



August 10, 2022

Summary of Financial Results for the Second Quarter of Fiscal Year Ending December 31, 2022 (Six Months Ended June 30, 2022)

[Japanese GAAP]

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 Scheduled date of dividend payment: September 9, 2022
 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 Six Months Ended June 30, 2022 (January 1, 2022 – June 30, 2022)

(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 2022	130,604	-	7,209	-	15,158	-	8,883	-
2Q FY12/2021	122,933	-	8,789	-	9,718	-	5,459	-

Note: Comprehensive income (million yen) 2Q 2022: 16,487 (-%) 2Q FY12/2021: 10,192 (-%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2Q 2022	155.72	-
2Q FY12/2021	95.69	-

Note: The consolidated financial statements for 2Q FY12/2021 include results of operations of KOSÉ and its consolidated subsidiaries in Japan that had a March 31 fiscal year end for the period from April 1, 2021 to September 30, 2021, and of consolidated subsidiaries that had a December 31 fiscal year end for the period from January 1, 2021 to June 30, 2021. As a result, no prior-year comparisons are shown.

Reference: The following percentages (adjusted increases/decreases) are comparisons with the same period of 2021 (January 1, 2021 to June 31, 2021).

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent				
(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
125,087	4.4	3,972	81.5	7,127	112.7	3,028	193.3

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2Q 2022	334,789	267,161	75.0	4,399.27
FY12/2021	320,018	254,267	74.5	4,178.06

Reference: Shareholders' equity (million yen) 2Q 2022: 250,995 FY12/2021: 238,357

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY12/2021	-	60.00	-	60.00	120.00
2022	-	70.00			
2022 (forecast)			-	70.00	140.00

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

3. Consolidated Forecast for 2022 (January 1, 2022 – December 31, 2022)

(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	293,000	-	20,000	-	22,600	-	16,500	-	289.22

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

Reference:

The percentages below (adjusted comparisons) are comparisons with the same period of the previous fiscal year (January 1, 2021 to December 31, 2021) which corresponds to the period of the fiscal year ending December 31, 2022 (January 1, 2022 to December 31, 2022).

Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
268,992	8.9	15,672	27.6	22,050	2.5	11,135	48.2

*** Notes**

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

Newly added: - Excluded: -

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

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others : None

2) Changes in accounting policies other than 1) above : None

3) Changes in accounting-based estimates : None

4) Restatements : None

(4) Number of shares outstanding (common stock)

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

As of June 30, 2022: 60,592,541 shares

As of December 31, 2021: 60,592,541 shares

2) Number of treasury shares at end of the period

As of June 30, 2022: 3,538,621 shares

As of December 31, 2021: 3,542,672 shares

3) Average number of shares outstanding during the period

2Q 2022: 57,051,201 shares

2Q FY12/2021: 57,048,433 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 5 of the attachments.

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1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

First Half Ended June 30, 2022 (January 1, 2022 – June 30, 2022)

Millions of yen, %

Operating segment	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)		2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)		2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)		YoY change (Adjusted comparisons)	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	99,806	81.2	99,371	79.4	105,588	80.8	6,216	6.3
Cosmetaries	22,261	18.1	24,903	19.9	24,159	18.5	(744)	(3.0)
Other	865	0.7	811	0.6	856	0.7	45	5.6
Total net sales	122,933	100.0	125,087	100.0	130,604	100.0	5,517	4.4

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)		2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)		2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)		YoY change (Adjusted comparisons)	
	Amount	% of sales	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	8,789	7.1	3,972	3.2	7,209	5.5	3,237	81.5
Ordinary profit	9,718	7.9	7,127	5.7	15,158	11.6	8,030	112.7
Profit attributable to owners of parent	5,459	4.4	3,028	2.4	8,883	6.8	5,854	193.3

Note: The YoY changes in the adjusted column are comparisons with the same period of 2021 (January 1, 2022 – June 30, 2022) after retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) to the financial statements.

(a) Overview

In the first half (January 1 to June 30) of 2022, there were signs of a recovery of the Japanese economy as economic and social activity began returning to normal due to the easing of restrictions for safety during the pandemic. However, the recovery in demand may be held down because of the need for the proper balance between preventive measures and support for economic and social activity as a new wave of infections occurs. Furthermore, the outlook for the economy remains unclear because of rising prices caused by the rising cost of crude oil and other resources, in part due to the worsening situation in Ukraine, and the decline of the yen driven by the widening gap between U.S. and Japanese interest rates.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. In China, lockdowns temporarily reduced the economic growth rate and the country is continuing to impose strict restrictions even after lockdowns ended based on its zero-COVID policy. As a result, the economic recovery in China has lost momentum. In other areas of Asia, economics are recovering from the pandemic downturn but there are concerns about a slowdown of the recovery because of inflation and higher interest rates. In the United States, although consumer spending is strong because economic activity has returned to normal, inflation is causing worries about a recession to increase.

In the Japanese cosmetics market, sales of skin care products and makeup products are recovering slowly along with the resumption of normal consumer activity as pandemic restrictions are eased. In China, sales of cosmetics briefly fell because of lockdowns in Shanghai and other locations. Although there were signs of the beginning of a recovery in sales after lockdowns ended, a full-scale recovery of the Chinese economy is unlikely to happen soon because the government is maintaining its zero-COVID policy. In South Korea, a big recovery of the travel retail market started in April when the country allowed vaccinated tourists to enter without a quarantine. A recovery is taking place in other regions of Asia as well, although market conditions are still

challenging in some locations. The U.S. cosmetics market has been growing steadily along with strong consumer spending, including in the makeup category. However, there are significant concerns about the possibility of a recession because of rising interest rates.

During the first half of 2022, the KOSÉ Group continued to make progress with activities based on the VISION2026 medium to long-term vision that has the goal of becoming a company with a global presence. In 2022, these activities advanced to Phase II: Increase KOSÉ's global presence and improve the customer experience. In accordance with basic strategies for accomplishing this vision, the KOSÉ Group is concentrating on the growth of business activities on a global scale, expansion to cover more business domains and customer segments, more and better use of digital communications, and the establishment of a management framework capable of supporting growth.

In the first half of 2022, sales and earnings were higher than one year earlier despite the significant negative impact of lockdowns in China. Performance was supported by strong sales of high-prestige products in Japan at cosmetics stores and department stores and the growth of sales at Tarte, Inc., which sells products in the United States and Europe. First half sales increased 4.4% (based on prior-year results of operations adjusted for consistency with the new revenue recognition standard, same hereafter) to 130,604 million yen (up 0.9% after excluding the effects of changes in foreign exchange rates). Overseas sales were 42.0% of total sales. Operating profit was 7,209 million yen, 81.5% higher than in the same period of 2021. Earnings increased despite a higher cost of sales ratio primarily because of measures to hold down selling expenses and the shift of some expenses to the second half of the year. Ordinary profit increased 112.7% to 15,158 million yen due to a significant increase in foreign exchange gains. Profit attributable to owners of parent increased 193.3% to 8,883 million yen.

(b) Results by Business Segment

i. Cosmetics Business

Millions of yen, %

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)	2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)	2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	99,806	99,371	105,588	6,216	6.3
Intragroup sales and transfers	-	-	-	-	-
Total net sales	99,806	99,371	105,588	-	-
Operating profit	12,453	6,594	9,965	3,370	51.1
Operating margin	12.5	6.6	9.4	-	-

In the cosmetics business, sales of DECORTÉ products remained strong in Japan but DECORTÉ sales were sluggish in China because of restrictions on economic activities due to the increase in COVID-19 cases. Sales of ALBION products increased in part because of the launch of updated SKIN CONDITIONER ESSENTIAL in May. Sales of JILL STUART products increased along with the recovering demand in the makeup market. At Tarte, sales of major products and new products were both higher in the United States and Europe, where consumer spending has been firm. Carté HD sales have been increasing steadily with the growth of the market for products for sensitive skin. Challenges continued during the first half for SEKKISEI, one of KOSÉ's major brands. As a result, sales in the cosmetics business increased 6.3% from the same period of 2021 to 105,588 million yen and operating profit was up 51.1% to 9,965 million yen because of cost control measures and the shift of the recognition of some expenses to the second half of the year.

ii. **Cosmetaries Business**

Millions of yen, %

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)	2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)	2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	22,261	24,903	24,159	(744)	(3.0)
Intragroup sales and transfers	-	-	-	-	-
Total net sales	22,261	24,903	24,159	-	-
Operating profit (loss)	(1,258)	(234)	(563)	(328)	-
Operating margin	-	-	-	-	-

In the cosmetaries business, sales began recovering in April, mainly for the CLEAR TURN, Je l'aime and SUNCUT® brands of KOSÉ Cosmeport Corp. However, the recovery was not enough to offset the first quarter sales decline and operating loss. As a result, sales in the cosmetaries business decreased 3.0% from the same period of 2021 to 24,159 million yen and operating loss was 563 million yen compared with a loss of 234 million yen in the same period of 2021.

iii. **Other Business**

Millions of yen, %

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)	2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)	2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)	YoY change (Adjusted comparisons)	
				Amount	%
Sales to third parties	865	811	856	45	5.6
Intragroup sales and transfers	218	35	210	-	-
Total net sales	1,083	847	1,067	-	-
Operating profit	287	305	455	149	48.9
Operating margin	26.6	36.1	42.6	-	-

Sales of amenity products to hotels and golf clubs and orders for the manufacture of OEM products increased. As a result, sales in the other business increased 5.6% from the same period of 2021 to 856 million yen and operating profit increased 48.9% to 455 million yen.

(c) **Net Sales by Region (Sales to Third Parties)**

Millions of yen, %

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)		2Q 2021 (Adjusted) (Jan. 1, 2021 – Jun. 30, 2021)		2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)		YoY change (Adjusted comparisons)	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Japan	70,815	57.6	71,712	57.3	75,760	58.0	4,048	5.6
Asia	36,459	29.7	37,715	30.2	36,092	27.6	(1,623)	(4.3)
North America	14,016	11.4	14,013	11.2	16,514	12.6	2,501	17.9
Other	1,641	1.3	1,646	1.3	2,237	1.7	590	35.9
Total net sales	122,933	100.0	125,087	100.0	130,604	100.0	5,517	4.4

Japan

Sales of prestige products continued to be slow in the drug store and other mass retail channels. This weakness was offset by a big increase in sales of new cosmetaries products beginning in April. In addition, there were strong sales of high prestige products at cosmetics stores and department stores. As a result, sales in Japan increased 5.6% to 75,760 million yen.

Asia

In China, sales decreased because of lockdowns in Shanghai and other cities and other zero-COVID measures that restricted economic activities. The performance of China's travel retail sector, which is primarily sales on Hainan Island, was weak because of travel restrictions. In South Korea, there was a big recovery of travel retail sales that began in April when the country ended some pandemic travel restrictions. As a result, sales in Asia decreased 4.3% to 36,092 million yen.

North America

Tarte maintained its large share of the prestige makeup market by strengthening its lineup of products in the concealer, mascara and other key categories and increasing sales in the lip makeup category, mainly by launching new products. Tarte continued to open more stores, and sales increased because of strong consumer spending. As a result, sales in North America increased 17.9% to 16,514 million yen.

Other

In Europe, Tarte maintained a higher growth among the makeup brands. As a result, sales increased 35.9% to 2,237 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 February 14, 2022 as follows.

Revised Forecast

There is no change in the sales forecast. This was the net result of the negative effect of China's restrictions on economic activities because of lockdowns, mainly in Shanghai and other cities, and other measures based on its zero-COVID policy and the positive effect of the slow recovery of the performance of the cosmetics business in Japan.

The 2022 operating profit forecast has been lowered to 20,000 million yen, a decrease of 2,000 million yen (down 9.1%) compared with the initial forecast. The cost of sales ratio is expected to rise because of increasing price of crude oil and other resources caused by the worsening of the Ukraine crisis and inflation in Japan caused by the weaker yen as the difference between U.S. and Japanese interest rates widens. In addition, profitability in China is declining caused by intense competition.

There is also no change in the forecasts for ordinary profit and profit attributable to owners of parent because the foreign exchange gains are increasing due to the yen's weakness.

After taking into consideration these factors affecting the forecast for 2022, there is no change in the dividend forecast of 70 yen interim and year-end dividends. As a result, the dividend for the fiscal year ending December 2022 is expected to be 140 yen per share.

Revision to Consolidated Forecast for the Fiscal Year Ending December 31, 2022

(January 1, 2022 – December 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	<i>Million yen</i>	<i>Million yen</i>	<i>Million yen</i>	<i>Million yen</i>	<i>Yen</i>
Previous forecast (A)	293,000	22,000	22,600	16,500	289.22
Revised forecast (B)	293,000	20,000	22,600	16,500	289.22
Change (B – A)	-	(2,000)	-	-	-
Percentage change (%)	-	(9.1)	-	-	-
(Reference) Previous fiscal year results (Adjusted) (January - December 2021)	268,992	15,672	22,050	11,135	-

Millions of yen, %

Operating segment	FY12/2021 (Apr.-Dec. 2021)		2021 (Adjusted) (Jan.-Dec. 2021)		2022 (Revised forecast) (Jan.-Dec. 2022)		YoY change (Adjusted comparisons)	
	Amount	% comp.	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	189,082	84.0	217,742	80.9	238,500	81.4	20,757	9.5
Cosmetaries	34,351	15.3	49,185	18.3	52,600	18.0	3,414	6.9
Other	1,549	0.7	2,064	0.8	1,900	0.6	(164)	(8.0)
Total net sales	224,983	100.0	268,992	100.0	293,000	100.0	24,007	8.9

	FY12/2021 (Apr.-Dec. 2021)		2021 (Adjusted) (Jan.-Dec. 2021)		2022 (Revised forecast) (Jan.-Dec. 2022)		YoY change (Adjusted comparisons)	
	Amount	% of sales	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	18,852	8.4	15,672	5.8	20,000	6.8	4,328	27.6
Ordinary profit	22,371	9.9	22,050	8.2	22,600	7.7	550	2.5
Profit attributable to owners of parent	13,341	5.9	11,135	4.1	16,500	5.6	5,365	48.2

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

	FY12/2021 (As of Dec. 31, 2021)	2Q 2022 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	105,281	109,163
Notes and accounts receivable-trade	44,211	43,321
Merchandise and finished goods	34,374	41,229
Work in process	2,310	2,835
Raw materials and supplies	27,059	29,970
Other	4,243	4,828
Allowance for doubtful accounts	(156)	(167)
Total current assets	217,324	231,180
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,620	52,548
Accumulated depreciation	(24,429)	(25,201)
Buildings and structures, net	28,191	27,346
Machinery, equipment and vehicles	21,902	22,119
Accumulated depreciation	(15,749)	(16,601)
Machinery, equipment and vehicles, net	6,152	5,518
Tools, furniture and fixtures	45,211	46,089
Accumulated depreciation	(38,062)	(39,335)
Tools, furniture and fixtures, net	7,148	6,753
Land	17,393	17,379
Leased assets	2,235	4,903
Accumulated depreciation	(1,699)	(2,042)
Leased assets, net	535	2,860
Construction in progress	132	119
Total property, plant and equipment	59,554	59,977
Intangible assets		
Software	4,293	4,225
Goodwill	4,615	4,986
Other	5,357	5,557
Total intangible assets	14,266	14,769
Investments and other assets		
Investment securities	15,534	15,854
Retirement benefit asset	5,470	6,003
Deferred tax assets	3,863	3,181
Other	4,515	4,379
Allowance for doubtful accounts	(509)	(556)
Total investments and other assets	28,874	28,862
Total non-current assets	102,694	103,609
Total assets	320,018	334,789

Millions of yen

	FY12/2021 (As of Dec. 31, 2021)	2Q 2022 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,450	7,585
Electronically recorded obligations-operating	16,327	17,133
Short-term borrowings	600	3,336
Lease obligations	177	521
Accounts payable-other	13,455	9,528
Accrued expenses	10,323	9,108
Income taxes payable	1,968	4,483
Accrued consumption taxes	1,022	321
Refund liabilities	5,077	4,302
Other	2,734	2,560
Total current liabilities	59,136	58,881
Non-current liabilities		
Lease obligations	639	2,732
Deferred tax liabilities	1,374	1,061
Other	4,600	4,952
Total non-current liabilities	6,614	8,747
Total liabilities	65,751	67,628
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	26	38
Retained earnings	228,791	234,252
Treasury shares	(9,090)	(9,081)
Total shareholders' equity	224,576	230,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,830	5,247
Foreign currency translation adjustment	4,389	12,419
Remeasurements of defined benefit plans	3,561	3,270
Total accumulated other comprehensive income	13,781	20,937
Non-controlling interests	15,909	16,165
Total net assets	254,267	267,161
Total liabilities and net assets	320,018	334,789

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

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)	2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)
Net sales	122,933	130,604
Cost of sales	34,654	38,907
Gross profit	88,278	91,696
Selling, general and administrative expenses		
Advertising expenses	8,669	10,086
Promotion expenses	18,087	20,715
Freight and packing costs	7,796	7,831
Salaries and allowances	24,085	24,231
Retirement benefit expenses	264	147
Legal welfare expenses	3,735	3,876
Depreciation	2,247	2,265
Other	14,602	15,332
Total selling, general and administrative expenses	79,489	84,487
Operating profit	8,789	7,209
Non-operating income		
Interest income	97	94
Dividend income	222	177
Refunded consumption taxes	242	379
Patent licensing	4	7
Gain on investments in investment partnerships	224	-
Foreign exchange gains	119	6,642
Miscellaneous income	194	829
Total non-operating income	1,105	8,130
Non-operating expenses		
Interest expenses	7	29
Commission expenses	5	6
Provision of allowance for doubtful accounts	146	48
Loss on investments in investment partnerships	-	75
Miscellaneous loss	17	22
Total non-operating expenses	177	181
Ordinary profit	9,718	15,158
Extraordinary income		
Gain on sale of non-current assets	3	124
Gain on sale of investment securities	90	-
Total extraordinary income	93	124
Extraordinary losses		
Loss on disposal of non-current assets	107	105
Impairment loss	27	79
Loss on valuation of shares of subsidiaries and associates	-	12
Loss on liquidation of business	103	-
Extra retirement payments	-	164
Total extraordinary losses	238	362
Profit before income taxes	9,573	14,921
Income taxes-current	3,043	4,680
Income taxes-deferred	838	992
Total income taxes	3,881	5,672
Profit	5,692	9,248
Profit attributable to non-controlling interests	233	364
Profit attributable to owners of parent	5,459	8,883

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

Millions of yen

	2Q FY12/2021 (Apr. 1, 2021 – Sep. 30, 2021)	2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)
Profit	5,692	9,248
Other comprehensive income		
Valuation difference on available-for-sale securities	1,527	(583)
Foreign currency translation adjustment	3,197	8,124
Remeasurements of defined benefit plans, net of tax	(224)	(302)
Total other comprehensive income	4,500	7,238
Comprehensive income	10,192	16,487
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,913	16,040
Comprehensive income attributable to non-controlling interests	278	446

(3) Consolidated Quarterly Statement of Cash Flows

	<i>Millions of yen</i>	
	2Q FY12/2021	2Q 2022
	(Apr. 1, 2021 – Sep. 30, 2021)	(Jan. 1, 2022 – Jun. 30, 2022)
Cash flows from operating activities		
Profit before income taxes	9,573	14,921
Depreciation	4,828	4,630
Impairment loss	27	79
Loss on liquidation of business	103	-
Amortization of goodwill	392	448
Extra retirement payments	-	164
Increase (decrease) in allowance for doubtful accounts	250	43
Decrease (increase) in retirement benefit asset	(706)	(699)
Loss (gain) on disposal of non-current assets	104	(19)
Interest and dividend income	(319)	(271)
Interest expenses	7	29
Foreign exchange losses (gains)	(219)	(3,693)
Loss (gain) on sale of investment securities	(90)	-
Loss on valuation of shares of subsidiaries and associates	-	12
Loss (gain) on investments in partnership	(224)	75
Decrease (increase) in trade receivables	5,260	2,169
Decrease (increase) in inventories	(3,622)	(6,316)
Increase (decrease) in trade payables	4,791	615
Increase (decrease) in refund liabilities	2,784	(1,179)
Decrease (increase) in other assets	(2,815)	436
Increase (decrease) in other liabilities	(6,768)	(5,824)
Subtotal	<u>13,357</u>	<u>5,621</u>
Interest and dividend income received	454	251
Interest expenses paid	(8)	(33)
Proceeds from insurance income	116	-
Extra retirement payments	-	(698)
Income taxes paid	(4,743)	(2,754)
Net cash provided by (used in) operating activities	<u>9,175</u>	<u>2,385</u>
Cash flows from investing activities		
Payments into time deposits	(10,958)	(15,331)
Proceeds from withdrawal of time deposits	1,060	11,907
Purchase of property, plant and equipment	(1,670)	(1,357)
Proceeds from sales of property, plant and equipment	134	210
Purchase of intangible assets	(969)	(1,109)
Proceeds from sale of intangible assets	-	1
Purchase of investment securities	(560)	(1,248)
Proceeds from sales and redemption of investment securities	338	-
Loan advances	(33)	(1)
Collection of loans receivable	0	0
Decrease (increase) in other investments	(237)	144
Net cash provided by (used in) investing activities	<u>(12,896)</u>	<u>(6,784)</u>

	<i>Millions of yen</i>	
	2Q FY12/2021	2Q 2022
	(Apr. 1, 2021 – Sep. 30, 2021)	(Jan. 1, 2022 – Jun. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,500)	2,540
Net decrease (increase) in treasury shares	-	(1)
Cash dividends paid	(3,422)	(3,422)
Cash dividends paid to non-controlling shareholders	(190)	(190)
Other, net	(110)	(301)
Net cash provided by (used in) financing activities	(7,224)	(1,375)
Effect of exchange rate change on cash and cash equivalents	2,137	5,316
Net increase (decrease) in cash and cash equivalents	(8,807)	(457)
Cash and cash equivalents at beginning of period	80,051	81,876
Cash and cash equivalents at end of period	71,243	81,418

(4) Notes to Consolidated Quarterly Financial Statements

Going Concern Assumption

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Impact of the COVID-19 pandemic on accounting estimates

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

Segment and Other Information**Segment Information**

I. 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, etc.

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. Geographic sales information

Millions of yen

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

II. 2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)

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	105,588	24,159	129,747	856	130,604	-	130,604
(2) Intragroup sales and transfers	-	-	-	210	210	(210)	-
Total sales	105,588	24,159	129,747	1,067	130,815	(210)	130,604
Segment profit (loss)	9,965	(563)	9,402	455	9,857	(2,647)	7,209

Notes: 1. The "other" segment consists of activities that are not included in any of the reportable segments: amenity products, etc.

2. Adjustments to segment profit (loss) are as follows.

Millions of yen

Eliminations for intersegment transactions	(116)
Corporate expenses that cannot be allocated to reportable segments	(2,531)

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 2022.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
75,760	36,092	16,514	2,237	130,604

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)

	<i>Millions of yen</i>				
	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 (Note)	761	-	-	-	761
Revenue from contracts with customers	70,711	36,459	14,016	1,641	122,829
Other revenue	103	-	-	-	103
Sales to third parties	70,815	36,459	14,016	1,641	122,933

Note: The “other” segment consists of activities that are not included in any of the reportable segments: amenity products, etc.

2Q 2022 (Jan. 1, 2022 – Jun. 30, 2022)

	<i>Millions of yen</i>				
	Japan	Asia	North America	Other	Total
Cosmetics	51,404	35,431	16,514	2,237	105,588
Cosmetaries	23,499	660	-	-	24,159
Total	74,904	36,091	16,514	2,237	129,747
Other (Note)	752	0	-	-	752
Revenue from contracts with customers	75,656	36,092	16,514	2,237	130,500
Other revenue	103	-	-	-	103
Sales to third parties	75,760	36,092	16,514	2,237	130,604

Note: The “other” segment consists of activities that are not included in any of the reportable segments: amenity products, etc.

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.