



July 31, 2020

**Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)**

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 4922 URL: <https://www.kose.co.jp/>
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 Scheduled date of filing of Quarterly Report: August 11, 2020
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Rounded down to million yen)

**1. Consolidated Financial Results for the Three Months Ended June 30, 2020
(April 1, 2020 – June 30, 2020)**

(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 (%)
1Q FY03/2021	60,057	(26.5)	1,113	(91.6)	1,563	(88.0)	1,591	(81.1)
1Q FY03/2020	81,721	1.6	13,334	(24.2)	13,011	(30.4)	8,420	(37.1)

Note: Comprehensive income (million yen) 1Q FY03/2021: (213) (-%) 1Q FY03/2020: 9,146 (down 7.9%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q FY03/2021	27.90	-
1Q FY03/2020	147.62	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q FY03/2021	299,959	229,381	71.2	3,745.28
FY03/2020	308,606	240,202	72.5	3,920.41

Ref.: Shareholders' equity (million yen) 1Q FY03/2021: 213,643 FY03/2020: 223,633

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY03/2020	-	95.00	-	95.00	190.00
FY03/2021	-	-	-	-	-
FY03/2021 (forecast)	-	-	-	-	-

Note: Revisions to the most recently announced dividend forecast: None

Dividend forecast for the fiscal year ending March 31, 2021 has not yet determined at this time. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	286,600	(12.5)	17,200	(57.2)	18,200	(55.5)	12,500	(53.2)	219.13

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting consolidated quarterly financial statements: None

(3) 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

(4) Number of shares outstanding (common stock)

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

As of June 30, 2020:	60,592,541 shares
As of March 31, 2020:	60,592,541 shares

2) Number of treasury shares at end of the period

As of June 30, 2020:	3,549,140 shares
As of March 31, 2020:	3,549,075 shares

3) Average number of shares outstanding during the period

1Q FY03/2021:	57,043,438 shares
1Q FY03/2020:	57,043,517 shares

Note 1: The current financial report is not subject to quarterly review 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. Qualitative Information on Consolidated Quarterly Financial Performance, (2) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 3 of the attachments.

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1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Three Months Ended June 30, 2020 (April 1, 2020 – June 30, 2020)

Millions of yen, %

Operating segment	1Q FY03/2020		1Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	64,134	78.5	47,867	79.7	(16,267)	(25.4)
Cosmetaries	16,646	20.4	11,702	19.5	(4,943)	(29.7)
Other	940	1.1	486	0.8	(454)	(48.3)
Total net sales	81,721	100.0	60,057	100.0	(21,664)	(26.5)

	1Q FY03/2020		1Q FY03/2021		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	13,334	16.3	1,113	1.9	(12,220)	(91.6)
Ordinary profit	13,011	15.9	1,563	2.6	(11,448)	(88.0)
Profit attributable to owners of parent	8,420	10.3	1,591	2.6	(6,829)	(81.1)

In the first quarter (April 1 to June 30) of the current fiscal year, the novel coronavirus (COVID-19) outbreak had a severe impact on the Japanese economy. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry (April 1 to May 31, 2020), the sales volume and monetary sales of cosmetics were down sharply compared with one year earlier.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. During the first three months of 2020, there was a sharp economic downturn because of the enormous impact of the COVID-19 outbreak that started in China in January and in the United States and other countries in March.

The KOSÉ Group has a history of responding to difficulties by transforming challenges into opportunities. Backed by this experience and know-how, many activities are under way to deal with a variety of issues with the goal of becoming even more resilient to risk in order to continue global and borderless growth.

In the first quarter, net sales decreased 26.5% to 60,057 million yen (down 25.6% after excluding the effects of changes in foreign exchange rates). Although sales remained strong in Asia, total sales in Japan were lower because of the COVID-19 crisis. Overseas sales were 42.0% of total sales.

Earnings decreased as the negative effects of a higher cost of sales ratio and increases in personnel and administrative expenses more than offset the benefits of measures to hold down selling expenses due to challenging market conditions. As a result, operating profit decreased 91.6% to 1,113 million yen. Ordinary profit decreased 88.0% to 1,563 million yen, which includes a consumption tax refund. Profit attributable to owners of parent decreased 81.1% to 1,591 million yen, which includes a gain on sales of non-current assets.

In the cosmetics business, sales of DECORTÉ products increased at duty-free stores in South Korea and in the duty-free and e-commerce channels in China. In Japan, the LECHÉRI line of moisture-retention aging care products posted higher sales. However, sales of all other major cosmetics brands were down. As a result, sales in the cosmetics business decreased 25.4% to 47,867 million yen and operating profit decreased 61.7% to 5,997 million yen.

In the cosmetaries business, sales were higher for the STEPHEN KNOLL NEW YORK products, but the markets for sunscreen and cleansing products were weak. As a result, sales in the cosmetaries business decreased 29.7% to 11,702 million yen and operating loss was 2,511 million yen (compared with operating loss of 1,203 million yen one year earlier).

In the other business segment, there were decreases in sales of amenity products and orders for the manufacture of OEM products. As a result, sales decreased 48.3% to 486 million yen but operating profit decreased 89.1% to 29 million yen.

Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	1Q FY03/2020		1Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	56,570	69.2	34,814	58.0	(21,756)	(38.5)
Asia	14,897	18.2	16,704	27.8	1,806	12.1
North America	8,708	10.7	7,639	12.7	(1,068)	(12.3)
Other	1,545	1.9	898	1.5	(646)	(41.9)
Total net sales	81,721	100.0	60,057	100.0	(21,664)	(26.5)

Japan

Sales were lower in all major sales channels in Japan because of COVID-19 pandemic. Consumer spending was sluggish as people stayed home and stores temporarily closed or reduced operating hours following the declaration of a state of emergency. In response to this challenging environment, KOSÉ conducted a limited-time-only Stay Home Campaign that included the sale on the Maison KOSÉ e-commerce site of products that are normally available only at stores where customers receive counseling. The response was very positive, particularly for DECORTÉ products. As a result, sales in Japan decreased 38.5% to 34,814 million yen.

Asia

Sales in all Asian countries where KOSÉ operates were held down by COVID-19 pandemic. However, sales were higher in the duty-free and e-commerce channels in South Korea and e-commerce sales growth remained strong in China as KOSÉ continues to take actions for more growth in the e-commerce sector. As a result, sales in Asia increased 12.1% to 16,704 million yen.

North America

New products at the U.S. company Tarte, Inc. contributed to sales growth in January. However, sales were negatively affected by the challenging market for prestige makeup products and by lockdowns and restrictions of outings due to COVID-19 pandemic starting in March. As a result, sales in North America decreased 12.3% to 7,639 million yen.

Other

Sales in this category benefited from strong sales of Tarte products in Europe in January and February. But COVID-19 held down sales starting in March as people stayed home due to lockdowns. As a result, sales decreased 41.9% to 898 million yen.

(2) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the full-year earnings forecast announced on April 30, 2020.

2. Consolidated Quarterly Financial Statements and Notes**(1) Consolidated Quarterly Balance Sheet**

	<i>Millions of yen</i>	
	FY03/2020 (As of Mar. 31, 2020)	1Q FY03/2021 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	97,556	82,245
Notes and accounts receivable-trade	38,371	34,375
Merchandise and finished goods	35,775	38,502
Work in process	3,472	3,635
Raw materials and supplies	22,192	26,719
Other	7,146	8,270
Allowance for doubtful accounts	(77)	(78)
Total current assets	204,438	193,670
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,590	44,771
Accumulated depreciation	(22,671)	(22,001)
Buildings and structures, net	22,919	22,770
Machinery, equipment and vehicles	18,543	18,513
Accumulated depreciation	(13,290)	(13,485)
Machinery, equipment and vehicles, net	5,252	5,027
Tools, furniture and fixtures	43,151	43,160
Accumulated depreciation	(34,581)	(34,426)
Tools, furniture and fixtures, net	8,570	8,734
Land	17,569	17,339
Leased assets	2,000	2,038
Accumulated depreciation	(1,356)	(1,400)
Leased assets, net	643	638
Construction in progress	11,068	12,710
Total property, plant and equipment	66,022	67,221
Intangible assets		
Software	3,245	3,246
Goodwill	5,794	5,558
Other	5,733	5,454
Total intangible assets	14,774	14,258
Investments and other assets		
Investment securities	13,433	13,376
Deferred tax assets	6,272	7,156
Other	3,900	4,514
Allowance for doubtful accounts	(236)	(237)
Total investments and other assets	23,370	24,809
Total non-current assets	104,167	106,289
Total assets	308,606	299,959

Millions of yen

	FY03/2020 (As of Mar. 31, 2020)	1Q FY03/2021 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,196	8,963
Electronically recorded obligations-operating	15,513	17,750
Short-term borrowings	727	7,726
Lease obligations	214	218
Accounts payable-other	13,086	8,683
Accrued expenses	12,296	7,542
Income taxes payable	4,232	2,838
Accrued consumption taxes	1,537	332
Provision for sales returns	1,967	1,334
Other	3,903	6,035
Total current liabilities	59,676	61,425
Non-current liabilities		
Lease obligations	712	702
Provision for retirement benefits for directors (and other officers)	3,334	-
Retirement benefit liability	4,346	4,056
Other	332	4,392
Total non-current liabilities	8,727	9,152
Total liabilities	68,403	70,577
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	15	-
Retained earnings	223,665	215,354
Treasury shares	(9,103)	(9,104)
Total shareholders' equity	219,425	211,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,434	4,181
Foreign currency translation adjustment	1,063	(349)
Remeasurements of defined benefit plans	(1,289)	(1,285)
Total accumulated other comprehensive income	4,208	2,546
Non-controlling interests	16,569	15,738
Total net assets	240,202	229,381
Total liabilities and net assets	308,606	299,959

(2) Consolidated Quarterly Statements of Income and Comprehensive Income**Consolidated Quarterly Statement of Income
(For the Three-month Period)***Millions of yen*

	1Q FY03/2020 (Apr. 1, 2019 – Jun. 30, 2019)	1Q FY03/2021 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	81,721	60,057
Cost of sales	20,325	15,452
Gross profit	61,396	44,604
Selling, general and administrative expenses		
Advertising expenses	5,658	3,144
Promotion expenses	14,941	12,804
Freight and packing costs	3,552	3,300
Salaries and allowances	12,686	12,557
Retirement benefit expenses	198	318
Legal welfare expenses	1,803	1,959
Depreciation	975	1,074
Other	8,246	8,330
Total selling, general and administrative expenses	48,062	43,490
Operating profit	13,334	1,113
Non-operating income		
Interest income	100	76
Dividend income	72	155
Refunded consumption taxes	184	357
Patent licensing	12	5
Miscellaneous income	132	142
Total non-operating income	501	738
Non-operating expenses		
Interest expenses	0	3
Commission expenses	5	4
Loss on investments in partnership	15	16
Foreign exchange losses	792	224
Miscellaneous loss	9	40
Total non-operating expenses	823	289
Ordinary profit	13,011	1,563
Extraordinary income		
Gain on sales of non-current assets	1	1,007
Gain on sales of investment securities	0	-
Total extraordinary income	1	1,007
Extraordinary losses		
Loss on disposal of non-current assets	126	27
Total extraordinary losses	126	27
Profit before income taxes	12,886	2,542
Income taxes-current	2,770	1,869
Income taxes-deferred	1,198	(785)
Total income taxes	3,969	1,083
Profit	8,916	1,459
Profit (loss) attributable to non-controlling interests	496	(132)
Profit attributable to owners of parent	8,420	1,591

Consolidated Quarterly Statement of Comprehensive Income
(For the Three-month Period)

Millions of yen

	1Q FY03/2020 (Apr. 1, 2019 – Jun. 30, 2019)	1Q FY03/2021 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	8,916	1,459
Other comprehensive income		
Valuation difference on available-for-sale securities	68	(250)
Foreign currency translation adjustment	240	(1,428)
Remeasurements of defined benefit plans, net of tax	(78)	5
Total other comprehensive income	230	(1,673)
Comprehensive income	9,146	(213)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,643	(70)
Comprehensive income attributable to non-controlling interests	503	(143)

(3) Notes to Consolidated Quarterly Financial Statements

Going Concern Assumption

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

On June 15, 2020, KOSÉ additionally purchased 1.96% of the shares of consolidated subsidiary Tarte, Inc. at a cost of 4,930 million yen, which raised to 100% KOSÉ's ownership of Tarte voting rights. Due to this investment, the capital surplus decreased 15 million yen and non-controlling interests decreased 431 million yen in the first quarter of the current fiscal year.

As this decrease resulted in a negative capital surplus, retained earnings carried forward of 4,483 million yen was transferred to the capital surplus in accordance with Revised Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 22, September 13, 2013).

Additional Information

Termination of retirement benefit system for directors and other officers

In prior years, KOSÉ maintained a provision for retirement benefits for directors and other officers for the future payment of these retirement benefits. The provision was equal to the required amount of these payments as of the end of each fiscal year in accordance with internal rules concerning the payment of these retirement benefits. On May 25, 2020, the KOSÉ Board of Directors approved a resolution to terminate the retirement benefit system for directors and other officers as of the end of the Annual General Meeting of Shareholders held on June 26, 2020. At this meeting, shareholders approved a resolution to make final payments to directors and other officers for terminating the retirement benefit system.

Accordingly, the entire provision for retirement benefits for directors and other officers was reversed and the amount of final payments to be made, which is 4,063 million yen, is now classified as long-term payables and included in other under non-current liabilities.

Effect of COVID-19 on accounting estimates

In the first quarter of the current fiscal year, there are no significant changes to the assumptions used for the accounting estimates in the Securities Report for the fiscal year that ended in March 2020.

Segment and Other Information**Segment Information**

I. 1Q FY03/2020 (Apr. 1, 2019 – Jun. 30, 2019)

1. Information related to net sales and profit or loss for each reportable segment

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated quarterly statement of income (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	64,134	16,646	80,781	940	81,721	-	81,721
(2) Intragroup sales and transfers	-	-	-	155	155	(155)	-
Total sales	64,134	16,646	80,781	1,096	81,877	(155)	81,721
Segment profit (loss)	15,668	(1,203)	14,464	275	14,740	(1,405)	13,334

Notes: 1. The "other" 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 (loss) are as follows.

Millions of yen

Eliminations for intersegment transactions	(5)
Corporate expenses that cannot be allocated to reportable segments	(1,400)

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

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated quarterly statement of income.

2. Information related to impairment losses on non-current assets and goodwill, etc. for each reportable segment

No significant items in 1Q FY03/2020.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
56,570	14,897	8,708	1,545	81,721

II. 1Q FY03/2021 (Apr. 1, 2020 – Jun. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated quarterly statement of income (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	47,867	11,702	59,570	486	60,057	-	60,057
(2) Intragroup sales and transfers	-	-	-	166	166	(166)	-
Total sales	47,867	11,702	59,570	653	60,223	(166)	60,057
Segment profit (loss)	5,997	(2,511)	3,485	29	3,515	(2,401)	1,113

Notes: 1. The "other" 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 (loss) are as follows.

Millions of yen

Eliminations for intersegment transactions	(16)
Corporate expenses that cannot be allocated to reportable segments	(2,385)

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 (loss) is adjusted with operating profit shown on the consolidated quarterly statement of income.

2. Information related to impairment losses on non-current assets and goodwill, etc. for each reportable segment

No significant items in 1Q FY03/2021.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
34,814	16,704	7,639	898	60,057

Business Combinations

Transaction under common control

Additional purchase of the subsidiary's shares

1. Summary of business combination

(1) Name of company acquired and its business activity

Name of company acquired: Tarte, Inc.
Business activity: Cosmetics sales

(2) Date of business combination

June 15, 2020

(3) Method of business combination

Acquisition of stock from non-controlling interests

(4) Name of the company after business combination

There is no change in the company's name.

(5) Other item concerning summary of business combination

KOSÉ additionally purchased 1.96% of the shares of consolidated subsidiary Tarte, Inc., which raised to 100% KOSÉ's ownership of Tarte voting rights. The purpose of this acquisition is to further expand the Group's stable earnings base.

2. Summary of accounting methods applied

Accounting methods used for this acquisition as a transaction with non-controlling interests under common control are based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Matters concerning additional purchase of subsidiary's shares

Acquisition cost and breakdown by type of consideration

Payment for the acquisition:	Cash	4,930 million yen
Acquisition cost:		4,930 million yen

4. Change in ownership interest of KOSÉ due to transactions with non-controlling interests

(1) Major changes in capital surplus

Additional purchase of the subsidiary's shares

(2) Decrease in capital surplus due to transactions with non-controlling interests

4,499 million yen

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.