



January 31, 2018

**Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2018
(Nine Months Ended December 31, 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: February 9, 2018
 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 December 31, 2017
(April 1, 2017 – December 31, 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 (%)
3Q FY03/2018	223,566	16.2	38,980	29.2	39,652	27.5	24,724	32.8
3Q FY03/2017	192,332	7.8	30,177	(0.5)	31,111	0.5	18,618	3.3

Note: Comprehensive income (million yen) 3Q FY03/2018: 28,111 (up 81.3%) 3Q FY03/2017: 15,507 (down 17.6%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2018	433.44	-
3Q FY03/2017	326.39	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2018	254,548	190,796	69.1	3,084.18
FY03/2017	247,191	177,130	66.3	2,871.60

Ref.: Shareholders' equity (million yen) 3Q FY03/2018: 175,933 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: 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 December 31, 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 December 31, 2017: 3,548,777 shares

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

3) Average number of shares outstanding during the period

3Q FY03/2018: 57,043,965 shares

3Q FY03/2017: 57,044,257 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 4 of the attachments.

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1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Nine Months Ended December 31, 2017 (April 1, 2017 – December 31, 2017)

Millions of yen, %

Operating segment	3Q FY03/2017		3Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	141,675	73.7	168,694	75.5	27,018	19.1
Cosmetaries	48,956	25.4	53,091	23.7	4,134	8.4
Other	1,699	0.9	1,780	0.8	81	4.8
Total net sales	192,332	100.0	223,566	100.0	31,234	16.2

	3Q FY03/2017		3Q FY03/2018		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	30,177	15.7	38,980	17.4	8,803	29.2
Ordinary profit	31,111	16.2	39,652	17.7	8,540	27.5
Profit attributable to owners of parent	18,618	9.7	24,724	11.1	6,106	32.8

In the first nine months (April 1 to December 31, 2017) of the current fiscal year, the Japanese economy continued to recover slowly mainly because of improvements in corporate earnings and the number of jobs and an increase in capital expenditures. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry (January to November), 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 nine months, sales were higher in all business segments and regions. Net sales increased 16.2% to 223,566 million yen (up 15.5% after excluding the effects of changes in foreign exchange rates). This was the fifth consecutive year of record-high sales for the first nine months. The share of overseas sales in total consolidated sales was 23.7%.

Earnings were higher mainly because of an increase in gross profit due to sales growth and the more efficient use of selling, general and administrative expenses, while sales compositions of products with higher cost of sales ratio increased. Operating profit increased 29.2% to 38,980 million yen, ordinary profit increased 27.5% to 39,652 million yen and profit attributable to owners of parent increased 32.8% to 24,724 million yen. Earnings at all levels set a new record for the first nine months of a fiscal year.

In the cosmetics business, one main contributor to sales growth in the high-prestige category was the COSME DECORTE brand, backed by a campaign for skin moisturizing serum Moisture Liposome mainly at department stores in Japan and overseas. Strong sales of luxury skin care and other products of ALBION CO., LTD. and the continuation of rapid growth of store and e-commerce sales at the U.S. company Tarte, Inc. were two more significant reasons for sales growth in this category. In addition, JILL STUART, ADDICTION and other makeup brands also contributed to sales growth in the first nine months. In the prestige category, all brands took initiatives to increase the number of new customers. Initiatives included promotional activities to

offer ideas for different ways to use SEKKISEI skin care products in each season of the year and the ongoing campaign for ONE BY KOSÉ medicated moisturizing serum to raise awareness of this brand. Overall, sales in the cosmetics business increased 19.1% to 168,694 million yen and operating profit increased 28.5% to 36,859 million yen.

In the cosmetaries business, higher sales at KOSÉ COSMEPORT CORP. were a major reason for the growth in segment sales. This company focused on the growth of brands in key categories, including the CLEAR TURN brand, which added a line of new products, and Je l'aime, which launched a new product line that has been very successful. Sales growth was also backed by increases in the market shares of several self-selection makeup categories using the FASIO, VISÉE, NAIL HOLIC and other brands. As a result, sales in the cosmetaries business increased 8.4% to 53,091 million yen and operating profit increased 19.2% to 4,731 million yen.

In the other business segment, sales of amenity products and the manufacture of OEM products account for most of the sales in this segment. Sales increased 4.8% to 1,780 million yen and operating profit increased 2.7% to 864 million yen.

Net Sales by Region (Sales to Third Parties)

	3Q FY03/2017		3Q FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	157,857	82.1	170,556	76.3	12,699	8.0
Asia	18,424	9.6	23,886	10.7	5,461	29.6
North America	15,331	7.9	27,006	12.1	11,674	76.1
Other	717	0.4	2,116	0.9	1,398	195.0
Total net sales	192,332	100.0	223,566	100.0	31,234	16.2

Millions of yen, %

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 nine months of the previous fiscal year have been restated for consistency.

Japan

Sales were higher at department stores, specialty stores, drug stores and other major sales channels. There was a big increase in sales at department stores, which sell primarily high-prestige brands. Strong demand within Japan and due to an increase in the number of foreign tourists in Japan was mainly responsible for this growth. Sales at drug stores, which sell prestige brands and cosmetaries brands, were also firm. As a result, sales increased 8.0% to 170,556 million yen.

Asia

The pace of sales growth of COSME DECORTE and other key global brands increased along with growing demand for made-in-Japan products and the rising number of repeat visitors to Japan from other Asian countries. Sales increased significantly in China, where e-commerce sales continue to climb, and in South Korea, where rapid growth in duty-free store sales is continuing. Sales were generally firm in other Asian countries and regions, too. As a result, sales increased 29.6% to 23,886 million yen.

North America

The continuation of rapid growth of store and e-commerce sales at the U.S. company Tarte, Inc. contributed to higher sales as Sephora, ULTA and other specialty store channels as well as the redesigned Tarte e-commerce website continued to post strong sales. As a result, sales increased 76.1% to 27,006 million yen.

Other

Sales increased 195.0% to 2,116 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

There are no revisions to the consolidated fiscal year forecast announced on October 31, 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)	3Q FY03/2018 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	71,921	72,960
Notes and accounts receivable-trade	38,328	39,254
Securities	12,672	4,291
Merchandise and finished goods	20,982	27,836
Work in process	2,086	3,343
Raw materials and supplies	17,660	21,097
Deferred tax assets	5,647	5,391
Other	2,823	2,986
Allowance for doubtful accounts	(47)	(46)
Total current assets	172,074	177,114
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,087	37,768
Accumulated depreciation	(19,686)	(20,529)
Buildings and structures, net	17,400	17,239
Machinery, equipment and vehicles	15,242	15,680
Accumulated depreciation	(11,759)	(12,020)
Machinery, equipment and vehicles, net	3,482	3,660
Tools, furniture and fixtures	34,511	35,969
Accumulated depreciation	(29,442)	(30,482)
Tools, furniture and fixtures, net	5,068	5,486
Land	16,524	16,549
Leased assets	1,637	1,909
Accumulated depreciation	(1,094)	(1,250)
Leased assets, net	543	659
Construction in progress	1,801	3,692
Total property, plant and equipment	44,822	47,289
Intangible assets		
Software	1,445	1,548
Goodwill	8,479	7,814
Other	7,814	7,127
Total intangible assets	17,739	16,490
Investments and other assets		
Investment securities	6,864	9,172
Deferred tax assets	3,156	1,971
Other	2,727	2,739
Allowance for doubtful accounts	(193)	(228)
Total investments and other assets	12,554	13,654
Total non-current assets	75,116	77,434
Total assets	247,191	254,548

Millions of yen

	FY03/2017 (As of Mar. 31, 2017)	3Q FY03/2018 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,533	10,128
Electronically recorded obligations-operating	11,978	13,608
Short-term loans payable	1,016	622
Lease obligations	174	237
Accounts payable-other	12,184	8,139
Accrued expenses	10,964	5,595
Income taxes payable	6,077	6,122
Accrued consumption taxes	1,242	1,816
Provision for sales returns	1,998	1,949
Other	862	3,061
Total current liabilities	56,033	51,282
Non-current liabilities		
Lease obligations	438	511
Provision for directors' retirement benefits	2,346	2,482
Net defined benefit liability	8,207	6,531
Deferred tax liabilities	2,583	2,408
Other	452	536
Total non-current liabilities	14,027	12,469
Total liabilities	70,060	63,752
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	95
Retained earnings	157,205	174,742
Treasury shares	(9,093)	(9,097)
Total shareholders' equity	159,348	170,588
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	2,996
Foreign currency translation adjustment	3,915	2,972
Remeasurements of defined benefit plans	(918)	(623)
Total accumulated other comprehensive income	4,458	5,344
Non-controlling interests	13,323	14,863
Total net assets	177,130	190,796
Total liabilities and net assets	247,191	254,548

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

	3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 2016)	3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	192,332	223,566
Cost of sales	47,041	59,878
Gross profit	145,290	163,688
Selling, general and administrative expenses		
Advertising expenses	13,046	13,827
Promotion expenses	36,020	39,647
Freightage and packing expenses	6,923	8,258
Salaries and allowances	31,755	33,263
Retirement benefit expenses	1,366	1,437
Legal welfare expenses	4,858	5,167
Depreciation	2,167	2,237
Other	18,975	20,867
Total selling, general and administrative expenses	115,113	124,707
Operating profit	30,177	38,980
Non-operating income		
Interest income	173	136
Dividend income	70	73
Patent licensing	29	33
Gain on redemption of securities	70	2
Foreign exchange gains	453	296
Miscellaneous income	170	184
Total non-operating income	967	726
Non-operating expenses		
Interest expenses	3	4
Commission fee	7	30
Miscellaneous loss	22	19
Total non-operating expenses	33	54
Ordinary profit	31,111	39,652
Extraordinary income		
Gain on sales of non-current assets	168	1
Gain on sales of investment securities	-	0
Total extraordinary income	168	2
Extraordinary losses		
Loss on disposal of non-current assets	178	79
Loss on valuation of investment securities	-	4
Impairment loss	21	-
Other	-	1
Total extraordinary losses	200	85
Profit before income taxes	31,080	39,568
Income taxes-current	9,102	11,815
Income taxes-deferred	1,402	532
Total income taxes	10,505	12,348
Profit	20,574	27,220
Profit attributable to non-controlling interests	1,955	2,495
Profit attributable to owners of parent	18,618	24,724

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

Millions of yen

	3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 2016)	3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	20,574	27,220
Other comprehensive income		
Valuation difference on available-for-sale securities	240	1,534
Foreign currency translation adjustment	(5,593)	(970)
Remeasurements of defined benefit plans, net of tax	285	326
Total other comprehensive income	(5,067)	891
Comprehensive income	15,507	28,111
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,739	25,611
Comprehensive income attributable to non-controlling interests	1,767	2,500

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

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

On September 29, 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 nine months, 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. 3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 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	141,675	48,956	190,632	1,699	192,332	-	192,332
(2) Intragroup sales and transfers	-	387	387	461	849	(849)	-
Total sales	141,675	49,344	191,020	2,161	193,181	(849)	192,332
Segment profit	28,695	3,969	32,664	842	33,507	(3,329)	30,177

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	(45)
Corporate expenses that cannot be allocated to reportable segments	(3,284)

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 3Q FY03/2017.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
157,857	18,424	15,331	717	192,332

II. 3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 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	168,694	53,091	221,785	1,780	223,566	-	223,566
(2) Intragroup sales and transfers	-	336	336	458	794	(794)	-
Total sales	168,694	53,427	222,121	2,238	224,360	(794)	223,566
Segment profit	36,859	4,731	41,591	864	42,456	(3,475)	38,980

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	74
Corporate expenses that cannot be allocated to reportable segments	(3,549)

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 3Q FY03/2018.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
170,556	23,886	27,006	2,116	223,566

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 nine months 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.