

## Summary of Financial Results for the Third Quarter of Fiscal Year Ending December 31, 2023 (Nine Months Ended September 30, 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: November 14, 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 Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 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 (%)
3Q 2023	218,961	9.0	16,029	28.4	21,067	(6.6)	13,148	(5.0)
3Q 2022	200,887	-	12,481	-	22,549	-	13,841	-

Note: Comprehensive income (million yen)    3Q 2023: 17,515 (down 30.4%)    3Q 2022: 25,180 (-%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q 2023	230.45	-
3Q 2022	242.61	-

Note: The consolidated financial statements for 3Q 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 December 31, 2021, and of consolidated subsidiaries that had a December 31 fiscal year end for the period from January 1, 2021 to September 30, 2021. As a result, YoY comparisons for 3Q 2022 are not shown.

### (2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q 2023	368,170	284,507	72.8	4,696.15
2022	359,600	275,349	72.0	4,539.45

Ref.: Shareholders' equity (million yen)                      3Q 2023: 267,950                      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	-	70.00	-	-	-
2023 (forecast)	-	-	-	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 September 30, 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 September 30, 2023	3,535,014 shares	As of December 31, 2022	3,538,707 shares
3) Average number of shares outstanding during the period			
3Q 2023	57,055,879 shares	3Q 2022	57,052,096 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

Nine Months Ended September 30, 2023 (January 1, 2023 – September 30, 2023)

Millions of yen, %

Operating segment	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)		3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	160,749	80.0	174,468	79.7	13,718	8.5
Cosmetaries	38,833	19.3	42,881	19.6	4,048	10.4
Others	1,304	0.7	1,611	0.7	307	23.6
Total net sales	200,887	100.0	218,961	100.0	18,074	9.0

	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)		3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	12,481	6.2	16,029	7.3	3,548	28.4
Ordinary profit	22,549	11.2	21,067	9.6	(1,482)	(6.6)
Profit attributable to owners of parent	13,841	6.9	13,148	6.0	(692)	(5.0)

In the first nine months of 2023 (January 1 to September 30, 2023), the Japanese economy continued to recover gradually with the support of growing domestic demand as economic and social activities returned to normal following the COVID-19 pandemic. Consumer spending is recovering, primarily in the food service and other service sectors, and capital expenditures are continuing to increase. Inbound demand generated by foreign tourists in Japan is strong due to the yen's weakness. In addition, the number of tourists from China has increased as the Chinese government lifted the ban on group tours to Japan in August. In Japan, inflation growth has been slowing due to the Japanese government's decision to extend measures to hold down price increases. However, the prolonged stagnation in real wages may delay a recovery in consumer spending. Furthermore, there are concerns about the possibility of a downturn in Japan's economy caused by the slowdown in global economic growth as high interest rates and high inflation continue worldwide.

The primary markets for the KOSÉ Group outside Japan are Asia and the United States. In China, economic growth is slowing as the recovery loses momentum. Manufacturing sector in China is recovering but the severe real estate sector downturn and weakness in the labor market are restricting the recovery in consumer spending. Although consumer spending rebounded in the third quarter due to increased measures by the Chinese government to support the economy, the real estate market remains weak. Economies are continuing to recover in other regions of Asia. In the United States, consumer spending remains firm despite worries about the risk of an economic downturn caused by persistently high interest rates and high inflation.

In the Japanese cosmetics market, sales have been recovering steadily at department stores and specialty cosmetics stores as well as at drug stores and other mass retail channels. The increasing number of foreign tourists in Japan is also the reason for the recovery in demand for cosmetics. In cosmetics markets in Asia, China's criticism of Japan's decision to release treated wastewater from the Fukushima nuclear power plant into the ocean is having a negative impact on sales. In other regions of Asia, sales are recovering overall, although there are weaknesses in some regions. The United States cosmetics market is growing steadily with the support of firm 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 with the goal of increasing KOSÉ's global presence and improving 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 nine months of 2023, there was a decline in sales in South Korea and China. However, sales were driven by Japan and by Tarte, which sells products mainly in the United States and Europe. Sales increased 9.0% from the same period of 2022 to 218,961 million yen (up 6.4% after excluding the effects of changes in foreign exchange rates). Overseas sales were 37.0% of total sales.

Operating profit increased 28.4% from the same period of 2022 to 16,029 million yen as sales growth was more than the increases in the cost of sales and SG&A expenses. However, owing to a decrease in foreign exchange gains, ordinary profit decreased 6.6% to 21,067 million yen and profit attributable to owners of parent decreased 5.0% to 13,148 million yen.

In the cosmetics business segment, sales at DECORTÉ, the major brand in the high prestige category, continued to increase in Japan. However, sales of DECORTÉ were sluggish at duty-free stores in South Korea and China. In addition, the release of treated wastewater from the Fukushima nuclear power plant into the ocean in August had a significant negative impact on sales. Sales of other major brands were higher, including ALBION, JILL STUART and ADDICTION. At Tarte, sales of major products were strong.

In the prestige category, sales of SEKKISEI and ONE BY KOSÉ continue to recover. As a result, sales in the cosmetics business segment increased 8.5% from the same period of 2022 to 174,468 million yen and operating profit was up 2.2% to 15,794 million yen.

In the cosmetaries business segment, sales of Visée and KOSÉ Cosmeport Corp.'s brands including CLEAR TURN were higher. As a result, sales in this business segment increased 10.4% from the same period of 2022 to 42,881 million yen and operating profit was 3,924 million yen compared with 266 million yen one year earlier.

Sales of amenity products to hotels and golf clubs increased. As a result, sales in the others business segment increased 23.6% from the same period of 2022 to 1,611 million yen. Operating profit decreased 17.4% to 647 million yen due to an increase in marketing expenses.

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

Millions of yen, %

	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)		3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	116,999	58.2	137,870	63.0	20,871	17.8
Asia	53,169	26.5	40,813	18.6	(12,355)	(23.2)
North America	27,096	13.5	35,280	16.1	8,184	30.2
Others	3,622	1.8	4,997	2.3	1,374	37.9
Total net sales	200,887	100.0	218,961	100.0	18,074	9.0

#### Japan

Sales of high prestige category products at specialty cosmetics stores and department stores remained strong. At drug stores and other mass retail channels, sales of major skincare brands and makeup brands were also strong. As a result, sales in Japan increased 17.8% from the same period of 2022 to 137,870 million yen.

#### Asia

In China, sales decreased in the e-commerce sector but sales in offline channels, mainly department stores are recovering from the COVID-19 pandemic downturn. In the travel retail sector, sales were down because of the restrictions on bulk purchases by resellers and the negative impact of releasing the treated wastewater from the Fukushima nuclear power plant into the ocean in August. In South Korea, sales decreased significantly in the travel retail sector as distributors held down purchases of merchandise. As a result, sales in Asia decreased 23.2% from the same period of 2022 to 40,813 million yen.

#### North America/Others

In North America, Tarte's concealer and other major category products sold well. In addition, the increasing number of stores that sell Tarte products and the impact of the yen's depreciation contributed to the growth of sales. As a result, sales in North America increased 30.2% from the same period of 2022 to 35,280 million yen. Sales in the "others" regions (including Europe) increased 37.9% to 4,997 million yen driven by strong sales of

Tarte products.

**(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)	3Q 2023 (As of Sep. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	116,535	127,886
Notes and accounts receivable-trade	52,451	42,945
Merchandise and finished goods	37,165	43,678
Work in process	2,853	3,306
Raw materials and supplies	29,058	28,633
Other	7,080	8,024
Allowance for doubtful accounts	(664)	(143)
Total current assets	244,481	254,331
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,458	52,644
Accumulated depreciation	(26,042)	(27,583)
Buildings and structures, net	26,415	25,061
Machinery, equipment and vehicles	22,161	22,531
Accumulated depreciation	(17,226)	(18,183)
Machinery, equipment and vehicles, net	4,934	4,347
Tools, furniture and fixtures	45,920	47,036
Accumulated depreciation	(39,666)	(41,147)
Tools, furniture and fixtures, net	6,254	5,889
Land	17,363	17,335
Leased assets	10,431	12,899
Accumulated depreciation	(2,299)	(3,085)
Leased assets, net	8,132	9,813
Construction in progress	824	371
Total property, plant and equipment	63,923	62,820
Intangible assets		
Software	4,619	4,987
Goodwill	4,356	4,092
Other	5,474	5,667
Total intangible assets	14,450	14,746
Investments and other assets		
Investment securities	17,979	16,671
Retirement benefit asset	10,296	10,555
Deferred tax assets	4,524	4,881
Other	4,560	4,816
Allowance for doubtful accounts	(616)	(652)
Total investments and other assets	36,745	36,271
Total non-current assets	115,119	113,839
Total assets	359,600	368,170

*Millions of yen*

	2022 (As of Dec. 31, 2022)	3Q 2023 (As of Sep. 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	7,913	8,862
Electronically recorded obligations-operating	18,383	20,317
Short-term borrowings	1,361	500
Lease obligations	828	1,087
Accounts payable-other	15,872	9,781
Accrued expenses	10,919	11,846
Income taxes payable	3,287	3,724
Accrued consumption taxes	1,476	1,715
Refund liabilities	5,533	5,890
Other	2,004	2,158
Total current liabilities	67,580	65,885
Non-current liabilities		
Lease obligations	7,793	9,349
Deferred tax liabilities	4,416	3,206
Other	4,462	5,221
Total non-current liabilities	16,671	17,777
Total liabilities	84,251	83,663
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	62	123
Retained earnings	240,147	245,307
Treasury shares	(9,082)	(9,073)
Total shareholders' equity	235,975	241,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,766	5,373
Foreign currency translation adjustment	10,770	16,408
Remeasurements of defined benefit plans	5,480	4,963
Total accumulated other comprehensive income	23,017	26,744
Non-controlling interests	16,356	16,556
Total net assets	275,349	284,507
Total liabilities and net assets	359,600	368,170



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

	3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)	3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)
Net sales	200,887	218,961
Cost of sales	59,876	63,788
Gross profit	141,011	155,173
Selling, general and administrative expenses		
Advertising expenses	16,128	18,534
Promotion expenses	30,203	32,615
Freight and packing costs	12,249	13,883
Salaries and allowances	36,282	37,880
Retirement benefit expenses	236	159
Legal welfare expenses	5,791	6,061
Depreciation	3,691	3,790
Other	23,946	26,218
Total selling, general and administrative expenses	128,529	139,144
Operating profit	12,481	16,029
Non-operating income		
Interest income	291	881
Dividend income	181	180
Refunded consumption taxes	466	98
Foreign exchange gains	8,469	3,318
Miscellaneous income	933	744
Total non-operating income	10,341	5,223
Non-operating expenses		
Interest expenses	13	9
Provision of allowance for doubtful accounts	77	79
Loss on investments in investment partnerships	106	-
Miscellaneous loss	75	95
Total non-operating expenses	272	185
Ordinary profit	22,549	21,067
Extraordinary income		
Gain on sale of non-current assets	124	18
Gain on sale of investment securities	-	4
Total extraordinary income	124	22
Extraordinary losses		
Loss on disposal of non-current assets	167	134
Impairment loss	121	40
Loss on valuation of investment securities	25	-
Loss on valuation of shares of subsidiaries and associates	20	3
Loss on liquidation of business	-	332
Extra retirement payments	164	-
Total extraordinary losses	498	511
Profit before income taxes	22,175	20,579
Income taxes-current	7,181	7,517
Income taxes-deferred	639	(686)
Total income taxes	7,821	6,830
Profit	14,354	13,748
Profit attributable to non-controlling interests	513	600
Profit attributable to owners of parent	13,841	13,148

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

	<i>Millions of yen</i>	
	3Q 2022	3Q 2023
	(Jan. 1, 2022 – Sep. 30, 2022)	(Jan. 1, 2023 – Sep. 30, 2023)
Profit	14,354	13,748
Other comprehensive income		
Valuation difference on available-for-sale securities	1,359	(1,381)
Foreign currency translation adjustment	9,919	5,689
Remeasurements of defined benefit plans, net of tax	(453)	(540)
Total other comprehensive income	10,825	3,766
Comprehensive income	25,180	17,515
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,587	16,875
Comprehensive income attributable to non-controlling interests	592	640

**(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 2022 (Jan. 1, 2022 – Sep. 30, 2022)

## 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	160,749	38,833	199,582	1,304	200,887	-	200,887
(2) Intragroup sales and transfers	-	-	-	514	514	(514)	-
Total sales	160,749	38,833	199,582	1,819	201,401	(514)	200,887
Segment profit	15,450	266	15,716	784	16,500	(4,019)	12,481

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	(165)
Corporate expenses that cannot be allocated to reportable segments	(3,853)

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 2022.

## 3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
116,999	53,169	27,096	3,622	200,887

## II. 3Q 2023 (Jan. 1, 2023 – Sep. 30, 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	174,468	42,881	217,350	1,611	218,961	-	218,961
(2) Intragroup sales and transfers	-	-	-	383	383	(383)	-
Total sales	174,468	42,881	217,350	1,995	219,345	(383)	218,961
Segment profit	15,794	3,924	19,718	647	20,366	(4,337)	16,029

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	(41)
Corporate expenses that cannot be allocated to reportable segments	(4,295)

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 2023.

## 3. Geographic sales information

*Millions of yen*

Japan	Asia	North America	Other	Total
137,870	40,813	35,280	4,997	218,961

## 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.

3Q 2022 (Jan. 1, 2022 – Sep. 30, 2022)

Millions of yen

	Japan	Asia	North America	Other	Total
Cosmetics	78,039	51,995	27,096	3,617	160,749
Cosmetaries	37,655	1,172	-	5	38,833
Total	115,695	53,167	27,096	3,622	199,582
Other (Note)	1,147	1	-	-	1,148
Revenue from contracts with customers	116,843	53,169	27,096	3,622	200,731
Other revenue	155	-	-	-	155
Sales to third parties	116,999	53,169	27,096	3,622	200,887

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

3Q 2023 (Jan. 1, 2023 – Sep. 30, 2023)

Millions of yen

	Japan	Asia	North America	Others	Total
Cosmetics	94,254	39,944	35,280	4,987	174,468
Cosmetaries	42,006	866	-	9	42,881
Total	136,260	40,811	35,280	4,997	217,350
Others (Note)	1,453	2	-	-	1,456
Revenue from contracts with customers	137,714	40,813	35,280	4,997	218,806
Other revenue	155	-	-	-	155
Sales to third parties	137,870	40,813	35,280	4,997	218,961

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.*