

Contents of Attachments

1. Qualitative Information on Consolidated Quarterly Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Consolidated Forecast and Other Forward-looking Statements	4
2. Consolidated Quarterly Financial Statements and Notes	5
(1) Consolidated Quarterly Balance Sheet	5
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	7
Consolidated Quarterly Statement of Income	
(For the Six-month Period)	7
Consolidated Quarterly Statement of Comprehensive Income	
(For the Six-month Period)	8
(3) Consolidated Quarterly Statement of Cash Flows	9
(4) Notes to Consolidated Quarterly Financial Statements	11
Going Concern Assumption	11
Precaution Concerning Significant Changes in Shareholders' Equity	11
Additional Information	11
Segment and Other Information	12
Subsequent Events	14

1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Six Months Ended September 30, 2020 (April 1, 2020 – September 30, 2020)

Millions of yen, %

Operating segment	2Q FY03/2020		2Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	131,918	77.3	100,855	77.4	(31,063)	(23.5)
Cosmetaries	36,732	21.5	28,184	21.6	(8,547)	(23.3)
Other	2,122	1.2	1,250	1.0	(872)	(41.1)
Total net sales	170,773	100.0	130,290	100.0	(40,482)	(23.7)

	2Q FY03/2020		2Q FY03/2021		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	28,314	16.6	4,010	3.1	(24,304)	(85.8)
Ordinary profit	28,046	16.4	4,042	3.1	(24,004)	(85.6)
Profit attributable to owners of parent	18,192	10.7	3,093	2.4	(15,098)	(83.0)

1) Review of Operations

In the first half (April 1 to September 30, 2020) of the current fiscal year, the novel coronavirus (COVID-19) outbreak had a severe impact on the Japanese economy, but signs of an end to the economic downturn are now emerging. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry (April 1 to August 31, 2020), the sales volume and monetary sales of cosmetics were down compared with one year earlier.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. During the first half of the fiscal year, the Chinese economy started to recover but economies in other Asian countries remained weak. In the United States, economic sentiment is beginning to improve as economic activity resumes, but the overall business climate is still challenging.

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 half, net sales decreased 23.7% to 130,290 million yen (down 22.8% after excluding the effects of changes in foreign exchange rates). Although sales remained strong in China, sales in Japan and other countries were lower because of the severe impact of COVID-19. Overseas sales were 39.4% of total sales.

Earnings were lower because of the downturn in sales resulting from the above factors. As a result, operating profit decreased 85.8% to 4,010 million yen and ordinary profit decreased 85.6% to 4,042 million yen, which includes a consumption tax refund. Profit attributable to owners of parent decreased 83.0% to 3,093 million yen.

2) Results by Business Segment**a. Cosmetics Business***Millions of yen, %*

	2Q FY03/2020	2Q FY03/2021	YoY change	
			Amount	%
Sales to third parties	131,918	100,855	(31,063)	(23.5)
Intragroup sales and transfers	-	-	-	-
Total net sales	131,918	100,855	-	-
Operating profit	30,438	9,378	(21,059)	(69.2)
Operating margin	23.1	9.3	-	-

In the cosmetics business, sales of DECORTÉ products were strong in China in all sales channels. In Japan, the LECHÉRI line of moisture-retention aging care products posted higher sales. Many new products were launched during the first half, including LIFT DIMENSION, a new line of aging care products from the DECORTÉ brand, SEKKISEI CLEAR WELLNESS, a new line of SEKKISEI skin care products, and SERUM VEIL, a ONE BY KOSÉ medicated moisturizing serum that is even more effective than the previous version. However, sales of other major cosmetics brands were mostly down. In addition, sales to foreign tourists in Japan decreased significantly. As a result, sales in the cosmetics business decreased 23.5% to 100,855 million yen and operating profit decreased 69.2% to 9,378 million yen.

b. Cosmetaries Business*Millions of yen, %*

	2Q FY03/2020	2Q FY03/2021	YoY change	
			Amount	%
Sales to third parties	36,732	28,184	(8,547)	(23.3)
Intragroup sales and transfers	-	-	-	-
Total net sales	36,732	28,184	-	-
Operating profit	446	(1,906)	(2,353)	-
Operating margin	1.2	-	-	-

In the cosmetaries business, sales of LIP GEL MAGIC, CURL KEEP MAGIC and other products where the COVID-19 crisis raised demand contributed to total net sales. Sales were higher for the STEPHEN KNOLL NEW YORK hair care products and the GRACE ONE brand at KOSÉ COSMEPORT Corp., but the markets for cleansing products, sunscreen and facial sheet masks were weak. As a result, sales in the cosmetaries business decreased 23.3% to 28,184 million yen and operating loss was 1,906 million yen (compared with operating profit of 446 million yen one year earlier).

c. Other Business*Millions of yen, %*

	2Q FY03/2020	2Q FY03/2021	YoY change	
			Amount	%
Sales to third parties	2,122	1,250	(872)	(41.1)
Intragroup sales and transfers	313	261	-	-
Total net sales	2,435	1,511	-	-
Operating profit	647	204	(442)	(68.4)
Operating margin	26.6	13.6	-	-

In the other business segment, there were decreases in sales of amenity products for hotels and golf clubs and orders for the manufacture of OEM products. As a result, sales decreased 41.1% to 1,250 million yen and operating profit decreased 68.4% to 204 million yen.

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

	2Q FY03/2020		2Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	119,775	70.1	78,896	60.5	(40,879)	(34.1)
Asia	31,367	18.4	36,705	28.2	5,338	17.0
North America	16,721	9.8	12,993	10.0	(3,728)	(22.3)
Other	2,908	1.7	1,695	1.3	(1,213)	(41.7)
Total net sales	170,773	100.0	130,290	100.0	(40,482)	(23.7)

Japan

E-commerce sales were strong in Japan in part because of the effectiveness of promotional activities centered on Maison KOSÉ. Sales were negatively affected by the decline in customer traffic at stores as people stayed home because of the COVID-19 pandemic and a downturn in purchases by consumers. In addition, the plunge in foreign tourists in Japan brought down sales in the department store and other major sales channels. As a result, sales in Japan decreased 34.1% to 78,896 million yen.

Asia

E-commerce sales continued to grow in China, where the COVID-19 pandemic appears to be near the end. In addition, sales at department stores in China have recovered rapidly following the end of lockdowns and sales in the duty-free channel were much higher because of measures by the Chinese government to bolster the economy. The May start of sales on the Tmall online platform of DECORTÉ AQ and SEKKISEI MYV products also contributed to sales in China. In South Korea, Taiwan and other Asian countries, COVID-19 had a negative impact on sales. As a result, sales in Asia increased 17.0% to 36,705 million yen.

North America

At the U.S. company Tarte, Inc., lockdowns and restrictions on outings to prevent the spread of COVID-19 had a severe impact on sales. Although e-commerce sales were very strong, this growth was not enough to offset the decline in sales at stores. As a result, sales in North America decreased 22.3% to 12,993 million yen.

Other

In Europe, although stores started reopening in May, sales of Tarte products were held down by lockdowns and restrictions on outings to prevent the spread of COVID-19. As a result, sales decreased 41.7% to 1,695 million yen.

Store openings are planned as economic activity resumes in September and afterward in countries where Tarte products are not yet sold as well as in countries where these products are currently available.

(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***Millions of yen*

	FY03/2020 (As of Mar. 31, 2020)	2Q FY03/2021 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	97,556	87,104
Notes and accounts receivable-trade	38,371	35,099
Merchandise and finished goods	35,775	36,863
Work in process	3,472	2,736
Raw materials and supplies	22,192	25,530
Other	7,146	6,184
Allowance for doubtful accounts	(77)	(72)
Total current assets	204,438	193,445
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,590	52,298
Accumulated depreciation	(22,671)	(22,388)
Buildings and structures, net	22,919	29,909
Machinery, equipment and vehicles	18,543	21,570
Accumulated depreciation	(13,290)	(13,555)
Machinery, equipment and vehicles, net	5,252	8,015
Tools, furniture and fixtures	43,151	44,149
Accumulated depreciation	(34,581)	(35,290)
Tools, furniture and fixtures, net	8,570	8,858
Land	17,569	17,344
Leased assets	2,000	2,155
Accumulated depreciation	(1,356)	(1,443)
Leased assets, net	643	712
Construction in progress	11,068	387
Total property, plant and equipment	66,022	65,228
Intangible assets		
Software	3,245	3,652
Goodwill	5,794	5,305
Other	5,733	5,703
Total intangible assets	14,774	14,662
Investments and other assets		
Investment securities	13,433	14,074
Deferred tax assets	6,272	7,810
Other	3,900	4,647
Allowance for doubtful accounts	(236)	(239)
Total investments and other assets	23,370	26,293
Total non-current assets	104,167	106,183
Total assets	308,606	299,628

	<i>Millions of yen</i>	
	FY03/2020 (As of Mar. 31, 2020)	2Q FY03/2021 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,196	6,478
Electronically recorded obligations-operating	15,513	17,146
Short-term borrowings	727	7,635
Lease obligations	214	248
Accounts payable-other	13,086	8,428
Accrued expenses	12,296	10,943
Income taxes payable	4,232	3,497
Accrued consumption taxes	1,537	-
Provision for sales returns	1,967	1,791
Other	3,903	3,343
Total current liabilities	59,676	59,514
Non-current liabilities		
Lease obligations	712	754
Provision for retirement benefits for directors (and other officers)	3,334	-
Retirement benefit liability	4,346	3,767
Other	332	4,428
Total non-current liabilities	8,727	8,950
Total liabilities	68,403	68,465
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	15	-
Retained earnings	223,665	216,848
Treasury shares	(9,103)	(9,093)
Total shareholders' equity	219,425	212,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,434	4,675
Foreign currency translation adjustment	1,063	(461)
Remeasurements of defined benefit plans	(1,289)	(1,282)
Total accumulated other comprehensive income	4,208	2,932
Non-controlling interests	16,569	15,628
Total net assets	240,202	231,163
Total liabilities and net assets	308,606	299,628

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

	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	170,773	130,290
Cost of sales	44,304	36,777
Gross profit	126,468	93,512
Selling, general and administrative expenses		
Advertising expenses	10,948	7,752
Promotion expenses	31,027	27,462
Freight and packing costs	7,600	7,311
Salaries and allowances	25,668	24,784
Retirement benefit expenses	391	652
Legal welfare expenses	3,781	3,824
Depreciation	1,989	2,205
Other	16,746	15,509
Total selling, general and administrative expenses	98,153	89,502
Operating profit	28,314	4,010
Non-operating income		
Interest income	236	133
Dividend income	75	159
Refunded consumption taxes	185	375
Patent licensing	12	6
Miscellaneous income	209	297
Total non-operating income	718	972
Non-operating expenses		
Interest expenses	1	8
Commission expenses	6	5
Loss on investments in partnership	32	33
Foreign exchange losses	924	841
Miscellaneous loss	21	50
Total non-operating expenses	986	940
Ordinary profit	28,046	4,042
Extraordinary income		
Gain on sales of non-current assets	10	1,007
Gain on sales of investment securities	0	-
Gain on liquidation of business	115	-
Total extraordinary income	125	1,007
Extraordinary losses		
Loss on disposal of non-current assets	187	71
Other	4	-
Total extraordinary losses	191	71
Profit before income taxes	27,981	4,977
Income taxes-current	7,900	3,797
Income taxes-deferred	773	(1,675)
Total income taxes	8,674	2,121
Profit	19,307	2,855
Profit (loss) attributable to non-controlling interests	1,114	(237)
Profit attributable to owners of parent	18,192	3,093

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

Millions of yen

	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	19,307	2,855
Other comprehensive income		
Valuation difference on available-for-sale securities	318	242
Foreign currency translation adjustment	(1,651)	(1,544)
Remeasurements of defined benefit plans, net of tax	(157)	11
Total other comprehensive income	(1,490)	(1,290)
Comprehensive income	17,816	1,565
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,739	1,817
Comprehensive income attributable to non-controlling interests	1,076	(252)

(3) Consolidated Quarterly Statement of Cash Flows*Millions of yen*

	2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019)	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	27,981	4,977
Depreciation	4,068	4,594
Amortization of goodwill	401	395
Increase (decrease) in allowance for doubtful accounts	(7)	(0)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	416	(3,334)
Increase (decrease) in retirement benefit liability	(809)	(571)
Increase (decrease) in other provision	47	(285)
Loss (gain) on disposal of non-current assets	177	(935)
Interest and dividend income	(311)	(292)
Interest expenses	1	8
Foreign exchange losses (gains)	332	429
Loss (gain) on sales of investment securities	(0)	-
Loss (gain) on investments in partnership	32	33
Gain on liquidation of business	(115)	-
Decrease (increase) in notes and accounts receivable-trade	(3,217)	3,039
Decrease (increase) in inventories	(6,409)	(3,968)
Increase (decrease) in notes and accounts payable-trade	(117)	1,997
Decrease (increase) in other assets	2,082	871
Increase (decrease) in other liabilities	(1,369)	(4,236)
Other, net	4	-
Subtotal	23,186	2,720
Interest and dividend income received	343	301
Interest expenses paid	(4)	(6)
Income taxes paid	(10,165)	(1,744)
Net cash provided by (used in) operating activities	13,360	1,270
Cash flows from investing activities		
Payments into time deposits	(7,878)	(1,365)
Proceeds from withdrawal of time deposits	8,023	4,898
Purchase of property, plant and equipment	(8,815)	(5,766)
Proceeds from sales of property, plant and equipment	10	1,502
Payments for retirement of property, plant and equipment	(66)	-
Purchase of intangible assets	(939)	(867)
Purchase of investment securities	(561)	(282)
Proceeds from sales and redemption of investment securities	0	-
Purchase of shares of subsidiaries	(5)	(45)
Loan advances	(153)	(204)
Decrease (increase) in other investments	(163)	(163)
Net cash provided by (used in) investing activities	(10,549)	(2,292)

	<i>Millions of yen</i>	
	2Q FY03/2020	2Q FY03/2021
	(Apr. 1, 2019 – Sep. 30, 2019)	(Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	124	6,909
Net decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(5,419)	(5,419)
Cash dividends paid to non-controlling shareholders	(205)	(256)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(4,930)
Purchase of treasury shares of subsidiaries	(19)	-
Other, net	(118)	(117)
Net cash provided by (used in) financing activities	(5,638)	(3,814)
Effect of exchange rate change on cash and cash equivalents	(1,396)	(1,651)
Net increase (decrease) in cash and cash equivalents	(4,224)	(6,488)
Cash and cash equivalents at beginning of period	64,264	70,284
Cash and cash equivalents at end of period	60,040	63,795

(4) 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 half 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 half 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 on March 31, 2020.

Segment and Other Information**Segment Information**

I. 2Q FY03/2020 (Apr. 1, 2019 – Sep. 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	131,918	36,732	168,651	2,122	170,773	-	170,773
(2) Intragroup sales and transfers	-	-	-	313	313	(313)	-
Total sales	131,918	36,732	168,651	2,435	171,086	(313)	170,773
Segment profit	30,438	446	30,884	647	31,531	(3,217)	28,314

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 are as follows.

Millions of yen

Eliminations for intersegment transactions	27
Corporate expenses that cannot be allocated to reportable segments	(3,245)

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 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 2Q FY03/2020.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
119,775	31,367	16,721	2,908	170,773

II. 2Q FY03/2021 (Apr. 1, 2020 – Sep. 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	100,855	28,184	129,040	1,250	130,290	-	130,290
(2) Intragroup sales and transfers	-	-	-	261	261	(261)	-
Total sales	100,855	28,184	129,040	1,511	130,551	(261)	130,290
Segment profit (loss)	9,378	(1,906)	7,471	204	7,675	(3,665)	4,010

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	(18)
Corporate expenses that cannot be allocated to reportable segments	(3,647)

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 2Q FY03/2021.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
78,896	36,705	12,993	1,695	130,290

Subsequent Events

Receipt of employment adjustment subsidy

KOSÉ and subsidiaries in Japan received the following employment adjustment subsidy to offset the impact of the COVID-19 crisis.

- (1) Receipt of subsidy income: October 2020
- (2) Amount: 2,226 million yen
- (3) Effect on earnings: Will be recognized as non-operating income in the third quarter of the fiscal year ending March 31, 2021

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.