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KOSÉ Corporation

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Stock exchange listing: Tokyo Stock Exchange, First Section; Stock code: 4922

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Notice of Acquisition of US-based Tarte, Inc.

KOSÉ Corporation signed an agreement on March 4, 2014 to acquire Tarte, Inc., a New York-based color cosmetics and skin care brand that specializes in products based on naturally-derived ingredients. The substantial majority of the Tarte's sales are in North America. The closing of the acquisition is subject to antitrust clearance in the United States as well as other customary closing conditions.

1. Reason for acquisition

KOSÉ is taking many actions aimed at expanding overseas operations, which is part of the theme of "concentrating on growth drivers" that is one of the basic strategies of the current Medium-Term Management Plan. Until now, operations outside Japan have been mostly in Asia and the ASEAN region. KOSÉ is now starting to increase the pace of becoming a more global organization by entering countries where the company does not yet have a presence. Acquiring a well-known North American brand gives KOSÉ a new source of growth outside Japan that is expected to contribute to achieving the goals of the Medium-Term Management Plan.

Tarte sells a line of color cosmetics and skin care products primarily in the United States that are made by using "high-performance natural ingredients" called skinvigorating™ ingredients (see note below), which are derived from natural substances. Tarte's products are sold through premium distribution channels such as Sephora, ULTA and Macy's Impulse. Products are also sold on Tarte's own website and on TV through QVC. Tarte's cosmetics and skin care products are very popular among women in their 20s and 30s. Sales have grown consistently since Tarte began operations in 1999 and the company now has a solid position in the cosmetics and skin care industry.

By acquiring Tarte, KOSÉ plans to heighten its stature in North America while continuing to expand overseas operations and add new sales channels and customers.

Note: Extracts of fruits like acai and acerola berries, vitamins, minerals, essential oils, and other natural substances

2. Overview of Tarte, Inc.

(1) Name	Tarte, Inc.			
(2) Location	1375 Broadway, Suite 800 New York , NY 10018 United States			
(3) Representative	Maureen Kelly, CEO			
(4) Business	Cosmetics sales			
(5) Capital	\$159			
(6) Founding	1999			
(7) Major shareholders and shareholding ratios	Encore Consumer Capital Fund, LP			
	Maureen Kelly			
(8) Relationships between KOSÉ and Tarte	There are no capital, personnel or business relationships.			
(9) Results of operations and financial condition for the last three audited years (Thousands of dollars)				
	Fiscal years ended	December 2010	December 2011	December 2012
Net assets		9,637	14,176	2,056
Total assets		15,628	19,066	23,857
Sales		24,864	39,442	52,414
Operating income		4,718	7,583	9,777
Net income		4,135	4,539	5,591

3. Overview of sellers

A) Encore Consumer Capital Fund, LP

(1) Name	HPN Holdings, LLC, an affiliate of Encore Consumer Capital Fund, LP
(2) Location	111 Pine Street Suite 1825 San Francisco, CA 94111 United States
(3) Jurisdiction	A limited liability company formed under the laws of Delaware
(4) Established	April 5, 2010

B) Maureen Kelly (Founder)

Post-acquisition, Tarte will continue to be run by its founder, Maureen Kelly, who will remain a shareholder in the company.

4. Number of shares to be acquired, total acquisition amount and status of ownership before and after acquisition

(1) Number of shares held before acquisition	0 share (No. of voting rights: 0) (percentage of voting rights: 0%)
(2) Number of shares to be acquired	14,856 shares (No. of voting rights: 14,856) (percentage of voting rights: 93.5%)
(3) Total acquisition amount	Approximately \$135 million

(4) Number of shares held after acquisition	14,856 shares (No. of voting rights: 14,856) (percentage of voting rights: 93.5%)
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* Ohana & Co. acted as the exclusive financial advisor to Kosé Corporation in connection with this transaction.

5. Schedule

(1) Contract signing	March 4, 2014
(2) Stock acquisition date	Subject to anti-trust clearance, we expect acquisition to close in April 2014

6. Future outlook

KOSÉ plans to acquire Tarte stock on April 2014, so this acquisition will not affect consolidated results of operations in the fiscal year ending on March 31, 2014.