



October 29, 2021

## Summary of Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2021 (Six Months Ended September 30, 2021)

[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 10, 2021  
 Scheduled date of dividend payment: December 10, 2021  
 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, 2021 (April 1, 2021 – September 30, 2021)

(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 FY12/2021	122,933	-	8,789	-	9,718	-	5,459	-
2Q FY03/2021	130,290	(23.7)	4,010	(85.8)	4,042	(85.6)	3,093	(83.0)

Note: Comprehensive income (million yen) 2Q FY12/2021: 10,192 (up 551.3%) 2Q FY03/2021: 1,565 (down 91.2%)

#### Reference

The percentages below (adjusted comparisons) are comparisons with the first two quarters of the previous fiscal year (April 1 to September 30, 2020) after retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) to that period's financial statements.

Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
122,497	0.4	3,977	121.0	4,010	142.3	3,065	78.1

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2Q FY12/2021	95.69	-
2Q FY03/2021	54.23	-

Note: Beginning with the first quarter of the fiscal period ending on December 31, 2021, KOSÉ is applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for the first two quarters incorporate this accounting standard and comparisons with the first two quarters of the previous fiscal year are omitted.

### (2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2Q FY12/2021	311,667	247,888	74.4	4,066.75
FY03/2021	308,386	241,299	73.1	3,952.94

Ref.: Shareholders' equity (million yen) 2Q FY12/2021: 232,007 FY03/2021: 225,506

### 2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY03/2021	-	60.00	-	60.00	120.00
FY12/2021	-	60.00	-	-	-
FY12/2021 (forecast)	-	-	-	60.00	120.00

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

### 3. Consolidated Forecast for the Fiscal Year Ending December 31, 2021 (April 1, 2021 – December 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	224,000	-	16,000	-	17,100	-	12,100	-	212.10

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

#### Reference

The percentages below (adjusted comparisons) are the differences between the forecast for KOSÉ and its consolidated subsidiaries in Japan that have a March 31 fiscal year end for the nine-month fiscal period from April 1, 2021 to December 31, 2021 and results of operations for these same companies in the nine-month period from April 1, 2020 to December 31, 2020.

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent				
(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
213,438	4.9	16,557	(3.4)	19,095	(10.4)	13,985	(13.5)

#### \* 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 : Yes
- 2) Changes in accounting policies other than 1) above : None
- 3) Changes in accounting-based estimates : None
- 4) Restatements : None

Note: Please refer to "2. Consolidated Quarterly Financial Statements and Notes, (4) Notes to Consolidated Quarterly Financial Statements, Changes in Accounting Policies" on page 12 of the attachments for further information.

(4) Number of shares outstanding (common stock)

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

As of September 30, 2021:	60,592,541 shares
As of March 31, 2021:	60,592,541 shares

2) Number of treasury shares at end of the period

As of September 30, 2021:	3,542,641 shares
As of March 31, 2021:	3,544,841 shares

3) Average number of shares outstanding during the period

2Q FY12/2021:	57,048,433 shares
2Q FY03/2021:	57,044,892 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, 2021 (April 1, 2021 – September 30, 2021)

Millions of yen, %

Operating segment	2Q FY03/2021		2Q FY03/2021 (Adjusted)		2Q FY12/2021		YoY change (Adjusted comparisons)	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	100,855	77.4	95,860	78.3	99,806	81.2	3,945	4.1
Cosmetaries	28,184	21.6	25,386	20.7	22,261	18.1	(3,124)	(12.3)
Other	1,250	1.0	1,250	1.0	865	0.7	(384)	(30.8)
Total net sales	130,290	100.0	122,497	100.0	122,933	100.0	436	0.4

	2Q FY03/2021		2Q FY03/2021 (Adjusted)		2Q FY12/2021		YoY change (Adjusted comparisons)	
	Amount	% of sales	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	4,010	3.1	3,977	3.2	8,789	7.1	4,811	121.0
Ordinary profit	4,042	3.1	4,010	3.3	9,718	7.9	5,707	142.3
Profit attributable to owners of parent	3,093	2.4	3,065	2.5	5,459	4.4	2,393	78.1

Note: The YoY change in the adjusted column are comparisons with the first two quarters of the previous fiscal year (April 1 to September 30, 2020) after retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) to that period's financial statements.

#### 1) Review of Operations

In the first two quarters (April 1, 2021 to September 30, 2021) of the current transitional fiscal year, a state of emergency in Japan centered on the Tokyo area from July to the end of September and other actions concerning the pandemic had a negative effect on the Japanese economy. Despite these events, the Japanese economy continued to recover.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. From January 1, 2021 to June 30, 2021, there was a slow recovery of the economies of China and other Asian countries. In the United States, the economy is improving steadily as economic activity resumes despite challenges created by the pandemic.

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

The cosmetics markets of China continued to grow, mainly in the e-commerce sector. China's travel retail (duty free) category has started to recover following the temporary downturn caused by restrictions on travel, including to the popular tourism destination of Hainan Island during the July to September period. In the United States, cosmetics sales are steadily recovering along with progress with vaccinations and the resumption of economic activity.

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 two quarters of this transitional fiscal year, net sales increased 0.4% (based on prior-year results of operations adjusted for consistency with the new revenue recognition standard, same hereafter) to 122,933 million yen (down 0.9% after excluding the effects of changes in foreign exchange rates). Sales were strong in

China but sales were negatively affected by the pandemic in Japan and all other countries except China. Overseas sales were 42.4% of total sales.

Earnings increased because of the reduction in cost of sales and cost control measures for all operations. Operating profit increased 121.0% to 8,789 million yen and ordinary profit increased 142.3% to 9,718 million yen, which includes a consumption tax refund. Profit attributable to owners of parent increased 78.1% to 5,459 million yen.

## 2) Results by Business Segment

### a. Cosmetics Business

Millions of yen, %

	2Q FY03/2021	2Q FY03/2021 (Adjusted)	2Q FY12/2021	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	100,855	95,860	99,806	3,945	4.1
Intragroup sales and transfers	-	-	-	-	-
Total net sales	100,855	95,860	99,806	-	-
Operating profit	9,378	9,345	12,453	3,107	33.2
Operating margin	9.3	9.8	12.5	-	-

In the high-prestige brand category, sales of DECORTÉ products continued to increase in China and Japan. In addition, there were higher sales in Japan of ALBION products, the ADDICTION line of makeup products and JILL STUART cosmetics. In the prestige category, SEKKISEI posted strong sales in Japan. As a result, sales in the cosmetics business increased 4.1% to 99,806 million yen and operating profit increased 33.2% to 12,453 million yen.

### b. Cosmetaries Business

Millions of yen, %

	2Q FY03/2021	2Q FY03/2021 (Adjusted)	2Q FY12/2021	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	28,184	25,386	22,261	(3,124)	(12.3)
Intragroup sales and transfers	-	-	-	-	-
Total net sales	28,184	25,386	22,261	-	-
Operating profit	(1,906)	(1,906)	(1,258)	648	-
Operating margin	-	-	-	-	-

Sales of STEPHEN KNOLL NEW YORK hair care products and the SUNCUT, softymo and CLEAR TURN brands of KOSÉ Cosmeport Corp. increased. However, sales of the hair care products of KOSÉ Cosmeport Corp. were sluggish. As a result, sales in the cosmetaries business decreased 12.3% to 22,261 million yen and operating loss was 1,258 million yen compared with a loss of 1,906 million yen one year earlier.

### c. Other Business

Millions of yen, %

	2Q FY03/2021	2Q FY03/2021 (Adjusted)	2Q FY12/2021	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	1,250	1,250	865	(384)	(30.8)
Intragroup sales and transfers	261	261	218	-	-
Total net sales	1,511	1,511	1,083	-	-
Operating profit	204	204	287	83	40.6
Operating margin	13.6	13.6	26.6	-	-

Sales of amenity products to hotels and golf clubs and orders for the manufacture of OEM products declined. As a result, sales decreased 30.8% to 865 million yen and operating profit increased 40.6% to 287 million yen.

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

	2Q FY03/2021		2Q FY03/2021 (Adjusted)		2Q FY12/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Japan	78,896	60.5	71,861	58.7	70,815	57.6	(1,045)	(1.5)
Asia	36,705	28.2	35,947	29.3	36,459	29.7	512	1.4
North America	12,993	10.0	12,993	10.6	14,016	11.4	1,023	7.9
Other	1,695	1.3	1,695	1.4	1,641	1.3	(53)	(3.2)
Total net sales	130,290	100.0	122,497	100.0	122,933	100.0	436	0.4

**Japan**

Sales increased at cosmetics stores and department stores, which handle primarily high-prestige brands, following the downturn in 2020. E-commerce sales remained strong, mainly at Maison KOSÉ. Sales in other major channels were lackluster. As a result, sales in Japan decreased 1.5% to 70,815 million yen.

**Asia**

In China, sales remained strong at department stores and a large volume of sales on China's June 18 shopping festival boosted e-commerce sales, offsetting slow sales in this category in the first quarter. In China's travel retail (duty free) category, which is centered on Hainan Island, sales were weak because of the pandemic. In South Korea, shortages of merchandise held down sales. As a result, sales in Asia increased 1.4% to 36,459 million yen.

**North America**

At the U.S. company Tarte, Inc, all stores selling Tarte products in Canada had reopened as of the end of June due to the end of lockdowns. In the United States, sales at stores increased as restrictions on store occupancy and on the provision of samples slowly ended and Tarte strengthened its lineups of concealers, mascara and other major products. As the Tarte e-commerce website, the ratio of sales to total sales expanded rapidly last year due to the lockdown, but the situation has returned to the level before the spread of the pandemic due to the reopening of stores. As a result, sales in North America increased 7.9% to 14,016 million yen.

**Other**

In Europe, sales in Tarte's major product categories were strong just as in the United States, sales decreased 3.2% to 1,641 million yen.

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

The KOSÉ Group has reviewed its current performance and revised its consolidated forecast that was announced on April 30, 2021 as follows.

**Revised Forecast**

Although sales in China and the sales of Tarte are currently in line with the initial plan, total sales are expected be below the initial plan for the transitional fiscal year ending in December 2021. The main reason is a downturn in consumer sentiment in Japan as people stay home for safety in response to another state of emergency due to a new wave of COVID-19 cases and to other measures involving the pandemic. Earnings are also expected to be less than planned because of a decline in the gross profit caused mainly by lower sales.

The COVID-19 pandemic has severely impacted the performance of the KOSÉ Group. After taking all applicable factors into consideration, KOSÉ plans to maintain the interim dividend at 60 yen per share, the

same amount as the previous fiscal year, and to pay a year-end dividend of 60 yen per share. As a result, the dividend for the fiscal year ending December 2021 is expected to be 120 yen per share.

Revision to Consolidated Forecast for the Fiscal Year Ending December 31, 2021

(April 1, 2021 – December 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)	238,000	20,000	20,500	14,200	248.92
Revised forecast (B)	224,000	16,000	17,100	12,100	212.10
Change (B – A)	(14,000)	(4,000)	(3,400)	(2,100)	-
Percentage change (%)	(5.9)	(20.0)	(16.6)	(14.8)	-
(Reference) Previous fiscal year results (FY03/2021)	279,389	13,294	18,745	11,986	210.11

*Millions of yen, %*

Operating segment	FY03/2021		FY2021 (Adjusted)		FY12/2021		YoY change (Adjusted comparisons)	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	218,482	78.2	172,980	81.0	188,500	84.2	15,520	9.0
Cosmetaries	58,434	20.9	38,501	18.0	34,000	15.2	(4,501)	(11.7)
Other	2,472	0.9	1,957	1.0	1,500	0.6	(457)	(23.4)
Total net sales	279,389	100.0	213,438	100.0	224,000	100.0	10,562	4.9

	FY03/2021		FY2021 (Adjusted)		FY12/2021		YoY change (Adjusted comparisons)	
	Amount	% of sales	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	13,294	4.8	16,557	7.8	16,000	7.1	(557)	(3.4)
Ordinary profit	18,745	6.7	19,095	8.9	17,100	7.6	(1,995)	(10.4)
Profit attributable to owners of parent	11,986	4.3	13,985	6.6	12,100	5.4	(1,885)	(13.5)

## 2. Consolidated Quarterly Financial Statements and Notes

## (1) Consolidated Quarterly Balance Sheet

Millions of yen

	FY03/2021 (As of Mar. 31, 2021)	2Q FY12/2021 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	103,391	104,687
Notes and accounts receivable-trade	39,420	34,613
Merchandise and finished goods	31,932	33,895
Work in process	2,802	2,758
Raw materials and supplies	22,603	25,236
Other	4,952	6,414
Allowance for doubtful accounts	(71)	(291)
Total current assets	205,031	207,313
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,592	52,573
Accumulated depreciation	(23,108)	(23,921)
Buildings and structures, net	29,483	28,651
Machinery, equipment and vehicles	21,814	21,838
Accumulated depreciation	(14,554)	(15,303)
Machinery, equipment and vehicles, net	7,260	6,535
Tools, furniture and fixtures	44,463	45,222
Accumulated depreciation	(36,454)	(37,917)
Tools, furniture and fixtures, net	8,009	7,305
Land	17,350	17,377
Leased assets	2,202	2,220
Accumulated depreciation	(1,545)	(1,652)
Leased assets, net	657	568
Construction in progress	130	112
Total property, plant and equipment	62,892	60,550
Intangible assets		
Software	4,116	4,144
Goodwill	4,720	4,640
Other	5,316	5,418
Total intangible assets	14,153	14,203
Investments and other assets		
Investment securities	15,184	17,789
Retirement benefit asset	2,484	3,069
Deferred tax assets	4,729	4,704
Other	4,347	4,512
Allowance for doubtful accounts	(437)	(476)
Total investments and other assets	26,308	29,600
Total non-current assets	103,354	104,353
Total assets	308,386	311,667



*Millions of yen*

	FY03/2021 (As of Mar. 31, 2021)	2Q FY12/2021 (As of Sep. 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	6,733	7,553
Electronically recorded obligations-operating	13,471	17,398
Short-term borrowings	7,600	4,100
Lease obligations	231	200
Accounts payable-other	12,261	5,598
Accrued expenses	11,068	12,059
Income taxes payable	4,478	2,699
Accrued consumption taxes	-	598
Provision for sales returns	1,837	-
Repayment liabilities	-	4,684
Other	3,925	2,071
<b>Total current liabilities</b>	<b>61,608</b>	<b>56,965</b>
<b>Non-current liabilities</b>		
Lease obligations	702	646
Deferred tax liabilities	181	1,467
Other	4,594	4,700
<b>Total non-current liabilities</b>	<b>5,478</b>	<b>6,813</b>
<b>Total liabilities</b>	<b>67,087</b>	<b>63,779</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	4,848	4,848
Retained earnings	222,354	224,395
Treasury shares	(9,095)	(9,089)
<b>Total shareholders' equity</b>	<b>218,107</b>	<b>220,154</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,605	7,132
Foreign currency translation adjustment	(683)	2,461
Remeasurements of defined benefit plans	2,476	2,259
<b>Total accumulated other comprehensive income</b>	<b>7,398</b>	<b>11,853</b>
<b>Non-controlling interests</b>	<b>15,792</b>	<b>15,880</b>
<b>Total net assets</b>	<b>241,299</b>	<b>247,888</b>
<b>Total liabilities and net assets</b>	<b>308,386</b>	<b>311,667</b>

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

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	130,290	122,933
Cost of sales	36,777	34,654
Gross profit	93,512	88,278
Selling, general and administrative expenses		
Advertising expenses	7,752	8,669
Promotion expenses	27,462	18,087
Freight and packing costs	7,311	7,796
Salaries and allowances	24,784	24,085
Retirement benefit expenses	652	264
Legal welfare expenses	3,824	3,735
Depreciation	2,205	2,247
Other	15,509	14,602
Total selling, general and administrative expenses	89,502	79,489
Operating profit	4,010	8,789
Non-operating income		
Interest income	133	97
Dividend income	159	222
Refunded consumption taxes	375	242
Patent licensing	6	4
Gain on investments in investment partnerships	-	224
Foreign exchange gains	-	119
Miscellaneous income	297	194
Total non-operating income	972	1,105
Non-operating expenses		
Interest expenses	8	7
Commission expenses	5	5
Provision of allowance for doubtful accounts	-	146
Loss on investments in partnership	33	-
Foreign exchange losses	841	-
Miscellaneous loss	50	17
Total non-operating expenses	940	177
Ordinary profit	4,042	9,718
Extraordinary income		
Gain on sales of non-current assets	1,007	3
Gain on sales of investment securities	-	90
Total extraordinary income	1,007	93
Extraordinary losses		
Loss on disposal of non-current assets	71	107
Impairment loss	-	27
Loss on liquidation of business	-	103
Total extraordinary losses	71	238
Profit before income taxes	4,977	9,573
Income taxes-current	3,797	3,043
Income taxes-deferred	(1,675)	838
Total income taxes	2,121	3,881
Profit	2,855	5,692
Profit (loss) attributable to non-controlling interests	(237)	233
Profit attributable to owners of parent	3,093	5,459

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

*Millions of yen*

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	2,855	5,692
Other comprehensive income		
Valuation difference on available-for-sale securities	242	1,527
Foreign currency translation adjustment	(1,544)	3,197
Remeasurements of defined benefit plans, net of tax	11	(224)
Total other comprehensive income	(1,290)	4,500
Comprehensive income	1,565	10,192
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,817	9,913
Comprehensive income attributable to non-controlling interests	(252)	278

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

	2Q FY03/2021 (Apr. 1, 2020 – Sep. 30, 2020)	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	4,977	9,573
Depreciation	4,594	4,828
Impairment loss	-	27
Loss on liquidation of business	-	103
Amortization of goodwill	395	392
Increase (decrease) in allowance for doubtful accounts	(0)	250
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3,334)	-
Increase (decrease) in retirement benefit asset	-	(706)
Increase (decrease) in retirement benefit liability	(571)	-
Increase (decrease) in other provision	(285)	(314)
Loss (gain) on disposal of non-current assets	(935)	104
Interest and dividend income	(292)	(319)
Interest expenses	8	7
Foreign exchange losses (gains)	429	(219)
Loss (gain) on sales of investment securities	-	(90)
Loss (gain) on investments in partnership	33	(224)
Decrease (increase) in notes and accounts receivable-trade	3,039	5,260
Decrease (increase) in inventories	(3,968)	(3,622)
Increase (decrease) in notes and accounts payable-trade	1,997	4,791
Increase (decrease) in repayment liabilities	-	2,784
Decrease (increase) in other assets	871	(2,815)
Increase (decrease) in other liabilities	(4,236)	(6,454)
Subtotal	2,720	13,357
Interest and dividend income received	301	454
Interest expenses paid	(6)	(8)
Proceeds from insurance income	-	116
Income taxes paid	(1,744)	(4,743)
Net cash provided by (used in) operating activities	1,270	9,175
Cash flows from investing activities		
Payments into time deposits	(1,365)	(10,958)
Proceeds from withdrawal of time deposits	4,898	1,060
Purchase of property, plant and equipment	(5,766)	(1,670)
Proceeds from sales of property, plant and equipment	1,502	134
Purchase of intangible assets	(867)	(969)
Purchase of investment securities	(282)	(560)
Proceeds from sales and redemption of investment securities	-	338
Purchase of shares of subsidiaries	(45)	-
Loan advances	(204)	(33)
Collection of loans receivable	-	0
Decrease (increase) in other investments	(163)	(237)
Net cash provided by (used in) investing activities	(2,292)	(12,896)

	<i>Millions of yen</i>	
	2Q FY03/2021	2Q FY12/2021
	(Apr. 1, 2020 – Sep. 30, 2020)	(Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,909	(3,500)
Net decrease (increase) in treasury shares	(0)	-
Cash dividends paid	(5,419)	(3,422)
Cash dividends paid to non-controlling shareholders	(256)	(190)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,930)	-
Other, net	(117)	(110)
Net cash provided by (used in) financing activities	(3,814)	(7,224)
Effect of exchange rate change on cash and cash equivalents	(1,651)	2,137
Net increase (decrease) in cash and cash equivalents	(6,488)	(8,807)
Cash and cash equivalents at beginning of period	70,284	80,051
Cash and cash equivalents at end of period	63,795	71,243

#### **(4) Notes to Consolidated Quarterly Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Precaution Concerning Significant Changes in Shareholders' Equity**

Not applicable.

##### **Changes in Accounting Policies**

###### **Application of the Accounting Standard for Revenue Recognition**

KOSÉ has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the current fiscal year.

The KOSÉ Group manufactures and sells cosmetics, cosmetaries and other products. For accounting purposes, sales are recognized when products are delivered to customers. The reason is that customers gain control of products upon delivery and KOSÉ fulfills its obligation to supply the products at that time. However, for products sold in Japan, sales are recognized when products are shipped because the length of time between shipping and when control of the products is transferred to the customer is known. In addition, sales are determined at the amount of the contractual payment due from the customer after deducting discounts, rebates, product returns and other items.

Consequently, part of the sales promotion expenses and other items that are paid to customers that were classified in prior years as selling, general and administrative expenses are now deducted from sales instead. In addition, for sales with a right of return, the estimated amount of loss to be incurred in the following fiscal year or later for returns arising from business practices with customers was recorded as provision for sales returns, but this has been changed to a method of deducting it from net sales and recording refund liabilities in the same amount.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the second quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, compared with the previous accounting method, the application of the new standard resulted in reductions of 10,457 million yen in sales, 544 million yen in cost of sales, 9,927 million yen in selling, general and administrative expenses, 9,912 million yen in gross profit, and increases of 14 million yen each in operating profit, ordinary profit and profit before income taxes. In addition, the new standard reduced retained earnings at the beginning of the current fiscal year by 10 million yen.

###### **Application of the Accounting Standards for Calculation of Fair Value, etc.**

KOSÉ has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No.30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value, etc. prospectively in accordance with the transitional measures in paragraph 19 of the Accounting Standard for Measurement of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

## Additional Information

Impact of the COVID-19 pandemic on accounting estimates

There are no significant changes during the first two quarters regarding the accounting estimates that are explained in the Securities Report for the fiscal year that ended in March 2021.

## Segment and Other Information

### Segment Information

I. 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

## II. 2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)

## 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	99,806	22,261	122,068	865	122,933	-	122,933
(2) Intragroup sales and transfers	-	-	-	218	218	(218)	-
Total sales	99,806	22,261	122,068	1,083	123,151	(218)	122,933
Segment profit (loss)	12,453	(1,258)	11,195	287	11,482	(2,693)	8,789

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	(54)
Corporate expenses that cannot be allocated to reportable segments	(2,638)

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 FY12/2021.

## 3. Information related to revisions for reportable segments

As stated in the "Changes in Accounting Policies" section, KOSÉ has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition, and therefore, the measurement method for profit or loss in the business segment has been changed as well.

The effect of this change was to decrease sales by 7,051 million yen and to increase segment profit by 14 million yen in the cosmetics segment, and to decrease sales in the cosmetaries segment by 3,406 million yen for the first two quarters of the current fiscal year. There is no effect on a segment loss in the cosmetaries segment.

## 4. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
70,815	36,459	14,016	1,641	122,933

**Information Concerning Revenue Recognition**

## Division of sales

The KOSÉ Group has two reportable segments: cosmetics and cosmetaries. These are business units where the Board of Directors performs periodic studies in order to determine the allocation of resources and evaluate performance. The revenue of these two businesses is presented as sales. In addition, geographic sales are divided according to the locations of customers. The relationship between these geographic divisions of revenue and segment sales is as follows.



2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)

Millions of yen

	Japan	Asia	North America	Other	Total
Cosmetics	48,351	35,796	14,016	1,641	99,806
Cosmetaries	21,598	663	-	-	22,261
Total	69,950	36,459	14,016	1,641	122,068
Other	865	-	-	-	865
Sales to third parties	70,815	36,459	14,016	1,641	122,933

### Subsequent Events

On October 29, 2021, the Board of Directors of KOSÉ Corporation and its consolidated subsidiary KOSÉ SALES CO., LTD. approved a resolution to implement the voluntary early retirement program for their employees.

#### 1. Reason for implementing the voluntary early retirement program

The purpose of this program is to implement structural reforms at these two companies based on the outlook for the business climate in Japan as people become accustomed to life with COVID-19.

#### 2. Outline of the voluntary early retirement program

(1) Eligibility	1) Career-track employees with at least 20 years of service and between the ages of 45 and 59 2) Beauty consultants with at least 20 years of service and between the ages of 45 and 59 3) Career-track employees who will reach the mandatory retirement age on or after January 1, 2022
(2) Target number of employees to be accepted	Several dozens of employees
(3) Application period	From November 29 to December 29, 2021
(4) Date of retirement	1) March 31, 2022 2) February 28, 2022 3) Within six months of reaching the mandatory retirement age, when an individual finds a new job
(5) Benefits	1) and 2) Individuals receive the designated retirement payment and an additional payment. Individuals can receive job hunting support from a company that provides this service. 3) Individuals receive their salaries for six months but are not required to continue doing their jobs during the assistance period. Individuals can receive job hunting support from a company that provides this service.

#### 3. Effect on results of operations

As the number of employees who apply for voluntary early retirement is not yet determined at this time, it is difficult to make a reasonable estimate of the impact on our results of operations

*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.*