



October 31, 2017

**Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2018
(Six Months Ended September 30, 2017)**

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: November 10, 2017
 Scheduled date of dividend payment: December 9, 2017
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Rounded down to million yen)

**1. Consolidated Financial Results for the Six Months Ended September 30, 2017
(April 1, 2017 – September 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 (%)
2Q FY03/2018	144,615	15.0	23,467	25.5	23,940	36.1	15,212	51.1
2Q FY03/2017	125,788	9.0	18,698	3.6	17,594	(5.9)	10,070	(8.0)

Note: Comprehensive income (million yen) 2Q FY03/2018: 16,572 (up 154.2%) 2Q FY03/2017: 6,518 (down 45.9%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2Q FY03/2018	266.68	-
2Q FY03/2017	176.53	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2Q FY03/2018	252,192	182,989	67.0	2,961.42
FY03/2017	247,191	177,130	66.3	2,871.60

Ref.: Shareholders' equity (million yen) 2Q FY03/2018: 168,931 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	-	63.00	-	-	-
FY03/2018 (forecast)	-	-	-	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)
Full year	300,000	12.5	46,000	17.5	46,700	18.0	27,100	25.1	475.07

Note: Revisions to the most recently announced consolidated forecast: Yes

Contents of Attachments

1. Qualitative Information on Consolidated Quarterly Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Consolidated Forecast and Other Forward-looking Statements	5
2. Consolidated Quarterly Financial Statements and Notes	6
(1) Consolidated Quarterly Balance Sheet	6
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	8
Consolidated Quarterly Statement of Income	
(For the Six-month Period)	8
Consolidated Quarterly Statement of Comprehensive Income	
(For the Six-month Period)	9
(3) Notes to Consolidated Quarterly Financial Statements	10
(Going Concern Assumption)	10
(Precaution Concerning Significant Changes in Shareholders' Equity)	10
(Segment and Other Information)	10

1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Six Months Ended September 30, 2017 (April 1, 2017 – September 30, 2017)

Millions of yen, %

Operating segment	2Q FY03/2017		2Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	90,973	72.3	107,304	74.2	16,331	18.0
Cosmetaries	33,731	26.8	36,174	25.0	2,443	7.2
Other	1,083	0.9	1,135	0.8	52	4.8
Total net sales	125,788	100.0	144,615	100.0	18,827	15.0

	2Q FY03/2017		2Q FY03/2018		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	18,698	14.9	23,467	16.2	4,769	25.5
Ordinary profit	17,594	14.0	23,940	16.6	6,345	36.1
Profit attributable to owners of parent	10,070	8.0	15,212	10.5	5,142	51.1

1) Review of Operations

In the first half (April 1 to September 30, 2017) of the current fiscal year, the Japanese economy continued to recover slowly because of improvements in corporate earnings and the number of jobs. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry, sales volume and monetary sales of cosmetics increased compared with one year earlier. In Asia and the United States, the primary overseas markets for the KOSÉ Group, the U.S. economy continued to recover steadily and most Asian economies are staging a rebound.

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 half, sales were higher in all business segments and regions. Net sales increased 15.0% to 144,615 million yen (up 14.8% after excluding the effects of changes in foreign exchange rates). This was the fifth consecutive year of record-high first half sales. The share of overseas sales in total consolidated sales was 23.3%.

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 25.5% to 23,467 million yen, ordinary profit increased 36.1% to 23,940 million yen and profit attributable to owners of parent increased 51.1% to 15,212 million yen. Earnings at all levels set a new first half record for the KOSÉ Group.

2) Results by Business Segment

a. Cosmetics Business

Millions of yen, %

	2Q FY03/2017	2Q FY03/2018	YoY change	
			Amount	%
Sales to third parties	90,973	107,304	16,331	18.0
Intragroup sales and transfers	-	-	-	-
Total net sales	90,973	107,304	-	-
Operating profit	17,461	21,675	4,214	24.1
Operating margin	19.2	20.2	-	-

In the high-prestige category, the main contributors to sales growth were the high-value-added COSME DECORTE brand, where a new line of AQ skin care products was launched, and strong performances by ALBION CO., LTD., which sells luxury cosmetics, and the U.S. company Tarte, Inc. JILL STUART, ADDICTION and other makeup brands also contributed to the first half sales growth in this category. In the prestige category, SEKKISEI, a line of skin care products incorporating Japanese and Chinese herbal extracts, recorded higher sales. In addition, there were promotional activities aimed at increasing the number of new customers for ONE BY KOSÉ, a medicated moisturizing serum that contains Rice Powder® No. 11. This is the only substance in Japan that improves the skin's ability to retain moisture.

Overall, sales in the cosmetics business increased 18.0% to 107,304 million yen and operating profit increased 24.1% to 21,675 million yen.

b. Cosmetaries Business

Millions of yen, %

	2Q FY03/2017	2Q FY03/2018	YoY change	
			Amount	%
Sales to third parties	33,731	36,174	2,443	7.2
Intragroup sales and transfers	324	187	-	-
Total net sales	34,056	36,362	-	-
Operating profit	2,987	3,575	588	19.7
Operating margin	8.8	9.8	-	-

Higher sales at KOSÉ COSMEPORT CORP., which has several brands in key product categories, were a major reason for growth in segment sales. Two of this company's brands are softymo, a line of face washes and cleansing, and CLEAR TURN, a line of facial sheet masks. Strong sales of self-selection makeup brands were another reason for the increase in segment sales. In particular, the VISÉE brand, which added a highly successful new lineup of lipstick, well-received FASIO line of highly functional makeup products and NAIL HOLIC, a line of nail care products with a large number of color variations, all recorded higher sales.

As a result, sales in the cosmetaries business increased 7.2% to 36,174 million yen and operating profit increased 19.7% to 3,575 million yen.

c. Other Business

Millions of yen, %

	2Q FY03/2017	2Q FY03/2018	YoY change	
			Amount	%
Sales to third parties	1,083	1,135	52	4.8
Intragroup sales and transfers	320	331	-	-
Total net sales	1,404	1,467	-	-
Operating profit	529	565	36	6.9
Operating margin	37.7	38.6	-	-

Sales of amenity products and the manufacture of OEM products account for most of the sales in this segment. First half sales increased 4.8% to 1,135 million yen and operating profit increased 6.9% to 565 million yen.

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

	2Q FY03/2017		2Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	103,615	82.4	110,893	76.7	7,278	7.0
Asia	11,622	9.2	15,402	10.6	3,779	32.5
North America	10,165	8.1	16,931	11.7	6,765	66.6
Other	384	0.3	1,388	1.0	1,003	260.8
Total net sales	125,788	100.0	144,615	100.0	18,827	15.0

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 half of the previous fiscal year have been restated for consistency.

Japan

Sales were higher for the COSME DECORTE line of products sold at department stores and specialty stores and for the luxury cosmetics of ALBION CO., LTD. There was also an increase in sales of products sold at drug stores. Sales to foreign tourists in Japan increased, mainly at department stores, along with growth in the number of these tourists. As a result, sales increased 7.0% to 110,893 million yen.

Asia

Strong sales growth was attributable to higher sales of COSME DECORTE and other key global brands in China, a continuation of the rapid growth in duty-free store sales in South Korea and generally firm sales in other Asian countries and regions. As a result, sales increased 32.5% to 15,402 million yen.

North America

Sales increased 66.6% to 16,931 million yen as sales of the U.S. company Tarte, Inc. significantly exceeded the initial plan.

Other

Sales increased 260.8% to 1,388 million yen because of a big increase in e-commerce sales of the U.S. company Tarte, Inc. in Europe, Australia and other regions.

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

Japan's slow economic recovery is expected to continue as the number of jobs and personal income increase and the economy benefits from government policies. However, there are concerns about foreign exchange rate movements, slowing economic growth in emerging countries, geopolitical risk factors worldwide and other events.

In the first half of the fiscal year ending March 31, 2018, net sales and ~~earnings at all levels~~operating profit climbed to all-time highs. In addition to strong sales in Japan centered on high-prestige brand products, sales in China and South Korea remained high. U.S. company Tarte, Inc. also continued to perform well.

Based on this outlook, KOSÉ revised its forecast for the fiscal year ending March 31, 2018 that was announced on April 28, 2017 as follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Yen</i>
Previous forecast (A)	282,000	41,500	41,900	23,800	417.22
Revised forecast (B)	300,000	46,000	46,700	27,100	475.07
Change (B – A)	18,000	4,500	4,800	3,300	-
Percentage change (%)	6.4	10.8	11.5	13.9	-
(Reference) Previous fiscal year results (FY03/2017)	266,762	39,160	39,564	21,657	379.66

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

Millions of yen, %

Operating segment	FY03/2017		FY03/2018 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	199,028	74.6	228,800	76.3	29,771	15.0
Cosmetaries	65,634	24.6	68,700	22.9	3,065	4.7
Other	2,099	0.8	2,500	0.8	400	19.1
Total net sales	266,762	100.0	300,000	100.0	33,237	12.5

	FY03/2017		FY03/2018 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	39,160	14.7	46,000	15.3	6,839	17.5
Ordinary profit	39,564	14.8	46,700	15.6	7,135	18.0
Profit attributable to owners of parent	21,657	8.1	27,100	9.0	5,442	25.1

* Forecasts are based on foreign exchange rates of 112 yen to the U.S. dollar, 3.6 yen to the Taiwan dollar and 16.5 yen to the Chinese yuan.

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

	<i>Millions of yen</i>	
	FY03/2017 (As of Mar. 31, 2017)	2Q FY03/2018 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	71,921	74,500
Notes and accounts receivable-trade	38,328	40,082
Securities	12,672	999
Merchandise and finished goods	20,982	28,050
Work in process	2,086	2,822
Raw materials and supplies	17,660	20,124
Deferred tax assets	5,647	6,799
Other	2,823	2,331
Allowance for doubtful accounts	(47)	(46)
Total current assets	172,074	175,665
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,087	37,653
Accumulated depreciation	(19,686)	(20,213)
Buildings and structures, net	17,400	17,439
Machinery, equipment and vehicles	15,242	15,329
Accumulated depreciation	(11,759)	(11,784)
Machinery, equipment and vehicles, net	3,482	3,545
Tools, furniture and fixtures	34,511	35,340
Accumulated depreciation	(29,442)	(29,860)
Tools, furniture and fixtures, net	5,068	5,480
Land	16,524	16,547
Leased assets	1,637	1,753
Accumulated depreciation	(1,094)	(1,195)
Leased assets, net	543	558
Construction in progress	1,801	3,102
Total property, plant and equipment	44,822	46,674
Intangible assets		
Software	1,445	1,381
Goodwill	8,479	7,967
Other	7,814	7,236
Total intangible assets	17,739	16,585
Investments and other assets		
Investment securities	6,864	8,262
Deferred tax assets	3,156	2,520
Other	2,727	2,680
Allowance for doubtful accounts	(193)	(195)
Total investments and other assets	12,554	13,268
Total non-current assets	75,116	76,527
Total assets	247,191	252,192

Millions of yen

	FY03/2017 (As of Mar. 31, 2017)	2Q FY03/2018 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,533	8,829
Electronically recorded obligations-operating	11,978	16,130
Short-term loans payable	1,016	600
Lease obligations	174	207
Accounts payable-other	12,184	8,030
Accrued expenses	10,964	10,496
Income taxes payable	6,077	7,697
Accrued consumption taxes	1,242	1,399
Provision for sales returns	1,998	1,802
Other	862	1,122
Total current liabilities	56,033	56,317
Non-current liabilities		
Lease obligations	438	426
Provision for directors' retirement benefits	2,346	2,451
Net defined benefit liability	8,207	7,080
Deferred tax liabilities	2,583	2,426
Other	452	502
Total non-current liabilities	14,027	12,886
Total liabilities	70,060	69,203
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	95
Retained earnings	157,205	168,823
Treasury shares	(9,093)	(9,095)
Total shareholders' equity	159,348	164,672
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	2,367
Foreign currency translation adjustment	3,915	2,613
Remeasurements of defined benefit plans	(918)	(721)
Total accumulated other comprehensive income	4,458	4,258
Non-controlling interests	13,323	14,058
Total net assets	177,130	182,989
Total liabilities and net assets	247,191	252,192

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

	2Q FY03/2017 (Apr. 1, 2016 – Sep. 30, 2016)	2Q FY03/2018 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	125,788	144,615
Cost of sales	30,733	39,403
Gross profit	95,054	105,211
Selling, general and administrative expenses		
Advertising expenses	8,375	8,697
Promotion expenses	23,995	25,636
Freightage and packing expenses	4,629	5,469
Salaries and allowances	21,072	22,184
Retirement benefit expenses	910	961
Legal welfare expenses	3,179	3,436
Depreciation	1,440	1,461
Other	12,753	13,896
Total selling, general and administrative expenses	76,356	81,743
Operating profit	18,698	23,467
Non-operating income		
Interest income	124	95
Dividend income	39	41
Patent licensing	18	17
Gain on redemption of securities	70	2
Foreign exchange gains	-	240
Miscellaneous income	128	121
Total non-operating income	383	519
Non-operating expenses		
Interest expenses	3	3
Commission fee	3	25
Foreign exchange losses	1,453	-
Miscellaneous loss	25	16
Total non-operating expenses	1,486	46
Ordinary profit	17,594	23,940
Extraordinary income		
Gain on sales of non-current assets	169	1
Gain on sales of investment securities	-	0
Total extraordinary income	169	2
Extraordinary losses		
Loss on disposal of non-current assets	139	55
Loss on valuation of investment securities	0	-
Other	-	1
Total extraordinary losses	140	57
Profit before income taxes	17,623	23,884
Income taxes-current	5,917	8,158
Income taxes-deferred	467	(1,072)
Total income taxes	6,384	7,085
Profit	11,238	16,799
Profit attributable to non-controlling interests	1,168	1,586
Profit attributable to owners of parent	10,070	15,212

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

Millions of yen

	2Q FY03/2017 (Apr. 1, 2016 – Sep. 30, 2016)	2Q FY03/2018 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	11,238	16,799
Other comprehensive income		
Valuation difference on available-for-sale securities	(273)	904
Foreign currency translation adjustment	(4,636)	(1,349)
Remeasurements of defined benefit plans, net of tax	190	217
Total other comprehensive income	(4,719)	(226)
Comprehensive income	6,518	16,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,505	15,012
Comprehensive income attributable to non-controlling interests	1,013	1,560

(3) Notes to Consolidated Quarterly Financial Statements**Going Concern Assumption**

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

On September 30, 2017, KOSÉ purchased an additional equity stake of 4.5% in consolidated subsidiary Tarte, Inc. at a cost of 6,983 million yen. Following this investment, KOSÉ holds 98.0% of the voting rights of Tarte. Due to this investment, at the end of the first half, there were decreases of 6,293 million yen in the capital surplus and 689 million yen in non-controlling interests, resulting in a capital surplus of 95 million yen.

Segment and Other Information**Segment Information**

I. 2Q FY03/2017 (Apr. 1, 2016 – Sep. 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	90,973	33,731	124,704	1,083	125,788	-	125,788
(2) Intragroup sales and transfers	-	324	324	320	645	(645)	-
Total sales	90,973	34,056	125,029	1,404	126,433	(645)	125,788
Segment profit	17,461	2,987	20,448	529	20,977	(2,279)	18,698

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	42
Corporate expenses that cannot be allocated to reportable segments	(2,322)

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 2Q FY03/2017.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
103,615	11,622	10,165	384	125,788

II. 2Q FY03/2018 (Apr. 1, 2017 – Sep. 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	107,304	36,174	143,479	1,135	144,615	-	144,615
(2) Intragroup sales and transfers	-	187	187	331	518	(518)	-
Total sales	107,304	36,362	143,666	1,467	145,134	(518)	144,615
Segment profit	21,675	3,575	25,250	565	25,816	(2,348)	23,467

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	79
Corporate expenses that cannot be allocated to reportable segments	(2,428)

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 2Q FY03/2018.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
110,893	15,402	16,931	1,388	144,615

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 half 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.