



January 29, 2021

**Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021  
(Nine Months Ended December 31, 2020)**

**[Japanese GAAP]**

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section  
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 Scheduled date of filing of Quarterly Report: February 10, 2021  
 Scheduled date of dividend payment: Undecided  
 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 Nine Months Ended December 31, 2020  
(April 1, 2020 – December 31, 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 (%)
3Q FY03/2021	204,135	(18.0)	11,141	(70.6)	13,540	(64.7)	8,681	(65.1)
3Q FY03/2020	249,034	0.5	37,850	(18.2)	38,385	(19.1)	24,873	(24.5)

Note: Comprehensive income (million yen) 3Q FY03/2021: 8,221 (down 67.4%) 3Q FY03/2020: 25,209 (down 23.7%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2021	152.18	-
3Q FY03/2020	436.04	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2021	297,972	234,229	73.3	3,830.20
FY03/2020	308,606	240,202	72.5	3,920.41

Ref.: Shareholders' equity (million yen) 3Q FY03/2021: 218,504 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	-	60.00	-	-	-
FY03/2021 (forecast)	-	-	-	60.00	120.00

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

**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	280,000	(14.6)	13,000	(67.7)	16,000	(60.9)	11,000	(58.8)	192.82

Note: Revisions to the most recently announced consolidated forecast: Yes



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## 1. Qualitative Information on Consolidated Quarterly Financial Performance

### (1) Explanation of Results of Operations

Nine Months Ended December 31, 2020 (April 1, 2020 – December 31, 2020)

Millions of yen, %

Operating segment	3Q FY03/2020		3Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	192,797	77.4	161,224	79.0	(31,573)	(16.4)
Cosmetaries	53,174	21.4	40,953	20.1	(12,220)	(23.0)
Other	3,061	1.2	1,957	0.9	(1,104)	(36.1)
Total net sales	249,034	100.0	204,135	100.0	(44,898)	(18.0)

	3Q FY03/2020		3Q FY03/2021		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	37,850	15.2	11,141	5.5	(26,709)	(70.6)
Ordinary profit	38,385	15.4	13,540	6.6	(24,845)	(64.7)
Profit attributable to owners of parent	24,873	10.0	8,681	4.3	(16,191)	(65.1)

In the first nine months (April 1 to December 31, 2020) of the current fiscal year, economic activity in Japan resumed in the quarter that ended in September following the end of the state of emergency. The Japanese government's Go To Travel campaign and other measures fueled a strong economic recovery. However, the economic recovery lost momentum in the fourth quarter of 2020 because of an increase in COVID-19 infections and other reasons.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. In these regions, the economies of the United States and China are recovering. In other Asian countries, economies are weak but the downturn appears to be ending. In the United States, economic sentiment is beginning to improve as economic activity resumes, but the overall business climate is still challenging.

In the Japanese cosmetics market, sales are recovering slowly despite a big downturn in sales to foreign tourists and declining interest in buying cosmetics among Japanese consumers because of the need to limit outings during the COVID-19 crisis.

In other countries, there was a big increase in sales of cosmetics in China, where economic activity is returning to normal, primarily in the e-commerce and duty-free store sectors. However, sales of cosmetics in other Asian countries remained sluggish because of COVID-19. In the United States, consumer spending is recovering even though the number of COVID-19 infections is continuing to climb.

In Japan, consumer spending is decreasing as people stay home and businesses reduce operating hours in response to the second declaration of a state of emergency. Furthermore, lockdowns and travel restrictions due to the growth of COVID-19 infections are severely impacting the economies of Asian countries, except China, the United States and Europe. As a result, the outlook continues to be uncertain.

In this challenging business climate, the KOSÉ Group is continuing to take numerous actions based on VISION2026, which has the goal of advancing to the next stage of growth as KOSÉ looks ahead to the 80th anniversary of its founding in 2026. Activities are focused on global and borderless growth by fully utilizing the Group's resources and the constant creation of innovative value while building a powerful business foundation capable of supporting this growth.

In the first nine months, net sales decreased 18.0% to 204,135 million yen (down 17.4% 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.

Earnings were lower because of the downturn in sales. Operating profit decreased 70.6% to 11,141 million yen and ordinary profit decreased 64.7% to 13,540 million yen, which includes subsidy income. Profit

attributable to owners of parent decreased 65.1% to 8,681 million yen.

### Cosmetics Business

In the cosmetics business, sales of DECORTÉ products were strong in China in all sales channels. In Japan, SERUM VEIL, a medicated moisturizing serum, and THE WRINKLESS, a beauty cream for wrinkles, which are both members of the ONE BY KOSÉ line of products, posted higher sales. There were also contributions to sales from a number of new products. Recently launched products include KIMONO, a new series of DECORTÉ fragrances, a new version of The EYE SHADOW, part of the ADDICTION line of products, and Carté Hirudoid highly functional skin care products that combine the technologies and other expertise of KOSÉ and Maruho. 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 16.4% to 161,224 million yen and operating profit decreased 56.7% to 18,007 million yen.

### Cosmetaries Business

In the cosmetaries business, LIP GEL MAGIC, CURL KEEP MAGIC, STEPHEN KNOLL NEW YORK hair care products and other products where the COVID-19 crisis raised demand contributed to sales. Sales were higher for the Coen Rich series and Urumina Plus at KOSÉ COSMEPORT Corp., but the markets for cleansing products and facial sheet masks were weak. As a result, sales in the cosmetaries business decreased 23.0% to 40,953 million yen and operating loss was 2,465 million yen (compared with operating profit of 63 million yen one year earlier).

### Other Business

The downturn in sales of amenity products to hotels and golf clubs stopped because of Japan's Go To Travel campaign. However, orders for the manufacture of OEM products declined. As a result, sales decreased 36.1% to 1,957 million yen and operating profit decreased 45.5% to 432 million yen.

### Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	3Q FY03/2020		3Q FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	173,326	69.6	124,589	61.0	(48,737)	(28.1)
Asia	47,000	18.9	56,735	27.8	9,734	20.7
North America	25,076	10.1	20,212	9.9	(4,863)	(19.4)
Other	3,629	1.4	2,597	1.3	(1,032)	(28.4)
Total net sales	249,034	100.0	204,135	100.0	(44,898)	(18.0)

### Japan

At cosmetics stores, there was a rapid rebound in sales of DECORTÉ and ALBION products and sales have started to recover in other major channels, too. In addition, sales have been consistently strong in the e-commerce channel of Maison KOSÉ. However, sales in Japan declined because COVID-19 held down consumer spending and reduced customer traffic at stores as people stayed home. There was also a big downturn in sales to foreign tourists in Japan. As a result, sales in Japan decreased 28.1% to 124,589 million yen.

### Asia

In China, where the COVID-19 pandemic appears to be near the end, e-commerce sales continued to increase and sales at department stores are recovering. In addition, sales at duty-free stores in China have

been consistently very strong. In South Korea, Taiwan and other Asian countries, COVID-19 had a negative impact on sales. As a result, sales in Asia increased 20.7% to 56,735 million yen.

### North America

At the U.S. company Tarte, Inc., e-commerce sales have been very strong and all stores that had suspended operations were open as of the end of August. But sales have been severely impacted by lockdowns and restrictions on going out because of COVID-19. As a result, sales in North America decreased 19.4% to 20,212 million yen.

### Other

Tarte e-commerce sales have been strong in Europe just as in the United States. Furthermore, almost all stores have reopened. However, sales were down because of COVID-19, particularly at stores where tourists account for a large share of sales. As a result, sales decreased 28.4% to 2,597 million yen.

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

The KOSÉ Group has reviewed current trends in its performance and revised its consolidated forecast that was announced on April 30, 2020 as follows.

### Revised Forecast

Sales are higher than initially planned in China and at Tarte, Inc. However, sales in Japan are expected to be below the initial plan because of the decline in consumer spending caused by reduced store operating hours and the need to stay home for safety due to the declaration of a state of emergency in response to the COVID-19 pandemic.

Earnings are also expected to be less than planned because of a decline in the gross profit resulting mainly from the decrease in sales.

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Yen</i>
Previous forecast (A)	286,600	17,200	18,200	12,500	219.13
Revised forecast (B)	280,000	13,000	16,000	11,000	192.82
Change (B – A)	(6,600)	(4,200)	(2,200)	(1,500)	-
Percentage change (%)	(2.3)	(24.4)	(12.1)	(12.0)	-
(Reference) Previous fiscal year results (FY03/2020)	327,724	40,231	40,932	26,682	467.76

\* Forecasts are based on foreign exchange rates of 107 yen to the U.S. dollar, 15.5 yen to the Chinese yuan and 0.09 yen to Korean won.

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

	FY03/2020 (As of Mar. 31, 2020)	3Q FY03/2021 (As of Dec. 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	97,556	83,834
Notes and accounts receivable-trade	38,371	39,979
Merchandise and finished goods	35,775	35,554
Work in process	3,472	2,476
Raw materials and supplies	22,192	24,963
Other	7,146	6,916
Allowance for doubtful accounts	(77)	(75)
Total current assets	204,438	193,649
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,590	52,433
Accumulated depreciation	(22,671)	(22,698)
Buildings and structures, net	22,919	29,735
Machinery, equipment and vehicles	18,543	21,616
Accumulated depreciation	(13,290)	(14,085)
Machinery, equipment and vehicles, net	5,252	7,531
Tools, furniture and fixtures	43,151	44,766
Accumulated depreciation	(34,581)	(36,294)
Tools, furniture and fixtures, net	8,570	8,471
Land	17,569	17,343
Leased assets	2,000	2,189
Accumulated depreciation	(1,356)	(1,493)
Leased assets, net	643	696
Construction in progress	11,068	648
Total property, plant and equipment	66,022	64,426
Intangible assets		
Software	3,245	3,467
Goodwill	5,794	5,017
Other	5,733	5,951
Total intangible assets	14,774	14,437
Investments and other assets		
Investment securities	13,433	15,444
Deferred tax assets	6,272	5,788
Other	3,900	4,596
Allowance for doubtful accounts	(236)	(370)
Total investments and other assets	23,370	25,458
Total non-current assets	104,167	104,322
Total assets	308,606	297,972

	<i>Millions of yen</i>	
	FY03/2020 (As of Mar. 31, 2020)	3Q FY03/2021 (As of Dec. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,196	6,131
Electronically recorded obligations-operating	15,513	14,662
Short-term borrowings	727	7,600
Lease obligations	214	232
Accounts payable-other	13,086	10,172
Accrued expenses	12,296	7,394
Income taxes payable	4,232	2,274
Accrued consumption taxes	1,537	-
Provision for sales returns	1,967	1,954
Other	3,903	4,585
<b>Total current liabilities</b>	<b>59,676</b>	<b>55,007</b>
<b>Non-current liabilities</b>		
Lease obligations	712	747
Provision for retirement benefits for directors (and other officers)	3,334	-
Retirement benefit liability	4,346	3,491
Other	332	4,495
<b>Total non-current liabilities</b>	<b>8,727</b>	<b>8,735</b>
<b>Total liabilities</b>	<b>68,403</b>	<b>63,742</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	4,848	4,848
Capital surplus	15	-
Retained earnings	223,665	219,036
Treasury shares	(9,103)	(9,094)
<b>Total shareholders' equity</b>	<b>219,425</b>	<b>214,789</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,434	5,743
Foreign currency translation adjustment	1,063	(750)
Remeasurements of defined benefit plans	(1,289)	(1,278)
<b>Total accumulated other comprehensive income</b>	<b>4,208</b>	<b>3,714</b>
<b>Non-controlling interests</b>	<b>16,569</b>	<b>15,724</b>
<b>Total net assets</b>	<b>240,202</b>	<b>234,229</b>
<b>Total liabilities and net assets</b>	<b>308,606</b>	<b>297,972</b>

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

	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	249,034	204,135
Cost of sales	65,260	56,858
Gross profit	183,774	147,277
Selling, general and administrative expenses		
Advertising expenses	15,917	12,823
Promotion expenses	46,557	42,687
Freight and packing costs	11,292	11,188
Salaries and allowances	38,017	36,489
Retirement benefit expenses	592	985
Legal welfare expenses	5,629	5,654
Depreciation	3,015	3,341
Other	24,900	22,966
Total selling, general and administrative expenses	145,923	136,135
Operating profit	37,850	11,141
Non-operating income		
Interest income	385	203
Dividend income	109	194
Refunded consumption taxes	184	377
Patent licensing	15	9
Subsidy income	32	3,384
Miscellaneous income	371	263
Total non-operating income	1,100	4,431
Non-operating expenses		
Interest expenses	2	12
Commission expenses	11	7
Loss on investments in partnership	46	50
Foreign exchange losses	479	1,775
Miscellaneous loss	24	186
Total non-operating expenses	564	2,032
Ordinary profit	38,385	13,540
Extraordinary income		
Gain on sales of non-current assets	10	1,007
Gain on sales of investment securities	0	28
Gain on liquidation of business	115	-
Total extraordinary income	125	1,035
Extraordinary losses		
Loss on disposal of non-current assets	279	107
Loss on valuation of shares of subsidiaries and associates	29	148
Other	4	-
Total extraordinary losses	314	255
Profit before income taxes	38,197	14,320
Income taxes-current	9,265	5,753
Income taxes-deferred	2,653	(151)
Total income taxes	11,918	5,602
Profit	26,278	8,717
Profit attributable to non-controlling interests	1,405	36
Profit attributable to owners of parent	24,873	8,681

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

*Millions of yen*

	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)	3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 2020)
Profit	26,278	8,717
Other comprehensive income		
Valuation difference on available-for-sale securities	1,380	1,309
Foreign currency translation adjustment	(2,212)	(1,823)
Remeasurements of defined benefit plans, net of tax	(236)	17
Total other comprehensive income	(1,069)	(496)
Comprehensive income	25,209	8,221
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,859	8,187
Comprehensive income attributable to non-controlling interests	1,350	34

### **(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 nine months 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

The KOSÉ Group determines estimates for accounting purposes by using information that is available when the consolidated financial statements are prepared. Accounting estimates have been determined by using the assumption established in the previous fiscal year that the impact of the COVID-19 pandemic, which is different in each business category and region, on results of operations would start to decline in the fall of 2020.

The outlook for the impact of the COVID-19 pandemic was reexamined by using information that was available as of the end of December 2020. The current outlook is for the impact of this crisis to slowly decrease as well as for the crisis to continue affecting results of operations for a certain length of time in the next fiscal year. Current accounting estimates are the best possible estimates at this time. Actual results may differ from these estimates because of the considerable uncertainty about when the COVID-19 pandemic will end and how much this crisis will affect the economies of Japan and other countries.

**Segment and Other Information****Segment Information**

I. 3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 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	192,797	53,174	245,972	3,061	249,034	-	249,034
(2) Intragroup sales and transfers	-	-	-	431	431	(431)	-
Total sales	192,797	53,174	245,972	3,493	249,466	(431)	249,034
Segment profit	41,559	63	41,623	795	42,418	(4,567)	37,850

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	28
Corporate expenses that cannot be allocated to reportable segments	(4,596)

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 3Q FY03/2020.

3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
173,326	47,000	25,076	3,629	249,034

## II. 3Q FY03/2021 (Apr. 1, 2020 – Dec. 31, 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	161,224	40,953	202,178	1,957	204,135	-	204,135
(2) Intragroup sales and transfers	-	-	-	373	373	(373)	-
Total sales	161,224	40,953	202,178	2,330	204,508	(373)	204,135
Segment profit (loss)	18,007	(2,465)	15,541	432	15,974	(4,833)	11,141

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	(4,839)

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 3Q FY03/2021.

## 3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
124,589	56,735	20,212	2,597	204,135

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.