



October 31, 2019

Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020 (Six Months Ended September 30, 2019)

[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: November 11, 2019
 Scheduled date of dividend payment: December 10, 2019
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Rounded down to million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(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 (%) |
|--------------|----------------------------|----------------------|--------------------------------------|----------------------|-------------------------------------|----------------------|---|----------------------|
| 2Q FY03/2020 | 170,773 | 6.1 | 28,314 | (7.8) | 28,046 | (14.0) | 18,192 | (18.1) |
| 2Q FY03/2019 | 160,996 | 11.3 | 30,712 | 30.9 | 32,610 | 36.2 | 22,214 | 46.0 |

Note: Comprehensive income (million yen) 2Q FY03/2020: 17,816 (down 17.7%) 2Q FY03/2019: 21,645 (up 30.6%)

| | Net income per share (basic) (Yen) | Net income per share (diluted) (Yen) |
|--------------|--|--|
| 2Q FY03/2020 | 318.92 | - |
| 2Q FY03/2019 | 389.42 | - |

(2) Consolidated financial position

| | Total assets (Million yen) | Net assets (Million yen) | Equity ratio (%) | Net assets per share (Yen) |
|--------------|-------------------------------|-----------------------------|---------------------|-------------------------------|
| 2Q FY03/2020 | 306,897 | 237,013 | 71.7 | 3,859.49 |
| FY03/2019 | 300,162 | 224,841 | 69.6 | 3,660.77 |

Ref.: Shareholders' equity (million yen) 2Q FY03/2020: 220,158 FY03/2019: 208,823

2. Dividends

| | Dividend per share | | | | |
|----------------------|--------------------|-----------------|-----------------|-------------------|----------------|
| | 1Q-end (Yen) | 2Q-end (Yen) | 3Q-end (Yen) | Year-end (Yen) | Total (Yen) |
| FY03/2019 | - | 85.00 | - | 95.00 | 180.00 |
| FY03/2020 | - | 95.00 | - | - | - |
| FY03/2020 (forecast) | - | - | - | 95.00 | 190.00 |

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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 | 352,000 | 5.7 | 54,000 | 3.0 | 54,700 | 1.3 | 37,100 | 0.3 | 650.37 |

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 September 30, 2019: 60,592,541 shares

As of March 31, 2019: 60,592,541 shares

2) Number of treasury shares at end of the period

As of September 30, 2019: 3,549,045 shares

As of March 31, 2019: 3,549,024 shares

3) Average number of shares outstanding during the period

2Q FY03/2020: 57,043,510 shares

2Q FY03/2019: 57,043,634 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 4 of the attachments.

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1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Six Months Ended September 30, 2019 (April 1, 2019 – September 30, 2019)

Millions of yen, %

| Operating segment | 2Q FY03/2019 | | 2Q FY03/2020 | | YoY change | |
|-------------------|--------------|---------|--------------|---------|------------|-------|
| | Amount | % comp. | Amount | % comp. | Amount | % |
| Cosmetics | 121,461 | 75.4 | 131,918 | 77.3 | 10,456 | 8.6 |
| Cosmetaries | 38,172 | 23.7 | 36,732 | 21.5 | (1,440) | (3.8) |
| Other | 1,361 | 0.9 | 2,122 | 1.2 | 760 | 55.8 |
| Total net sales | 160,996 | 100.0 | 170,773 | 100.0 | 9,776 | 6.1 |

| | 2Q FY03/2019 | | 2Q FY03/2020 | | YoY change | |
|---|--------------|------------|--------------|------------|------------|--------|
| | Amount | % of sales | Amount | % of sales | Amount | % |
| Operating profit | 30,712 | 19.1 | 28,314 | 16.6 | (2,398) | (7.8) |
| Ordinary profit | 32,610 | 20.3 | 28,046 | 16.4 | (4,563) | (14.0) |
| Profit attributable to owners of parent | 22,214 | 13.8 | 18,192 | 10.7 | (4,021) | (18.1) |

1) Review of Operations

In the first half (April 1 to September 30, 2019) of the current fiscal year, the Japanese economy continued to recover slowly despite the negative effects of a series of typhoons, heavy rain and other natural disasters. The economy was supported by improvements in employment, personal income and other areas as well as an upturn in demand as people rushed to make purchases prior to the October 2019 consumption tax hike. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry, the sales volume and monetary sales of cosmetics increased compared with one year earlier. Overseas, in the primary markets for the KOSÉ Group, economic growth slowed in some Asian countries but the U.S. economy continued to recover.

The KOSÉ Group has established VISION2026 for the purpose of providing guidelines for advancing to the next stage of growth as KOSÉ looks ahead to the 80th anniversary of its founding in 2026. The objective of this vision is global and borderless growth through the greatest possible use of KOSÉ's resources and the constant creation of innovative value. A powerful business foundation capable of supporting growth will underpin all activities.

In the first half, net sales increased 6.1% to 170,773 million yen (up 6.6% after excluding the effects of changes in foreign exchange rates) as a result of higher sales in all regions except North America. This was the seventh consecutive year of record-high first half sales. Overseas sales were 29.9% of total sales.

Earnings declined mainly because of an increase in the cost of sales ratio and higher selling, general and administrative expenses caused by expenses for aggressive marketing activities. Operating profit decreased 7.8% to 28,314 million yen, the first year-on-year decline in operating profit in a fiscal year's first half in six years. Ordinary profit decreased 14.0% to 28,046 million yen. Profit attributable to owners of parent decreased 18.1% to 18,192 million yen.

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

| | 2Q FY03/2019 | 2Q FY03/2020 | YoY change | |
|--------------------------------|--------------|--------------|------------|-----|
| | | | Amount | % |
| Sales to third parties | 121,461 | 131,918 | 10,456 | 8.6 |
| Intragroup sales and transfers | - | - | - | - |
| Total net sales | 121,461 | 131,918 | - | - |
| Operating profit | 28,647 | 30,438 | 1,791 | 6.3 |
| Operating margin | 23.6 | 23.1 | - | - |

In the high-prestige category of the cosmetics business, sales of DECORTÉ products increased as this brand launched an updated line of products at the top end of its lineup. Sales were higher at ALBION CO., LTD. due to the popularity of new products and sales at the U.S. company Tarte, Inc., which enlarged sales channels in Europe, were unchanged from one year earlier. In the prestige category, sales were higher for the ESPRIQUE brand of makeup products, ONE BY KOSÉ, a line of products with outstanding efficacy for specific beauty care functions, and other products. Overall, sales in the cosmetics business increased 8.6% to 131,918 million yen and operating profit increased 6.3% to 30,438 million yen.

b. Cosmetaries Business*Millions of yen, %*

| | 2Q FY03/2019 | 2Q FY03/2020 | YoY change | |
|--------------------------------|--------------|--------------|------------|--------|
| | | | Amount | % |
| Sales to third parties | 38,172 | 36,732 | (1,440) | (3.8) |
| Intragroup sales and transfers | 487 | - | - | - |
| Total net sales | 38,659 | 36,732 | - | - |
| Operating profit | 4,152 | 446 | (3,705) | (89.3) |
| Operating margin | 10.7 | 1.2 | - | - |

In the cosmetaries business, there were activities for developing products that target customers' needs as well as many highly effective advertising and promotional activities. However, sales were down from one year earlier because of the end of a makeup brand licensing agreement in the previous fiscal year. As a result, sales in the cosmetaries business decreased 3.8% to 36,732 million yen and operating profit decreased 89.3% to 446 million yen.

c. Other Business*Millions of yen, %*

| | 2Q FY03/2019 | 2Q FY03/2020 | YoY change | |
|--------------------------------|--------------|--------------|------------|--------|
| | | | Amount | % |
| Sales to third parties | 1,361 | 2,122 | 760 | 55.8 |
| Intragroup sales and transfers | 371 | 313 | - | - |
| Total net sales | 1,733 | 2,435 | - | - |
| Operating profit | 745 | 647 | (98) | (13.2) |
| Operating margin | 43.0 | 26.6 | - | - |

In the other business segment, there were increases in sales of amenity products and orders for the manufacture of OEM products. As a result, sales increased 55.8% to 2,122 million yen but operating profit decreased 13.2% to 647 million yen.

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

| | 2Q FY03/2019 | | 2Q FY03/2020 | | YoY change | |
|-----------------|--------------|---------|--------------|---------|------------|-------|
| | Amount | % comp. | Amount | % comp. | Amount | % |
| Japan | 118,541 | 73.6 | 119,775 | 70.1 | 1,233 | 1.0 |
| Asia | 23,249 | 14.4 | 31,367 | 18.4 | 8,117 | 34.9 |
| North America | 17,497 | 10.9 | 16,721 | 9.8 | (775) | (4.4) |
| Other | 1,707 | 1.1 | 2,908 | 1.7 | 1,201 | 70.4 |
| Total net sales | 160,996 | 100.0 | 170,773 | 100.0 | 9,776 | 6.1 |

Japan

Sales were higher than one year earlier in major sales channels despite the negative effects of a series of typhoons, heavy rain and other natural disasters. Sales growth was the result of the launch of new products by all brands and aggressive promotional activities that generated sales from normal sources of demand as well as from the upturn in demand as people rushed to make purchases prior to the October 2019 consumption tax hike. In the department store channel, which is used mainly for high-prestige brands, sales to foreign tourists in Japan were lower than one year earlier but sales to Japanese customers were firm. In the drug store and general merchandise store channels, sales of INFINITY, a brand that provides a full line of cosmetics, were higher because of a new marketing strategy. Sales of the ESPRIQUE makeup brand, the ONE BY KOSÉ brand for products with specific beauty care functions and other prestige category brands were higher. In the cosmetaries category, the STEPHEN KNOLL NEW YORK line of hair care products and other brands posted higher sales. As a result, sales increased 1.0% to 119,775 million yen.

Asia

Activities in Asia focused on reinforcing existing sales channels throughout this region and expanding relatively new sales channels like duty-free stores and e-commerce. The objective is establishing global and borderless customer base by using activities including linkage with marketing activities for foreign tourists in Japan. During the first half, sales were higher in key countries and regions. The high-prestige category was a major source of growth throughout Asia due mainly to higher sales of the key global brands such as DECORTÉ and ALBION CO., LTD. In addition, a continuation of the strong growth of duty-free sales in South Korea and the significant growth of e-commerce sales in China also contributed to higher sales in Asia. As a result, sales increased 34.9% to 31,367 million yen.

North America

Tarte strengthened its product lineups in all categories and continued activities aimed at attracting new customer segments. Major initiatives at Tarte include a recently launched brand that targets generation Z (teenagers and early 20s) and Clean Beauty products that ensure the safety of ingredients and are environmental responsibility. However, the challenging conditions of the overall prestige makeup market affected the performance in North America. As a result, sales decreased 4.4% to 16,721 million yen.

Other

Sales increased 70.4% to 2,908 million yen in this category because of the growth of sales of Tarte products in Europe.

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

There are no revisions to the consolidated fiscal year forecast announced on April 26, 2019.

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

| | FY03/2019 (As of Mar. 31, 2019) | 2Q FY03/2020 (As of Sep. 30, 2019) |
|--|------------------------------------|---------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 94,385 | 89,992 |
| Notes and accounts receivable-trade | 44,773 | 47,698 |
| Merchandise and finished goods | 34,121 | 35,758 |
| Work in process | 3,005 | 3,677 |
| Raw materials and supplies | 23,655 | 27,318 |
| Other | 5,383 | 3,953 |
| Allowance for doubtful accounts | (83) | (84) |
| Total current assets | 205,241 | 208,314 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 40,960 | 44,761 |
| Accumulated depreciation | (21,303) | (21,965) |
| Buildings and structures, net | 19,657 | 22,796 |
| Machinery, equipment and vehicles | 17,012 | 17,769 |
| Accumulated depreciation | (12,299) | (12,724) |
| Machinery, equipment and vehicles, net | 4,713 | 5,044 |
| Tools, furniture and fixtures | 39,199 | 40,938 |
| Accumulated depreciation | (32,097) | (33,328) |
| Tools, furniture and fixtures, net | 7,101 | 7,610 |
| Land | 17,566 | 17,553 |
| Leased assets | 1,954 | 1,987 |
| Accumulated depreciation | (1,117) | (1,236) |
| Leased assets, net | 837 | 750 |
| Construction in progress | 7,020 | 7,284 |
| Total property, plant and equipment | 56,896 | 61,040 |
| Intangible assets | | |
| Software | 2,296 | 2,498 |
| Goodwill | 6,675 | 6,092 |
| Other | 6,697 | 6,225 |
| Total intangible assets | 15,669 | 14,816 |
| Investments and other assets | | |
| Investment securities | 11,664 | 12,654 |
| Deferred tax assets | 7,574 | 6,697 |
| Other | 3,361 | 3,607 |
| Allowance for doubtful accounts | (245) | (233) |
| Total investments and other assets | 22,355 | 22,726 |
| Total non-current assets | 94,921 | 98,583 |
| Total assets | 300,162 | 306,897 |

Millions of yen

| | FY03/2019 (As of Mar. 31, 2019) | 2Q FY03/2020 (As of Sep. 30, 2019) |
|--|------------------------------------|---------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 9,764 | 9,590 |
| Electronically recorded obligations-operating | 19,086 | 18,936 |
| Short-term borrowings | 600 | 721 |
| Lease obligations | 228 | 236 |
| Accounts payable-other | 14,371 | 9,124 |
| Accrued expenses | 10,716 | 9,950 |
| Income taxes payable | 7,661 | 5,309 |
| Accrued consumption taxes | 632 | 1,818 |
| Provision for sales returns | 2,132 | 2,147 |
| Other | 913 | 3,020 |
| Total current liabilities | 66,107 | 60,856 |
| Non-current liabilities | | |
| Lease obligations | 837 | 753 |
| Provision for retirement benefits for directors (and other officers) | 2,846 | 3,262 |
| Retirement benefit liability | 4,435 | 3,846 |
| Other | 1,094 | 1,165 |
| Total non-current liabilities | 9,213 | 9,028 |
| Total liabilities | 75,321 | 69,884 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,848 | 4,848 |
| Capital surplus | - | 15 |
| Retained earnings | 207,821 | 220,594 |
| Treasury shares | (9,102) | (9,103) |
| Total shareholders' equity | 203,566 | 216,354 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,750 | 4,070 |
| Foreign currency translation adjustment | 1,781 | 159 |
| Remeasurements of defined benefit plans | (275) | (425) |
| Total accumulated other comprehensive income | 5,256 | 3,804 |
| Non-controlling interests | 16,018 | 16,854 |
| Total net assets | 224,841 | 237,013 |
| Total liabilities and net assets | 300,162 | 306,897 |

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

| | 2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018) | 2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Net sales | 160,996 | 170,773 |
| Cost of sales | 40,799 | 44,304 |
| Gross profit | 120,196 | 126,468 |
| Selling, general and administrative expenses | | |
| Advertising expenses | 9,257 | 10,948 |
| Promotion expenses | 27,373 | 31,027 |
| Freight and packing costs | 6,742 | 7,600 |
| Salaries and allowances | 24,315 | 25,668 |
| Retirement benefit expenses | 629 | 391 |
| Legal welfare expenses | 3,611 | 3,781 |
| Depreciation | 1,812 | 1,989 |
| Other | 15,742 | 16,746 |
| Total selling, general and administrative expenses | 89,483 | 98,153 |
| Operating profit | 30,712 | 28,314 |
| Non-operating income | | |
| Interest income | 176 | 236 |
| Dividend income | 103 | 75 |
| Commission income | - | 36 |
| Refunded consumption taxes | - | 185 |
| Patent licensing | 20 | 12 |
| Foreign exchange gains | 1,420 | - |
| Subsidy income | - | 35 |
| Miscellaneous income | 272 | 138 |
| Total non-operating income | 1,992 | 718 |
| Non-operating expenses | | |
| Interest expenses | 1 | 1 |
| Commission expenses | 6 | 6 |
| Loss on investments in partnership | 54 | 32 |
| Foreign exchange losses | - | 924 |
| Miscellaneous loss | 31 | 21 |
| Total non-operating expenses | 94 | 986 |
| Ordinary profit | 32,610 | 28,046 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 8 | 10 |
| Gain on sales of investment securities | 1 | 0 |
| Gain on sales of shares of subsidiaries and associates | 925 | - |
| Gain on liquidation of business | - | 115 |
| Total extraordinary income | 935 | 125 |
| Extraordinary losses | | |
| Loss on disposal of non-current assets | 289 | 187 |
| Other | - | 4 |
| Total extraordinary losses | 289 | 191 |
| Profit before income taxes | 33,256 | 27,981 |
| Income taxes-current | 9,841 | 7,900 |
| Income taxes-deferred | 77 | 773 |
| Total income taxes | 9,919 | 8,674 |
| Profit | 23,337 | 19,307 |
| Profit attributable to non-controlling interests | 1,123 | 1,114 |
| Profit attributable to owners of parent | 22,214 | 18,192 |

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

Millions of yen

| | 2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018) | 2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019) |
|--|--|--|
| Profit | 23,337 | 19,307 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 714 | 318 |
| Foreign currency translation adjustment | (2,444) | (1,651) |
| Remeasurements of defined benefit plans, net of tax | 38 | (157) |
| Total other comprehensive income | (1,691) | (1,490) |
| Comprehensive income | 21,645 | 17,816 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 20,546 | 16,739 |
| Comprehensive income attributable to non-controlling interests | 1,098 | 1,076 |

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

| | 2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018) | 2Q FY03/2020 (Apr. 1, 2019 – Sep. 30, 2019) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 33,256 | 27,981 |
| Depreciation | 3,651 | 4,068 |
| Amortization of goodwill | 396 | 401 |
| Increase (decrease) in allowance for doubtful accounts | 30 | (7) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 198 | 416 |
| Increase (decrease) in retirement benefit liability | (617) | (809) |
| Increase (decrease) in other provision | (7) | 47 |
| Loss (gain) on disposal of non-current assets | 280 | 177 |
| Interest and dividend income | (279) | (311) |
| Interest expenses | 1 | 1 |
| Foreign exchange losses (gains) | (761) | 332 |
| Loss (gain) on sales of investment securities | (1) | (0) |
| Loss (gain) on sales of shares of subsidiaries and associates | (925) | - |
| Loss (gain) on investments in partnership | 54 | 32 |
| Gain on liquidation of business | - | (115) |
| Decrease (increase) in notes and accounts receivable-trade | 1,963 | (3,217) |
| Decrease (increase) in inventories | (7,429) | (6,409) |
| Increase (decrease) in notes and accounts payable-trade | 3,348 | (117) |
| Decrease (increase) in other assets | 352 | 2,082 |
| Increase (decrease) in other liabilities | (4,876) | (1,369) |
| Other, net | - | 4 |
| Subtotal | 28,635 | 23,186 |
| Interest and dividend income received | 281 | 343 |
| Interest expenses paid | (1) | (4) |
| Income taxes paid | (10,516) | (10,165) |
| Net cash provided by (used in) operating activities | 18,398 | 13,360 |
| Cash flows from investing activities | | |
| Payments into time deposits | (3,843) | (7,878) |
| Proceeds from withdrawal of time deposits | 4,014 | 8,023 |
| Purchase of property, plant and equipment | (4,933) | (8,815) |
| Proceeds from sales of property, plant and equipment | 21 | 10 |
| Payments for retirement of property, plant and equipment | - | (66) |
| Purchase of intangible assets | (1,099) | (939) |
| Purchase of investment securities | (1,094) | (561) |
| Proceeds from sales and redemption of investment securities | 2 | 0 |
| Purchase of shares of subsidiaries | - | (5) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 678 | - |
| Loan advances | - | (153) |
| Decrease (increase) in other investments | (439) | (163) |
| Net cash provided by (used in) investing activities | (6,694) | (10,549) |

| | <i>Millions of yen</i> | |
|---|--------------------------------|--------------------------------|
| | 2Q FY03/2019 | 2Q FY03/2020 |
| | (Apr. 1, 2018 – Sep. 30, 2018) | (Apr. 1, 2019 – Sep. 30, 2019) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | - | 124 |
| Net decrease (increase) in treasury shares | (3) | (0) |
| Cash dividends paid | (4,848) | (5,419) |
| Cash dividends paid to non-controlling shareholders | (263) | (205) |
| Purchase of treasury shares of subsidiaries | - | (19) |
| Other, net | (133) | (118) |
| Net cash provided by (used in) financing activities | (5,249) | (5,638) |
| Effect of exchange rate change on cash and cash equivalents | (62) | (1,396) |
| Net increase (decrease) in cash and cash equivalents | 6,392 | (4,224) |
| Cash and cash equivalents at beginning of period | 63,883 | 64,264 |
| Cash and cash equivalents at end of period | 70,276 | 60,040 |

(4) Notes to Consolidated Quarterly Financial Statements**Going Concern Assumption**

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment Information**

I. 2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018)

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

| | 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 | 121,461 | 38,172 | 159,634 | 1,361 | 160,996 | - | 160,996 |
| (2) Intragroup sales and transfers | - | 487 | 487 | 371 | 858 | (858) | - |
| Total sales | 121,461 | 38,659 | 160,121 | 1,733 | 161,854 | (858) | 160,996 |
| Segment profit | 28,647 | 4,152 | 32,799 | 745 | 33,544 | (2,832) | 30,712 |

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 | | 59 |
| Corporate expenses that cannot be allocated to reportable segments | | (2,891) |

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 FY03/2019.

3. Geographic sales information

| | | | | | Millions of yen |
|---------|--------|---------------|-------|---------|-----------------|
| Japan | Asia | North America | Other | Total | |
| 118,541 | 23,249 | 17,497 | 1,707 | 160,996 | |

II. 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 |

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.