



July 31, 2017

**Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 2017)**

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 4922 URL: <http://www.kose.co.jp/>
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 Scheduled date of filing of Quarterly Report: August 8, 2017
 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 June 30, 2017
(April 1, 2017 – June 30, 2017)**

(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 FY03/2018	70,689	13.2	12,813	26.0	12,949	39.7	8,627	64.1
1Q FY03/2017	62,419	10.5	10,173	19.1	9,269	3.3	5,256	8.0

Note: Comprehensive income (million yen) 1Q FY03/2018: 9,206 (up 125.0%) 1Q FY03/2017: 4,091 (down 25.9%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q FY03/2018	151.24	-
1Q FY03/2017	92.15	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q FY03/2018	250,556	182,607	67.2	2,953.41
FY03/2017	247,191	177,130	66.3	2,871.60

Ref.: Shareholders' equity (million yen) 1Q FY03/2018: 168,474 FY03/2017: 163,807

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY03/2017	-	47.00	-	63.00	110.00
FY03/2018	-	-	-	-	-
FY03/2018 (forecast)	-	63.00	-	63.00	126.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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)
First half	134,000	6.5	19,000	1.6	19,200	9.1	10,700	6.3	187.57
Full year	282,000	5.7	41,500	6.0	41,900	5.9	23,800	9.9	417.22

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 June 30, 2017: 60,592,541 shares

As of March 31, 2017: 60,592,541 shares

2) Number of treasury shares at end of the period

As of June 30, 2017: 3,548,455 shares

As of March 31, 2017: 3,548,424 shares

3) Average number of shares outstanding during the period

1Q FY03/2018: 57,044,096 shares

1Q FY03/2017: 57,044,296 shares

Note 1: The current financial report is not subject to the quarterly review procedures.

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 the Company as of the announcement date of the summary. These statements are not promises by the Company 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 the Company 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 June 30, 2017 (April 1, 2017 – June 30, 2017)

Millions of yen, %

Operating segment	1Q FY03/2017		1Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	45,791	73.4	53,870	76.2	8,079	17.6
Cosmetaries	16,137	25.8	16,309	23.1	172	1.1
Other	490	0.8	509	0.7	18	3.8
Total net sales	62,419	100.0	70,689	100.0	8,269	13.2

	1Q FY03/2017		1Q FY03/2018		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	10,173	16.3	12,813	18.1	2,640	26.0
Ordinary profit	9,269	14.9	12,949	18.3	3,679	39.7
Profit attributable to owners of parent	5,256	8.4	8,627	12.2	3,370	64.1

In the first quarter (April 1 to June 30, 2017) of the current fiscal year, the Japanese economy continued to recover slowly because of improvements in employment, personal income and other areas. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry, there was a decrease in the sales volume of cosmetics since April 2017 compared with one year earlier, but monetary sales were higher. In Asia and the United States, the primary overseas markets for the KOSÉ Group, economies are recovering but the outlook is becoming increasingly unclear because of policies of the Trump administration in the United States and the growth of geopolitical risk worldwide.

This fiscal year is the final year of the KOSÉ Group's medium-term management plan with the central theme of building and strengthening global brands. There are two core strategies: "promote brands to win recognition and respect around the world" and "achieve a sustainable improvement in performance." By taking actions based on this plan, the KOSÉ Group is making progress toward the goals of becoming a company with a global presence and further increasing the pace of growth.

In the first quarter, there was a big increase in sales from one year earlier in the cosmetics business. Net sales increased 13.2% to 70,689 million yen (up 13.6% after excluding the effects of changes in foreign exchange rates). This was the sixth consecutive year of record-high first quarter sales. The share of overseas sales in total consolidated sales was 23.4%.

Earnings were higher as growth in sales and the more efficient use of selling, general and administrative expenses offset an increase in the cost of sales ratio. Operating profit increased 26.0% to 12,813 million yen, ordinary profit increased 39.7% to 12,949 million yen and profit attributable to owners of parent increased 64.1% to 8,627 million yen. Earnings at all levels set a new first quarter record for the KOSÉ Group.

In the cosmetics business, sales in the high-prestige category increased mainly because of the strong performances of ALBION CO., LTD., which sells luxury cosmetics, the U.S. company Tarte, Inc. and the high value-added COSME DECORTE brand. In the prestige category, one source of sales growth was SEKKISEI, a line of skin care products incorporating Japanese and Chinese herbal extracts. There was also sales growth for ONE BY KOSÉ, the only moisturizer in Japan that improves the skin's ability to retain moisture and contains Rice Power® No. 11, a medicated moisturizing serum. ESPRIQUE makeup products also contributed to sales growth in this business. Overall, sales in the cosmetics business increased 17.6% to 53,870 million yen and operating profit increased 22.4% to 12,388 million yen.

In the cosmetaries business, softymo, a key brand used by KOSÉ COSMEPORT CORP., posted sales growth. Other brands with higher sales included FASIO, a line of functional makeup products, and NAIL HOLIC, a line of nail care products with a large number of color variations. As a result, sales in the cosmetaries business increased 1.1% to 16,309 million yen and operating profit increased 47.7% to 1,378 million yen.

In the other business segment, there were increases in sales of amenity products and orders for the manufacture of OEM products. As a result, sales increased 3.8% to 509 million yen and operating profit decreased 5.7% to 229 million yen.

Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	1Q FY03/2017		1Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	51,918	83.2	54,146	76.6	2,228	4.3
Asia	5,006	8.0	6,912	9.8	1,906	38.1
North America	5,339	8.5	8,971	12.7	3,632	68.0
Other	155	0.3	658	0.9	502	322.8
Total net sales	62,419	100.0	70,689	100.0	8,269	13.2

Note: Starting with the first quarter of the current fiscal year, the previous "Europe/USA/Other" category is divided into "North America" and "Other." Regional sales in the first quarter of the previous fiscal year have been restated for consistency.

Japan

Sales at department stores, which sell primarily high-prestige brands, increased. There was also growth in sales at drug stores, which sell prestige brands and cosmetaries brands. Sales to foreign tourists in Japan were higher than one year earlier as department store sales to this customer segment increased. As a result, sales increased 4.3% to 54,146 million yen.

Asia

Sales were higher in China, where structural reforms have been completed, and in South Korea, where duty-free store sales increased. Sales were also generally firm in other Asian countries and regions. As a result, sales increased 38.1% to 6,912 million yen.

North America

Sales increased 68.0% to 8,971 million yen as sales of the U.S. company Tarte, Inc. significantly exceeded the initial plan.

Other

Sales increased 322.8% to 658 million yen because of a big increase in sales of products of the U.S. company Tarte, Inc. in Europe, Australia and other regions.

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

There are no revisions to the consolidated fiscal year forecast announced on April 28, 2017.

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

	<i>Millions of yen</i>	
	FY03/2017 (As of Mar. 31, 2017)	1Q FY03/2018 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	71,921	79,963
Notes and accounts receivable-trade	38,328	37,253
Securities	12,672	1,335
Merchandise and finished goods	20,982	25,698
Work in process	2,086	2,773
Raw materials and supplies	17,660	20,741
Deferred tax assets	5,647	4,636
Other	2,823	2,791
Allowance for doubtful accounts	(47)	(43)
Total current assets	<u>172,074</u>	<u>175,150</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,087	37,495
Accumulated depreciation	(19,686)	(19,932)
Buildings and structures, net	<u>17,400</u>	<u>17,562</u>
Machinery, equipment and vehicles	15,242	15,214
Accumulated depreciation	(11,759)	(11,672)
Machinery, equipment and vehicles, net	<u>3,482</u>	<u>3,542</u>
Tools, furniture and fixtures	34,511	34,652
Accumulated depreciation	(29,442)	(29,391)
Tools, furniture and fixtures, net	<u>5,068</u>	<u>5,260</u>
Land	16,524	16,533
Leased assets	1,637	1,738
Accumulated depreciation	(1,094)	(1,144)
Leased assets, net	<u>543</u>	<u>593</u>
Construction in progress	1,801	1,744
Total property, plant and equipment	<u>44,822</u>	<u>45,235</u>
Intangible assets		
Software	1,445	1,439
Goodwill	8,479	8,185
Other	7,814	7,418
Total intangible assets	<u>17,739</u>	<u>17,043</u>
Investments and other assets		
Investment securities	6,864	7,819
Deferred tax assets	3,156	2,829
Other	2,727	2,674
Allowance for doubtful accounts	(193)	(195)
Total investments and other assets	<u>12,554</u>	<u>13,126</u>
Total non-current assets	<u>75,116</u>	<u>75,406</u>
Total assets	<u>247,191</u>	<u>250,556</u>

Millions of yen

	FY03/2017 (As of Mar. 31, 2017)	1Q FY03/2018 (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,533	12,764
Electronically recorded obligations-operating	11,978	15,140
Short-term loans payable	1,016	824
Lease obligations	174	199
Accounts payable-other	12,184	8,833
Accrued expenses	10,964	7,256
Income taxes payable	6,077	2,441
Accrued consumption taxes	1,242	1,772
Provision for sales returns	1,998	1,740
Other	862	3,616
Total current liabilities	56,033	54,590
Non-current liabilities		
Lease obligations	438	470
Provision for directors' retirement benefits	2,346	2,360
Net defined benefit liability	8,207	7,651
Deferred tax liabilities	2,583	2,433
Other	452	442
Total non-current liabilities	14,027	13,357
Total liabilities	70,060	67,948
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	6,388
Retained earnings	157,205	162,238
Treasury shares	(9,093)	(9,093)
Total shareholders' equity	159,348	164,381
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	2,040
Foreign currency translation adjustment	3,915	2,873
Remeasurements of defined benefit plans	(918)	(820)
Total accumulated other comprehensive income	4,458	4,092
Non-controlling interests	13,323	14,133
Total net assets	177,130	182,607
Total liabilities and net assets	247,191	250,556

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

	1Q FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)	1Q FY03/2018 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	62,419	70,689
Cost of sales	14,542	18,179
Gross profit	47,877	52,510
Selling, general and administrative expenses		
Advertising expenses	4,123	3,992
Promotion expenses	11,683	12,164
Freightage and packing expenses	2,179	2,662
Salaries and allowances	10,574	11,007
Retirement benefit expenses	455	481
Legal welfare expenses	1,554	1,655
Depreciation	714	724
Other	6,418	7,007
Total selling, general and administrative expenses	37,704	39,696
Operating profit	10,173	12,813
Non-operating income		
Interest income	46	30
Dividend income	36	37
Patent licensing	18	17
Gain on redemption of securities	70	27
Miscellaneous income	65	62
Total non-operating income	237	175
Non-operating expenses		
Interest expenses	1	3
Commission fee	1	1
Foreign exchange losses	1,126	30
Miscellaneous loss	10	4
Total non-operating expenses	1,141	39
Ordinary profit	9,269	12,949
Extraordinary income		
Gain on sales of non-current assets	82	3
Gain on sales of investment securities	-	0
Total extraordinary income	82	4
Extraordinary losses		
Loss on disposal of non-current assets	12	31
Loss on valuation of investment securities	2	-
Total extraordinary losses	15	31
Profit before income taxes	9,337	12,921
Income taxes-current	2,054	2,390
Income taxes-deferred	1,273	915
Total income taxes	3,328	3,305
Profit	6,009	9,616
Profit attributable to non-controlling interests	752	989
Profit attributable to owners of parent	5,256	8,627

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

Millions of yen

	1Q FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)	1Q FY03/2018 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	6,009	9,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(361)	578
Foreign currency translation adjustment	(1,651)	(1,096)
Remeasurements of defined benefit plans, net of tax	95	108
Total other comprehensive income	(1,917)	(409)
Comprehensive income	4,091	9,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,388	8,261
Comprehensive income attributable to non-controlling interests	703	945

(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 FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)

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	45,791	16,137	61,929	490	62,419	-	62,419
(2) Intragroup sales and transfers	-	119	119	145	264	(264)	-
Total sales	45,791	16,257	62,048	636	62,684	(264)	62,419
Segment profit	10,117	933	11,051	243	11,294	(1,121)	10,173

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

2. Adjustments to segment profit are as follows.

Millions of yen

Eliminations for intersegment transactions	18
Corporate expenses that cannot be allocated to reportable segments	(1,139)

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

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

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

No significant items in 1Q FY03/2017.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
51,918	5,006	5,339	155	62,419

II. 1Q FY03/2018 (Apr. 1, 2017 – Jun. 30, 2017)

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	53,870	16,309	70,180	509	70,689	-	70,689
(2) Intragroup sales and transfers	-	73	73	162	235	(235)	-
Total sales	53,870	16,383	70,253	671	70,925	(235)	70,689
Segment profit	12,388	1,378	13,767	229	13,996	(1,182)	12,813

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

2. Adjustments to segment profit are as follows.

Millions of yen

Eliminations for intersegment transactions	34
Corporate expenses that cannot be allocated to reportable segments	(1,217)

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

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

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

No significant items in 1Q FY03/2018.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
54,146	6,912	8,971	658	70,689

Note: Starting with the first quarter of FY03/2018, the previous "Europe/USA/Other" category is divided into "North America" and "Other," due to an increase in materiality of "North America." 3. Geographic sales information in the first quarter of FY03/2017 has been restated for consistency.

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.