



January 31, 2020

**Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020
(Nine Months Ended December 31, 2019)**

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: February 12, 2020
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Rounded down to million yen)

**1. Consolidated Financial Results for the Nine Months Ended December 31, 2019
(April 1, 2019 – December 31, 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 (%)
3Q FY03/2020	249,034	0.5	37,850	(18.2)	38,385	(19.1)	24,873	(24.5)
3Q FY03/2019	247,883	10.9	46,282	18.7	47,475	19.7	32,930	33.2

Note: Comprehensive income (million yen) 3Q FY03/2020: 25,209 (down 23.7%) 3Q FY03/2019: 33,055 (up 17.6%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2020	436.04	-
3Q FY03/2019	577.28	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2020	301,929	238,730	73.5	3,889.29
FY03/2019	300,162	224,841	69.6	3,660.77

Ref.: Shareholders' equity (million yen) 3Q FY03/2020: 221,858 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	336,000	0.9	45,000	(14.1)	46,100	(14.6)	30,000	(18.9)	525.91

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

*** 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 December 31, 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 December 31, 2019:	3,549,075 shares
As of March 31, 2019:	3,549,024 shares

3) Average number of shares outstanding during the period

3Q FY03/2020:	57,043,502 shares
3Q FY03/2019:	57,043,607 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

Nine Months Ended December 31, 2019 (April 1, 2019 – December 31, 2019)

Millions of yen, %

Operating segment	3Q FY03/2019		3Q FY03/2020		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	190,537	76.9	192,797	77.4	2,260	1.2
Cosmetaries	54,997	22.2	53,174	21.4	(1,823)	(3.3)
Other	2,348	0.9	3,061	1.2	712	30.4
Total net sales	247,883	100.0	249,034	100.0	1,150	0.5

	3Q FY03/2019		3Q FY03/2020		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	46,282	18.7	37,850	15.2	(8,431)	(18.2)
Ordinary profit	47,475	19.2	38,385	15.4	(9,089)	(19.1)
Profit attributable to owners of parent	32,930	13.3	24,873	10.0	(8,056)	(24.5)

In the first nine months (April 1 to December 31, 2019) of the current fiscal year, the Japanese economy recovered slowly as improvements in employment, personal income and other areas offset the negative impact of a series of natural disasters and a decline in exports, chiefly in the manufacturing sector. 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 nine months of the current fiscal year, net sales increased 0.5% to 249,034 million yen (up 1.4% after excluding the effects of changes in foreign exchange rates). The end of the upturn in sales prior to Japan's October 2019 consumption tax hike negatively affected sales but sales in Asia remained strong. This was the seventh consecutive year of record-high sales in the first nine months of a fiscal year. The share of overseas sales in total consolidated sales was 30.4%.

Earnings declined mainly because of increases in the cost of sales and higher selling, general and administrative expenses caused by expenses for aggressive marketing activities. Operating profit decreased 18.2% to 37,850 million yen. Ordinary profit decreased 19.1% to 38,385 million yen. Profit attributable to owners of parent decreased 24.5% to 24,873 million yen.

In the high-prestige category of the cosmetics business, sales of DECORTÉ, INFINITY and other products were higher but sales were decreased at ALBION CO., LTD. and the U.S. company Tarte, Inc. In the prestige category, sales were higher for the ESPRIQUE brand of makeup products but lower for SEKKISEI, ONE BY KOSÉ and other skin care product brands. Overall, sales in the cosmetics business increased 1.2% to 192,797 million yen and operating profit decreased 7.0% to 41,559 million yen.

In the cosmetaries business, there were higher sales at KOSÉ COSMEPORT Corp. for its BIOLISS and Je l'aime brands and the GRACE ONE brand, which added a new product. The STEPHEN KNOLL line of hair care products also posted higher sales. However, sales in this business were brought down primarily by the end of a licensing agreement with RIMMEL and a decline in sales of VISÉE and other makeup brands. As a result, sales in the cosmetaries business decreased 3.3% to 53,174 million yen and operating profit decreased 98.6% to 63 million yen because of increases in the cost of sales and selling, general and administrative expenses.

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 30.4% to 3,061 million yen but operating profit decreased 32.1% to 795 million yen because of increases in the cost of sales.

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

	3Q FY03/2019		3Q FY03/2020		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	181,363	73.2	173,326	69.6	(8,036)	(4.4)
Asia	36,738	14.8	47,000	18.9	10,262	27.9
North America	27,202	11.0	25,076	10.1	(2,125)	(7.8)
Other	2,579	1.0	3,629	1.4	1,050	40.7
Total net sales	247,883	100.0	249,034	100.0	1,150	0.5

Japan

KOSÉ has started several activities in Japan with the goal of creating new forms of value for customers. One step is Maison KOSÉ, a service that combines real stores with a digital platform under development as one way to add new channels for interacting with customers. However, sales decreased in major sales channels because of declining sales to foreign tourists in Japan caused by the expansion of sales channels in Asia, foreign exchange rate movements and other reasons. The drop-off in sales following the upturn prior to the October 2019 consumption tax hike also affected sales in Japan. In the department store channel, sales were lower for high-prestige brands such as DECORTÉ and the products of ALBION CO., LTD. In the drug store and general merchandise store channels, SEKKISEI, ONE BY KOSÉ and other prestige brands posted lower sales. Sales also decreased in the cosmetaries business, mainly for VISÉE and other makeup brands. As a result, sales in Japan decreased 4.4% to 173,326 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. Two significant sources of growth are South Korea, where duty-free sales are increasing, and China due to the consistently strong growth of store and e-commerce sales of high-prestige brands. Sales decreased in Taiwan and Hong Kong. In the ASEAN region, e-commerce activities were strengthened and there were other activities to enlarge sales channels. As a result, sales increased 27.9% to 47,000 million yen.

North America

Sales were lower primarily because sales at Tarte were affected by the challenging business climate in the prestige makeup market. Progress is continuing with the establishment of sales channels for the DECORTÉ brand, mainly at department stores. As a result, sales decreased 7.8% to 25,076 million yen.

Other

Sales increased 40.7% to 3,629 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

The KOSÉ Group has reviewed current trends in its performance and revised its consolidated forecast that was announced on April 26, 2019 as follows.

Revised Forecast

Although sales in Asia remained strong, the end of the upturn in sales prior to Japan's October 2019 consumption tax hike, the impact on the duty-free stores channel from declining inbound tourist numbers caused by the spread of the coronavirus epidemic in China and the effect of yen's appreciation negatively affected sales. As a result, sales are likely to fall short of the previous forecast.

Gross profit is likely to be lower due to the above factors. As a result, earnings are expected to be lower than the previous forecast.

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

	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)	352,000	54,000	54,700	37,100	650.37
Revised forecast (B)	336,000	45,000	46,100	30,000	525.91
Change (B – A)	(16,000)	(9,000)	(8,600)	(7,100)	—
Percentage change (%)	(4.5)	(16.7)	(15.7)	(19.1)	—
(Reference) Previous fiscal year results (FY03/2019)	332,995	52,408	53,976	37,004	648.71

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

Millions of yen, %

Operating segment	FY03/2019		FY03/2020 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	254,965	76.6	257,500	76.6	2,534	1.0
Cosmetaries	74,632	22.4	74,500	22.2	(132)	(0.2)
Other	3,398	1.0	4,000	1.2	601	17.7
Total net sales	332,995	100.0	336,000	100.0	3,004	0.9

	FY03/2019		FY03/2020 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	52,408	15.7	45,000	13.4	(7,408)	(14.1)
Ordinary profit	53,976	16.2	46,100	13.7	(7,876)	(14.6)
Profit attributable to owners of parent	37,004	11.1	30,000	8.9	(7,004)	(18.9)

* Forecasts are based on foreign exchange rates of 109 yen to the U.S. dollar, 15.8 yen to the Chinese yuan and 9.4 yen to Korean won.

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

	FY03/2019 (As of Mar. 31, 2019)	3Q FY03/2020 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	94,385	87,237
Notes and accounts receivable-trade	44,773	41,697
Merchandise and finished goods	34,121	38,678
Work in process	3,005	3,535
Raw materials and supplies	23,655	25,533
Other	5,383	6,051
Allowance for doubtful accounts	(83)	(81)
Total current assets	205,241	202,652
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,960	45,132
Accumulated depreciation	(21,303)	(22,285)
Buildings and structures, net	19,657	22,847
Machinery, equipment and vehicles	17,012	18,110
Accumulated depreciation	(12,299)	(13,032)
Machinery, equipment and vehicles, net	4,713	5,078
Tools, furniture and fixtures	39,199	42,328
Accumulated depreciation	(32,097)	(33,766)
Tools, furniture and fixtures, net	7,101	8,561
Land	17,566	17,553
Leased assets	1,954	1,988
Accumulated depreciation	(1,117)	(1,293)
Leased assets, net	837	694
Construction in progress	7,020	7,716
Total property, plant and equipment	56,896	62,452
Intangible assets		
Software	2,296	2,626
Goodwill	6,675	5,907
Other	6,697	6,053
Total intangible assets	15,669	14,587
Investments and other assets		
Investment securities	11,664	14,244
Deferred tax assets	7,574	4,388
Other	3,361	3,836
Allowance for doubtful accounts	(245)	(232)
Total investments and other assets	22,355	22,236
Total non-current assets	94,921	99,276
Total assets	300,162	301,929

Millions of yen

	FY03/2019 (As of Mar. 31, 2019)	3Q FY03/2020 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,764	8,584
Electronically recorded obligations-operating	19,086	18,922
Short-term borrowings	600	721
Lease obligations	228	212
Accounts payable-other	14,371	8,842
Accrued expenses	10,716	6,598
Income taxes payable	7,661	2,059
Accrued consumption taxes	632	1,655
Provision for sales returns	2,132	1,933
Other	913	4,916
Total current liabilities	66,107	54,446
Non-current liabilities		
Lease obligations	837	722
Provision for retirement benefits for directors (and other officers)	2,846	3,298
Retirement benefit liability	4,435	3,574
Other	1,094	1,156
Total non-current liabilities	9,213	8,752
Total liabilities	75,321	63,198
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	-	15
Retained earnings	207,821	221,856
Treasury shares	(9,102)	(9,103)
Total shareholders' equity	203,566	217,615
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,750	5,131
Foreign currency translation adjustment	1,781	(387)
Remeasurements of defined benefit plans	(275)	(500)
Total accumulated other comprehensive income	5,256	4,242
Non-controlling interests	16,018	16,871
Total net assets	224,841	238,730
Total liabilities and net assets	300,162	301,929

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

	3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	247,883	249,034
Cost of sales	63,228	65,260
Gross profit	184,655	183,774
Selling, general and administrative expenses		
Advertising expenses	15,659	15,917
Promotion expenses	43,905	46,557
Freight and packing costs	10,126	11,292
Salaries and allowances	36,164	38,017
Retirement benefit expenses	943	592
Legal welfare expenses	5,423	5,629
Depreciation	2,767	3,015
Other	23,383	24,900
Total selling, general and administrative expenses	138,373	145,923
Operating profit	46,282	37,850
Non-operating income		
Interest income	288	385
Dividend income	135	109
Commission income	-	37
Refunded consumption taxes	-	184
Patent licensing	37	15
Foreign exchange gains	527	-
Subsidy income	-	59
Miscellaneous income	333	307
Total non-operating income	1,323	1,100
Non-operating expenses		
Interest expenses	2	2
Commission expenses	11	11
Loss on investments in partnership	71	46
Foreign exchange losses	-	479
Miscellaneous loss	44	24
Total non-operating expenses	129	564
Ordinary profit	47,475	38,385
Extraordinary income		
Gain on sales of non-current assets	9	10
Gain on sales of investment securities	2	0
Gain on sales of shares of subsidiaries and associates	925	-
Gain on liquidation of business	788	115
Total extraordinary income	1,725	125
Extraordinary losses		
Loss on disposal of non-current assets	358	279
Loss on valuation of shares of subsidiaries and associates	-	29
Other	12	4
Total extraordinary losses	371	314
Profit before income taxes	48,829	38,197
Income taxes-current	14,026	9,265
Income taxes-deferred	142	2,653
Total income taxes	14,168	11,918
Profit	34,660	26,278
Profit attributable to non-controlling interests	1,730	1,405
Profit attributable to owners of parent	32,930	24,873

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

Millions of yen

	3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)	3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	34,660	26,278
Other comprehensive income		
Valuation difference on available-for-sale securities	(563)	1,380
Foreign currency translation adjustment	(1,098)	(2,212)
Remeasurements of defined benefit plans, net of tax	57	(236)
Total other comprehensive income	(1,604)	(1,069)
Comprehensive income	33,055	25,209
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,334	23,859
Comprehensive income attributable to non-controlling interests	1,721	1,350

(3) 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. 3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)

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	190,537	54,997	245,534	2,348	247,883	-	247,883
(2) Intragroup sales and transfers	-	585	585	547	1,132	(1,132)	-
Total sales	190,537	55,582	246,119	2,896	249,016	(1,132)	247,883
Segment profit	44,705	4,417	49,122	1,171	50,293	(4,011)	46,282

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	103
Corporate expenses that cannot be allocated to reportable segments	(4,115)

Corporate expenses consist primarily of expenses related to the administration division at the Company and expenses for basic research that are not assigned to any particular reportable segment.

3. Segment profit is adjusted with operating profit shown on the consolidated quarterly statement of income.

2. Information related to impairment losses on non-current assets and goodwill, etc. for each reportable segment

No significant items in 3Q FY03/2019.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
181,363	36,738	27,202	2,579	247,883

II. 3Q FY03/2020 (Apr. 1, 2019 – Dec. 31, 2019)

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

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated quarterly statement of income (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	192,797	53,174	245,972	3,061	249,034	-	249,034
(2) Intragroup sales and transfers	-	-	-	431	431	(431)	-
Total sales	192,797	53,174	245,972	3,493	249,466	(431)	249,034
Segment profit	41,559	63	41,623	795	42,418	(4,567)	37,850

Notes: 1. The "other" segment consists of activities that are not included in any of the reportable segments: amenity products and real estate leasing.

2. Adjustments to segment profit are as follows.

Millions of yen

Eliminations for intersegment transactions	28
Corporate expenses that cannot be allocated to reportable segments	(4,596)

Corporate expenses consist primarily of expenses related to the administration division at KOSÉ and expenses for basic research that are not assigned to any particular reportable segment.

3. Segment profit is adjusted with operating profit shown on the consolidated quarterly statement of income.

2. Information related to impairment losses on non-current assets and goodwill, etc. for each reportable segment

No significant items in 3Q FY03/2020.

3. Geographic sales information

Millions of yen

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

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.