SEKKISEI Lotion* (super big size) uses FSC-certified paper for its outer box.

Addressing the Problem of Plastic in the Environment

Plastic microbeads are a raw material used in cleansers and other rinse-off products. They are safe for humans, and have been used as a highly functional raw material, but recently concerns about their environmental impact have been raised in Japan and overseas. In light of such concerns, the KOSÉ Group has taken measures to address this problem. In fiscal 2014, for example, we discontinued the use of microbeads in newly developed cleansers, replacing them with vegetable-based materials with a low environmental burden. We have also completed a switchover to vegetable-based materials for existing cleansers. Since January 2018, none of the cleansers we have shipped contain microbeads.

We are also working to reduce the amount of plastic used in containers. We have launched refill products for the *DECORTÉ* products *MOISTURE LIPOSOME* and *PRIME LATTE*, resulting in about a 40% reduction in plastic per item compared with regular containers. We are working to reduce our environmental burden in a variety of ways, including the use of plant-derived plastic in products from Kosé Cosmeport Corp.



Reusing the pump significantly reduces the amount of plastic used

Activities in the Supply Chain

KOSÉ has always pursued co-existence and co-prosperity with its business partners. We value the sense of partnership that infuses all of these relationships, and we emphasize sustainability throughout our supply chain, extending beyond Japan to points overseas, to grow along with suppliers and retailers.



Promoting Sustainability in the Supply Chain

We conduct sustainable, socially and environmentally responsible procurement for raw materials in line with our Basic Procurement Policy. We promote detailed information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to track environment-oriented responses and respect for human rights.

KOSÉ's Basic Procurement Policy

1. Quality and safety assurance

Our procurement activities are implemented in line with the "KOSÉ Quality Policy," with the highest priority on quality and safety.

2. Fair and unbiased competition

We offer opportunities for fair and equitable competition to all suppliers, regardless of scale, both in Japan and abroad. Procurement decisions are made in a fair manner based on a comprehensive consideration of quality, prices, delivery times, supply capacity, management stability and other factors.

3. Compliance with laws, regulations and social norms

In our CSR-compliant procurement practices, we comply with laws, regulations and social norms of different countries and regions, and give due consideration to the conservation of resources and the global environment, safety, human rights, and other factors in order to fulfill our social responsibility.

4. Co-existence and co-prosperity

Our aim is to ensure the ongoing development of both our suppliers and ourselves by building mutual understanding and trust through our procurement activities.

5. Assurance of information security

Confidential information and personal information related to procurement activities are strictly protected.

Emphasizing a Sense of Partnership with Suppliers

KOSÉ holds a policy meeting with its suppliers once a year to explain the KOSÉ Group's policies, business plan and purchasing policy. A party is also held at this event to show our gratitude and to recognize those suppliers who have contributed significantly to our success, particularly to our business results, improved quality and environmental considerations. In fiscal 2018, we welcomed participants from nearly 100 domestic and international suppliers, including those providing us with raw materials and fragrances, other materials, OEM services and various production work. We asked suppliers to continue to be good partners in our ongoing pursuit of higher quality and sustainability. This event draws an increasing number of participants from abroad, so interpreters provide simultaneous translation.



Addressing the Issue of Sustainable Palm Oil

Palm oil is a vegetable oil harvested from oil palms grown in Southeast Asia and other regions. It is used around the world in various applications such as food, and some is used as a raw material for cosmetics. However, there are problematic issues such as the destruction of tropical rain forests caused by oil palm plantation development.

KOSÉ maintains an ongoing dialogue with relevant NGOs and suppliers. In fiscal 2018, we applied for membership in the Roundtable on Sustainable Palm Oil (RSPO) and have started investigating various issues with the aim of commencing the use of sustainable palm oil by fiscal 2020.

Sustainability Activities

In conducting activities to help achieve a sustainable society, the KOSÉ Group identifies issues it should address based on ISO 26000 and other guidelines, external ESG assessments and other methods, and prioritizes them while taking into consideration the changing international situation. In July 2017, we signed the United Nations Global Compact (UNGC), and have selected a focused set of SDGs that we believe we can help address.

Process for the Selection of Sustainability Activity Targets



Review of Activity Themes and Targets with Reference to the SDGs

We believe that the cosmetic products the KOSÉ Group manufactures and sells benefit our customers worldwide by helping them play an active role in society and contributing to an improvement in their quality of life (QOL). In addition, all of our corporate activities, including consideration of human

rights in the procurement of raw materials and reduction of environmental burden, are closely related to the SDGs. Accordingly, we have reorganized and reviewed the individual sustainability activity themes we have been engaged in, with reference to the 17 SDGs and their 169 targets issued in 2016.

- Alignment of previous sustainability activity targets with the 169 SDG targets
- Confirmation of the order of priority for activity themes and setting of high-priority themes

For details, see pages 38-39.

Signing the UNGC

In July 2017, we signed the UNGC. Based on the basic sustainability principles underpinning our corporate message of “Wisdom and Beauty for People and the Earth” and the “Mind to Follow the Right Path” motto of the Company’s founder, we support and put into practice the 10 Principles of the UNGC in the four areas of human rights, labor, environment and anti-corruption, as we work to achieve a sustainable society as a member of the global community.

► For details: <https://www.kose.co.jp/company/en/csr/target/>



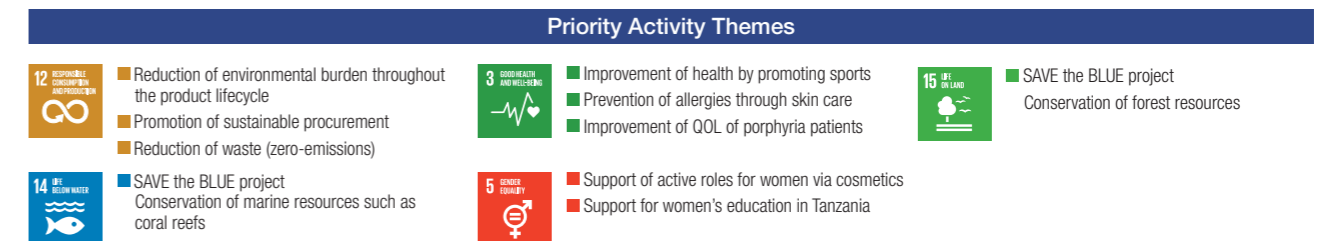
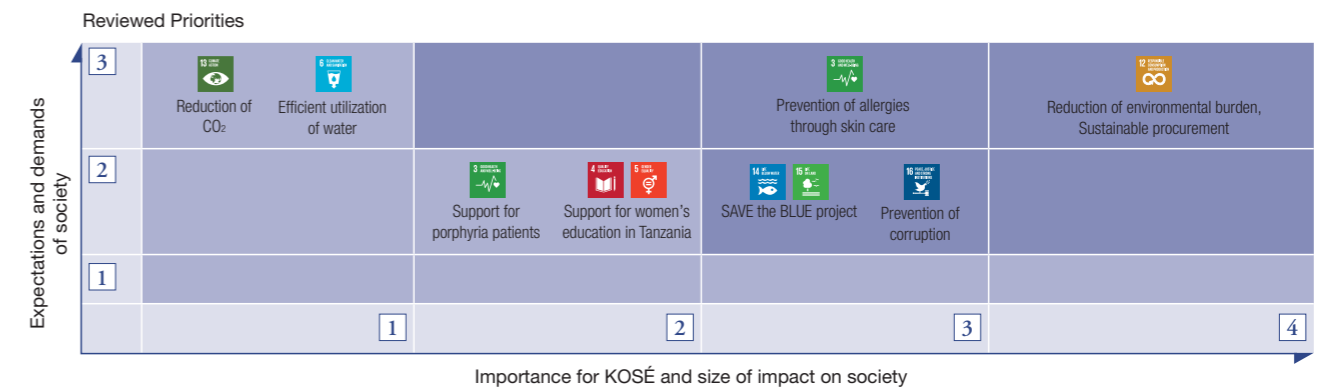
Identification of Priority Activity Themes

KOSÉ has established activity themes and mid-term goals by organizing its corporate activities using ISO 26000 and other guidelines and external ESG assessments. In fiscal 2017, we referenced the SDGs to identify priority themes from the mid-term goals. To establish priority activity themes, we made assessments based on the two axes of “Expectations and demands from society” and “Importance for KOSÉ and size of impact on society.” We believe that each is relevant and can contribute to achieving the SDGs. We have announced our

intention to continue increasing our focus on sustainability, with measures including the issuance of our first integrated report in fiscal 2018, the establishment in fiscal 2019 of a dedicated in-house organization, and the renaming of the CSR Committee as the Sustainability Committee.

We will continue to review these priority activity themes as necessary to meet the changing expectations and demands of society.

► For details: <https://www.kose.co.jp/company/en/csr/target/>



About the UN SDGs

In September 2015, the 193 member states of the UN adopted the 2030 Agenda for Sustainable Development, a plan to end severe poverty, inequality and injustice, protect the planet, and ensure prosperity for all in the next 15 years. This agenda comprises Sustainable Development Goals (SDGs). The SDGs are an expansive challenge for the entire world to engage in efforts to ensure that no one is left behind. Encompassing 17 goals and 169 targets, they cover issues that were not fully addressed in the Millennium Development Goals, as well as the worsening environmental issues discussed in Rio+20.*

* Rio+20: The United Nations Conference on Sustainable Development, which took place in Rio de Janeiro, Brazil in 2012

► Translation of quote from Global Compact Network Japan www.ungcn.org/sdgs/index.html



Activity Targets



Stakeholder	Important Issue	Activity Theme	Medium-Term Target	Fiscal 2018 Results	SDGs
Customer	Reliability We will provide high-quality products and services that prioritize peace of mind and safety as a company that creates beauty for people. + Adaptability We will work to satisfy diverse customers around the world.	Peace of mind, safety and quality	Enhance quality assurance system throughout the entire Group	<ul style="list-style-type: none"> Formed project to introduce ISO 22716 Strengthened efforts to reduce number of complaints regarding quality, and standardized voluntary recall procedures 	3 8
		R&D from a customer perspective	Enhance safety assurance system throughout the entire Group	<ul style="list-style-type: none"> Disseminated information on KOSÉ's safety assurance by posting it on the R&D section of the Company website Promoted establishment of a safety assurance system for addressing expanding business areas such as new distribution channels and countries 	
			Work to satisfy diverse customers around the world (region, tastes, age, gender, LGBT, religion, people with disabilities, etc.) through cosmetics	<ul style="list-style-type: none"> Implemented and announced Declaration of Consumer Orientation (April 2018) Announced a policy of enhancing adaptability as a company that meets the needs of diverse customers around the world through craftsmanship 	5
		Promote development of products and packaging that improve usability	<ul style="list-style-type: none"> Promoted development of product packaging that is easy for all to use and to refill Introduced pouches with tactile identification features 	3	
Communication with customers	Deepen the relationship with the fields of cosmetic medicine, preventative medicine and health promotion, and improve QOL	<ul style="list-style-type: none"> Continued to support research on skin care and allergies through an endowed course at Keio University School of Medicine Provided foundation as the first step in creating an in-house scheme to improve the QOL of porphyria patients 	3		
	Improve our capability to respond to customer expectations and requests	<ul style="list-style-type: none"> Publicized Declaration of Consumer Orientation (April 2018) 			
Environment	We will engage in resource and energy conservation in consideration of biodiversity and environmental protection.	Energy and resource conservation throughout the entire value chain	Create a system to collect and utilize customer feedback from a variety of channels	<ul style="list-style-type: none"> Started a chatbot service that utilizes AI for handling customer inquiries 	
			Understand and reduce greenhouse gas emissions	<ul style="list-style-type: none"> Expanded the scope of calculation of CO₂ emissions (subsidiaries, business locations) and streamlined data aggregation 	12 13
			Understand and reduce water resources used/wastewater volume	<ul style="list-style-type: none"> Collected data on water consumption/wastewater and promoted efficiency improvements 	6
			Understand and reduce waste volumes	<ul style="list-style-type: none"> Collected data on waste volume and promoted efficiency improvements 	12
			Consider the environment in product containers and packaging	<ul style="list-style-type: none"> Strengthened efforts to reduce the amount of plastic used in products Began using FSC-certified paper for product outer boxes 	12
		Consider the environment in product contents	<ul style="list-style-type: none"> As of January 2018, ended all shipments of cleansers containing plastic microbeads Formulated and announced policies for using sustainable palm oil 	14 15	
Promote environmental policy and disclosure of environmental benchmarks	<ul style="list-style-type: none"> Expanded the scope of disclosure of environmental benchmarks 	14			
Preserving biodiversity	Continue and expand our SAVE the BLUE project and contribute to the global environment	<ul style="list-style-type: none"> With the 10th year of the SAVE the BLUE project and the International Year of the Reef as milestones, conducted various activities to preserve coral reefs and to publicize those activities. Expanded activities to include 10 countries and regions. Started new winter activities for forest conservation 	13 14 15		
Business partner	We will carry forward the idea of "co-existence and co-prosperity" passed down since our foundation, to promote sustainability activities throughout the entire supply chain.	Raw material procurement	<ul style="list-style-type: none"> Promote sustainable procurement throughout the entire supply chain Implement fixed-point observation based on the Basic CSR Policy 	<ul style="list-style-type: none"> Adopted Global Compact Network Japan (GCNJ) standards for supplier surveys to strengthen human rights considerations (overseas child labor and working conditions, etc.) and other matters 	12
		Sustainable palm oil procurement	Begin sustainable palm oil procurement by fiscal 2020	<ul style="list-style-type: none"> Formed in-house task force for sustainable palm oil procurement and announced policies for future initiatives 	12
Employee	We will strive to develop human resources and create a working environment to enable each employee to fully demonstrate their abilities.	Respect for human rights	Promote human rights education and awareness	<ul style="list-style-type: none"> Conducted training for newly appointed managers to encourage consideration of employee diversity (LGBT, etc.) 	5
		Promotion of diversity and working-style reform	Promote diversity and flexible, diverse ways of working	<ul style="list-style-type: none"> Formed an executive committee on work-style reform. Conducted a study of measures to create a corporate culture that empowers women by proposing flexible and diverse ways of working. Introduced a work-at-home system for Head Office as one such measure. 	8
			Employ people with disabilities and rehire retired employees	<ul style="list-style-type: none"> Introduced system for re-employment of retirees (February 2019) Maintained a stable employment rate for people with disabilities throughout the year in accordance with the law 	
		Human resource development	Improve and raise employee health awareness	<ul style="list-style-type: none"> Certified as an Excellent Enterprise of Health and Productivity Management (White 500) for the third consecutive year 	
Local community	We will promote social contribution through cosmetic products with the aim of coexisting in harmony with local communities.	Academic support	Provide academic support focused on universities	<ul style="list-style-type: none"> Continued to develop global human resources Clarified development policies according to class and role Conducted measures to develop core human resources for the future with the Accelerator Program 	3
		Improvement of quality of life (QOL) through promotion of sports (health promotion)	Promote various sports that include elements such as beauty, art and fashion	<ul style="list-style-type: none"> Held the second term (second year) of the KOSÉ Endowed Course for Skin Care and Allergy Prevention at Keio University School of Medicine Continued to support the advancement of cosmetology through support for The Cosmetology Research Foundation 	3
			Promote health and regional development through sponsorship of amateur sports events	<ul style="list-style-type: none"> Continued to provide support as an official partner of the Japan Skating Federation (13th year) and the International Skating Union (7th year), and as official cosmetics partner of "Mermaid Japan," which represents Japan in international artistic swimming competitions (13th year) Signed an official sponsorship contract with the Ski Association of Japan (SNOW JAPAN) and started providing support (October 2018) 	3
		Cultural inheritance	Promote culture and art	<ul style="list-style-type: none"> Provided support for Arukimedesu walking events in locations throughout Japan, the Iwai Masakado Half Marathon in Bando City, Ibaraki Prefecture, and the Koedo Kawagoe Half Marathon in Saitama Prefecture; cosponsored the Ishigaki Island Marathon through the Sports Beauty brand, etc. 	
		Assistance to disaster affected areas	Promote culture and art	<ul style="list-style-type: none"> Sponsored the 15th World Ballet Festival and the Fox Parade (Kitsune no Gyoretsu), a New Year's Eve festival held in Oji, Kita-ku, Tokyo 	
		Supporting education and women	Support disaster affected areas continuously through Fukushima Sakura Project, etc.	<ul style="list-style-type: none"> Continued participating in the Fukushima Sakura Project, and cosponsored projection mapping. Planted cherry tree seedlings from Fukushima at a childcare facility. 	
Sustainability management		Building sustainability foundations	Provide and support high-quality education for women around the world	<ul style="list-style-type: none"> Continued supporting Sakura Girls Junior High School in Tanzania in Central Africa (3rd year) 	4 5
		Corporate governance	Build a foundation and activity system for sustainability throughout the entire Group, and raise awareness within the Company	<ul style="list-style-type: none"> Continued to review our direction and identify issues based on ISO 26000 Continued to participate in the UNGC and incorporated SDGs into our priority activity themes (2nd year) 	
		Stakeholder engagement	Sound management and building a system to maintain social trust	<ul style="list-style-type: none"> Increased the number of external directors from 1 to 2 	
		Compliance	Actively disclose information to and dialogue with stakeholders	<ul style="list-style-type: none"> Continued to disclose issues and status of activities based on ISO 26000 Disseminated policy on contributing to achievement of the SDGs Strengthened communication of various sustainability information to stakeholders 	
		Information security	Promote compliance activities	<ul style="list-style-type: none"> Published KOSÉ Report 2018, our first integrated report combining an IR report, corporate brochure and sustainability report (September 2018) 	
		Promote compliance activities	<ul style="list-style-type: none"> Conducted e-learning on fundamentals of compliance, displayed compliance awareness posters in-house, etc. 	16	
		Strengthen personal information protection system and preventative measures	<ul style="list-style-type: none"> Enhanced security using SSL on the Company website Implemented security countermeasures in connection with the expansion of digital business 		

Directors and Audit & Supervisory Board

(As of June 27, 2019)

Members



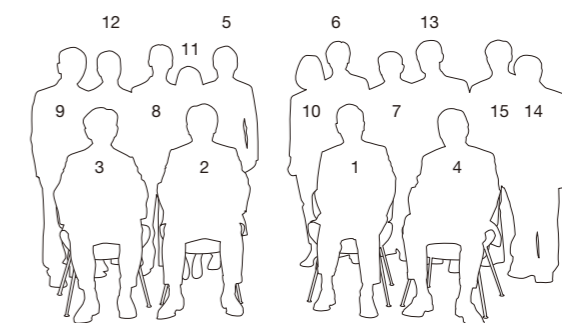
- 1. Yasukiyo Kobayashi
Honorary Chairman
- 2. Kazutoshi Kobayashi
President & CEO
- 3. Takao Kobayashi
Senior Executive Director

- 4. Atsuo Kumada
Senior Executive Director
- 5. Masanori Kobayashi
Executive Director
- 6. Koichi Shibusawa
Executive Director

- 7. Yusuke Kobayashi
Director
- 8. Michihito Yanai
Director
- 9. Iwao Toigawa
Director (External)

- 10. Yukino Kikuma
Director (External)
- 11. Norika Yuasa
Director (External)
- 12. Kazuhiro Suzuki
Standing Audit &
Supervisory Board Member

- 13. Noboru Matsumoto
Standing Audit &
Supervisory Board Member
- 14. Nobuo Iwafuchi
Audit & Supervisory Board Member
(External)
- 15. Toru Miyama
Audit & Supervisory Board Member
(External)



Career Histories (As of June 27, 2019)

Honorary Chairman



Yasukiyo Kobayashi
Honorary Chairman

Apr. 1964 Joined the Company
Jul. 1969 Director
Mar. 1976 Executive Director
Mar. 1981 Senior Executive Director
Jun. 1991 Representative, Senior Managing Director
Mar. 1997 President & CEO
Jun. 2007 Chairman
Jun. 2007 President & CEO, KOSÉ SALES CO., LTD.
Jun. 2014 Honorary Chairman of the Company (current position)

Directors



Kazutoshi Kobayashi
President & CEO

Apr. 1986 Joined the Company
Mar. 1991 Director
Mar. 1995 Executive Director
Jun. 2004 Representative Director, Vice President
Jun. 2007 President & CEO (current position)
Concurrent positions:
Director, ALBION CO., LTD.



Takao Kobayashi
Senior Executive Director

Apr. 1993 Joined the Company
Jun. 1998 Director
Mar. 2005 Deputy General Manager, Global Business Division
Jun. 2006 President & CEO, Kosé Cosmeport Corp. (current position)
Jun. 2013 Executive Director of the Company
Jun. 2014 Senior Executive Director (current position)



Michihito Yanai
Director

Apr. 1984 Joined the Company
Mar. 2015 Executive Officer
Jun. 2017 Director (current position)
Concurrent positions:
Director, Tarte, Inc. (Chairman)



Iwao Toigawa
Director (External)

Apr. 1991 Registered as an attorney at law
Jul. 2001 Established Toigawa Law Office
May 2006 Established Hibiya T&Y Law Office (current position)
Jun. 2014 Director of the Company (current position)



Yukino Kikuma
Director (External)

Apr. 1995 Joined Fuji Television Network, Inc. (now Fuji Media Holdings, Inc.)
Dec. 2011 Registered as an attorney at law
Joined Law Office of Matsuo & Kosugi (current position)
Jun. 2018 Director of the Company (current position)



Norika Yuasa
Director (External)

Sep. 2003 Registered as an attorney at law
Aug. 2011 Registered as an attorney at law in New York
Sep. 2017 Part-time Professor, Waseda Law School (current position)
Jan. 2019 Partner, Miura & Partners (current position)
Jun. 2019 Director of the Company (current position)

Audit & Supervisory Board Members



Atsuo Kumada
Senior Executive Director

Apr. 1980 Joined the Company
Mar. 2011 Executive Officer
Executive Director, KOSÉ SALES CO., LTD.
Mar. 2013 Senior Executive Director, KOSÉ SALES CO., LTD.
Jun. 2013 Director of the Company
Jun. 2016 Executive Director
Apr. 2019 President & CEO, KOSÉ SALES CO., LTD. (current position)
Jun. 2019 Senior Executive Director of the Company (current position)



Masanori Kobayashi
Executive Director

Mar. 2004 Joined the Company
Mar. 2011 Executive Officer
Jun. 2013 Director
Jun. 2017 Executive Director (current position)



Kazuhiro Suzuki
Standing Audit & Supervisory Board Member

Apr. 1984 Joined the Company
Mar. 2011 General Manager, Makeup Products Laboratory, R&D Laboratories
Mar. 2015 Advisor, R&D Laboratories
Jun. 2015 Standing Audit & Supervisory Board Member (current position)



Noboru Matsumoto
Standing Audit & Supervisory Board Member

Apr. 1984 Joined the Company
Mar. 2006 General Manager, Supply & Demand Control
Mar. 2007 General Manager, Cosmetaries (Planning) Dept.
Mar. 2008 General Manager, Marketing (Planning) Dept., KOSÉ SALES CO., LTD.
Mar. 2011 Chief Director and General Manager, TAIWAN KOSÉ CO., LTD.
Mar. 2013 General Manager, General Administration Dept. of the Company
Mar. 2018 Executive Officer
Jun. 2019 Standing Audit & Supervisory Board Member (current position)



Koichi Shibusawa
Executive Director

Apr. 1984 Joined the Company
Jun. 2010 Audit & Supervisory Board Member, KOSÉ SALES CO., LTD. (current position)
Mar. 2011 Executive Officer of the Company
Jun. 2011 Audit & Supervisory Board Member, Kosé Cosmeport Corp. (current position)
Jun. 2013 Director of the Company
Jun. 2018 Executive Director (current position)
Concurrent positions:
Director of ALBION CO., LTD.



Yusuke Kobayashi
Director

Apr. 2000 Joined ALBION CO., LTD.
May 2005 President & CEO, ALBION Cosmetics (AMERICA), Inc. (current position)
Sep. 2005 Executive Officer, ALBION CO., LTD.
Sep. 2006 Director
Jun. 2014 Director of the Company (current position)
Apr. 2017 Executive Director, ALBION CO., LTD. (current position)



Nobuo Iwafuchi
Audit & Supervisory Board Member (External)

Aug. 1981 Registered as a certified public accountant
Jul. 2014 Established Certified Public Accountant Nobuo Iwafuchi Office (current position)
Jun. 2016 Audit & Supervisory Board Member of the Company (current position)



Toru Miyama
Audit & Supervisory Board Member (External)

Apr. 1998 Registered as an attorney at law
Oct. 2006 Established Miyama Law Office (current position)
Jun. 2019 Audit & Supervisory Board Member of the Company (current position)

Messages from External Directors

Becoming a Company with a Global Presence

KOSÉ has set forth “evolving into a company with a global presence” as a major strategic management objective. Although the quality of KOSÉ’s products is world-class, I think it is crucial to carry out branding that achieves universal global acceptance. KOSÉ will do this not by giving up its unique qualities but by enhancing them as it flexibly responds to changing social conditions. I believe that this global rollout is closely related to KOSÉ’s SDG management, including maintenance of its governance and management systems, human resource development, and its social significance as a company.

As a member of the Board of Directors, I receive appropriate information before meetings and offer my opinion from the viewpoint of ordinary shareholders. KOSÉ is alive with the founding spirit that created the company’s unique qualities; meaning that it is filled with potential for development. While maintaining my independence, I will communicate appropriately with the internal directors and people from other relevant departments as I work to contribute to KOSÉ’s development.



Iwao Toigawa
Director (External)

Activities for Empowerment through Cosmetics

KOSÉ’s strength is its people. When I drop by a store in any area, I can clearly see that the salespeople love KOSÉ products and sell them with pride. When I visit its laboratories, I see many researchers who work day after day to develop better products. Diversity is not just a matter of gender and race; it is respect for individuals with diverse values. As a director, I intend to focus on creating an environment where all people involved with KOSÉ, including its supply chain, can make the most of their potential. I believe that this will ultimately lead to offering even better products.

Moreover, in aiming to become a global company, the perspective of ESG is indispensable. Cosmetics can also be important items that encourage zest for living. I still remember the joy of putting on pink lipstick for the first time in a while during a lengthy hospital stay in a colorless room where I spent day after day confined to bed. I intend to promote activities for empowerment through cosmetics.



Yukino Kikuma
Director (External)

Corporate Governance

Governance at a Glance



Basic Policy

The KOSÉ Group has established the principle, centered on its management philosophy, to “continually conduct management to enhance its enterprise value as the KOSÉ Group,” and strives for management focused on business expansion and efficiency. The KOSÉ Group considers corporate governance to be an important management issue, and is working to establish organizations and mechanisms for the conduct of sound management, and to

create frameworks to maintain the trust of society.

In addition, to enhance the transparency and fairness of management, the KOSÉ Group strives for sincere communication with all stakeholders including shareholders, investors, creditors, customers, business partners, employees, and local residents and communities, and builds relationships of trust with them.

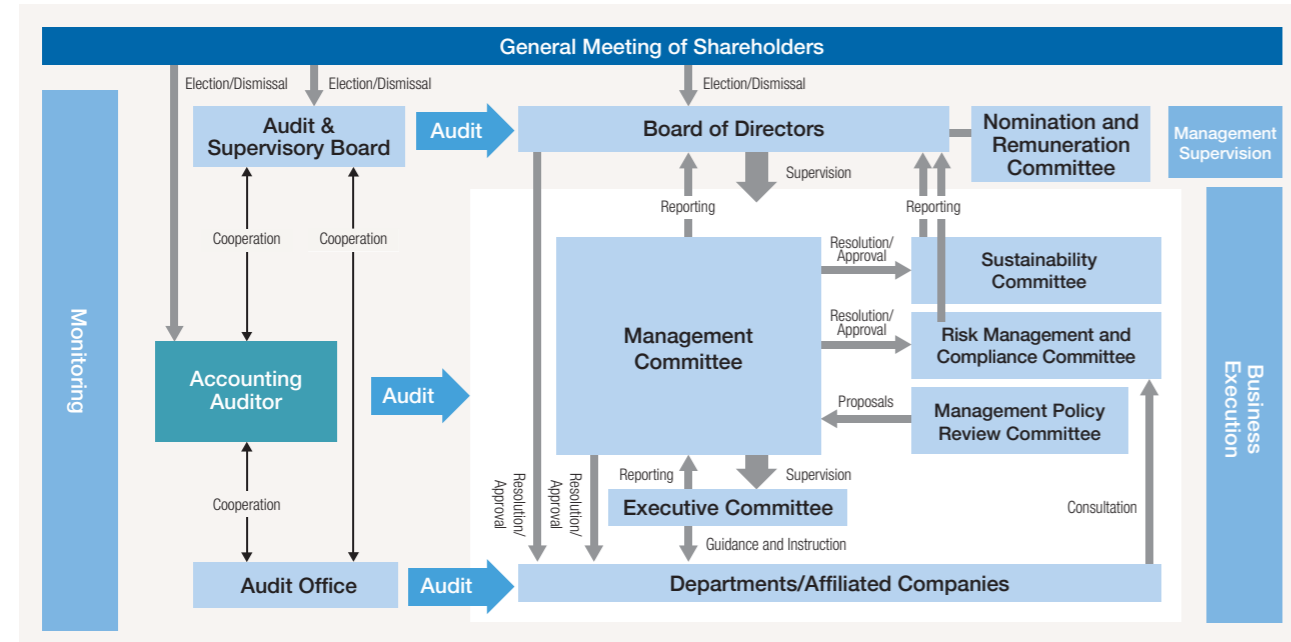
Corporate Governance Structure

KOSÉ has adopted a company with an Audit & Supervisory Board system to audit the adequacy of the directors’ execution of their duties. For the execution of business, the Company employs the Board of Directors, the Management Committee chaired by the president, the Management Policy Review Committee, the Executive Committee, and other bodies as necessary for the swift and efficient conduct of business.

In addition, the Company has voluntarily established the Nomination and Remuneration Committee, a majority of which is

composed of external directors and external Audit & Supervisory Board members, to deliberate on officer remuneration and the appropriateness of officer personnel. The Company has determined that it is appropriate to have independent external directors and Audit & Supervisory Board members to provide audit and supervisory functions in addition to a system of checks and balances by officers familiar with the business.

Corporate Governance Organization



Board of Directors

The Board of Directors strives to optimize its overall knowledge, experience, balance of competencies, diversity and size.

The Company has appointed external directors with a high level of expertise and extensive insight to provide advice on business execution, as well as to monitor and supervise each director. The Company has a business execution system that clarifies the scope of authority of directors so prompt decisions can be made by a small number of people. The Company has

also adopted an executive officer system, and the executive officers appropriately execute business in the departments they oversee in accordance with basic management policies. The Board of Directors meets in principle once each month, to decide on matters stipulated by laws and regulations, as well as important matters relating to management, and to supervise the conduct of duties by directors.

Audit & Supervisory Board

The Company has appointed an attorney at law and a certified public accountant with extensive experience in auditing and insight as external Audit & Supervisory Board members to monitor and supervise the execution of business by directors.

Audit & Supervisory Board members attend important meetings such as the Board of Directors meetings and

Management Committee meetings, communicate with Audit & Supervisory Board members of domestic Group companies as appropriate, exchange information and opinions with internal audit departments and the accounting auditor, and conduct internal audits of departments within the Company and of its subsidiaries regularly and as required.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an organization that deliberates on proposals related to nomination and remuneration made by the president to the Board of Directors to enhance the independence, objectivity, and accountability of the functions of the Board of Directors related to nomination and remuneration of directors, Audit & Supervisory Board members and executive officers of the Company. It is chaired by an

external director to ensure objectivity.

Composition of the Nomination and Remuneration Committee

Chairperson	Total Members	(Breakdown)		
		Directors	External Directors	External Audit & Supervisory Board Members
External Director	7	2	3	2

External Directors and External Audit & Supervisory Board Members

Attendance at Board of Directors and Audit & Supervisory Board Meetings in Fiscal 2018

Position	Name	Board of Directors Meetings (Convened 13 times)		Audit & Supervisory Board Meetings (Convened 12 times)	
		Number of Meetings Attended	Percentage of Meetings Attended	Number of Meetings Attended	Percentage of Meetings Attended
External Director	Iwao Toigawa	12	92%	—	—
External Director	Yukino Kikuma	11*	100%	—	—
External Audit & Supervisory Board Member	Minoru Murakami	13	100%	12	100%
External Audit & Supervisory Board Member	Nobuo Iwafuchi	13	100%	12	100%

* The number of Board of Directors meetings attended by External Director Yukino Kikuma differs from that of other directors because she was elected at the 76th Annual General Meeting of Shareholders held on June 28, 2018.

Reasons for Each External Director's Selection

Name	Reasons for Selection
Iwao Toigawa	Mr. Toigawa has highly specialized knowledge as an attorney at law and extensive insight concerning corporate management. As a result, the Company believes he can provide guidance and advice concerning management and use his independent and objective standpoint to guide management. Furthermore, the Company believes that there is no concern of Mr. Toigawa having a conflict of interest with general shareholders and has accordingly designated him an Independent Director.
Yukino Kikuma	Ms. Kikuma has highly specialized knowledge as an attorney at law and particularly deep insight concerning corporate law, as well as media-related experience. As a result, the Company believes she can provide fresh, impartial suggestions and advice to management, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Kikuma has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Norika Yuasa (Inaugurated as external director in June 2019)	Ms. Yuasa has highly specialized and broad knowledge that extends to Asia, Europe and North America as well as Japan as an attorney at law. She has considerable professional experience in China in particular, and as a result, the Company believes she can provide suggestions and advice for the Company's global strategy with her extensive insight and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Yuasa has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.

Evaluation of the Effectiveness of the Board of Directors

With the aim of enhancing objectivity and further improving governance, the Company used a third-party organization to conduct the evaluation of the effectiveness of its Board of Directors. The method and results of the evaluation are as follows.

1. Evaluation Method

A questionnaire survey covering the following items was completed by the directors and Audit & Supervisory Board members.

A third-party organization was used for creation of the survey and for the tabulation and analysis of the results. Based on those results, the Board of Directors analyzed and evaluated its effectiveness and considered future responses.

2. Results of Evaluation and Future Issues to Be Dealt With

As a result of discussions conducted at the Board of Directors meeting based on the results of the questionnaire survey, the Board of Directors concluded that explanations in advance to external officers and reporting at Board of Directors meetings are being conducted appropriately, and also that the size of the Board of Directors and the composition of the Nomination and Remuneration Committee are appropriate, and that the Board of Directors is effective overall.

On the other hand, the Board of Directors came to the realization that there is room for further improvement with regard to increasing the board's diversity and discussion of management strategies and management systems of subsidiaries at Board of Directors meetings.

Based on these points, the Company will continue to make proactive efforts to further enhance the effectiveness of the Board of Directors to improve the corporate value of the KOSÉ Group.

Questionnaire Items	
I. Management system of the Board of Directors	II. Supervisory function of the Board of Directors
(1) Composition of the Board of Directors	(1) Supervisory function of the Board of Directors
(2) Operation of the Board of Directors	(2) Risk management structure of the Board of Directors
(3) Support structure for the Board of Directors	(3) Status of discussions at Board of Directors meetings
(4) Status of participation at Board of Directors meetings	(4) Matters relating to the nomination and remuneration of officers

Officer Remuneration

Policy for Determining Remuneration Details

For remuneration of Company officers, the Company has decided on a remuneration structure that emphasizes increasing corporate value over the medium to long term.

Remuneration of directors other than external directors consists of monthly remuneration and bonuses to raise the linkage between improvements in corporate business results and officer performance, taking into consideration the responsibilities they bear for improvement of business results each fiscal year and growth in corporate value over the medium to long term.

The amount of monthly remuneration is determined according to the position of each director, taking into account the operating environment and other factors, and bonuses are determined based on the business results of the Group and of the relevant department for the fiscal year, as well as on an evaluation of individual performance.

External directors and Audit & Supervisory Board members receive fixed monthly remuneration, which is set based on comparisons with other companies in the same industry or of the same size in Japan and overseas, as well as on the Company's financial condition and business results.

Method for Determining Officer Remuneration

Officer remuneration shall be classified into directors and Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the scope of the total amount for each officer classification, and such remuneration is determined by the Board of Directors after discussion of its appropriateness by the Nomination and Remuneration Committee, which is composed mainly of external officers.

Remuneration of Audit & Supervisory Board members is determined by mutual agreement among the Audit & Supervisory Board members, including the two external members.

In addition, the Company has established a retirement benefit plan for Company officers. The Company has established criteria for the relevant payment amount and allocates provisions to a reserve for each year of each officer's tenure.

Total Remuneration by Officer Classification, Amount by Type of Remuneration and Number of Eligible Officers

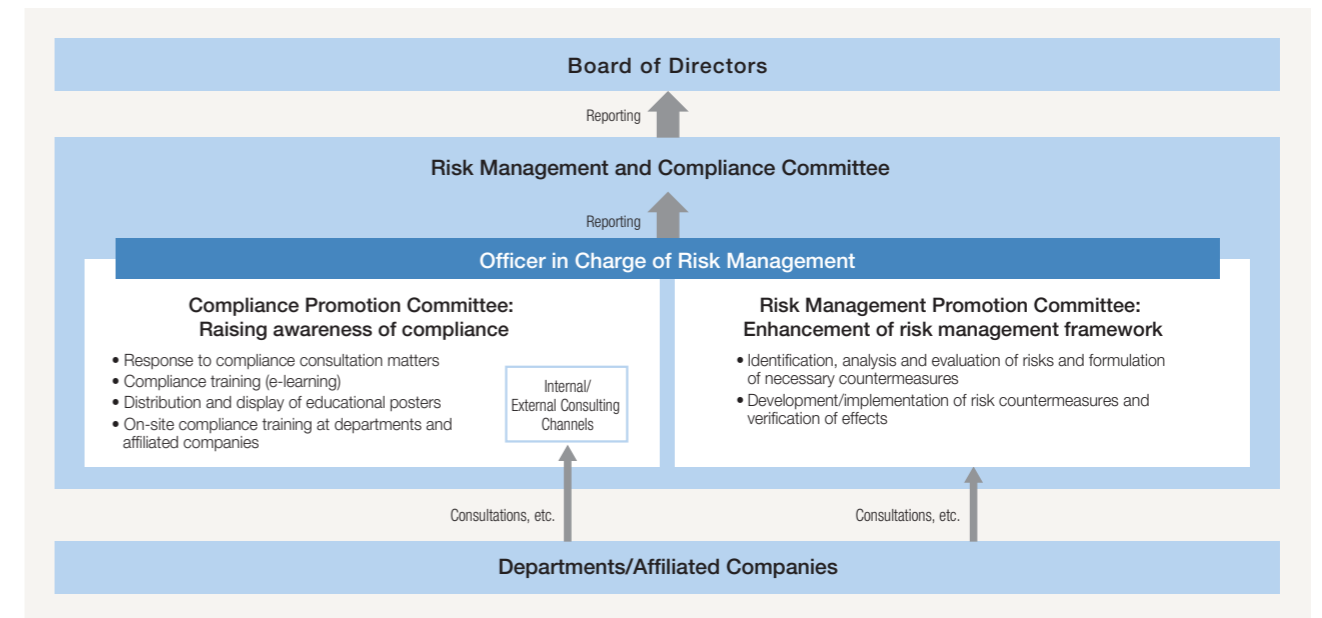
Officer Classification	Total Remuneration (Millions of yen)	Amount of Remuneration by Type (Millions of yen)			Number of Eligible Officers
		Fixed Remuneration	Performance-Related Remuneration	Provision for Officers' Retirement Benefits	
Directors (excluding external directors)	581	136	173	271	11
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	46	43	—	3	2
External officers	37	37	—	—	4

Persons Receiving Total Remuneration of ¥100 Million or More

Name	Officer Classification	Company	Amount of Remuneration by Type (Millions of yen)			Total Remuneration (Millions of yen)
			Fixed Remuneration	Performance-Related Remuneration	Provision for Officers' Retirement Benefits	
Kazutoshi Kobayashi	Director	KOSÉ Corporation	56	137	215	409

Risk Management and Compliance

Risk Management and Compliance Organization



For the Company, compliance encompasses compliance with laws and regulations as well as behavior consistent with social ethics based on "Mind to follow the right path." The compliance promotion structure and activities are regularly reported to the Board of Directors via the Risk Management and Compliance Committee. The Compliance Promotion Committee holds training and other educational programs for directors and employees. The Company has established internal and external reporting channels and also maintains a framework for responding to reports and consultations.

In addition, to respond to risk factors that pose a threat to the sustainable development of the Company, particularly various risks such as problems involving compliance, quality, information security and markets as well as natural disasters, the Company has established Risk Management and Compliance Regulations and is working to enhance its risk management system by establishing a Risk Management Promotion Committee. The Company has also created a framework based on its Crisis Management Regulations for minimizing damage in the event a major risk materializes.

Details of Initiatives

Risk Management Briefing Session

A briefing session is held annually for officers, managers and supervisors as a forum for sharing information on various laws, regulations and changes in the operating environment. The Company continues to communicate information that incorporates recent case studies to firmly establish Company-wide risk management and compliance promotion activities.

Compliance Training

Every year since 2008, the Company has set important themes for compliance and conducted training for all KOSÉ Group employees using e-learning or handouts. The Company also conducts awareness-raising for Beauty Advisors and target-specific training to communicate information in a form that suits the audience.

► See the KOSÉ website for more information on corporate governance, risk management and compliance.
<https://www.kose.co.jp/company/en/csr/management/>

10-Year Summary of Selected Financial and Non-Financial Data

Fiscal years ended March 31					Millions of yen						Thousands of U.S. dollars ¹
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2019
Performance:											
Net sales	332,995	303,399	266,762	243,390	207,821	190,049	170,685	166,508	171,071	172,564	2,999,963
Gross profit	244,387	221,852	199,735	183,920	157,057	143,390	128,587	124,481	127,767	128,096	2,201,687
Selling, general and administrative expenses	191,979	173,443	160,574	149,286	134,410	124,456	116,722	113,053	113,929	117,964	1,729,541
Operating profit	52,408	48,408	39,160	34,634	22,647	18,934	11,864	11,427	13,838	10,132	472,146
Interest and dividend income	651	271	294	347	315	432	342	387	353	544	5,866
Profit before income taxes	54,949	48,242	39,425	33,862	23,694	20,757	12,813	11,728	12,387	9,418	495,041
Profit attributable to owners of parent	37,004	30,611	21,657	18,655	12,057	11,132	6,720	5,021	6,726	5,154	333,376
Comprehensive income	36,427	36,908	24,643	13,197	19,688	13,756	8,656	5,484	6,693	5,504	328,171
Cash and cash equivalents at end of period	64,264	63,883	55,622	52,997	50,754	52,755	32,121	34,090	34,065	33,787	578,960
Current assets	205,241	193,164	172,074	161,351	134,476	130,391	115,067	108,051	102,847	99,925	1,849,020
Total assets	300,162	271,545	247,191	233,275	205,006	186,274	173,014	169,316	169,262	167,395	2,704,170
Current liabilities	66,107	62,821	56,033	57,766	45,207	39,877	35,206	34,261	35,804	35,643	595,560
Non-current liabilities	9,213	10,116	14,027	16,965	10,160	13,585	18,497	20,187	21,661	24,213	83,006
Shareholders' equity	203,566	176,263	159,348	143,626	129,203	120,229	111,495	108,923	106,223	101,820	1,833,933
Interest-bearing debt	1,666	1,311	1,629	1,704	1,248	1,386	5,006	5,071	5,104	4,502	15,009
Depreciation	8,018	6,977	5,821	5,744	5,293	4,679	4,607	4,882	5,162	5,892	72,235
Capital expenditures	18,500	10,065	10,770	10,445	21,143	5,750	5,599	3,821	5,421	6,463	166,666
Yen											
Per-Share Data:											
Net income (basic)	648.71	536.63	379.66	327.04	211.37	195.15	117.22	86.51	115.87	88.81	5.84
Net assets	3,660.77	3,227.07	2,871.60	2,583.76	2,455.34	2,188.59	1,964.85	1,858.91	1,813.28	1,746.59	32.98
Cash dividends	180.0	148.00	110.00	94.00	64.00	48.00	41.00	40.0	40.0	40.0	1.62
%											
Financial Ratios:											
Shareholders' equity ratio	69.6	68.1	66.3	63.2	68.3	67.0	64.8	63.7	62.2	60.6	
ROE ²	18.8	17.6	13.9	13.0	9.1	9.4	6.1	4.7	6.5	5.2	
ROA ³	18.6	18.8	16.4	16.0	11.7	10.8	7.1	7.0	8.4	6.4	
Gross profit margin	73.4	73.1	74.9	75.6	75.6	75.4	75.3	74.8	74.7	74.2	
Operating margin	15.7	16.0	14.7	14.2	10.9	10.0	7.0	6.9	8.1	5.9	
Profit attributable to owners of parent to net sales	11.1	10.1	8.1	7.7	5.8	5.9	3.9	3.0	3.9	3.0	
Payout ratio	27.7	27.6	29.0	28.7	30.3	24.6	35.0	46.2	34.5	45.0	
%											
Non-Financial Ratios:											
Proportion of Beauty Advisors who are regular employees	85.7	89.2	86.9	77.2	76.6	46.0	46.3	46.7	45.1	43.4	
Proportion of female employees	42.9	41.1	39.7	35.7	33.9	33.4	33.4	33.3	32.3	32.7	

Notes: 1. The U.S. dollar amounts are translated, for convenience only, at the rate of ¥111 to US\$1.00, the approximate rate of exchange on March 31, 2019.

2. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100

3. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100

Management's Discussion and Analysis

Results Summary

In fiscal 2018, the year ended March 31, 2019, the Japanese economy continued to recover slowly mainly because of improvements in corporate earnings and the employment situation and an increase in capital expenditures. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry (January to December), the sales volume and monetary sales of cosmetics increased compared with the previous year. Overseas, in the primary markets for the KOSÉ Group, overall Asian economies are gradually recovering although there are some regional differences in economic strength, and the U.S. economy continued to recover.

Fiscal 2018 is the first year of the KOSÉ Group's new medium-term management plan that has the central theme of upgrading global brands and reinforcing customer points of contact. The objective of this plan is global and borderless growth through the greatest possible use of KOSÉ's resources and the constant creation of innovative value. A powerful business foundation capable of supporting growth will underpin all activities.

In fiscal 2018, net sales increased 9.8% to ¥332,995 million (US\$2,999 million) (up 9.9% after excluding the effects of changes in foreign exchange rates) as a result of strong sales in Japan and Asia. This was the sixth consecutive year of record-high sales. Overseas sales were 27.9% of total sales.

Earnings were higher due to the growth in sales resulting from the aggressive deployment of selling expenses and more efficient management of general and administrative expenses.

Operating profit increased 8.3% to ¥52,408 million (US\$472 million) and ordinary profit increased 11.3% to ¥53,976 million (US\$486 million). Profit attributable to owners of parent increased 20.9% to ¥37,004 million (US\$333 million). This includes a gain on the sale of shares of a manufacturing subsidiary in China and compensation received due to the termination of a licensing agreement for the RIMMEL brand.

Earnings at all levels set new records for the KOSÉ Group.

Results by Business Segment

Cosmetics Business

In the cosmetics business, sales increased in the high-prestige category as the *COSME DECORTE* brand posted record-high sales in Japan and overseas, a new format for selling products at specialty stores contributed to the performance of ALBION CO., LTD., and sales increased at the U.S. company Tarte, Inc., which primarily sells makeup products. In the prestige category, in Japan there was a big increase in sales of the *ONE BY KOSÉ* brand, a line of unique products with outstanding efficacy that perform specific beauty care functions. During fiscal 2018, a medicated whitening serum and a medicated

cream for reducing wrinkles were launched under this brand. There were also activities in Japan to increase sales of *LECHÉRI*, a new skin care brand in the mid-price range, and other products. Overseas, sales were higher in all Asian countries where KOSÉ operates, led by higher sales in South Korea and China, where sales of key global brands were strong. In addition, duty-free sales in Japan and overseas continued to increase throughout the fiscal year.

Overall, sales in the cosmetics business increased 11.0% to ¥254,965 million (US\$2,296 million) and operating profit increased 10.8% to ¥51,401 million (US\$463 million).

Cosmetaries Business

In the cosmetaries business, sales benefited from the strong performance of the *SUNCUT* sunscreen brand and the *SALON STYLE BIOLISS* botanical hair care brand of KOSÉ Cosmeport Corp. Other contributors to sales growth were the *VISÉE* makeup brand, the *STEPHEN KNOLL NEW YORK* hair care brand and the *NAIL HOLIC* nail care brand.

As a result, sales in the cosmetaries business increased 4.6% to ¥74,632 million (US\$672 million) and operating profit decreased 13.4% to ¥5,043 million (US\$45 million).

Other Business

In the other business segment, there were increases in sales of amenity products and orders for the manufacture of OEM products. As a result, sales increased 37.4% to ¥3,398 million (US\$30 million) and operating profit increased 45.4% to ¥1,537 million (US\$13 million).

Analysis of Operating Expenses

The cost of sales rose 8.7%, or ¥7,061 million, year on year to ¥88,608 million (US\$798 million) in tandem with the increase in net sales.

Selling, general and administrative (SG&A) expenses increased 10.7%, or ¥18,535 million, year on year to ¥191,979 million (US\$1,729 million). The ratio of SG&A expenses to net sales increased by 0.5 percentage points as the KOSÉ Group proactively deployed advertising and promotion expenses to increase sales and worked to efficiently manage general and administrative expenses.

Non-Operating Income and Expenses

The main items affecting non-operating income and expenses during fiscal 2018 were as follows. The KOSÉ Group recorded ¥651 million (US\$5 million) in interest and dividend income and ¥574 million (US\$5 million) in foreign exchange gains. As a result, non-operating income and expenses for fiscal 2018 totaled income of ¥1,568 million.

Financial Condition

Assets and Liabilities

Assets at the end of fiscal 2018 (March 31, 2019) increased ¥29,792 million from a year earlier. There was a ¥5,844 million increase in quick assets, mainly resulting from increases of ¥10,748 million in cash and deposits, ¥3,370 million in notes and accounts receivable—trade, and a decrease of ¥8,274 million in securities. All other current assets increased ¥12,277 million mainly due to an increase of ¥9,841 million in inventories.

Non-current assets increased ¥11,670 million due to an increase of ¥8,885 million in property, plant and equipment, a decrease of ¥714 million in intangible assets and an increase of ¥3,499 million in investments and other assets.

Liabilities increased ¥3,557 million. Current liabilities increased ¥3,313 million mainly due to increases of ¥3,236 million in electronically recorded obligations—operating and ¥1,293 million in accrued expenses, and a decrease of ¥1,240 million in accrued consumption taxes. Non-current liabilities increased ¥244 million mainly due to increases of ¥352 million in lease obligations and ¥333 million in provision for directors' retirement benefits and a decrease of ¥517 million in net defined benefit liability.

Interest-bearing debt amounted to ¥1,666 million (US\$15 million), and the debt-to-equity ratio was 0.01.

Shareholders' Equity

Total shareholders' equity at the end of fiscal 2018 stood at ¥203,566 million (US\$1,833 million), an increase of ¥27,303 million from the previous fiscal year-end. This was due mainly to an increase of ¥27,307 million in retained earnings.

Key Performance Indicators

The operating margin, return on assets (ROA) and return on equity (ROE) are key performance indicators of the KOSÉ Group.

The operating margin decreased 0.3 percentage points from the previous fiscal year to 15.7%. ROA decreased 0.2 percentage points to 18.6% and ROE increased 1.2 percentage points to 18.8%.

Financing

The KOSÉ Group's position is that it has secured sufficient funds for continued business operations.

Regarding the use of funds going forward, the Group will strengthen its financial condition through retained earnings, while pursuing capital investments and M&A to generate future cash flow, and enhancing capital efficiency. In addition, temporarily surplus funds are invested in financial products with a priority on safety.

Cash Flows

Cash and cash equivalents as of March 31, 2019 were ¥64,264 million (US\$578 million), an increase of ¥380 million, or 0.6%, compared with March 31, 2018.

Net cash provided by operating activities decreased 5.5% to ¥32,989 million (US\$297 million). This was mainly the net result of profit before income taxes of ¥54,949 million (US\$495 million), depreciation of ¥8,018 million (US\$72 million), an increase in inventories of ¥10,377 million (US\$93 million), an increase in notes and accounts receivable—trade of ¥3,795 million (US\$34 million), and income taxes paid of ¥17,469 million (US\$157 million).

Net cash used in investing activities increased 99.3% to ¥20,669 million (US\$186 million). The major components were proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of ¥678 million (US\$6 million), purchase of property, plant and equipment of ¥15,191 million (US\$136 million), payments associated with a net increase in time deposits of ¥2,659 million (US\$23 million), and purchase of intangible assets of ¥1,910 million (US\$17 million).

Net cash used in financing activities decreased 36.4% to ¥10,426 million (US\$93 million). This was mainly due to cash dividends paid of ¥10,189 million (US\$91 million).

Business and Other Risks

The following explanations of risk factors in this report are presented with the objective of proactively disclosing information of material interest to investors for making investment decisions. From the standpoint of proactive disclosure, these explanations include factors that are not necessarily of this nature and factors associated with external matters that are beyond the control of the KOSÉ Group that can influence the decision making of investors. This is not meant to be a complete list of potential risks. These risk factors could have a material influence on the KOSÉ Group's management performance and financial position. Please note that the forward-looking statements contained herein are based on the Company's judgments, which were made as of June 27, 2019.

Strategic Investment Activities

The KOSÉ Group makes various investment decisions from a strategic perspective. The decision-making process is conducted after sufficient information has been gathered, but the investments may not produce the initially forecast results due to unforeseen changes in the business environment, and this could have a material influence on the KOSÉ Group's management performance and financial position.

Cosmetics Market

1) Japan's cosmetics market

In Japan's cosmetics market, which is now mature, new entrants have entered from other industries in recent years, and, as a result, competition has intensified. Further challenges are posed by major changes in sales and distribution channels due to the shortage of successors for aging store owners among specialty cosmetics stores, the formation of alliances and realignment among large retail chains, and the expanding e-commerce market driven by the Internet. In addition, purchases by foreign visitors in the domestic cosmetics market are having an increasing impact. The KOSÉ Group has made and implemented various proposals to cope with these changes, but if they prove ineffective, it could see a material influence on its management performance and financial position.

2) Overseas market

The KOSÉ Group conducts business in China and other overseas markets. These overseas businesses expose the Group to risks associated with drastic changes in retail and distribution channels due to factors such as the expansion of the e-commerce market, economic slowdown, political instability, epidemic disease or contagion, labor problems,

infrastructure disruptions, social unrest or unforeseen revisions to laws and regulations as a result of terrorism or other factors, natural disasters caused by abnormal or unseasonable weather and other risks. These factors could have a material influence on the Group's management performance and financial position.

3) Adapting to market needs

The development of new brands and the reinforcement and cultivation of existing brands in response to changing consumer needs, and related marketing activities, have a large influence on business performance. However, these business activities involve various uncertainties, and if results are not in line with initial plans due to a decline in brand value as a result of divergence from the needs of consumers, this could have a material influence on the Group's management performance and financial position.

Market Risks

1) Procurement of raw materials and other goods

The KOSÉ Group is moving forward with the diversification of procurement of raw materials and other goods to include overseas sources in order to minimize market risk. It also maintains good relationships with suppliers to obtain necessary raw materials and subcontracted products at appropriate prices and on a timely basis. However, changes in international circumstances or an inflow of speculative money could temporarily destabilize the supply-demand balance, thereby impacting purchase prices. Furthermore, in the event that suppliers are unable to continue their operations (due to bankruptcy, suspension of business operations or other reasons), unexpected disasters or accidents, sudden increases in demand among the industry or other factors, the Group may encounter difficulties in obtaining essential raw materials or other goods or providing products. These factors could have a material influence on the Group's management performance and financial position.

2) Foreign exchange

The KOSÉ Group is subject to the risk of foreign exchange rate volatility at the time of settlement for transactions denominated in foreign currencies. The Group strives to limit the impact of this risk by building a structure of localized production to minimize import/export transactions. However, these risks cannot be completely avoided. Also, the reported figures of overseas consolidated subsidiaries are denominated in local currencies, but converted to yen for the preparation of

consolidated financial accounts. As a result, a sharp change in foreign exchange rates could have a material influence on the KOSÉ Group's management performance and financial position.

3) Marketable securities

The KOSÉ Group holds marketable securities with market prices, and a sharp fluctuation in market prices presents the risk of valuation losses. Also, changes in the market prices of marketable securities could impact the pension assets held by the KOSÉ Group's corporate pension fund, causing an increase or decrease in pension expenses, which could have a material influence on the KOSÉ Group's management performance and financial position.

4) Laws and regulations

The KOSÉ Group's business activities are subject to various domestic and overseas laws and regulations including the Law for Ensuring the Quality, Efficacy and Safety of Pharmaceuticals and Medical Devices, standards related to quality, safety and the environment, the Companies Act, tax laws, and labor-related and transaction-related laws and ordinances, among others. The Group strives to remain compliant with all these laws and regulations, but a change in the laws and regulations or the unforeseen enactment of new laws or regulations, particularly overseas, could temporarily restrict the Group's business activities and have a material influence on the KOSÉ Group's management performance and financial position.

5) Intellectual property rights and important litigation

The KOSÉ Group retains intellectual property rights including patents, trademarks, and design rights to maintain its competitive advantage vis-à-vis competitors, and takes appropriate measures to protect these rights. However, despite these measures, the Group's market share could be eroded if third parties were to make and distribute imitation products, ignoring the Group's rights. This could impact the Group's business. The KOSÉ Group conducts sufficient research to ensure that its business activities do not infringe upon the intellectual property rights of third parties, but if the Group were to be sued by a third party for intellectual property rights infringement, the Group may be required to pay damages and indemnities, and its production and sales restricted. This could have a material influence on the KOSÉ Group's management performance and financial position.

6) Information management

The KOSÉ Group manages personal and confidential information strictly by establishing internal rules, conducting internal audits and taking other actions. For example, as prescribed by the Personal Information Protection Law and the Ministry of Economy, Trade and Industry guidelines, the Company has established its Personal Information Management Committee and internal rules. However, a leakage of confidential information for whatever reason could adversely affect business operations, and such leakages may have a material influence on the KOSÉ Group's management performance and financial position.

7) Disasters

The KOSÉ Group has instituted safety measures to minimize the adverse impact of a suspension of business activities due to natural disasters. However, the occurrence of a large earthquake, tsunami, storm or flood damage, or power outage that exceeds expectations could cause production activities to be suspended, logistics systems to slow, information systems to be disrupted, or product inventories to be contaminated or damaged, thereby materially influencing the KOSÉ Group's management performance and financial position.

8) Customer relations

The KOSÉ Group manufactures products with its first priority on the delivery of safe products that give customers peace of mind. The Group refers to its thinking about quality as its Quality Policy, and has stipulated a quality policy message and five declarations of activities. The Group bases its daily activities on this policy, but the occurrence of an unforeseen situation that impairs the satisfaction or trust of customers could have a material influence on the KOSÉ Group's management performance and financial position.

9) Securing human resources

It is essential for the Group to secure and develop human resources in a variety of fields in order to respond to various changes in both the Japanese and overseas markets. However, if it is not possible to secure the necessary human resources due to changes in the employment situation and development does not go according to plan, this could have a material influence on the Group's management performance and financial position.

Consolidated Financial Statements

Consolidated Balance Sheet

KOSÉ Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets			
Current assets			
Cash and deposits	94,385	83,637	850,320
Notes and accounts receivable—trade	44,773	41,403	403,368
Securities	—	8,274	—
Merchandise and finished goods	34,121	29,260	307,397
Work in process	3,005	2,407	27,073
Raw materials and supplies	23,655	19,271	213,109
Other	5,383	2,913	48,503
Allowance for doubtful accounts	(83)	(48)	(751)
Total current assets	205,241	187,119	1,849,020
Non-current assets			
Property, plant and equipment			
Buildings and structures	40,960	37,813	369,011
Accumulated depreciation	(21,303)	(20,961)	(191,919)
Buildings and structures, net	19,657	16,852	177,092
Machinery, equipment and vehicles	17,012	16,078	153,267
Accumulated depreciation	(12,299)	(12,251)	(110,802)
Machinery, equipment and vehicles, net	4,713	3,827	42,465
Tools, furniture and fixtures	39,199	36,164	353,150
Accumulated depreciation	(32,097)	(30,357)	(289,168)
Tools, furniture and fixtures, net	7,101	5,806	63,982
Land	17,566	16,555	158,254
Leased assets	1,954	1,932	17,609
Accumulated depreciation	(1,117)	(1,314)	(10,063)
Leased assets, net	837	618	7,546
Construction in progress	7,020	4,351	63,246
Total property, plant and equipment	56,896	48,011	512,584
Intangible assets			
Software	2,296	1,563	20,685
Goodwill	6,675	7,629	60,141
Other	6,697	7,190	60,339
Total intangible assets	15,669	16,383	141,165
Investments and other assets			
Investment securities	11,664	10,381	105,087
Deferred tax assets	7,574	5,872	68,236
Other	3,361	2,850	30,283
Allowance for doubtful accounts	(245)	(247)	(2,208)
Total investments and other assets	22,355	18,856	201,399
Total non-current assets	94,921	83,250	855,149
Total assets	300,162	270,370	2,704,170

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liabilities			
Current liabilities			
Notes and accounts payable—trade	9,764	9,534	87,964
Electronically recorded obligations—operating	19,086	15,849	171,949
Short-term loans payable	600	600	5,405
Lease obligations	228	227	2,059
Accounts payable—other	14,371	13,725	129,477
Accrued expenses	10,716	9,423	96,545
Income taxes payable	7,661	7,865	69,021
Accrued consumption taxes	632	1,872	5,693
Provision for sales returns	2,132	1,928	19,213
Other	913	1,767	8,230
Total current liabilities	66,107	62,793	595,560
Non-current liabilities			
Lease obligations	837	484	7,544
Provision for directors' retirement benefits	2,846	2,513	25,647
Net defined benefit liability	4,435	4,952	39,958
Deferred tax liabilities	—	25	—
Other	1,094	993	9,856
Total non-current liabilities	9,213	8,969	83,006
Total liabilities	75,321	71,763	678,567
Net assets			
Shareholders' equity			
Capital stock	4,848	4,848	43,677
Retained earnings	207,821	180,514	1,872,265
Treasury shares	(9,102)	(9,098)	(82,008)
Total shareholders' equity	203,566	176,263	1,833,933
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,750	3,651	33,787
Foreign currency translation adjustment	1,781	4,098	16,046
Remeasurements of defined benefit plans	(275)	70	(2,477)
Total accumulated other comprehensive income	5,256	7,820	47,355
Non-controlling interests	16,018	14,523	144,312
Total net assets	224,841	198,607	2,025,602
Total liabilities and net assets	300,162	270,370	2,704,170

Consolidated Statements of Income

KOSÉ Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales	332,995	303,399	2,999,963
Cost of sales	88,608	81,547	798,275
Gross profit	244,387	221,852	2,201,687
Selling, general and administrative expenses			
Advertising expenses	23,473	20,008	211,474
Promotion expenses	61,439	55,374	553,510
Freightage and packing expenses	14,030	11,731	126,397
Salaries and allowances	48,383	45,420	435,886
Retirement benefit expenses	1,288	1,922	11,611
Legal welfare expenses	7,393	7,041	66,612
Depreciation	3,757	3,188	33,851
Other	32,211	28,755	290,197
Total selling, general and administrative expenses	191,979	173,443	1,729,541
Operating profit	52,408	48,408	472,146
Non-operating income			
Interest income	513	196	4,629
Dividend income	137	74	1,237
Patent licensing	38	34	347
Gain on redemption of securities	—	4	—
Refunded consumption taxes	—	382	—
Foreign exchange gains	574	—	5,178
Miscellaneous income	455	328	4,102
Total non-operating income	1,720	1,020	15,496
Non-operating expenses			
Interest expenses	2	5	24
Loss on redemption of securities	10	—	96
Rent expenses on real estates	4	4	37
Commission fee	13	10	120
Loss on investments in partnership	87	—	791
Foreign exchange losses	—	774	—
Miscellaneous loss	33	127	298
Total non-operating expenses	151	920	1,368
Ordinary profit	53,976	48,508	486,274
Extraordinary income			
Gain on sales of non-current assets	3	32	29
Gain on sales of investment securities	2	0	18
Gain on sales of shares of subsidiaries and associates	925	—	8,334
Gain on liquidation of business	796	—	7,179
Total extraordinary income	1,727	32	15,561
Extraordinary losses			
Loss on disposal of non-current assets	463	213	4,171
Loss on valuation of shares of subsidiaries and associates	173	—	1,559
Impairment loss	108	79	978
Other	9	6	85
Total extraordinary losses	754	299	6,795
Profit before income taxes	54,949	48,242	495,041
Income taxes-current	17,310	15,961	155,949
Income taxes-deferred	(1,363)	(1,246)	(12,283)
Total income taxes	15,946	14,715	143,666
Profit	39,002	33,526	351,375
Profit attributable to non-controlling interests	1,997	2,914	17,998
Profit attributable to owners of parent	37,004	30,611	333,376

Consolidated Statement of Comprehensive Income

KOSÉ Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit	39,002	33,526	351,575
Other comprehensive income			
Valuation difference on available-for-sale securities	97	2,189	874
Foreign currency translation adjustment	(2,362)	168	(21,282)
Remeasurements of defined benefit plans, net of tax	(309)	1,023	(2,792)
Total other comprehensive income	(2,575)	3,381	(23,200)
Comprehensive income	36,427	36,908	328,175
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	34,440	33,974	310,276
Comprehensive income attributable to non-controlling interests	1,986	2,934	17,898

Consolidated Statement of Changes in Equity

KOSÉ Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2017	4,848	6,388	157,205	(9,093)	159,348
Dividends of surplus			(7,187)		(7,187)
Profit attributable to owners of parent			30,611		30,611
Purchase of treasury shares				(5)	(5)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(6,388)	(115)		(6,503)
Net changes of items other than shareholders' equity					
Total changes during the period	—	(6,388)	23,308	(5)	16,914
Balance as of March 31, 2018	4,848	—	180,514	(9,098)	176,263

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2017	1,462	3,915	(918)	4,458	13,323	177,130
Dividends of surplus						(7,187)
Profit attributable to owners of parent						30,611
Purchase of treasury shares						(5)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(6,503)
Net changes of items other than shareholders' equity	2,189	182	989	3,361	1,200	4,562
Total changes during the period	2,189	182	989	3,361	1,200	21,476
Balance as of March 31, 2018	3,651	4,098	70	7,820	14,523	198,607

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	4,848		180,514	(9,098)	176,263
Dividends of surplus			(9,697)		(9,697)
Profit attributable to owners of parent			37,004		37,004
Purchase of treasury shares				(4)	(4)
Net changes of items other than shareholders' equity					
Total changes during the period	—	—	27,307	(4)	27,303
Balance as of March 31, 2019	4,848	—	207,821	(9,102)	203,566

	Millions of yen					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2018	3,651	4,098	70	7,820	14,523	198,607
Dividends of surplus						(9,697)
Profit attributable to owners of parent						37,004
Purchase of treasury shares						(4)
Net changes of items other than shareholders' equity	99	(2,317)	(346)	(2,564)	1,495	(1,068)
Total changes during the period	99	(2,317)	(346)	(2,564)	1,495	26,234
Balance as of March 31, 2019	3,750	1,781	(275)	5,256	16,018	224,841

	Thousands of U.S. dollars				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2018	43,675		1,626,252	(81,963)	1,587,954
Dividends of surplus			(87,360)		(87,360)
Profit attributable to owners of parent			333,369		333,369
Purchase of treasury shares				(36)	(36)
Net changes of items other than shareholders' equity					
Total changes during the period	—	—	246,009	(36)	245,972
Balance as of March 31, 2019	43,675	—	1,872,261	(82,000)	1,833,927

	Thousands of U.S. dollars					
	Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2018	32,891	36,918	630	70,450	130,837	1,789,252
Dividends of surplus						(87,360)
Profit attributable to owners of parent						333,369
Purchase of treasury shares						(36)
Net changes of items other than shareholders' equity	891	(20,873)	(3,117)	(23,099)	13,468	(9,621)
Total changes during the period	891	(20,873)	(3,117)	(23,099)	13,468	236,342
Balance as of March 31, 2019	33,783	16,045	(2,477)	47,351	144,306	2,025,594

Consolidated Statement of Cash Flows

KOSÉ Corporation and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities			
Profit before income taxes	54,949	48,242	495,041
Depreciation	8,018	6,977	72,235
Impairment loss	108	79	978
Amortization of goodwill	805	816	7,258
Increase (decrease) in allowance for doubtful accounts	37	65	338
Increase (decrease) in provision for directors' retirement benefits	333	166	3,008
Increase (decrease) in net defined benefit liability	(1,147)	(1,887)	(10,335)
Increase (decrease) in other provision	199	(68)	1,798
Loss (gain) on disposal of non-current assets	459	181	4,141
Interest and dividend income	(651)	(271)	(5,867)
Interest expenses	2	5	24
Foreign exchange losses (gains)	(180)	213	(1,623)
Loss (gain) on redemption of securities	10	(4)	96
Loss (gain) on sales of investment securities	(2)	(0)	(18)
Loss (gain) on sales of shares of subsidiaries and associates	(925)	—	(8,334)
Loss on valuation of shares of subsidiaries and associates	173	—	1,559
Loss (gain) on investments in partnership	87	—	791
Gain on liquidation of business	(796)	—	(7,179)
Decrease (increase) in notes and accounts receivable—trade	(3,795)	(3,073)	(34,194)
Decrease (increase) in inventories	(10,377)	(10,375)	(93,488)
Increase (decrease) in notes and accounts payable—trade	2,668	3,416	24,044
Decrease (increase) in other assets	(1,388)	584	(12,510)
Increase (decrease) in other liabilities	440	3,744	3,964
Other, net	9	6	85
Subtotal	49,041	48,817	441,816
Interest and dividend income received	622	262	5,605
Interest expenses paid	(2)	(5)	(19)
Compensation received for business liquidation	796	—	7,179
Income taxes paid	(17,469)	(14,156)	(157,381)
Net cash provided by (used in) operating activities	32,989	34,918	297,199
Cash flows from investing activities			
Payments into time deposits	(32,232)	(30,269)	(290,382)
Proceeds from withdrawal of time deposits	29,573	30,065	266,425
Purchase of securities	—	(565)	—
Proceeds from sales and redemption of securities	520	1,674	4,687
Purchase of property, plant and equipment	(15,191)	(9,939)	(136,861)
Proceeds from sales of property, plant and equipment	95	15	863
Purchase of intangible assets	(1,910)	(1,001)	(17,211)
Purchase of investment securities	(1,099)	(111)	(9,907)
Proceeds from sales and redemption of investment securities	2	10	22
Purchase of shares of subsidiaries	(395)	(185)	(3,566)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	678	—	6,110
Decrease (increase) in other investments	(709)	(62)	(6,393)
Net cash provided by (used in) investing activities	(20,669)	(10,369)	(186,214)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	—	(530)	—
Net decrease (increase) in treasury shares	(4)	(5)	(36)
Cash dividends paid	(9,697)	(7,187)	(87,364)
Cash dividends paid to non-controlling shareholders	(492)	(372)	(4,435)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(7,897)	—
Purchase of treasury shares of subsidiaries	—	(192)	—
Other, net	(232)	(214)	(2,094)
Net cash provided by (used in) financing activities	(10,426)	(16,400)	(93,930)
Effect of exchange rate change on cash and cash equivalents	(1,512)	113	(13,625)
Net increase (decrease) in cash and cash equivalents	380	8,261	3,429
Cash and cash equivalents at beginning of period	63,883	55,622	575,531
Cash and cash equivalents at end of period	64,264	63,883	578,960

Principal Group Companies (As of March 31, 2019)

Production Related Subsidiaries

Company Name	Country	Paid-in Capital	Ownership
ADVANCE CO., LTD.	Japan	JPY 90 million	100.0%
KOSÉ INDUSTRIES CO., LTD.	Japan	JPY 100 million	100.0%
ALBION CO., LTD.	Japan	JPY 760 million	79.5%
TAIWAN KOSÉ CO., LTD.	Taiwan	TWD 180 million	100.0%

Marketing and Services Related Subsidiaries

Company Name	Country	Paid-in Capital	Ownership
KOSÉ SALES CO., LTD.	Japan	JPY 300 million	100.0%
KOSÉ COSMENIENCE CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ COSMEPORT CORP.	Japan	JPY 30 million	100.0%
KOSÉ PROFESSIONAL CO., LTD.*	Japan	JPY 10 million	100.0%
Dr. PHIL COSMETICS INC.	Japan	JPY 40 million	100.0%
KOSÉ PROVISION CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ COSMEPIA CO., LTD.	Japan	JPY 10 million	100.0%
KOSÉ INSURANCE SERVICE CO., LTD.	Japan	JPY 10 million	100.0%
COSME LABO CO., LTD.	Japan	JPY 10 million	100.0%
KOSÉ MILBON COSMETICS CO., LTD.	Japan	JPY 10 million	51.0%
KOSÉ (HONG KONG) CO., LTD.	Hong Kong	HKD 15 million	100.0%
KOSÉ COSMETICS SALES (CHINA) CO., LTD.	China	CNY 235 million	100.0%
KOSÉ SINGAPORE PTE. LTD.	Singapore	SGD 1 million	100.0%
KOSÉ KOREA CO., LTD.	South Korea	KRW 25,000 million	100.0%
KOSÉ (THAILAND) CO., LTD.	Thailand	THB 5 million	49.0%
KOSÉ (MALAYSIA) SDN. BHD.	Malaysia	MYR 1 million	100.0%
KOSÉ CORPORATION INDIA PVT. LTD.	India	INR 700 million	100.0%
PT. INDONESIA KOSÉ	Indonesia	IDR 10,000 million	100.0%
KOSÉ AMERICA, INC.	U.S.A.	USD 2 million	100.0%
KOSÉ BRASIL COMÉRCIO DE COSMÉTICOS LTDA.	Brazil	USD 1 million	100.0%
TARTE, INC.	U.S.A.	USD 159	98.0%
ALBION COSMETICS (AMERICA), INC.	U.S.A.	USD 2 million	79.5%
ALBION COSMETICS (HK) LTD.	Hong Kong	HKD 71 million	79.5%
ALBION COSMETICS (SHANGHAI) CO., LTD.	China	CNY 37 million	79.5%
ALBION COSMETICS (TAIWAN) CO., LTD.	Taiwan	TWD 10 million	79.5%

* CRIE CO., LTD. changed its name to KOSÉ PROFESSIONAL CO., LTD. on April 1, 2019.

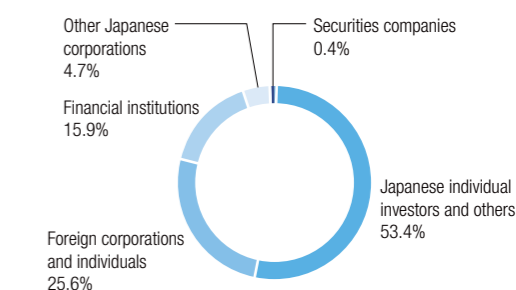
Corporate Information (As of March 31, 2019)

Corporate Name:	KOSÉ Corporation	Website:	https://www.kose.co.jp
Founding:	March 1946	IR Section (English):	https://www.kose.co.jp/company/en/ir/
Incorporation:	June 1948	Number of Employees (Consolidated):	14,066
Head Office:	3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan Tel: +81-3-3273-1511	Fiscal Year-End:	March 31

Stock Information (As of March 31, 2019)

Common Stock (Authorized):	200,000,000 shares
Common Stock (Issued):	60,592,541 shares
Capital:	¥4,848 million
Number of Shareholders:	13,334
Stock Listing:	Tokyo Stock Exchange, First Section (Code: 4922)
Transfer Agent:	Mitsubishi UFJ Trust and Banking Corporation

Distribution of Shares



Stock Data

