

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