February 12, 2025

Summary of Financial Results for the Fiscal Year Ended December 31, 2024

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, Prime Market
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Scheduled date of general meeting of shareholders: March 28, 2025
Scheduled date of filing of Securities Report: March 28, 2025
Scheduled date of dividend payment: March 31, 2025
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for analysts)

(Rounded down to million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

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

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)
2024	322,758	7.4	17,364	8.6	21,646	6.9	7,510	(35.6)
2023	300,406	3.9	15,985	(27.7)	20,252	(28.7)	11,663	(37.9)

Note: Comprehensive income (million yen) 2024: 15,646 (down 2.5%) 2023: 16,046 (down 44.4%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary profit to total assets (%)	Operating profit to net sales (%)
2024	131.62	-	2.8	5.7	5.4
2023	204.43	-	4.4	5.5	5.3

Ref.: Equity in earnings of affiliates (million yen) 2024: - 2023: -

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2024	383,121	290,630	71.1	4,771.69
2023	371,657	283,038	71.6	4,664.70

Ref.: Shareholders' equity (million yen) 2024: 272,295 2023: 266,156

(3) Consolidated cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of period (Million yen)
	Operating activities (Million yen)	Investing activities (Million yen)	Financing activities (Million yen)	
2024	18,379	(8,932)	(8,684)	107,757
2023	30,443	(11,227)	(9,677)	105,669

2. Dividends

	Dividend per share					Total dividends (Million yen)	Payout ratio (consolidated) (%)	Dividend on net assets (consolidated) (%)
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)			
2023	-	70.00	-	70.00	140.00	7,988	68.5	3.0
2024	-	70.00	-	70.00	140.00	7,989	106.4	3.0
2025 (forecast)	-	70.00	-	70.00	140.00		57.9	

3. Consolidated Forecast for 2025 (January 1, 2025 – December 31, 2025)

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

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)	Net income per share (Yen)
Full year	336,000	4.1	20,000	15.2	20,700	(4.4)	13,800	83.7	241.83

*** Notes**

(1) Significant changes in scope of consolidation during the period: Yes

Newly added: 4 (PURI CO., LTD., Luxury Wellness CO., LTD. and so on) Excluded: -

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

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

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding (incl. treasury shares) at end of the period

As of December 31, 2024	60,592,541 shares	As of December 31, 2023	60,592,541 shares

2) Number of treasury shares at end of the period

As of December 31, 2024	3,527,676 shares	As of December 31, 2023	3,535,001 shares

3) Average number of shares outstanding during the period

2024	57,062,418 shares	2023	57,056,293 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1, 2024 – December 31, 2024)

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

	Net sales (Million yen)	YoY change (%)	Operating profit (Million yen)	YoY change (%)	Ordinary profit (Million yen)	YoY change (%)	Net income (Million yen)	YoY change (%)
2024	113,735	1.1	(5,824)	-	46	(99.4)	(657)	-
2023	112,469	(2.5)	(2,177)	-	7,996	(62.7)	6,679	(61.4)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2024	(11.52)	-
2023	117.07	-

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2024	190,216	151,711	79.8	2,658.59
2023	195,360	160,141	82.0	2,806.66

Ref.: Shareholders' equity (million yen) 2024: 151,711 2023: 160,141

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

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

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

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1. Overview of Results of Operations

(1) Results of Operations

a. Review of Operations

Millions of yen, %

Operating segment	2023 (Jan. 1, 2023 – Dec. 31, 2023)		2024 (Jan. 1, 2024 – Dec. 31, 2024)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	240,450	80.0	255,349	79.1	14,898	6.2
Cosmetaries	57,656	19.2	64,719	20.1	7,063	12.3
Others	2,299	0.8	2,689	0.8	389	16.9
Total net sales	300,406	100.0	322,758	100.0	22,351	7.4

	2023 (Jan. 1, 2023 – Dec. 31, 2023)		2024 (Jan. 1, 2024 – Dec. 31, 2024)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	15,985	5.3	17,364	5.4	1,378	8.6
Ordinary profit	20,252	6.7	21,646	6.7	1,394	6.9
Profit attributable to owners of parent	11,663	3.9	7,510	2.3	(4,153)	(35.6)

In 2024 (January 1, 2024 to December 31, 2024), the Japanese economy recovered at a moderate pace with brief periods of stagnation. Although inflation held down some categories of consumer spending, there are expectations of a continuation of the economic recovery as employment and personal income improve.

The primary markets for the KOSÉ Group outside Japan are Asia and the United States. In China, although the government is using monetary easing and economic stimulus measures to support the economy, economic growth is slowing due to weakness in the real estate sector and sluggish consumer spending. In the United States, inflation remains stable and there are no indications of a significant increase in the unemployment rate. However, it is necessary keep a close eye on trends concerning the economic policies of the new U.S. administration.

In the Japanese cosmetics market, the growth rate of sales decreased somewhat in the second half of 2024 following the upturn after the end of the pandemic. Overall, cosmetics sales are remaining firm with the increasing number of foreign tourists in Japan contributing to demand for cosmetics.

In China, the business climate for cosmetics remained challenging during 2024 as the overall cosmetics market struggled. Sales per customer decreased and consumers shifted to purchasing less expensive items. During China's major e-commerce sales event in November, sales decreased across the cosmetic market, despite most e-commerce platforms setting the longest sales period ever.

In the United States, the pace of cosmetics sales growth slowly declined during 2024 but sales during the year-end holiday season were higher than one year earlier. The outlook for consumer spending is uncertain due to the increasing price sensitivity of many consumers and for other reasons.

In November 2024, KOSÉ announced a medium to long-term vision called Vision for Lifelong Beauty Partner–Milestone 2030. Phase 1 of this vision is currently under way with the goal of completing structural reforms and rebuilding an infrastructure. Measures during this phase include a reexamination of the structure of business operations to improve profitability in Japan and investments for the growth of sales in Asia. More information is in section (6) Management Policies.

In 2024, sales in China decreased and there were big increases in sales of major brands in Japan and at Tarte, which sells its products primarily in the United States and Europe. As a result, consolidated sales increased 7.4% to 322,758 million yen (up 5.0% after excluding the effects of changes in foreign exchange rates). Overseas sales were 34.5% of total sales.

Although the cost of sales ratio increased mainly because of a change in the product mix and higher expenses for the disposal of products involving global restrictions on certain ingredients, operating profit was up 8.6% to 17,364 million yen due to sales growth and efforts to control selling expenses. Ordinary profit increased 6.9% to

21,646 million yen due to an increase in foreign exchange gains. Profit attributable to owners of parent was down 35.6% to 7,510 million yen due to an extraordinary loss associated with structural business reforms in China that started in the third quarter.

b. Results by Business Segment

Cosmetics Business

Millions of yen, %

	2023	2024	YoY change	
			Amount	%
Sales to third parties	240,450	255,349	14,898	6.2
Intragroup sales and transfers	-	-	-	-
Total net sales	240,450	255,349	14,898	6.2
Operating profit	17,868	15,052	(2,816)	(15.8)
Operating margin	7.4	5.9	-	-

Sales were higher in the high prestige and prestige categories of the cosmetics business segment.

High prestige category sales increased as the growth in sales of Tarte and ALBION more than offset the decline in sales of DECORTÉ. Although DECORTÉ sales in Japan rose to a record high, total sales were down because of lower sales in Asia. Prestige category sales increased because of strong sales of SEKKISEI, ONE BY KOSÉ and ESPRIQUE, which are major brands of this category.

The segment operating profit decreased because of a higher cost of sales ratio caused mainly by a change in the product mix and higher product disposal expenses involving global restrictions on certain ingredients used in cosmetics.

As a result, sales in the cosmetics business segment increased 6.2% from 2023 to 255,349 million yen and operating profit was down 15.8% to 15,052 million yen.

Cosmetaries Business

Millions of yen, %

	2023	2024	YoY change	
			Amount	%
Sales to third parties	57,656	64,719	7,063	12.3
Intragroup sales and transfers	-	-	-	-
Total net sales	57,656	64,719	7,063	12.3
Operating profit	2,941	6,980	4,039	137.3
Operating margin	5.1	10.8	-	-

Sales were higher in this business segment mainly because of the strong sales of Softymo and CLEAR TURN products at KOSÉ Cosmeport Corp. and of MAKE KEEP MIST, a KOSÉ product.

The segment operating profit increased significantly mainly due to higher sales and the control of selling expenses. Operating margin was above 10%.

As a result, sales in this business segment increased 12.3% from 2023 to 64,719 million yen and operating profit increased 137.3% to 6,980 million yen.

Others

Millions of yen, %

	2023	2024	YoY change	
			Amount	%
Sales to third parties	2,299	2,689	389	16.9
Intragroup sales and transfers	535	517	(17)	(3.2)
Total net sales	2,835	3,206	371	13.1
Operating profit	978	1,427	449	45.9
Operating margin	34.5	44.5	-	-

Earnings were higher because sales of amenity products increased and the cost of sales ratio decreased. As a result, sales in the others business segment increased 16.9% from 2023 to 2,689 million yen. Operating profit increased 45.9% to 1,427 million yen.

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

	2023		2024		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	189,777	63.2	211,385	65.5	21,607	11.4
Asia	52,774	17.6	40,620	12.6	(12,154)	(23.0)
North America	51,190	17.0	62,009	19.2	10,818	21.1
Others	6,664	2.2	8,743	2.7	2,079	31.2
Total net sales	300,406	100.0	322,758	100.0	22,351	7.4

Japan

The growth rate of sales in the cosmetics market decreased in the second half of 2024 following the upturn after the pandemic ended. Although second half sales growth at the KOSÉ Group was slower than in the first half, sales growth remained still high in the second half.

In the high prestige category, sales of DECORTÉ, the major brand in this category, increased because of higher sales of new and existing skincare products and the popularity of a new base makeup product that was launched in 2024. ALBION sales increased because of higher sales of new and existing products from the ALBION brand and strong sales of Elégance products to foreign tourists in Japan.

In the prestige category, SEKKISEI sales were up by double digits due to popular new products and effective sales promotions. Strong sales of the ONE BY KOSÉ and ESPRIQUE brands also contributed to sales growth.

There was also double-digit sales growth in the cosmetaries segment driven primarily by major brands of KOSÉ Cosmeport. As a result, sales in Japan increased 11.4% from 2023 to 211,385 million yen.

Asia

During 2024, there were no signs of an improvement in China’s cosmetics market and sales were down from one year earlier for most cosmetics brands during the major e-commerce sales event in November. KOSÉ’s operations in China had the goal of avoiding excessive competition that can damage the value of brands. By shifting to sales methods suited to the characteristics of individual sales channels, KOSÉ’s sales growth in the high prestige category was lower than the growth of this market sector overall. In the travel retail sector, sales were down because of efforts to control shipments for the purpose of eliminating slow-moving inventory. As a result, sales in Asia decreased 23.0% from 2023 to 40,620 million yen.

North America/Others

In North America and other regions, Tarte sales were up by double digits to a record high. E-commerce sales were higher and the strategy of making lip and mascara products the key categories made a contribution to sales growth. As a result, sales in North America increased 21.1% from 2023 to 62,009 million yen, and sales in Others increased 31.2% from 2023 to 8,743 million yen.

(2) Financial Position

The current ratio was 337.7%, 27.9 percentage points lower than one year earlier, and the quick ratio was 230.4%, a decrease of 22.0 percentage points, as of December 31, 2024. These changes were attributable mainly to the following reasons:

Assets increased 11,463 million yen mainly the result of increases of 5,615 million yen in notes and accounts receivable-trade, 1,467 million yen in land, 11,645 million yen in construction in progress, 9,888 million yen in goodwill, 911 million yen in investment securities and 1,115 million yen in deferred tax assets, and decreases of 18,875 million yen in cash and deposits, 1,084 million yen in raw materials and supplies and 925 million yen in machinery, equipment and vehicles.

Liabilities increased 3,870 million yen mainly due to increases of 1,853 million yen in income taxes payable and 1,816 million yen in accrued expenses, and decreases of 1,271 million yen in notes and accounts payable-trade and 3,631 million yen in electronically recorded obligations-operating.

Interest-bearing debt amounted to 11,224 million yen, and the debt-to-equity ratio was 0.04.

(3) Cash Flows

1) Analysis of Cash Flows

Millions of yen

	2023	2024	YoY change
Net cash provided by (used in) operating activities	30,443	18,379	(12,063)
Net cash provided by (used in) investing activities	(11,227)	(8,932)	2,294
Net cash provided by (used in) financing activities	(9,677)	(8,684)	993
Increase in cash and cash equivalents	11,605	2,088	(9,517)
Cash and cash equivalents at end of period	105,669	107,757	2,088

Cash and cash equivalents (consolidated basis) as of December 31, 2024 were 107,757 million yen, an increase of 2,088 million yen, or 2.0%, compared with December 31, 2023. The status of each cash flow and its factors at the end of the current fiscal period are as follows.

Net cash provided by operating activities decreased 39.6% to 18,379 million yen. This was mainly the net result of profit before income taxes of 18,656 million yen, depreciation, a non-cash expense, of 9,778 million yen, an increase of 3,122 million yen in retirement benefit asset, an increase of 3,776 million yen in trade receivables, a decrease of 7,150 million yen in trade payables, a decrease of 2,829 million yen in other assets, an increase of 2,897 million yen in other liabilities, and payment of corporate income taxes of 6,546 million yen.

Net cash used in investing activities decreased 20.4% to 8,932 million yen. The major factors were net proceeds of 21,621 million yen from time deposits, purchase of property, plant and equipment of 18,761 million yen, purchase of shares of subsidiaries resulting in changes in scope of consolidation of 11,588 million yen and purchase of intangible assets of 2,286 million yen.

Net cash used in financing activities decreased 10.3% to 8,684 million yen. The major factors include cash dividends payment of 7,988 million yen.

2) Cash Flow Indicators

	FY03/2021 (12 months)	FY12/2021 (9 months)	2022 (12 months)	2023 (12 months)	2024 (12 months)
Shareholders' equity ratio (%)	73.1	74.5	72.0	71.6	71.1
Shareholders' equity ratio based on market prices (%)	289.7	232.6	228.8	162.3	106.9
Interest-bearing debt to cash flow ratio	0.4	0.1	0.5	0.3	0.6
Interest coverage ratio	1,891.8	2,385.1	382.7	2,338.6	1,874.1

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

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

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

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

- These indicators are calculated on a consolidated basis.
- Market capitalization is based on the number of shares issued less treasury shares.
  The closing price of stock on the balance sheet date is adjusted in case KOSÉ conducts a stock split for shareholders of record at the fiscal year end.
- Cash flows are calculated using the figures for operating cash flows on the consolidated statement of cash flows.
- Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest expenses paid on the consolidated statement of cash flows is used for interest payments.

(4) Outlook

The global economy in 2025 will be affected by the policies of central banks of countries worldwide and by the economic policies of the new administration in the United States.

In Japan, the slow recovery of the economy is expected to continue as employment and personal income improve. Government measures for economic growth and the increasing number of foreign tourists will also support Japan's economy. However, the economic growth rate in Japan may be held down by the negative effects of inflation that began in 2024 on the recovery of consumer spending and by a downturn of the economies of other countries.

In Asia, although China achieved its 2024 GDP growth target due to measures to support the economy, consumer spending is unlikely to recover soon.

In the United States, although there is uncertainty about upcoming economic policies, the economy is expected to remain healthy as the labor market remains firm and consumer price index is generally stable.

Based on this outlook, KOSÉ forecasts a 4.1% increase in sales to 336,000 million yen in the fiscal year ending December 2025. Sales of major brands in Japan and at Tarte, which sells its products primarily in the United States and Europe, are expected to remain steady. This growth is expected to more than offset lower sales resulting from business reforms in mainland China and weakness in the travel retail sector. PURI CO., LTD. in Thailand (hereafter, PURI), which was acquired in December 2024, will make its first contribution to consolidated sales in 2025.

The operating profit forecast is an increase of 15.2% to 20,000 million yen. The primary factors are a higher gross profit resulting from consolidated sales growth, an increase in profitability in mainland China following structural reforms and higher earnings at Tarte, which are expected to more than offset lower travel retail earnings. Ordinary profit is forecast to decrease 4.4% to 20,700 million yen, as effects of foreign exchange rate fluctuations are neutral. Profit attributable to owners of parent is forecast to increase 83.7% to 13,800 million yen, as the negative impact of extraordinary losses that occurred in the fiscal year ended December 2024 will be eliminated.

The forecast for capital expenditures is 25,500 million yen with depreciation of 10,200 million yen. Major expenditures in 2025 include the construction of the Minami Alps Factory and IT systems at group companies.

* Forecasts are based on foreign exchange rates of 150 yen to the U.S. dollar and 19.7 yen to the Chinese yuan.

Millions of yen, %

Operating segment	2024	2025	YoY change	
	Amount	Amount	Amount	%
Cosmetics	255,349	265,200	9,850	3.9
Cosmetaries	64,719	68,000	3,280	5.1
Others	2,689	2,800	110	4.1
Total net sales	322,758	336,000	13,241	4.1

	2024		2025		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	17,364	5.4	20,000	6.0	2,635	15.2
Ordinary profit	21,646	6.7	20,700	6.2	(946)	(4.4)
Profit attributable to owners of parent	7,510	2.3	13,800	4.1	6,289	83.7

(5) Profit Allocation Policy and Dividends for 2024 and 2025

The KOSÉ medium to long-term vision includes targets for the operating margin, EBITDA margin and ROIC for the purpose of effectively using shareholders' equity. KOSÉ uses dividends and the repurchase of stock to return earnings to shareholders. The basic policy is to pay out a stable dividend. The dividend will be determined based on the need to retain earnings to fund measures for more growth and on current financial soundness, results of operations, the dividend payout ratio and other considerations. The timing of stock repurchase will be determined based on opportunities for investments for growth, the return on capital, the stock price and other factors.

KOSÉ plans to pay a year-end dividend of 70 yen per share as initially planned. Although this is a payout ratio of more than 100% due to the extraordinary loss for structural reforms in China, KOSÉ is making no change in its initial plan based on the policy of dividend stability. With the interim dividend paid of 70 yen on September 10, 2024, this will result in a dividend applicable to 2024 of 140 yen per share.

For 2025, although KOSÉ expects an improvement in earnings, a dividend of 140 yen per share is currently planned.

(6) Management Policies

1) Fundamental Management Policy

KOSÉ was established in 1946 with the mission of creating cosmetics that inspire hopes and dreams and build a brighter world. Since then, we have retained this focus on cosmetics as we pursue the essence of beauty. Our purpose is the creation of a culture and values embodying a distinctive beauty through the sophisticated fusion of sensuousness and intelligence. Our corporate message is "Creating beauty in a sustainable world." Guided by these themes, we will evolve into a company that is close to people and the Earth and colors the irreplaceable lives of people with beautiful moments.

2) Vision for the KOSÉ Group: Your Lifelong Beauty Partner

The medium to long-term vision announced in November 2024 has the goal of providing diverse options for beauty to enable people worldwide to discover and enjoy their own beauty throughout their lives. This goal is firmly rooted in KOSÉ's dedication since its establishment to being a lifelong partner that can use the power of beauty for a better and more beautiful world.

We are focused on the growth of corporate value that is driven by building even stronger ties with customers, business partners, employees and people worldwide while also operating in a manner that reflects the interests of future generations and the need for a beautiful and sustainable Earth.

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

We will establish KOSÉ's powerful base for business operations and an even more prominent market profile in Japan to create reliable growth resources. These resources will be invested in global initiatives aimed at supporting sustainable growth. For global growth, our businesses are centered on the optimization of activities in every region where we operate by no longer using the approach of doing everything on our own. This involves shifting to local marketing and manufacturing operations and using M&A and alliances to add regionally rooted brands. Another priority is more measures for providing value that is not bound by gender and generation barriers as future growth domains for KOSÉ. By using all of these actions, we deliver diverse beauty values to customers around the world.

■ Numerical targets with 2030 as the milestone

	Indicators	Milestone
Financial targets	Ratio to net sales	CAGR of more than +5%
	Operating margin	More than 12%
	EBITDA margin	More than 18%
	ROIC (Note 1)	More than 10%
Nonfinancial targets	Global personnel vs. Global key posts(Note 2)	More than 2.5 times
	Product/service ratio using Adaptability ∞ (Note 3)	100%
	Activities contributing to wellbeing (Note 4)	More than 500
	People who have raised environmental awareness	More than 10 million people
	CO2 emission reduction rate (Note 5)	Scope 1, 2: -55% / Scope 3: -30%

Note 1: (Operating profit after tax / average of total of interest-bearing liabilities and net assets during the period) X 100
Note 2: Global personnel divided by the number of global key posts
Note 3: For the eight KOSÉ action themes of Adaptability ∞, key annual themes of individual brands were selected and the number of products and services that accomplished these themes were counted to calculate the achievement ratio.
Note 4: Cumulative values since 2020
Note 5: Reduction in relation to the 2018 level

More information about the vision is on the website at the following URL.
(Japanese) https://corp.kose.co.jp/ja/ir/library/strategy/
(English) https://corp.kose.co.jp/en/ir/library/strategy/

2. Basic Approach for the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

Millions of yen

	2023 (As of Dec. 31, 2023)	2024 (As of Dec. 31, 2024)
Assets		
Current assets		
Cash and deposits	132,846	113,970
Notes and accounts receivable-trade	44,405	50,020
Merchandise and finished goods	40,100	40,216
Work in process	3,386	3,105
Raw materials and supplies	27,395	26,311
Other	8,719	6,864
Allowance for doubtful accounts	(121)	(151)
Total current assets	256,732	240,336
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,666	54,466
Accumulated depreciation	(28,013)	(29,694)
Buildings and structures, net	24,652	24,771
Machinery, equipment and vehicles	22,661	22,967
Accumulated depreciation	(18,540)	(19,772)
Machinery, equipment and vehicles, net	4,120	3,194
Tools, furniture and fixtures	46,303	45,881
Accumulated depreciation	(40,664)	(40,715)
Tools, furniture and fixtures, net	5,638	5,166
Land	17,333	18,800
Leased assets	12,385	14,675
Accumulated depreciation	(3,337)	(4,957)
Leased assets, net	9,048	9,717
Construction in progress	453	12,099
Total property, plant and equipment	61,247	73,749
Intangible assets		
Software	5,084	5,535
Goodwill	3,621	13,510
Other	5,399	4,206
Total intangible assets	14,105	23,252
Investments and other assets		
Investment securities	15,838	16,750
Retirement benefit asset	14,545	18,828
Deferred tax assets	5,035	6,150
Other	4,828	4,752
Allowance for doubtful accounts	(675)	(700)
Total investments and other assets	39,572	45,782
Total non-current assets	114,925	142,784
Total assets	371,657	383,121

Millions of yen

	2023 (As of Dec. 31, 2023)	2024 (As of Dec. 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,628	7,356
Electronically recorded obligations-operating	18,491	14,859
Short-term borrowings	500	831
Lease obligations	1,050	1,406
Accounts payable-other	15,644	16,628
Accrued expenses	11,630	13,447
Income taxes payable	3,867	5,721
Accrued consumption taxes	2,307	1,736
Refund liabilities	5,756	6,532
Other	2,346	2,641
Total current liabilities	70,224	71,162
Non-current liabilities		
Lease obligations	8,664	8,985
Deferred tax liabilities	5,038	6,867
Other	4,692	5,474
Total non-current liabilities	18,395	21,327
Total liabilities	88,619	92,490
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	123	179
Retained earnings	243,823	243,345
Treasury shares	(9,073)	(9,055)
Total shareholders' equity	239,721	239,316
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,747	4,929
Foreign currency translation adjustment	14,256	18,461
Remeasurements of defined benefit plans	7,430	9,588
Total accumulated other comprehensive income	26,434	32,979
Non-controlling interests	16,881	18,334
Total net assets	283,038	290,630
Total liabilities and net assets	371,657	383,121

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

Millions of yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Net sales	300,406	322,758
Cost of sales	89,209	100,185
Gross profit	211,197	222,573
Selling, general and administrative expenses		
Advertising expenses	27,331	27,786
Promotion expenses	46,704	49,107
Freight and packing costs	18,820	19,317
Salaries and allowances	51,771	54,174
Retirement benefit expenses	215	74
Legal welfare expenses	8,212	8,347
Depreciation	5,063	5,448
Other	37,092	40,952
Total selling, general and administrative expenses	195,211	205,208
Operating profit	15,985	17,364
Non-operating income		
Interest income	1,135	948
Dividend income	219	171
Refunded consumption taxes	397	116
Foreign exchange gains	1,978	2,708
Miscellaneous income	756	557
Total non-operating income	4,487	4,503
Non-operating expenses		
Interest expenses	11	7
Provision of allowance for doubtful accounts	108	6
Loss on investments in investment partnerships	-	118
Miscellaneous loss	102	88
Total non-operating expenses	221	221
Ordinary profit	20,252	21,646
Extraordinary income		
Gain on sale of non-current assets	18	2,336
Gain on sale of investment securities	4	1
Total extraordinary income	22	2,338
Extraordinary losses		
Loss on disposal of non-current assets	235	290
Loss on valuation of investment securities	-	3
Loss on valuation of shares of subsidiaries and associates	3	-
Impairment loss	193	460
Loss on liquidation of business	336	4,572
Total extraordinary losses	768	5,327
Profit before income taxes	19,506	18,656
Income taxes-current	6,746	9,761
Income taxes-deferred	228	(32)
Total income taxes	6,974	9,729
Profit	12,531	8,927
Profit attributable to non-controlling interests	868	1,417
Profit attributable to owners of parent	11,663	7,510

Consolidated Statement of Comprehensive Income

Millions of yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Profit	12,531	8,927
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,011)	195
Foreign currency translation adjustment	3,470	4,273
Remeasurements of defined benefit plans, net of tax	2,055	2,250
Total other comprehensive income	3,514	6,718
Comprehensive income	16,046	15,646
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,081	14,055
Comprehensive income attributable to non-controlling interests	965	1,591

(3) Consolidated Statement of Changes in Equity

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

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

Millions of yen

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

2024 (Jan. 1, 2024 – Dec. 31, 2024)

Millions of yen

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	123	243,823	(9,073)	239,721
Changes of items during period					
Dividends of surplus			(7,988)		(7,988)
Profit attributable to owners of parent			7,510		7,510
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		55		19	75
Net changes of items other than shareholders' equity					
Total changes of items during period	-	55	(477)	17	(404)
Balance at end of current period	4,848	179	243,345	(9,055)	239,316

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,747	14,256	7,430	26,434	16,881	283,038
Changes of items during period						
Dividends of surplus						(7,988)
Profit attributable to owners of parent						7,510
Purchase of treasury shares						(2)
Disposal of treasury shares						75
Net changes of items other than shareholders' equity	181	4,205	2,157	6,544	1,453	7,997
Total changes of items during period	181	4,205	2,157	6,544	1,453	7,592
Balance at end of current period	4,929	18,461	9,588	32,979	18,334	290,630

(4) Consolidated Statement of Cash Flows

Millions of yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	19,506	18,656
Depreciation	9,557	9,778
Impairment loss	193	460
Amortization of goodwill	1,025	1,105
Loss on liquidation of business	336	4,572
Increase (decrease) in allowance for doubtful accounts	(491)	38
Decrease (increase) in retirement benefit asset	(3,161)	(3,122)
Loss (gain) on disposal of non-current assets	216	(2,046)
Interest and dividend income	(1,355)	(1,120)
Interest expenses	11	7
Foreign exchange losses (gains)	(491)	(962)
Loss (gain) on sale of investment securities	(4)	(1)
Loss on valuation of shares of subsidiaries and associates	3	-
Loss (gain) on valuation of investment securities	-	3
Loss (gain) on investment in partnerships	(48)	118
Decrease (increase) in trade receivables	8,711	(3,776)
Decrease (increase) in inventories	(329)	1,314
Increase (decrease) in trade payables	1,591	(7,150)
Increase (decrease) in refund liabilities	(7)	391
Decrease (increase) in other assets	1,414	2,829
Increase (decrease) in other liabilities	598	2,897
Subtotal	37,274	23,997
Interest and dividend income received	1,393	1,095
Interest expenses paid	(16)	(13)
Compensation paid for business restructuring	(336)	(153)
Corporate income taxes paid	(7,872)	(6,546)
Net cash provided by (used in) operating activities	30,443	18,379
Cash flows from investing activities		
Payments into time deposits	(28,019)	(20,497)
Proceeds from withdrawal of time deposits	23,346	42,119
Purchase of property, plant and equipment	(3,383)	(18,761)
Proceeds from sales of property, plant and equipment	82	2,758
Purchase of intangible assets	(2,143)	(2,286)
Purchase of investment securities	(716)	(942)
Proceeds from sales and redemption of investment securities	7	225
Purchase of shares of subsidiaries resulting in changes in scope of consolidation	-	(11,588)
Decrease (increase) in other investments	(300)	63
Net decrease (increase) in short-term loans receivable	(23)	(23)
Long-term loan advances	(76)	-
Proceeds from collection of long-term loans receivable	1	0
Net cash provided by (used in) investing activities	(11,227)	(8,932)

Millions of yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(897)	-
Net decrease (increase) in treasury shares	9	(2)
Repayments of long-term borrowings	(196)	-
Cash dividends paid	(7,987)	(7,988)
Cash dividends paid to non-controlling shareholders	(439)	(439)
Other, net	(166)	(253)
Net cash provided by (used in) financing activities	(9,677)	(8,684)
Effect of exchange rate change on cash and cash equivalents	2,067	1,325
Net increase (decrease) in cash and cash equivalents	11,605	2,088
Cash and cash equivalents at beginning of period	94,063	105,669
Cash and cash equivalents at end of period	105,669	107,757

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

Not applicable.

Business Combinations

Business combination through acquisition

1. Summary of business combination
   (1) Acquired company and its business activities
   Name: PURI CO., LTD
   Business activities: Sales of cosmetics

   (2) Reasons for acquisition
   We have formulated our medium- to long-term vision, "Vision for Lifelong Beauty Partner - Milestone 2030," and will evolve into a company that is close to people and the Earth and colors the irreplaceable lives of people with beautiful moments. To achieve this, we have set the goal of "adding regionally rooted brands" as a way to optimize business operations in each region by no longer using the approach of doing everything on our own for the growth on a global scale. By promoting external collaboration and utilizing external assets rather than relying on our own resources, we will expand our brand portfolio to meet diverse needs and aim for global business growth.

   PURI has redefined the luxury wellness lifestyle and applied them into the exquisite array of high-quality products and luxurious customer experiences via spa services, embodying a visionary philosophy of Thai holistic wellness[*1] and nurturing the body, mind, and soul.

   By acquiring shares in PURI, we will fuel PURI's continued growth while expanding our own business portfolio and global reach. This strategic investment will strengthen our Group's presence in the Global South market (ASEAN/India) and enhance our corporate value.

   (3) Acquisition date
   December 26, 2024

   (4) Legal form of acquisition
   Acquisition of shares

   (5) Company's name after acquisition
   PURI CO., LTD.

   (6) Percentage of voting rights acquired
   79.89%

   (7) Basis for choosing the company to acquire
   KOSÉ acquired the shares in exchange for consideration in cash.

2. Period of the acquired company's performance included in the consolidated financial statements
   The acquisition date for accounting purposes is December 31, 2024. As a result, only the balance sheet of PURI is consolidated in 2024 and the consolidated statement of income for 2024 does not include the sales and earnings of this company.

3. Acquisition cost of acquired company and breakdown by type of consideration

Payment for the acquisition:	Cash	11,918 million yen
Acquisition cost:		11,918 million yen

4. Details of major acquisition-related costs
   Advisory fees: 438 million yen

5. Goodwill resulting from the acquisition

(1) Value of goodwill

10,625 million yen

This is a provisional figure for goodwill because of the short time between the acquisition date and end of 2024. The allocation of the acquisition cost has not been completed because work is still under way to determine identifiable assets and liabilities and fair value estimates as of the acquisition date.

(2) Source of goodwill

The source is primarily the expectation of excess earnings power emerging from business development in the future.

(3) Amortization method and amortization period

Goodwill will be amortized using the straight-line method over the period when benefits of this acquisition are expected.

6. Breakdown of assets acquired and liabilities assumed on the acquisition date

Millions of yen

Current assets	2,194
Non-current assets	954
Total assets	3,149
Current liabilities	1,293
Non-current liabilities	237
Total liabilities	1,530

7. Estimated effect of the business combination on the consolidated statement of income if the business combination had been completed at the beginning of 2024.

Millions of yen

Net sales	4,765
Operating profit	998

(Method and major assumptions used to calculate estimates)

The estimates of the effect of this acquisition are the difference between sales and earnings calculated using the assumption that the acquisition was completed at the beginning of 2024 and sales and earnings in the consolidated statement of income of PURI.

The information in this note has not been audited.

Information Concerning Revenue Recognition

Division of sales

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

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

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

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

2024 (Jan. 1, 2024 – Dec. 31, 2024)

Millions of yen

	Japan	Asia	North America	Others	Total
Cosmetics	145,663	38,963	62,009	8,712	255,349
Cosmetaries	63,034	1,654	-	31	64,719
Total	208,698	40,618	62,009	8,743	320,069
Others (Note)	2,479	2	-	-	2,481
Revenue from contracts with customers	211,177	40,620	62,009	8,743	322,550
Other revenue	207	-	-	-	207
Sales to third parties	211,385	40,620	62,009	8,743	322,758

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

Segment and Other Information

Segment Information

(1) Overview of reportable segment

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

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

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

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

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

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

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

Intragroup sales and transfers are based on market prices.

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

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

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

2024 (Jan. 1, 2024 – Dec. 31, 2024)

Millions of yen

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	255,349	64,719	320,069	2,689	322,758	-	322,758
(2) Intragroup sales and transfers	-	-	-	517	517	(517)	-
Total sales	255,349	64,719	320,069	3,206	323,276	(517)	322,758
Segment profit	15,052	6,980	22,033	1,427	23,460	(6,095)	17,364

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

2. Adjustments to segment profit are as follows.

Millions of yen

	2023	2024
Eliminations for intersegment transactions	(103)	(162)
Corporate expenses that cannot be allocated to reporting segments	(5,699)	(5,933)
Total	(5,802)	(6,095)

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

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

(4) Geographic sales information

2023 (Jan. 1, 2023 – Dec. 31, 2023)

Millions of yen

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

2024 (Jan. 1, 2024 – Dec. 31, 2024)

Millions of yen

Japan	Asia	North America	Others	Total
211,385	40,620	62,009	8,743	322,758

Per Share Information

Yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Net assets per share	4,664.70	4,771.69
Net income per share	204.43	131.62

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

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

Millions of yen

	2023 (Jan. 1, 2023 – Dec. 31, 2023)	2024 (Jan. 1, 2024 – Dec. 31, 2024)
Profit attributable to owners of parent	11,663	7,510
Net income not attributable to common shareholders	-	-
Profit attributable to owners of parent available to common stock	11,663	7,510
Average number of shares outstanding (thousand shares)	57,056	57,062

Subsequent Events

Not applicable.

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