

## Summary of Financial Results for the First Quarter of Fiscal Year Ending December 31, 2023 (Three Months Ended March 31, 2023)

[Japanese GAAP]

Company name: **KOSÉ Corporation**      Stock listing: Tokyo Stock Exchange, Prime Market  
 Stock code: 4922      URL: <https://corp.kose.co.jp/>  
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 Scheduled date of filing of Quarterly Report: May 12, 2023  
 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 Three Months Ended March 31, 2023 (January 1, 2023 – March 31, 2023)

(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 (%)
1Q 2023	68,158	15.5	5,833	-	6,671	120.2	3,897	171.1
1Q 2022	59,013	-	370	-	3,030	-	1,437	-

Note: Comprehensive income (million yen)    1Q 2023: 3,544 (down 20.9%)    1Q 2022: 4,480 (-%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q 2023	68.32	-
1Q 2022	25.20	-

Note: YoY comparisons for operating profit in 1Q 2023 is not shown because it exceeded 1,000%.

Note: The consolidated financial statements for 1Q 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 June 30, 2021, and of consolidated subsidiaries that had a December 31 fiscal year end for the period from January 1, 2021 to March 31, 2021. As a result, YoY comparisons for 1Q 2022 are not shown.

### (2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q 2023	353,405	274,691	73.1	4,530.35
2022	359,600	275,349	72.0	4,539.45

Ref.: Shareholders' equity (million yen)    1Q 2023: 258,473    2022: 258,992

### 2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
2022	-	70.00	-	70.00	140.00
2023	-				
2023 (forecast)		70.00	-	70.00	140.00

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

### 3. Consolidated Forecast for 2023 (January 1, 2023 – December 31, 2023)

(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	305,000	5.5	21,000	(5.1)	20,300	(28.5)	13,300	(29.1)	233.11

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

**\* Notes**

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

Newly added: - Excluded: -

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

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

- 1) Changes in accounting policies due to revisions in accounting standards, others : None
- 2) Changes in accounting policies other than 1) above : None
- 3) Changes in accounting-based estimates : None
- 4) Restatements : None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding (incl. treasury shares) at end of the period			
As of March 31, 2023	60,592,541 shares	As of December 31, 2022	60,592,541 shares
2) Number of treasury shares at end of the period			
As of March 31, 2023	3,538,727 shares	As of December 31, 2022	3,538,707 shares
3) Average number of shares outstanding during the period			
1Q 2023	57,053,821 shares	1Q 2022	57,049,859 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 3 of the attachments.

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## 1. Qualitative Information on Consolidated Quarterly Financial Performance

### (1) Explanation of Results of Operations

Three Months Ended March 31, 2023 (January 1, 2023 – March 31, 2023)

Millions of yen, %

Operating segment	1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)		1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	46,732	79.2	55,883	82.0	9,150	19.6
Cosmetaries	11,828	20.0	11,758	17.3	(69)	(0.6)
Others	452	0.8	516	0.8	63	14.1
Total net sales	59,013	100.0	68,158	100.0	9,145	15.5

	1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)		1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	370	0.6	5,833	8.6	5,462	-
Ordinary profit	3,030	5.1	6,671	9.8	3,641	120.2
Profit attributable to owners of parent	1,437	2.4	3,897	5.7	2,459	171.1

In the first quarter (January to March) of 2023, economic activity in Japan continued to return to normal as pandemic restrictions, including the requirement to wear a face mask, were eased. Although the Japanese economy is continuing to recover at a moderate pace, there are concerns about the possibility of a downturn due to inflation and slowing economic growth in overseas countries.

The primary markets for the KOSÉ Group outside Japan are Asia and the United States. In China, the economy is recovering following the December 2022 end of most restrictions involving the country's zero-COVID policy. In other regions of Asia, economies are continuing to recover. In the United States, although the economy is healthy along with strong work environment and consumer spending, there are worries about a downturn because interest rates and inflation remain high.

In the Japanese cosmetics market, sales continued to recover along with the resumption of normal consumer activity as pandemic restrictions were eased. Sales of cosmetics in China were still lackluster early in the quarter after lockdowns ended. Currently, demand for cosmetics is recovering, primarily in mainland China and in the travel retail sector, chiefly Hainan Island. In other regions of Asia, sales of cosmetics are recovering, although the cosmetics market is still soft in a few areas. The U.S. cosmetics market has been growing steadily along with solid consumer spending.

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 2023, these activities advanced to the second year: 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 quarter of 2023, there was a decline in sales in China and South Korea. However, sales were driven by the high prestige brand products sold at department stores and specialty cosmetics stores in Japan and by Tarte, which sells products mainly in the United States and Europe. Sales increased 15.5% from the same period of 2022 to 68,158 million yen (up 10.6% after excluding the effects of changes in foreign exchange rates). Overseas sales were 39.4% of total sales.

Operating profit increased 5,462 million yen from the same period of 2022 to 5,833 million yen. Earnings

increased because of lower ratios of cost of sales and SG&A expenses to sales. Ordinary profit increased 120.2% to 6,671 million yen and profit attributable to owners of parent increased 171.1% to 3,897 million yen.

In the cosmetics business, sales in the high prestige category remained strong for DECORTÉ products in Japan, although sales were sluggish in China and South Korea. Sales of JILL STUART and ADDICTION makeup products increased. At Tarte, sales of major products and new products were both higher in the United States and Europe.

Sales of SEKKISEI and ONE BY KOSÉ, KOSÉ's major prestige brands, are recovering. As a result, sales in the cosmetics business increased 19.6% from the same period of 2022 to 55,883 million yen and operating profit was up 256.9% to 6,460 million yen.

In the cosmetaries business, although sales of KOSÉ Cosmeport Corp. were sluggish in China, sales were steady in Japan. Sales of VISÉE products were higher because of the recovery of the makeup market. As a result, sales in this business decreased 0.6% from the same period of 2022 to 11,758 million yen and operating profit was 474 million yen compared with a loss of 498 million yen in the same period of 2022.

Sales of amenity products to hotels and golf clubs increased and orders were up for the manufacture of OEM products. As a result, sales in the others business segment increased 14.1% from the same period of 2022 to 516 million yen. Operating profit increased 5.9% to 194 million yen.

#### Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)		1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	36,557	61.9	41,309	60.6	4,752	13.0
Asia	14,082	23.9	12,659	18.6	(1,422)	(10.1)
North America	7,325	12.4	12,926	19.0	5,600	76.5
Others	1,047	1.8	1,262	1.9	215	20.6
Total net sales	59,013	100.0	68,158	100.0	9,145	15.5

#### Japan

Sales of high prestige brand products at department stores and specialty cosmetics stores remained strong. At drug stores and other mass retail channels, sales of major prestige skincare brands are recovering. As a result, sales in Japan increased 13.0% to 41,309 million yen.

#### Asia

In China, although sales are recovering in the department store and travel retail sectors, in the e-commerce category the performance of the International Women's Day (March 8) sale did not meet expectations. In South Korea, sales significantly decreased in the travel retail sector as distributors held down purchases of merchandise. As a result, sales in Asia decreased 10.1% to 12,659 million yen.

#### North America/Others

In North America, Tarte maintained its large share of the prestige makeup market by increasing sales by launching new products backed by successful promotion on SNS. The increasing number of stores that sell Tarte products and the impact of the ongoing yen's depreciation also contributed to the growth of sales. As a result, sales in North America increased 76.5% to 12,926 million yen. Sales in the "others" region (including Europe) increased 20.6% to 1,262 million yen driven by strong sales of Tarte.

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

There are no revisions to the full-year earnings forecast announced on February 13, 2023.

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

	2022 (As of Dec. 31, 2022)	1Q 2023 (As of Mar. 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	116,535	115,072
Notes and accounts receivable-trade	52,451	45,572
Merchandise and finished goods	37,165	40,093
Work in process	2,853	3,033
Raw materials and supplies	29,058	29,236
Other	7,080	7,656
Allowance for doubtful accounts	(664)	(547)
Total current assets	244,481	240,117
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,458	52,490
Accumulated depreciation	(26,042)	(26,553)
Buildings and structures, net	26,415	25,936
Machinery, equipment and vehicles	22,161	22,435
Accumulated depreciation	(17,226)	(17,439)
Machinery, equipment and vehicles, net	4,934	4,996
Tools, furniture and fixtures	45,920	46,352
Accumulated depreciation	(39,666)	(39,989)
Tools, furniture and fixtures, net	6,254	6,362
Land	17,363	17,367
Leased assets	10,431	10,531
Accumulated depreciation	(2,299)	(2,509)
Leased assets, net	8,132	8,021
Construction in progress	824	594
Total property, plant and equipment	63,923	63,278
Intangible assets		
Software	4,619	4,671
Goodwill	4,356	4,140
Other	5,474	5,133
Total intangible assets	14,450	13,945
Investments and other assets		
Investment securities	17,979	17,174
Retirement benefit asset	10,296	10,531
Deferred tax assets	4,524	4,488
Other	4,560	4,512
Allowance for doubtful accounts	(616)	(644)
Total investments and other assets	36,745	36,062
Total non-current assets	115,119	113,287
Total assets	359,600	353,405

Millions of yen

	2022 (As of Dec. 31, 2022)	1Q 2023 (As of Mar. 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,913	8,849
Electronically recorded obligations-operating	18,383	19,811
Short-term borrowings	1,361	500
Lease obligations	828	841
Accounts payable-other	15,872	9,348
Accrued expenses	10,919	11,070
Income taxes payable	3,287	2,496
Accrued consumption taxes	1,476	1,283
Refund liabilities	5,533	6,024
Other	2,004	2,105
Total current liabilities	67,580	62,332
Non-current liabilities		
Lease obligations	7,793	7,752
Deferred tax liabilities	4,416	3,937
Other	4,462	4,690
Total non-current liabilities	16,671	16,380
Total liabilities	84,251	78,713
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	62	74
Retained earnings	240,147	240,050
Treasury shares	(9,082)	(9,082)
Total shareholders' equity	235,975	235,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,766	6,209
Foreign currency translation adjustment	10,770	11,065
Remeasurements of defined benefit plans	5,480	5,308
Total accumulated other comprehensive income	23,017	22,582
Non-controlling interests	16,356	16,217
Total net assets	275,349	274,691
Total liabilities and net assets	359,600	353,405

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

	1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)
Net sales	59,013	68,158
Cost of sales	18,170	19,049
Gross profit	40,842	49,109
Selling, general and administrative expenses		
Advertising expenses	4,982	5,234
Promotion expenses	9,294	9,456
Freight and packing costs	3,787	4,817
Salaries and allowances	12,060	12,084
Retirement benefit expenses	59	52
Legal welfare expenses	1,990	2,053
Depreciation	930	1,051
Other	7,365	8,524
Total selling, general and administrative expenses	40,471	43,275
Operating profit	370	5,833
Non-operating income		
Interest income	37	387
Dividend income	1	2
Refunded consumption taxes	1	221
Foreign exchange gains	2,512	233
Miscellaneous income	182	126
Total non-operating income	2,735	969
Non-operating expenses		
Interest expenses	26	15
Provision of allowance for doubtful accounts	18	27
Loss on investments in investment partnerships	17	12
Miscellaneous loss	14	75
Total non-operating expenses	76	131
Ordinary profit	3,030	6,671
Extraordinary income		
Gain on sale of non-current assets	124	-
Total extraordinary income	124	-
Extraordinary losses		
Loss on disposal of non-current assets	51	26
Impairment loss	53	20
Loss on valuation of shares of subsidiaries and associates	-	3
Loss on liquidation of business	-	326
Extra retirement payments	164	-
Total extraordinary losses	269	376
Profit before income taxes	2,885	6,294
Income taxes-current	1,661	2,658
Income taxes-deferred	(293)	(337)
Total income taxes	1,368	2,321
Profit	1,516	3,972
Profit attributable to non-controlling interests	79	75
Profit attributable to owners of parent	1,437	3,897



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

	<i>Millions of yen</i>	
	1Q 2022	1Q 2023
	(Jan. 1, 2022 – Mar. 31, 2022)	(Jan. 1, 2023 – Mar. 31, 2023)
Profit	1,516	3,972
Other comprehensive income		
Valuation difference on available-for-sale securities	(153)	(556)
Foreign currency translation adjustment	3,212	307
Remeasurements of defined benefit plans, net of tax	(96)	(180)
Total other comprehensive income	2,963	(428)
Comprehensive income	4,480	3,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,347	3,462
Comprehensive income attributable to non-controlling interests	132	81

**(3) 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 three months regarding the accounting estimates that are explained in the Securities Report for the fiscal year that ended in December 2022.

**Segment and Other Information****Segment Information**

I. 1Q 2022 (Jan. 1, 2022 – Mar. 31, 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	46,732	11,828	58,561	452	59,013	-	59,013
(2) Intragroup sales and transfers	-	-	-	92	92	(92)	-
Total sales	46,732	11,828	58,561	544	59,105	(92)	59,013
Segment profit (loss)	1,810	(498)	1,312	183	1,495	(1,124)	370

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	55
Corporate expenses that cannot be allocated to reportable segments	(1,180)

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 1Q 2022.

## 3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
36,557	14,082	7,325	1,047	59,013

## II. 1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)

## 1. Information related to net sales and profit 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	55,883	11,758	67,642	516	68,158	-	68,158
(2) Intragroup sales and transfers	-	-	-	102	102	(102)	-
Total sales	55,883	11,758	67,642	619	68,261	(102)	68,158
Segment profit	6,460	474	6,935	194	7,129	(1,296)	5,833

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 are as follows.

*Millions of yen*

Eliminations for intersegment transactions	83
Corporate expenses that cannot be allocated to reportable segments	(1,380)

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 1Q 2023.

## 3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
41,309	12,659	12,926	1,262	68,158

## 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.

1Q 2022 (Jan. 1, 2022 – Mar. 31, 2022)

Millions of yen

	Japan	Asia	North America	Others	Total
Cosmetics	24,463	13,895	7,325	1,047	46,732
Cosmetaries	11,641	186	-	-	11,828
Total	36,105	14,082	7,325	1,047	58,561
Others (Note)	400	0	-	-	400
Revenue from contracts with customers	36,505	14,082	7,325	1,047	58,961
Other revenue	51	-	-	-	51
Sales to third parties	36,557	14,082	7,325	1,047	59,013

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

1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)

Millions of yen

	Japan	Asia	North America	Others	Total
Cosmetics	29,428	12,265	12,926	1,262	55,883
Cosmetaries	11,365	393	-	-	11,758
Total	40,793	12,659	12,926	1,262	67,642
Others (Note)	464	0	-	-	464
Revenue from contracts with customers	41,258	12,659	12,926	1,262	68,107
Other revenue	51	-	-	-	51
Sales to third parties	41,309	12,659	12,926	1,262	68,158

Note: The "others" 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.*