



Notice of Capital and Business Alliance with Milbon

KOSÉ Corporation and Milbon Co., Ltd. signed an agreement today to establish a capital and business alliance as follows.

1. Reason for establishing the alliance

Since starting operations in 1946, KOSÉ has been dedicated to the creation of beauty primarily through the development and sale of cosmetics. All activities are defined by the spirit of producing cosmetics with outstanding quality that can truly meet customers' needs. KOSÉ has a strong commitment to R&D as well as to creating products of exceptional quality. In addition, KOSÉ has a sales infrastructure capable of precisely matching the characteristics of different distribution channels and a unique brand marketing system that encompasses a broad spectrum of customer values. Going forward, these strengths will collectively drive KOSÉ's growth.

Established in 1960, Milbon is a supplier of haircare products that are distributed through professional hair stylists. The company's primary goal is to help women "live beautifully." Basic research involving hair and the development of products are two priorities. Close ties with end users, which provide information about current haircare trends and customers' preferences, and training that gives employees a thorough knowledge of brand marketing and other skills are two more strengths that underpin Milbon's products. Through these strengths, Milbon contributes to progress in the entire haircare industry.

The Japanese economy is continuing to recover slowly. Major reasons include a return of investments from overseas to Japan as earnings of Japanese companies improve and growth in household income and the number of jobs. However, the outlook for the global economy is uncertain. In Japan's cosmetics market, which is becoming increasingly mature, competition is intensifying as the number of customers declines due to the country's falling population and new companies enter the market. Success in Japan will require differentiation from competitors by supplying outstanding products that customers will select over others. In addition, KOSÉ believes that achieving more growth will require moving faster to expand outside Japan.

KOSÉ and Milbon share the view that an even more aggressive stance concerning business operations will be needed to overcome these challenges. The two companies therefore reached the conclusion that they should work together to aim for more growth and for generating synergies that draw on the strengths of both companies. The goal is to build a powerful foundation for today's market conditions in order to create an even more competitive Japanese beauty care corporate group that can compete worldwide. To accomplish this goal, KOSÉ and Milbon signed a capital and business alliance agreement today.

2. Summary of the alliance

(1) Business alliance

KOSÉ and Milbon have established a Business Alliance Committee with the primary role of determining how to utilize the strengths of the two companies, leverage their technologies for joint research, develop and sell products, provide services, and perform other activities. Committee members will discuss specific alliance activities in the following areas that can contribute to growth of

the business operations and corporate value of the two companies.

- a) Joint development of skin care and makeup products for beauty salons and the sale of these products in Japan and other countries
- b) Joint development of other products and services for customers in Japan and other countries
- c) Extensive training programs for beauty care professionals worldwide and the use of the two companies' marketing and market development expertise in Japan and other countries

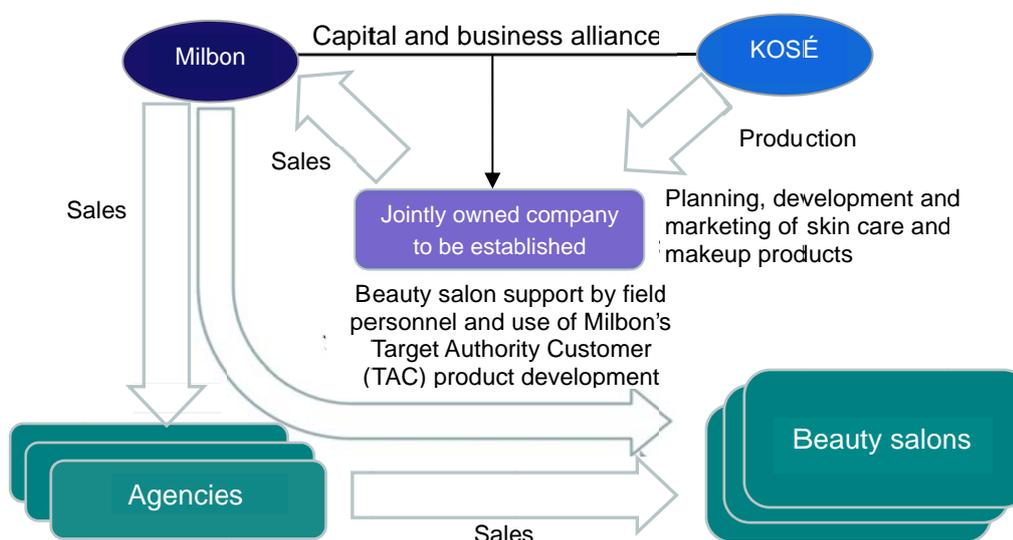
(2) Capital alliance

KOSÉ and Milbon plan to establish a jointly owned company as shown below for the purpose of jointly developing and selling products as described in item (1), a) of the business alliance explanation.

Head Office	Tokyo (tentative)
Businesses	Planning, development, marketing and sales of skin care and makeup products for beauty salons
Establishment	June 1, 2017 (tentative)
Representatives	One individual from each company

- The timing of the establishment of this company and start of operations will depend on the receipt of regulatory approval and the completion of other procedures.
- Announcements of the company's name, capital, ownership, representatives and other items will be made as these items are determined.

Alliance Flowchart Using the Jointly Owned Company



3. Outlook

This alliance will have only a negligible effect on results of operations in the fiscal year ending in March 2017. KOSÉ believes that the alliance will contribute to medium to long-term growth in sales and earnings in Japan.