

Summary of Financial Results for the First Quarter of Fiscal Year Ending December 31, 2024 (Three Months Ended March 31, 2024)

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, Prime Market
 Stock code: 4922 URL: <https://corp.kose.co.jp/en/>
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 Scheduled date of filing of Quarterly Report: May 10, 2024
 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, 2024 (January 1, 2024 – March 31, 2024)

(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 2024	77,583	13.8	7,902	35.5	10,282	54.1	6,943	78.1
1Q 2023	68,158	15.5	5,833	-	6,671	120.2	3,897	171.1

Note: Comprehensive income (million yen) 1Q 2024: 9,509 (up 168.3%) 1Q 2023: 3,544 (down 20.9%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q 2024	121.69	-
1Q 2023	68.32	-

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

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q 2024	373,692	288,332	72.6	4,757.50
2023	371,657	283,038	71.6	4,664.70

Ref.: Shareholders' equity (million yen) 1Q 2024: 271,450 2023: 266,156

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
2023	-	70.00	-	70.00	140.00
2024	-				
2024 (forecast)		70.00	-	70.00	140.00

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

3. Consolidated Forecast for 2024 (January 1, 2024 – December 31, 2024)

(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	312,000	3.9	20,000	25.1	20,800	2.7	12,600	8.0	220.83

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, 2024	60,592,541 shares	As of December 31, 2023	60,592,541 shares
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2) Number of treasury shares at end of the period

As of March 31, 2024	3,535,090 shares	As of December 31, 2023	3,535,001 shares
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3) Average number of shares outstanding during the period

1Q 2024	57,057,452 shares	1Q 2023	57,053,821 shares
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Note 1: The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to KOSÉ as of the announcement date of the summary. These statements are not promises by KOSÉ regarding future performance. As such, actual results may differ significantly from these projections resulting from changes in the economic environment and other risks and uncertainties. For discussion of the assumptions and other factors considered by KOSÉ in preparing the above projections, please refer to the section "1. Qualitative Information on Consolidated Quarterly Financial Performance, (2) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 of the attachments.

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1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Three Months Ended March 31, 2024 (January 1, 2024 – March 31, 2024)

Millions of yen, %

Operating segment	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	55,883	82.0	62,164	80.1	6,281	11.2
Cosmetaries	11,758	17.3	14,808	19.1	3,049	25.9
Others	516	0.8	610	0.8	93	18.2
Total net sales	68,158	100.0	77,583	100.0	9,424	13.8

	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	5,833	8.6	7,902	10.2	2,069	35.5
Ordinary profit	6,671	9.8	10,282	13.3	3,611	54.1
Profit attributable to owners of parent	3,897	5.7	6,943	8.9	3,045	78.1

In the first quarter (January 1 to March 31) of 2024, there was a slow recovery of the Japanese economy with a brief slowdown. The economy benefited from improvements in employment and personal income as well as increasing demand created by foreign tourists due to the yen's weakness. However, consumer spending was somewhat sluggish due to the end of the rapid recovery in demand for services following the pandemic and slump in real wages due to inflation. Additionally, there are concerns about the Japanese economy, including weaker growth of exports caused by a slowdown in overseas economies and supply restrictions resulting from Japan's severe labor shortage.

The primary markets for the KOSÉ Group outside Japan are Asia and the United States. In China, economic growth is slowing because of the weak recovery of consumer spending and continuation of weakness in the real estate sector. Economies in other Asian countries are healthy with the support of strong recoveries in domestic demand and exports.

In the United States, the economy was supported by a solid labor market and consumer spending despite worries about the risk of an economic downturn caused by high interest rates and 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 contributing to the recovery in demand for cosmetics.

In China, the business climate for cosmetics continues to be challenging due to the slow pace of the country's economic recovery, the increasing intention of consumers to hold down spending and intense competition.

In other regions of Asia, sales recovered overall, although there were weaknesses in some regions.

In the United States cosmetics market, sales increased 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. We have worked 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.

The almost three-year-long pandemic has changed significantly the business climate of the KOSÉ Group in Japan and other countries, especially in China. To reflect these changes, we are working on the next vision statement, which is expected to be announced as early as possible in the current fiscal year.

In the first quarter of 2024, sales in China declined, but sales in Japan increased in all segments. In addition, strong sales at Tarte, which sells its products primarily in the United States and Europe, contributed to sales growth. As a result, sales increased 13.8% from the same period of 2023 to 77,583 million yen (up 9.9% after excluding the effects of changes in foreign exchange rates). Overseas sales were 37.1% of total sales.

Earnings were higher as strong sales growth in Japan and at Tarte and declines in the cost of sales ratio and SG&A expense ratio more than offset the negative effect of lower sales in the China travel retail sector, which have a high profit margin. Operating profit increased 35.5% from the same period of 2023 to 7,902 million yen, ordinary profit rose 54.1% to 10,282 million yen due to an increase in foreign exchange gains, and profit attributable to owners of parent was up 78.1% to 6,943 million yen.

In the cosmetics business segment, especially in the high prestige category, sales of DECORTÉ products remained strong in Japan but declined in China. There was a sharp increase in sales of ALBION's Elégance products and sales of JILL STUART makeup products were strong. At Tarte, which sells its products primarily in the United States and Europe, the core concealer category and new lip, mascara and other products contributed to sales growth.

In the prestige category, sales of SEKKISEI, the primary brand, rose sharply. Sales of ONE BY KOSÉ and ESPRIQUE also increased significantly.

As a result, sales in the cosmetics business segment increased 11.2% from the same period of 2023 to 62,164 million yen and operating profit was up 5.5% to 6,816 million yen.

In the cosmetaries business segment, sales of Softymo, CLEAR TURN and other brands of KOSÉ Cosmeport Corp were higher. Sales of Visée products and the MAKE KEEP series were also strong. As a result, sales in this business segment increased 25.9% from the same period of 2023 to 14,808 million yen and operating profit was up 385.8% to 2,306 million yen.

Sales of amenity products to hotels and golf clubs and orders for the manufacture of OEM products were increased. As a result, sales in the others business segment increased 18.2% from the same period of 2023 to 610 million yen. Operating profit decreased 25.2% to 145 million yen due to an increase in marketing expenses.

Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)		1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	41,309	60.6	48,834	62.9	7,524	18.2
Asia	12,659	18.6	9,653	12.4	(3,006)	(23.7)
North America	12,926	19.0	16,863	21.7	3,936	30.5
Others	1,262	1.9	2,232	2.9	970	76.8
Total net sales	68,158	100.0	77,583	100.0	9,424	13.8

Japan

Sales of high prestige products at department stores and specialty cosmetics stores remained strong. At drug stores and other mass retail channels, sales of SEKKISEI, the primary brand of the prestige category, were higher in part because of the success of a renewed beauty lotion. Sales continued to increase for other prestige brands and major cosmetaries brands as well, supported by the recovery in demand.

As a result, sales in Japan increased 18.2% from the same period of 2023 to 48,834 million yen.

Asia

In China, we have been working on realigning and improving operations. However, despite these efforts, sales were down in the e-commerce sector and at stores due to the persistently challenging market environment. In the travel retail sector, there was a sharp decline in sales due to continued high inventory levels, leading distributors to hold down purchases of merchandise, and heightened controls by KOSÉ on shipments of products. As a result, sales in Asia decreased 23.7% from the same period of 2023 to 9,653 million yen.

North America/Others

In North America, Tarte maintained a high share of the prestige makeup market as sales of major category products and new products were strong. Sales growth was also attributable to higher sales using SNS and the yen's depreciation. As a result, sales in North America increased 30.5% from the same period of 2023 to 16,863 million yen.

Sales in the "others" regions (including Europe) increased 76.8% to 2,232 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 14, 2024.

2. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheet

	<i>Millions of yen</i>	
	2023 (As of Dec. 31, 2023)	1Q 2024 (As of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	132,846	123,932
Notes and accounts receivable-trade	44,405	49,356
Merchandise and finished goods	40,100	43,608
Work in process	3,386	4,232
Raw materials and supplies	27,395	29,772
Other	8,719	7,938
Allowance for doubtful accounts	(121)	(148)
Total current assets	256,732	258,692
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,666	52,743
Accumulated depreciation	(28,013)	(28,508)
Buildings and structures, net	24,652	24,234
Machinery, equipment and vehicles	22,661	22,703
Accumulated depreciation	(18,540)	(18,897)
Machinery, equipment and vehicles, net	4,120	3,805
Tools, furniture and fixtures	46,303	46,728
Accumulated depreciation	(40,664)	(41,121)
Tools, furniture and fixtures, net	5,638	5,607
Land	17,333	17,344
Leased assets	12,385	13,307
Accumulated depreciation	(3,337)	(3,682)
Leased assets, net	9,048	9,625
Construction in progress	453	563
Total property, plant and equipment	61,247	61,181
Intangible assets		
Software	5,084	4,985
Goodwill	3,621	3,589
Other	5,399	5,446
Total intangible assets	14,105	14,021
Investments and other assets		
Investment securities	15,838	15,453
Retirement benefit asset	14,545	14,560
Deferred tax assets	5,035	5,711
Other	4,828	4,774
Allowance for doubtful accounts	(675)	(702)
Total investments and other assets	39,572	39,797
Total non-current assets	114,925	115,000
Total assets	371,657	373,692

Millions of yen

	2023 (As of Dec. 31, 2023)	1Q 2024 (As of Mar. 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,628	10,218
Electronically recorded obligations-operating	18,491	19,875
Short-term borrowings	500	500
Lease obligations	1,050	1,139
Accounts payable-other	15,644	10,172
Accrued expenses	11,630	11,208
Income taxes payable	3,867	3,594
Accrued consumption taxes	2,307	1,658
Refund liabilities	5,756	6,563
Other	2,346	2,095
Total current liabilities	70,224	67,025
Non-current liabilities		
Lease obligations	8,664	9,022
Deferred tax liabilities	5,038	4,402
Other	4,692	4,909
Total non-current liabilities	18,395	18,334
Total liabilities	88,619	85,359
Net assets		
Shareholders' equity		
Share capital	4,848	4,848
Capital surplus	123	123
Retained earnings	243,823	246,772
Treasury shares	(9,073)	(9,073)
Total shareholders' equity	239,721	242,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,747	4,463
Foreign currency translation adjustment	14,256	17,068
Remeasurements of defined benefit plans	7,430	7,248
Total accumulated other comprehensive income	26,434	28,780
Non-controlling interests	16,881	16,881
Total net assets	283,038	288,332
Total liabilities and net assets	371,657	373,692

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

	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)	1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)
Net sales	68,158	77,583
Cost of sales	19,049	21,473
Gross profit	49,109	56,110
Selling, general and administrative expenses		
Advertising expenses	5,234	6,381
Promotion expenses	9,456	10,817
Freight and packing costs	4,817	4,558
Salaries and allowances	12,084	13,195
Retirement benefit expenses	52	11
Legal welfare expenses	2,053	2,160
Depreciation	1,051	1,249
Other	8,524	9,832
Total selling, general and administrative expenses	43,275	48,207
Operating profit	5,833	7,902
Non-operating income		
Interest income	387	250
Dividend income	2	1
Refunded consumption taxes	221	5
Gain on investments in investment partnerships	-	32
Foreign exchange gains	233	2,037
Miscellaneous income	126	110
Total non-operating income	969	2,437
Non-operating expenses		
Interest expenses	15	1
Provision of allowance for doubtful accounts	27	45
Loss on investments in investment partnerships	12	-
Miscellaneous loss	75	9
Total non-operating expenses	131	57
Ordinary profit	6,671	10,282
Extraordinary losses		
Loss on disposal of non-current assets	26	8
Impairment loss	20	0
Loss on valuation of shares of subsidiaries and associates	3	-
Loss on liquidation of business	326	-
Total extraordinary losses	376	8
Profit before income taxes	6,294	10,273
Income taxes-current	2,658	4,073
Income taxes-deferred	(337)	(931)
Total income taxes	2,321	3,142
Profit	3,972	7,131
Profit attributable to non-controlling interests	75	188
Profit attributable to owners of parent	3,897	6,943

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

Millions of yen

	1Q 2023 (Jan. 1, 2023 – Mar. 31, 2023)	1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)
Profit	3,972	7,131
Other comprehensive income		
Valuation difference on available-for-sale securities	(556)	(279)
Foreign currency translation adjustment	307	2,848
Remeasurements of defined benefit plans, net of tax	(180)	(191)
Total other comprehensive income	(428)	2,377
Comprehensive income	3,544	9,509
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,462	9,289
Comprehensive income attributable to non-controlling interests	81	220

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

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	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

II. 1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)

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	62,164	14,808	76,973	610	77,583	-	77,583
(2) Intragroup sales and transfers	-	-	-	109	109	(109)	-
Total sales	62,164	14,808	76,973	719	77,693	(109)	77,583
Segment profit	6,816	2,306	9,122	145	9,268	(1,365)	7,902

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	23
Corporate expenses that cannot be allocated to reportable segments	(1,389)

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 2024.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
48,834	9,653	16,863	2,232	77,583

Information Concerning Revenue Recognition

Division of sales

The KOSÉ Group has two reportable segments: cosmetics business and cosmetaries business. 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 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.

1Q 2024 (Jan. 1, 2024 – Mar. 31, 2024)

	Millions of yen				
	Japan	Asia	North America	Others	Total
Cosmetics	33,965	9,111	16,863	2,224	62,164
Cosmetaries	14,258	541	-	8	14,808
Total	48,224	9,653	16,863	2,232	76,973
Others (Note)	557	0	-	-	558
Revenue from contracts with customers	48,782	9,653	16,863	2,232	77,531
Other revenue	51	-	-	-	51
Sales to third parties	48,834	9,653	16,863	2,232	77,583

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.