

Summary of Financial Results for the Fiscal Year Ended March 31, 2021
[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 4922 URL: <https://www.kose.co.jp/>
 President & CEO: Kazutoshi Kobayashi
 Contact: Yasushi Tokida, General Manager of IR Department Tel: +81- (0) 3-3273-1511
 Scheduled date of general meeting of shareholders: June 29, 2021
 Scheduled date of filing of Securities Report: June 29, 2021
 Scheduled date of dividend payment: June 30, 2021
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Rounded down to million yen)
**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021
(April 1, 2020 – March 31, 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 (%)
FY03/2021	279,389	(14.7)	13,294	(67.0)	18,745	(54.2)	11,986	(55.1)
FY03/2020	327,724	(1.6)	40,231	(23.2)	40,932	(24.2)	26,682	(27.9)

Note: Comprehensive income (million yen) FY03/2021: 15,228 (down 43.0 %) FY03/2020: 26,703 (down 26.7%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary profit to total assets (%)	Operating profit to net sales (%)
FY03/2021	210.11	-	5.3	6.1	4.8
FY03/2020	467.76	-	12.3	13.4	12.3

Ref.: Equity in earnings of affiliates (million yen) FY03/2021: - FY03/2020: -

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2021	308,386	241,299	73.1	3,952.94
FY03/2020	308,606	240,202	72.5	3,920.41

Ref.: Shareholders' equity (million yen) FY03/2021: 225,506 FY03/2020: 223,633

(3) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of period (Million yen)
	Operating activities (Million yen)	Investing activities (Million yen)	Financing activities (Million yen)	
FY03/2021	23,280	(5,850)	(7,363)	80,051
FY03/2020	37,090	(19,006)	(11,448)	70,284

2. Dividends

	Dividend per share					Total dividends (Million yen)	Payout ratio (consolidated) (%)	Dividend on net assets (consolidated) (%)
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)			
FY03/2020	-	95.00	-	95.00	190.00	10,838	40.6	5.0
FY03/2021	-	60.00	-	60.00	120.00	6,845	57.1	3.0
FY12/2021 (forecast)	-	70.00	-	70.00	140.00		56.2	

**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	238,000	-	20,000	-	20,500	-	14,200	-	248.92

Note: If the proposal for an amendment to the Articles of Incorporation is approved at the Annual General Meeting of Shareholders to be held on June 29, 2021, the end of the fiscal year will change from March 31 to December 31 beginning with December 31, 2021. If approved, this change will result in a transitional nine-month fiscal period ending on December 31, 2021 for KOSÉ and its consolidated subsidiaries in Japan that have a March 31 fiscal year end. The transitional fiscal period ending on December 31, 2021 will also include the 12-month period ending on this date for consolidated subsidiaries that already have a fiscal year ending on December 31.

Beginning with the fiscal period ending on December 31, 2021, KOSÉ is applying Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Consequently, these forecasts incorporate this accounting standard and, as a result, no prior-year comparisons are shown.

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 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	11.5	16,557	20.8	19,095	7.4	13,985	1.5

* Notes

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

Newly added: - Excluded: -

(2) 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

(3) Number of shares outstanding (common stock)

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

As of March 31, 2021	60,592,541 shares	As of March 31, 2020	60,592,541 shares
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- 2) Number of treasury shares at end of the period

As of March 31, 2021	3,544,841 shares	As of March 31, 2020	3,549,075 shares
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- 3) Average number of shares outstanding during the period

FY03/2021	57,046,312 shares	FY03/2020	57,043,493 shares
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(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021

(April 1, 2020 – March 31, 2021)

(1) Non-consolidated financial results *(YoY change % represents changes from the previous fiscal year)*

	Net sales	YoY change	Operating profit	YoY change	Ordinary profit	YoY change	Net income	YoY change
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
FY03/2021	125,943	(14.0)	10,603	150.4	30,244	57.7	25,740	49.8
FY03/2020	146,482	(5.6)	4,234	(72.5)	19,177	(35.5)	17,180	(32.5)

	Net income per share (basic)	Net income per share (diluted)
	(Yen)	(Yen)
FY03/2021	451.23	-
FY03/2020	301.18	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
FY03/2021	188,152	144,524	76.8	2,533.40
FY03/2020	163,666	126,475	77.3	2,217.18

Ref.: Shareholders' equity (million yen) FY03/2021: 144,524 FY03/2020: 126,475

Note 1: This financial report is not subject to audit 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. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" of the attachments.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Financial Results for the Current Fiscal Year

a. Review of Operations

Millions of yen, %

Operating segment	FY03/2020		FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	251,894	76.9	218,482	78.2	(33,412)	(13.3)
Cosmetaries	71,912	21.9	58,434	20.9	(13,478)	(18.7)
Other	3,916	1.2	2,472	0.9	(1,444)	(36.9)
Total net sales	327,724	100.0	279,389	100.0	(48,335)	(14.7)

	FY03/2020		FY03/2021		YoY change	
	Amount	% comp.	Amount	% of sales	Amount	%
Operating profit	40,231	12.3	13,294	4.8	(26,937)	(67.0)
Ordinary profit	40,932	12.5	18,745	6.7	(22,187)	(54.2)
Profit attributable to owners of parent	26,682	8.1	11,986	4.3	(14,696)	(55.1)

In the fiscal year that ended on March 31, 2021, economic activity in Japan resumed in the quarter that ended in June 2020 following the end of the state of emergency. The Japanese government's Go To Travel campaign and other measures fueled an economic recovery. However, the economic recovery lost momentum in the fourth quarter of 2020 because of an increase in COVID-19 infections and in the quarter that ended in March 2021 due to the second state of emergency.

Overseas, the primary markets for the KOSÉ Group are Asia and the United States. In these regions, the economies of China are slowly recovering. In other Asian countries, economies are weak but staging a rebound and the downturn appears to have ended. In the United States, economic activity resumes, while the overall business climate is still challenging.

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

There was a big increase in sales of cosmetics in China, where economic activity is returning to normal, primarily in the e-commerce and travel retail sectors. In other Asian countries, the business climate is still difficult because of the COVID-19 crisis, but the downturn of the economies of these countries has stopped. In the United States, consumer spending is recovering even though the number of COVID-19 infections is climbing slowly.

In Japan, consumer spending is currently sluggish because people are staying home, stores temporarily closed and businesses have reduced operating hours, particularly in the Tokyo Metropolitan area, in response to the state of emergency and other government measures to prevent the spread of COVID-19. In Asian countries other than China, the United States and Europe, lockdowns and travel restrictions due to the increasing number of COVID-19 cases have severely impacted economic activity. Consequently, the effects of this pandemic must still be monitored closely.

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 current fiscal year, net sales decreased 14.7% to 279,389 million yen (down 14.2% after excluding the effects of changes in foreign exchange rates). Although sales remained strong in China, sales in Japan and

other countries were lower because of the severe impact of COVID-19. Overseas sales were 40.1% of total sales.

Although there were measures throughout the KOSÉ Group to control expenses, earnings were lower because of the downturn in sales. Operating profit decreased 67.0% to 13,294 million yen and ordinary profit decreased 54.2% to 18,745 million yen, which includes subsidy income. Profit attributable to owners of parent decreased 55.1% to 11,986 million yen.

b. Results by Business Segment

Cosmetics Business

Millions of yen, %

	FY03/2020	FY03/2021	YoY change	
			Amount	%
Sales to third parties	251,894	218,482	(33,412)	(13.3)
Intragroup sales and transfers	-	-	-	-
Total net sales	251,894	218,482	-	-
Operating profit	44,663	18,669	(25,994)	(58.2)
Operating margin	17.7	8.5	-	-

In the cosmetics business, sales of DECORTÉ products were strong in China in all sales channels. In Japan, sales increased for LIFT DIMENSION, which is a DECORTÉ product, ONE BY KOSÉ SERUM VEIL, a KOSÉ's medicated moisturizing serum, and Carté Hirudoid highly functional skin care products that combine the technologies and other expertise of KOSÉ and Maruho. However, sales of other major cosmetics brands were mostly down. In addition, sales to foreign tourists in Japan decreased significantly. As a result, sales in the cosmetics business decreased 13.3% to 218,482 million yen and operating profit decreased 58.2% to 18,669 million yen.

Cosmetaries Business

Millions of yen, %

	FY03/2020	FY03/2021	YoY change	
			Amount	%
Sales to third parties	71,912	58,434	(13,478)	(18.7)
Intragroup sales and transfers	-	-	-	-
Total net sales	71,912	58,434	-	-
Operating profit (loss)	211	(63)	(275)	-
Operating margin	0.3	-	-	-

In the cosmetaries business, Make Keep Mist, LIP GEL MAGIC, STEPHEN KNOLL NEW YORK hair care products and other products where the COVID-19 crisis raised demand contributed to sales. Sales were higher for GRACE ONE brand and the Coen Rich series at KOSÉ Cosmeport Corp., but the markets for cleansing products and hair care products were weak. As a result, sales in the cosmetaries business decreased 18.7% to 58,434 million yen and operating loss was 63 million yen (compared with operating profit of 211 million yen one year earlier).

Other Business

Millions of yen, %

	FY03/2020	FY03/2021	YoY change	
			Amount	%
Sales to third parties	3,916	2,472	(1,444)	(36.9)
Intragroup sales and transfers	594	490	-	-
Total net sales	4,511	2,962	-	-
Operating profit	1,283	973	(309)	(24.1)
Operating margin	28.4	32.9	-	-

Orders for the manufacture of OEM products declined. As a result, sales decreased 36.9% to 2,472 million yen and operating profit decreased 24.1% to 973 million yen.

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

	FY03/2020		FY03/2021		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	222,550	67.9	167,410	59.9	(55,139)	(24.8)
Asia	64,353	19.6	82,139	29.4	17,786	27.6
North America	35,897	11.0	26,418	9.5	(9,479)	(26.4)
Other	4,923	1.5	3,421	1.2	(1,502)	(30.5)
Total net sales	327,724	100.0	279,389	100.0	(48,335)	(14.7)

Japan

At cosmetics stores, there was a rapid rebound in sales of DECORTÉ and ALBION products in the third quarter and sales at department stores performed well in the fourth quarter. Sales have started to recover in other major channels, too. In addition, sales have been consistently strong in the e-commerce channel of Maison KOSÉ. However, sales in Japan declined because COVID-19 held down consumer spending and reduced customer traffic at stores as people stayed home. There was also a big downturn in sales to foreign tourists in Japan. As a result, sales in Japan decreased 24.8% to 167,410 million yen.

Asia

In China, which has contained the spread of COVID-19, e-commerce sales continued to increase and sales at department stores are recovering. In addition, sales in travel retail sector in China have been consistently very strong. In other Asian countries, COVID-19 had a negative impact on sales. As a result, sales in Asia increased 27.6% to 82,139 million yen.

North America

At the U.S. company Tarte, Inc., e-commerce sales remained very strong. Stores reopened but sales were slow, particularly at urban locations, because of lockdowns and restrictions on going out due to COVID-19. As a result, sales in North America decreased 26.4% to 26,418 million yen.

Other

Tarte e-commerce sales have been strong in Europe just as in the United States. Furthermore, almost all stores have reopened. However, sales were down, particularly at stores where tourists account for a large share of sales. As a result, sales decreased 30.5% to 3,421 million yen.

2) Outlook for the Next Fiscal Year

Although the outlook for the Japanese economy is uncertain, the economy is expected to recover slowly. In Asia and the United States, government economic stimulus measures are supporting a recovery. There are also expectations for a further economic recovery in the second half of 2021 as more people are vaccinated.

Based on this outlook, KOSÉ forecasts net sales of 238,000 million yen (up 11.5% from the transitional fiscal period), operating profit of 20,000 million yen (up 20.8%), ordinary profit of 20,500 million yen (up 7.4%), and profit attributable to owners of parent of 14,200 million yen (up 1.5%). The outlook for business segments is shown below. The capital expenditure forecast is 15,400 million yen and the depreciation expense forecast is 8,700 million yen.

The assumptions for the calculation of the results of operations for the next fiscal year are based on a nine-month period from April 1, 2021 to December 31, 2021 for KOSÉ and its consolidated subsidiaries in Japan because of the change from a March to a December fiscal year end. In addition, Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2020) have been applied to the forecast assumptions.

The comparisons are calculated based on the consolidated results of operations for the transitional nine-month period from April 1, 2020 to December 31, 2020 after adjusting the previous fiscal year's results for KOSÉ and its consolidated subsidiaries in Japan with fiscal year end in March to a nine-month period ended on December 31, 2020, and retroactively applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2020).

Currently, there are concerns about a prolonged economic slump due to the COVID-19 crisis. The main reasons are a decline in consumer sentiment caused by lockdowns and restrictions on outings and travel in many countries where COVID-19 cases are increasing again, restrictions on business activities, and declines in jobs and personal income. Consequently, there is no interim forecast for sales and earnings because it is difficult to determine a reliable outlook for the beginning of an economic recovery.

* Forecasts are based on foreign exchange rates of 103 yen to the U.S. dollar, 15.5 yen to the Chinese yuan and 0.09 yen to Korean won.

Millions of yen, %

Operating segment	FY03/2021		Transitional FY2020		FY12/2021		Adjusted comparisons	
	Amount		Amount		Amount		Amount	%
Cosmetics	218,482		173,266		196,700		23,433	13.5
Cosmetaries	58,434		38,215		39,500		1,284	3.4
Other	2,472		1,957		1,800		(157)	(8.0)
Total net sales	279,389		213,438		238,000		24,561	11.5

	FY03/2021		Transitional FY2020		FY12/2021		Adjusted comparisons	
	Amount	% of sales	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	13,294	4.8	16,557	7.8	20,000	8.4	3,443	20.8
Ordinary profit	18,745	6.7	19,095	8.9	20,500	8.6	1,405	7.4
Profit attributable to owners of parent	11,986	4.3	13,985	6.6	14,200	6.0	215	1.5

(2) Analysis of Financial Position

1) Balance Sheet Position

The current ratio was 332.8%, 9.8 percentage points lower than one year earlier, and the quick ratio was 231.8%, an increase of 4.0 percentage points, as of March 31, 2021. These changes were attributable mainly to the following items.

Assets decreased 220 million yen. There was a 6,882 million yen increase in quick assets, mainly the result of an increase of 5,834 million yen in cash and deposits and an increase of 1,048 million yen in notes and accounts receivable-trade. Current assets increased 592 million yen. Non-current assets decreased 813 million yen due to a decrease of 3,130 million yen in property, plant and equipment, a decrease of 621 million yen in intangible assets and an increase of 2,938 million yen in investments and other assets.

Liabilities decreased 1,316 million yen. Current liabilities increased 1,932 million yen mainly due to an increase of 537 million yen in notes and accounts payable-trade, a decrease of 2,042 million yen in electronically recorded obligations-operating, an increase of 6,872 million yen in short-term borrowings, a decrease of 1,228 million yen in accrued expenses and a decrease of 1,537 million yen in accrued consumption taxes. Non-current liabilities decreased 3,248 million yen mainly due to a decrease of 4,346 million yen retirement benefit liability.

Interest-bearing debt amounted to 8,533 million yen, and the debt-to-equity ratio was 0.04.

2) Cash Flows

	<i>Millions of yen</i>		
	FY03/2020	FY03/2021	YoY change
Net cash provided by (used in) operating activities	37,090	23,280	(13,809)
Net cash provided by (used in) investing activities	(19,006)	(5,850)	13,156
Net cash provided by (used in) financing activities	(11,448)	(7,363)	4,084
Increase in cash and cash equivalents	6,019	9,757	3,737
Cash and cash equivalents at end of period	70,284	80,051	9,767

Cash and cash equivalents (consolidated basis) as of March 31, 2021 were 80,051 million yen, an increase of 9,767 million yen, or 13.9%, compared with March 31, 2020. Cash flows and major components during the current fiscal year are as follows.

Net cash provided by operating activities decreased 37.2% to 23,280 million yen. This was mainly the net result of profit before income taxes of 19,508 million yen, depreciation, a non-cash expense, of 10,379 million yen, a decrease of 3,752 million yen in inventories, an increase of 1,196 million yen in notes and accounts receivable-trade, a decrease of 5,530 million yen in other assets, a decrease of 522 million yen in notes and accounts payable-trade, and income taxes paid of 5,430 million yen.

Net cash used in investing activities decreased 69.2% to 5,850 million yen. The major components were the purchase of property, plant and equipment of 8,657 million yen, a net payment of 3,804 million yen into time deposit, and purchase of intangible assets of 2,081 million yen.

Net cash used in financing activities increased 35.7% to 7,363 million yen. The major components include net increase (decrease) in short-term borrowings of 6,872 million yen, payments of 4,930 million yen from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation, and cash dividends paid of 9,289 million yen.

3) Cash Flow Indicators

	FY03/2017	FY03/2018	FY03/2019	FY03/2020	FY03/2021
Shareholders' equity ratio (%)	66.3	68.1	69.6	72.5	73.1
Shareholders' equity ratio based on market prices (%)	232.4	469.9	386.4	246.4	289.7
Interest-bearing debt to cash flow ratio	0.1	0.0	0.1	0.0	0.4
Interest coverage ratio	5,133.3	9,274.6	23,555.3	3,942.6	1,891.8

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows (before deducting interests and income taxes) / Interest payments

- These indicators are calculated on a consolidated basis.

- Market capitalization is based on the number of shares issued less treasury shares.

The closing price of stock on the balance sheet date is adjusted in case KOSÉ conducts a stock split for shareholders of record at the fiscal year end.

- Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

- Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest expenses paid on the consolidated statement of cash flows is used for interest payments.

(3) Profit Allocation Policy and Dividends for FY03/2021 and FY12/2021

Preserving a stable dividend is the fundamental policy for profit allocations. KOSÉ plans to return earnings to shareholders while taking into account the need to retain earnings to fund future growth as well as the company's current financial soundness, operating results and the dividend payout ratio.

KOSÉ plans to pay an ordinary dividend of 60 yen per share. Shareholders received an interim dividend of 60 yen per share on December 10, 2020. This will result in a dividend of 120 yen per share applicable to the current fiscal year (ended March 31, 2021).

In the next fiscal year (ending December 31, 2021), KOSÉ plans to pay an annual dividend of 140 yen per share.

2. Management Policies

(1) Fundamental Management Policy

Since starting operations in 1946, KOSÉ has been dedicated to the mission of using beauty to help people achieve their dreams and other goals. When KOSÉ established a corporate identity in 1991, this mission was expressed as a statement of the company's philosophy for business operations: Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. KOSÉ has grown year after year since then by adhering to this philosophy. In addition, KOSÉ established a corporate message: Creating beauty in a sustainable world. This message expresses the strong commitment to functioning as a "beauty creation company" in order to utilize a broad array of knowledge involving beauty in order to provide benefits for people and the world.

(2) Performance Indicators

The Group is placing priority on improving the operating margin, return on total assets (ROA) and return on equity (ROE).

Note: $ROA = (\text{Operating profit} + \text{Interest and dividends}) / \text{Total assets (average at beginning and end of year)} \times 100$
 $ROE = \text{Profit attributable to owners of parent} / \text{Shareholders' equity (average at beginning and end of year)} \times 100$

(3) Medium- and Long-Term Strategies and Important Issues

The KOSÉ Group is enacting 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 KOSÉ Group's vision: Become a globally recognized and respected company with exceptional customer loyalty

KOSÉ pursues the goal of "beauty for everyone" as a leading Japanese cosmetics company that creates a distinctive Japanese-style culture of cosmetics. To maintain a one-of-a-kind identity, activities are centered on many original and appealing brands for the constant creation of distinctive value ahead of other companies worldwide. The goal is to be an admired and irreplaceable company that as many stakeholders as possible will choose over others.

The KOSÉ Group VISION2026

✓ Numerical Targets

- Net sales: 500 billion yen
- Operating margin: 16% or more
- ROA: 18% or more
- ROE: 15% or more

✓ Road Map

- Phase I: Upgrade global brands and reinforce customer points of contact
- Phase II: Increase KOSÉ's global presence and improve the customer experience
- Phase III: Become a customer-driven company appreciated by people worldwide

✓ Basic strategies

1) Three growth strategies

- (a) Accelerate globalization of brands
- (b) Proactively develop unique products
- (c) Explore new growth domains

2) Two value creation vectors

- (a) Use digital technology for more and better personal customer experiences
- (b) Focus on unique forms of value by utilizing external resources and technologies

3) Three business foundations

- (a) Build a sound foundation for the company growth
- (b) Promote diversity and inclusion
- (c) Develop a sustainability strategy spanning the entire value chain

3. Basic Approach for the Selection of Accounting Standards

The KOSÉ Group is continuing studies for the future adoption of International Financial Reporting Standards (IFRS) with objectives that include improved international comparability of financial data in capital markets and higher creditworthiness overseas. This is in line with its medium- and long-term strategies and factors in domestic and international circumstances in achieving the aim of becoming a company with a global presence.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

Millions of yen

	FY03/2020 (As of Mar. 31, 2020)	FY03/2021 (As of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	97,556	103,391
Notes and accounts receivable-trade	38,371	39,420
Merchandise and finished goods	35,775	31,932
Work in process	3,472	2,802
Raw materials and supplies	22,192	22,603
Other	7,146	4,952
Allowance for doubtful accounts	(77)	(71)
Total current assets	204,438	205,031
Non-current assets		
Property, plant and equipment		
Buildings and structures	45,590	52,592
Accumulated depreciation	(22,671)	(23,108)
Buildings and structures, net	22,919	29,483
Machinery, equipment and vehicles	18,543	21,814
Accumulated depreciation	(13,290)	(14,554)
Machinery, equipment and vehicles, net	5,252	7,260
Tools, furniture and fixtures	43,151	44,463
Accumulated depreciation	(34,581)	(36,454)
Tools, furniture and fixtures, net	8,570	8,009
Land	17,569	17,350
Leased assets	2,000	2,202
Accumulated depreciation	(1,356)	(1,545)
Leased assets, net	643	657
Construction in progress	11,068	130
Total property, plant and equipment	66,022	62,892
Intangible assets		
Software	3,245	4,116
Goodwill	5,794	4,720
Other	5,733	5,316
Total intangible assets	14,774	14,153
Investments and other assets		
Investment securities	13,433	15,184
Retirement benefit asset	-	2,484
Deferred tax assets	6,272	4,729
Other	3,900	4,347
Allowance for doubtful accounts	(236)	(437)
Total investments and other assets	23,370	26,308
Total non-current assets	104,167	103,354
Total assets	308,606	308,386

Millions of yen

	FY03/2020 (As of Mar. 31, 2020)	FY03/2021 (As of Mar. 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,196	6,733
Electronically recorded obligations-operating	15,513	13,471
Short-term borrowings	727	7,600
Lease obligations	214	231
Accounts payable-other	13,086	12,261
Accrued expenses	12,296	11,068
Income taxes payable	4,232	4,478
Accrued consumption taxes	1,537	-
Provision for sales returns	1,967	1,837
Other	3,903	3,925
Total current liabilities	59,676	61,608
Non-current liabilities		
Lease obligations	712	702
Provision for retirement benefits for directors (and other officers)	3,334	-
Retirement benefit liability	4,346	-
Deferred tax liabilities	-	181
Other	332	4,594
Total non-current liabilities	8,727	5,478
Total liabilities	68,403	67,087
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	15	-
Retained earnings	223,665	222,354
Treasury shares	(9,103)	(9,095)
Total shareholders' equity	219,425	218,107
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,434	5,605
Foreign currency translation adjustment	1,063	(683)
Remeasurements of defined benefit plans	(1,289)	2,476
Total accumulated other comprehensive income	4,208	7,398
Non-controlling interests	16,569	15,792
Total net assets	240,202	241,299
Total liabilities and net assets	308,606	308,386

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income***Millions of yen*

	FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	327,724	279,389
Cost of sales	88,703	77,465
Gross profit	239,020	201,923
Selling, general and administrative expenses		
Advertising expenses	21,468	20,201
Promotion expenses	65,447	60,326
Freight and packing costs	15,236	15,493
Salaries and allowances	50,820	48,143
Retirement benefit expenses	786	1,278
Legal welfare expenses	7,627	7,455
Depreciation	4,047	4,566
Other	33,355	31,165
Total selling, general and administrative expenses	198,789	188,629
Operating profit	40,231	13,294
Non-operating income		
Interest income	551	260
Dividend income	111	195
Refunded consumption taxes	185	381
Patent licensing	16	9
Foreign exchange gains	-	1,204
Subsidy income	32	3,436
Miscellaneous income	498	347
Total non-operating income	1,394	5,835
Non-operating expenses		
Interest expenses	7	17
Rent expenses on real estates	4	4
Provision of allowance for doubtful accounts	0	201
Commission expenses	13	7
Loss on investments in partnership	62	67
Foreign exchange losses	517	-
Miscellaneous loss	86	86
Total non-operating expenses	693	384
Ordinary profit	40,932	18,745
Extraordinary income		
Gain on sales of non-current assets	9	1,084
Gain on sales of investment securities	1	28
Gain on liquidation of business	115	-
Other	-	105
Total extraordinary income	127	1,217
Extraordinary losses		
Loss on disposal of non-current assets	419	169
Loss on valuation of investment securities	147	-
Loss on valuation of shares of subsidiaries and associates	51	148
Impairment loss	76	73
Loss on fire	-	62
Total extraordinary losses	693	454
Profit before income taxes	40,365	19,508
Income taxes-current	11,104	8,253
Income taxes-deferred	1,427	(583)
Total income taxes	12,532	7,669
Profit	27,833	11,839
Profit attributable to non-controlling interests	1,151	(146)
Profit attributable to owners of parent	26,682	11,986

Consolidated Statement of Comprehensive Income*Millions of yen*

	FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)
Profit	27,833	11,839
Other comprehensive income		
Valuation difference on available-for-sale securities	679	1,175
Foreign currency translation adjustment	(734)	(1,748)
Remeasurements of defined benefit plans, net of tax	(1,074)	3,962
Total other comprehensive income	(1,129)	3,389
Comprehensive income	26,703	15,228
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,634	15,176
Comprehensive income attributable to non-controlling interests	1,069	52

(3) Consolidated Statement of Changes in Equity

FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	-	207,821	(9,102)	203,566
Changes of items during period					
Dividends of surplus			(10,838)		(10,838)
Profit attributable to owners of parent			26,682		26,682
Purchase of treasury shares				(0)	(0)
Change in ownership interest of KOSÉ due to transactions with non-controlling interests		15			15
Net changes of items other than shareholders' equity					
Total changes of items during period	-	15	15,844	(0)	15,858
Balance at end of current period	4,848	15	223,665	(9,103)	219,425

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,750	1,781	(275)	5,256	16,018	224,841
Changes of items during period						
Dividends of surplus						(10,838)
Profit attributable to owners of parent						26,682
Purchase of treasury shares						(0)
Change in ownership interest of KOSÉ due to transactions with non-controlling interests						15
Net changes of items other than shareholders' equity	683	(717)	(1,014)	(1,047)	550	(497)
Total changes of items during period	683	(717)	(1,014)	(1,047)	550	15,360
Balance at end of current period	4,434	1,063	(1,289)	4,208	16,569	240,202

FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	15	223,665	(9,103)	219,425
Changes of items during period					
Dividends of surplus			(8,841)		(8,841)
Profit attributable to owners of parent			11,986		11,986
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares			28	11	39
Change of scope of consolidation			0		0
Change in ownership interest of KOSÉ due to transactions with non-controlling interests		(15)	(4,483)		(4,499)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(15)	(1,310)	8	(1,317)
Balance at end of current period	4,848	-	222,354	(9,095)	218,107

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	4,434	1,063	(1,289)	4,208	16,569	240,202
Changes of items during period						
Dividends of surplus						(8,841)
Profit attributable to owners of parent						11,986
Purchase of treasury shares						(2)
Disposal of treasury shares						39
Change of scope of consolidation						0
Change in ownership interest of KOSÉ due to transactions with non-controlling interests						(4,499)
Net changes of items other than shareholders' equity	1,171	(1,747)	3,765	3,190	(776)	2,413
Total changes of items during period	1,171	(1,747)	3,765	3,190	(776)	1,096
Balance at end of current period	5,605	(683)	2,476	7,398	15,792	241,299

(4) Consolidated Statement of Cash Flows*Millions of yen*

	FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	40,365	19,508
Depreciation	8,838	10,379
Impairment loss	76	73
Loss on fire	-	62
Amortization of goodwill	795	779
Increase (decrease) in allowance for doubtful accounts	(12)	194
Increase (decrease) in provision for retirement benefits for directors (and other officers)	487	(3,334)
Increase (decrease) in retirement benefit asset	-	(2,484)
Increase (decrease) in retirement benefit liability	(1,104)	(2,241)
Increase (decrease) in other provision	120	(122)
Loss (gain) on disposal of non-current assets	409	(914)
Interest and dividend income	(662)	(456)
Interest expenses	7	17
Foreign exchange losses (gains)	345	(752)
Loss (gain) on sales of investment securities	(1)	(28)
Loss on valuation of shares of subsidiaries and associates	51	148
Loss on valuation of investment securities	146	-
Loss (gain) on investments in partnership	62	67
Gain on liquidation of business	(115)	-
Other extraordinary loss	-	(105)
Decrease (increase) in notes and accounts receivable-trade	6,252	(1,196)
Decrease (increase) in inventories	(822)	3,752
Increase (decrease) in notes and accounts payable-trade	(6,121)	(522)
Decrease (increase) in other assets	1,389	5,530
Increase (decrease) in other liabilities	3,037	(98)
Other, net	0	-
Subtotal	53,547	28,256
Interest and dividend income received	706	469
Interest expenses paid	(13)	(15)
Income taxes paid	(17,150)	(5,430)
Net cash provided by (used in) operating activities	37,090	23,280
Cash flows from investing activities		
Payments into time deposits	(30,237)	(14,834)
Proceeds from withdrawal of time deposits	33,042	18,638
Purchase of property, plant and equipment	(17,980)	(8,657)
Proceeds from sales of property, plant and equipment	12	1,591
Payments for retirement of property, plant and equipment	(79)	-
Purchase of intangible assets	(1,894)	(2,081)
Proceeds from sales of intangible assets	-	4
Purchase of investment securities	(950)	(284)
Proceeds from sales and redemption of investment securities	2	35
Purchase of shares of subsidiaries	(283)	-
Loan advances	(153)	(154)
Decrease (increase) in other investments	(485)	(109)
Net cash provided by (used in) investing activities	(19,006)	(5,850)

	<i>Millions of yen</i>	
	FY03/2020	FY03/2021
	(Apr. 1, 2019 – Mar. 31, 2020)	(Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	123	6,872
Net decrease (increase) in treasury shares	(0)	(2)
Proceeds from long-term debt		196
Cash dividends paid	(10,838)	(8,841)
Cash dividends paid to non-controlling shareholders	(483)	(447)
Purchase of treasury shares of subsidiaries	(19)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(4,930)
Proceeds from share issuance to non-controlling shareholders	-	44
Other, net	(229)	(254)
Net cash provided by (used in) financing activities	(11,448)	(7,363)
Effect of exchange rate change on cash and cash equivalents	(615)	(309)
Net increase (decrease) in cash and cash equivalents	6,019	9,757
Cash and cash equivalents at beginning of period	64,264	70,284
Increase in cash and cash equivalents from newly consolidated subsidiary	-	9
Cash and cash equivalents at end of period	70,284	80,051

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

Consolidated statement of income

“Commission income” under “non-operating income” presented as a separate line item in the previous fiscal year is included in “miscellaneous income” in the current fiscal year due to a decrease in the materiality of impact in the context of consolidated financial statements.

“Subsidy income” under “non-operating income” presented as a separate line item in the previous fiscal year is included in “miscellaneous income” in the current fiscal year due to a decrease in the materiality of impact in the context of consolidated financial statements.

“Subsidy income,” included in “miscellaneous income” under “non-operating income” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year due to an increase in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “commission income” of 54 million yen, “subsidy income” of 85 million yen and “miscellaneous income” of 390 million yen under “non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified as “subsidy income” of 32 million yen and “miscellaneous income” of 498 million yen.

“Provision of allowance for doubtful accounts,” included in “miscellaneous loss” under “non-operating expenses” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year due to an increase in the materiality of impact in the context of consolidated financial statements. To conform to this change, the consolidated financial statements for the previous fiscal year are restated.

Accordingly, “miscellaneous loss” of 0 million yen under “non-operating expenses” in the consolidated statement of income for the previous fiscal year has been reclassified as “provision of allowance for doubtful accounts” of 0 million yen.

Additional Information

Termination of retirement benefit system for directors and other officers

In prior years, KOSÉ maintained a provision for retirement benefits for directors and other officers for the future payment of these retirement benefits. The provision was equal to the required amount of these payments as of the end of each fiscal year in accordance with internal rules concerning the payment of these retirement benefits. On May 25, 2020, the KOSÉ Board of Directors approved a resolution to terminate the retirement benefit system for directors and other officers as of the end of the Annual General Meeting of Shareholders held on June 26, 2020. At this meeting, shareholders approved a resolution to make final payments to directors and other officers for terminating the retirement benefit system.

Accordingly, the entire provision for retirement benefits for directors and other officers was reversed and the amount of final payments to be made, which is 4,063 million yen, is now classified as long-term payables and included in other under non-current liabilities.

Consolidated Statement of Changes in Equity

On June 15, 2020, KOSÉ additionally purchased 1.96% of the shares of consolidated subsidiary Tarte, Inc. at a cost of 4,930 million yen, which raised to 100% KOSÉ's ownership of Tarte voting rights. Due to this investment, the capital surplus decreased 15 million yen and non-controlling interests decreased 431 million yen in the current fiscal year.

As this decrease resulted in a negative capital surplus, retained earnings carried forward of 4,483 million yen was transferred to the capital surplus in accordance with Revised Accounting Standard for Consolidated Financial Statements (Accounting Standards Board of Japan (ASBJ) Statement No. 22, September 13, 2013).

Segment and Other Information

(1) Overview of reportable segment

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

To offer products that meet a diverse range of customer needs, the KOSÉ Group uses a variety of brands to sell products that it conceives and develops. Group companies conduct business activities by establishing and implementing comprehensive strategies in Japan and overseas for each brand.

As a result, KOSÉ has two reportable business segments, cosmetics and cosmetaries, that are based on individual brands.

In the cosmetics segment, principal products are KOSÉ, SEKKISEI, ESPRIQUE, COSME DECORTE, PRÉDIA, INFINITY, JILL STUART, ADDICTION, CRIE, ALBION, Tarte and others. In the cosmetaries segment, principal products are Visée, FASIO, ELSIA, softymo, SUNCUT®, CLEAR TURN, STEPHEN KNOLL NEW YORK and others.

(2) Calculation methods for net sales and profit or loss, assets, liabilities and other items for each reportable segment

The accounting method used for reportable segments is generally the same as the methods listed in "Basis of Preparation of Consolidated Financial Statements".

Profits for reportable segments are operating profit figures.

Intragroup sales and transfers are based on market prices.

(3) Information related to net sales and profit or loss, assets, liabilities and other items for each reportable segment

FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 4)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	251,894	71,912	323,807	3,916	327,724	-	327,724
(2) Intragroup sales and transfers	-	-	-	594	594	(594)	-
Total sales	251,894	71,912	323,807	4,511	328,319	(594)	327,724
Segment profit	44,663	211	44,875	1,283	46,158	(5,926)	40,231

FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 4)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	218,482	58,434	276,916	2,472	279,389	-	279,389
(2) Intragroup sales and transfers	-	-	-	490	490	(490)	-
Total sales	218,482	58,434	276,916	2,962	279,879	(490)	279,389
Segment profit (loss)	18,669	(63)	18,605	973	19,579	(6,285)	13,294

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

	FY03/2020	FY03/2021
Eliminations for intersegment transactions	28	(13)
Corporate expenses that cannot be allocated to reporting segments	(5,955)	(6,272)
Total	(5,926)	(6,285)

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 (loss) shown on the consolidated financial statements.

(4) Geographic sales information

FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)

Millions of yen

Japan	Asia	North America	Other	Total
222,550	64,353	35,897	4,923	327,724

FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)

Millions of yen

Japan	Asia	North America	Other	Total
167,410	82,139	26,418	3,421	279,389

Per Share Information

Yen

	FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)
Net assets per share	3,920.41	3,952.94
Net income per share	467.76	210.11

Notes: 1. Net income per share (diluted) is not presented since KOSÉ has no outstanding dilutive securities.

2. The following is a reconciliation of net income per share.

Millions of yen

	FY03/2020 (Apr. 1, 2019 – Mar. 31, 2020)	FY03/2021 (Apr. 1, 2020 – Mar. 31, 2021)
Profit attributable to owners of parent	26,682	11,986
Net income not attributable to common shareholders	-	-
Profit attributable to owners of parent available to common stock	26,682	11,986
Average number of shares outstanding (thousand shares)	57,043	57,046

Subsequent Events

Not applicable.

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.