

Summary of Financial Results for the Fiscal Year Ended March 31, 2018
[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
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 Scheduled date of general meeting of shareholders: June 28, 2018
 Scheduled date of filing of Securities Report: June 28, 2018
 Scheduled date of dividend payment: June 29, 2018
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Rounded down to million yen)
**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018
(April 1, 2017 – March 31, 2018)**
(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 (%)
FY03/2018	303,399	13.7	48,408	23.6	48,508	22.6	30,611	41.3
FY03/2017	266,762	9.6	39,160	13.1	39,564	14.5	21,657	16.1

Note: Comprehensive income (million yen) FY03/2018: 36,908 (up 49.8%) FY03/2017: 24,643 (up 86.7%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary profit to total assets (%)	Operating profit to net sales (%)
FY03/2018	536.63	-	17.6	18.7	16.0
FY03/2017	379.66	-	13.9	16.5	14.7

Ref.: Equity in earnings of affiliates (million yen) FY03/2018: - FY03/2017: -

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2018	271,545	198,607	67.8	3,227.07
FY03/2017	247,191	177,130	66.3	2,871.60

Ref.: Shareholders' equity (million yen) FY03/2018: 184,083 FY03/2017: 163,807

(3) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of period (Million yen)
	Operating activities (Million yen)	Investing activities (Million yen)	Financing activities (Million yen)	
FY03/2018	34,918	(10,369)	(16,400)	63,883
FY03/2017	17,327	(8,158)	(6,250)	55,622

2. Dividends

	Dividend per share					Total dividends (Million yen)	Payout ratio (consolidated) (%)	Dividend on net assets (consolidated) (%)
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)			
FY03/2017	-	47.00	-	63.00	110.00	6,274	29.0	4.0
FY03/2018	-	63.00	-	85.00	148.00	8,442	27.6	4.9
FY03/2019 (forecast)	-	85.00	-	85.00	170.00		30.0	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)
(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	154,500	6.8	25,000	6.5	25,300	5.7	14,600	(4.0)	255.94
Full year	323,000	6.5	52,000	7.4	52,400	8.0	32,300	5.5	566.23

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) 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

(3) Number of shares outstanding (common stock)

- 1) Number of shares outstanding (incl. treasury shares) at end of the period
 As of March 31, 2018 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 March 31, 2018 3,548,828 shares As of March 31, 2017 3,548,424 shares
- 3) Average number of shares outstanding during the period
 FY03/2018 57,043,906 shares FY03/2017 57,044,226 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018

(April 1, 2017 – March 31, 2018)

(1) Non-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 (%)	Net income (Million yen)	YoY change (%)
FY03/2018	135,893	12.8	11,481	38.0	20,021	33.3	14,893	47.9
FY03/2017	120,516	4.7	8,320	1.6	15,017	15.4	10,070	4.9

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
FY03/2018	261.09	-
FY03/2017	176.54	-

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2018	148,351	103,522	69.8	1,814.80
FY03/2017	132,775	93,676	70.6	1,642.17

Ref.: Shareholders' equity (million yen) FY03/2018: 103,522 FY03/2017: 93,676

Note 1: This financial report is not subject to audit 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 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. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" of the attachments.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Financial Results for the Current Fiscal Year

a. Review of Operations

Millions of yen, %

Operating segment	FY03/2017		FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	199,028	74.6	229,603	75.7	30,574	15.4
Cosmetaries	65,634	24.6	71,323	23.5	5,688	8.7
Other	2,099	0.8	2,473	0.8	373	17.8
Total net sales	266,762	100.0	303,399	100.0	36,636	13.7

	FY03/2017		FY03/2018		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	39,160	14.7	48,408	16.0	9,247	23.6
Ordinary profit	39,564	14.8	48,508	16.0	8,944	22.6
Profit attributable to owners of parent	21,657	8.1	30,611	10.1	8,954	41.3

In the fiscal year that ended on March 31, 2018, 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 December), sales volume and monetary sales of cosmetics increased compared with one year earlier. Overseas, the primary markets for the KOSÉ Group, overall Asian economies are staging a rebound and the U.S. economy continued to recover.

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 current fiscal year, sales were higher in all business segments and regions. Net sales increased 13.7% to 303,399 million yen (up 12.8% after excluding the effects of changes in foreign exchange rates). This was the fifth consecutive year of record-high sales. The share of overseas sales in total consolidated sales was 24.9%.

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 23.6% to 48,408 million yen, ordinary profit increased 22.6% to 48,508 million yen and profit attributable to owners of parent increased 41.3% to 30,611 million yen. Earnings at all levels set a new record for the KOSÉ Group.

b. Results by Business Segment**Cosmetics Business***Millions of yen, %*

	FY03/2017	FY03/2018	YoY change	
			Amount	%
Sales to third parties	199,028	229,603	30,574	15.4
Intragroup sales and transfers	-	-	-	-
Total net sales	199,028	229,603	30,574	15.4
Operating profit	36,983	46,382	9,398	25.4
Operating margin	18.6	20.2	-	-

In the cosmetics business, one main contributor to sales growth in the high-prestige category was COSME DECORTE, which set a record sales in Japan and overseas. Strong sales of luxury skin care products, and base makeup 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 contributed to sales growth due in part to measures aimed at increasing sales in Asia. 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 15.4% to 229,603 million yen and operating profit increased 25.4% to 46,382 million yen.

Cosmetaries Business*Millions of yen, %*

	FY03/2017	FY03/2018	YoY change	
			Amount	%
Sales to third parties	65,634	71,323	5,688	8.7
Intragroup sales and transfers	550	564	14	2.6
Total net sales	66,185	71,887	5,702	8.6
Operating profit	5,627	5,826	199	3.5
Operating margin	8.5	8.1	-	-

Higher sales of several brands in key product categories at KOSÉ COSMEPORT CORP. were a major reason for growth in sales of the cosmetaries business. Two of the brands that performed well were softymo, a line of face washes and cleansing products, and CLEAR TURN, a line of facial sheet masks. Strong sales of the VISÉE and FASIO self-selection makeup brands and the NAIL HOLIC nail care product brand were another reason for the increase in segment sales. As a result, sales in the cosmetaries business increased 8.7% to 71,323 million yen and operating profit increased 3.5% to 5,826 million yen.

Other Business*Millions of yen, %*

	FY03/2017	FY03/2018	YoY change	
			Amount	%
Sales to third parties	2,099	2,473	373	17.8
Intragroup sales and transfers	642	673	30	4.8
Total net sales	2,742	3,147	404	14.7
Operating profit	1,074	1,057	(17)	(1.6)
Operating margin	39.2	33.6	-	-

In the other business segment, there was an increase in sales of amenity and other products. Sales increased 17.8% to 2,473 million yen and operating profit decreased 1.6% to 1,057 million yen.

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

	FY03/2017		FY03/2018		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	211,655	79.3	227,889	75.1	16,233	7.7
Asia	27,236	10.2	35,232	11.6	7,995	29.4
North America	26,658	10.0	36,939	12.2	10,280	38.6
Other	1,211	0.5	3,338	1.1	2,127	175.6
Total net sales	266,762	100.0	303,399	100.0	36,636	13.7

Note: Starting with the first quarter of FY03/2018, the previous "Europe/USA/Other" category is divided into "North America" and "Other." Regional sales in FY03/2017 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 demand due to an increase in the number of foreign tourists in Japan were mainly responsible for this growth. Sales at drug stores, which sell prestige brands and cosmetaries brands, were also firm mainly in the self-selection makeup categories. As a result, sales increased 7.7% to 227,889 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. Particularly in China, there was significant sales growth in department store sales of COSME DECORTE products and e-commerce sales of SEKKISEI product. In South Korea, sales at duty-free stores continued to increase rapidly. There was also growth in yen-denominated sales in all other Asian countries and regions where KOSÉ products are sold. As a result, sales increased 29.4% to 35,232 million yen.

North America

Sales growth was attributable primarily to higher sales at the U.S. company Tarte, Inc., the result of sales growth in the Sephora, ULTRA and other specialty store channels as well as a strong performance by the Tarte e-commerce website. As a result, sales increased 38.6% to 36,939 million yen.

Other

Sales increased 175.6% to 3,338 million yen because of a big increase in e-commerce sales of the U.S. company Tarte, Inc. in Europe and Australia.

2) Outlook for Next Fiscal Year

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. As a result, the outlook is expected to become even more unclear.

The KOSÉ Group launched its new medium-term management plan in April 2018. The objective of this plan is global and borderless growth, backed by a powerful business foundation capable of supporting growth, through the greatest possible use of KOSÉ's resources and the constant creation of innovative value.

Based on this outlook, KOSÉ forecasts net sales of 323,000 million yen (up 6.5% from the previous fiscal year), operating profit of 52,000 million yen (up 7.4%), ordinary profit of 52,400 million yen (up 8.0%), and profit attributable to owners of parent of 32,300 million yen (up 5.5%). The outlook for business segments is shown below. The capital expenditure forecast is 14,900 million yen and the depreciation expense forecast is 7,800 million yen.

Millions of yen, %

Operating segment	FY03/2018		FY03/2019 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	229,603	75.7	247,100	76.5	17,496	7.6
Cosmetaries	71,323	23.5	73,600	22.8	2,276	3.2
Other	2,473	0.8	2,300	0.7	(173)	(7.0)
Total net sales	303,399	100.0	323,000	100.0	19,600	6.5

	FY03/2018		FY03/2019 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	48,408	16.0	52,000	16.1	3,591	7.4
Ordinary profit	48,508	16.0	52,400	16.2	3,891	8.0
Profit attributable to owners of parent	30,611	10.1	32,300	10.0	1,688	5.5

* Forecasts are based on foreign exchange rates of 106 yen to the U.S. dollar, 3.6 yen to the Taiwan dollar and 16.6 yen to the Chinese yuan.

(2) Analysis of Financial Position

1) Balance sheet position

The current ratio was 307.5%, 0.4 percentage points higher than one year earlier, and the quick ratio was 212.2%, a decrease of 7.2 percentage points, as of March 31, 2018. These increases were attributable mainly to the following items.

Assets increased 24,354 million yen. There was a 10,393 million yen increase in quick assets, mainly the result of increases of 11,716 million yen in cash and deposits, 3,074 million yen in notes and accounts receivable-trade, and a decrease of 4,397 million yen in securities. All other current assets increased 10,696 million yen mainly due to an increase of 10,210 million yen in inventories. Non-current assets increased 3,265 million yen due to an increase of 3,188 million yen in property, plant and equipment, a decrease of 1,355 million yen in intangible assets and an increase of 1,432 million yen in investments and other assets.

Liabilities increased 2,878 million yen. Current liabilities increased 6,788 million yen mainly due to increases of 3,870 million yen in electronically recorded obligations-operating, 1,540 million yen in accounts payable-other, and 1,788 million yen in income taxes payable. Non-current liabilities decreased 3,910 million yen mainly due to decreases of 3,254 million yen in net defined benefit liability and 1,411 million yen in deferred tax liabilities.

Interest-bearing debt amounted to 1,311 million yen, and the debt-to-equity ratio was 0.01.

2) Cash flows

Millions of yen

	FY03/2017	FY03/2018	YoY change
Net cash provided by (used in) operating activities	17,327	34,918	17,591
Net cash provided by (used in) investing activities	(8,158)	(10,369)	(2,211)
Net cash provided by (used in) financing activities	(6,250)	(16,400)	(10,150)
Increase in cash and cash equivalents	2,625	8,261	5,636
Cash and cash equivalents at end of period	55,622	63,883	8,261

Cash and cash equivalents (consolidated basis) as of March 31, 2018 were 63,883 million yen, an increase of 8,261 million yen, or 14.9%, compared with March 31, 2017. Cash flows and major components during the current fiscal year are as follows.

Net cash provided by operating activities increased 101.5% to 34,918 million yen. This was mainly the net result of profit before income taxes of 48,242 million yen, depreciation, a non-cash expense, of 6,977 million

yen, a decrease in net defined benefit liability of 1,887 million yen, an increase in inventories of 10,375 million yen, an increase in notes and accounts receivable-trade of 3,073 million yen, a decrease in other assets of 584 million yen, an increase in notes and accounts payable-trade of 3,416 million yen, an increase in other liabilities of 3,744 million yen, and income taxes paid of 14,156 million yen.

Net cash used in investing activities increased 27.1% to 10,369 million yen. The major components were proceeds of 1,674 million yen from sales and redemption of securities, purchase of property, plant and equipment of 9,939 million yen, and purchase of intangible assets of 1,001 million yen.

Net cash used in financing activities increased 162.4% to 16,400 million yen. This was mainly due to cash dividends paid of 7,559 million yen and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation of 7,897 million yen.

3) Cash flow indicators

	FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018
Shareholders' equity ratio (%)	67.0	68.3	63.2	66.3	67.8
Shareholders' equity ratio based on market prices (%)	103.8	184.5	267.8	232.4	467.8
Interest-bearing debt to cash flow ratio	0.1	0.1	0.1	0.1	0.0
Interest coverage ratio	663.8	4,073.8	1,285.9	5,133.3	9,274.6

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows (before interests and income taxes paid) / Interest payments

- These indicators are calculated on a consolidated basis.

- Market capitalization is based on the number of shares issued less treasury shares.

The closing price of stock on the balance sheet date is adjusted in case the Company conducts a stock split for shareholders of record at the fiscal year end.

- Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

- Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest. Interest expenses paid on the consolidated statement of cash flows is used for interest payments.

(3) Profit Allocation Policy and Dividends for FY03/2018 and FY03/2019

Preserving a stable dividend is the fundamental policy for profit allocations. KOSÉ plans to return earnings to shareholders while taking into account the need to retain earnings to fund future growth as well as the company's current financial soundness, operating results and the dividend payout ratio.

KOSÉ has a fundamental policy of paying an interim dividend and a year-end dividend. Shareholders determine the year-end dividend at the annual meeting and the Board of Directors determines the interim dividend.

KOSÉ plans to increase the year-end ordinary dividend by 22 yen per share to 85 yen. Shareholders received an interim dividend of 63 yen per share on December 8, 2017. This will result in a dividend of 148 yen per share applicable to the current fiscal year (ended March 31, 2018).

In the next fiscal year (ending March 31, 2019), KOSÉ plans to pay an annual dividend of 170 yen per share.

2. Management Policies

(1) Fundamental Management Policy

The KOSÉ Group is guided by the philosophy of providing cosmetics and services with the outstanding quality that can earn the true satisfaction of customers. This spirit is evident in many ways. One is R&D activities and manufacturing technology that create new cosmetics such as innovative foundation products and the industry's first beauty serum. Another is a distinctive brand marketing program in which the products of brands that match the needs of consumers are supplied through various sales channels. The philosophy also serves as a driving force behind the Group's growth and development.

The Group will continue to make effective use of these resources while conducting business operations in line with three guidelines for its activities.

- (a) Products: KOSÉ will propose the value of "Beauty" and link this value with customer needs.
- (b) Place: KOSÉ wants to grow with business partners who share the values of KOSÉ brands and products.
- (c) Service: KOSÉ will offer value-added services in order to achieve the greatest possible customer satisfaction.

At the same time, the Group will fulfill its social responsibilities by further increasing its commitment to strict compliance with laws and regulations and to environmental protection.

(2) Performance Indicators

The Group is placing priority on improving the operating margin, return on total assets (ROA) and return on equity (ROE).

Note: $ROA = (\text{Operating profit} + \text{Interest and dividends}) / \text{Total assets (average at beginning and end of year)} \times 100$

$ROE = \text{Profit attributable to owners of parent/ Shareholders' equity (average at beginning and end of year)} \times 100$

(3) Medium- and Long-Term Strategies and Important Issues

The KOSÉ Group has established VISION2026 for the purpose of providing guidelines for advancing to the next stage of growth as KOSÉ looks ahead to the 80th anniversary of its founding in 2026.

VISION2026 has the goals of raising net sales to 500,000 million yen and the operating margin to at least 16%. To accomplish these goals, the Group has defined three phases to become an organization with global presence: "Phase I: Upgrade global brands and reinforce customer points of contact," "Phase II: Increase KOSÉ's global presence and improve the customer experience," and "Phase III: Become a customer-driven company appreciated by people worldwide."

During the medium-term management plan that started in April 2018, based on the new basic strategies explained below, the KOSÉ Group will focus on measures for accomplishing the goals of Phase I: Upgrade global brands and reinforce customer points of contact.

From a longer-term perspective, the KOSÉ Group will have to adapt to changes in market conditions with flexibility and make decisions with even greater speed. This is why the Group reviews and revises every year its medium-term management plan (numerical performance targets) for the following three fiscal years based on performance in the preceding fiscal year and other factors. The targets for the fiscal year ending in March 2021 are sales of 370,000 million yen, an operating margin of 16.2%, a return on assets of 18.0% or more and a return on equity of 15.0% or more.

The three phases of VISION2026

- Phase I: Upgrade global brands and reinforce customer points of contact (April 2018 to March 2021)
- Phase II: Increase KOSÉ's global presence and improve the customer experience (April 2021 to March 2024)
- Phase III: Become a customer-driven company appreciated by people worldwide (April 2024 to March 2027)

Basic strategies for "Upgrading global brands and reinforce customer points of contact"

1) Three growth strategies.

- (a) Accelerate globalization of brands.
- (b) Proactively develop unique products.
- (c) Explore new growth domains.

2) Two value creation vectors.

- (a) Aim for even more personal customer experiences.
- (b) Focus on unique forms of value by utilizing external resources and technologies.

3) Three business foundations.

- (a) Build a sound foundation for the company growth.
- (b) Recruit people who can adapt to changes in market conditions.
- (c) Create an environment that allows people to realize their full potential.

3. Basic Approach for the Selection of Accounting Standards

The KOSÉ Group is actively considering the adoption of International Financial Reporting Standards (IFRS) with objectives that include improved international comparability of financial data in capital markets and higher creditworthiness overseas. This is in line with its medium- and long-term strategies and factors in domestic and international circumstances in achieving the aim of becoming a corporation with a global presence.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	<i>Millions of yen</i>	
	FY03/2017 (As of Mar. 31, 2017)	FY03/2018 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	71,921	83,637
Notes and accounts receivable-trade	38,328	41,403
Securities	12,672	8,274
Merchandise and finished goods	20,982	29,260
Work in process	2,086	2,407
Raw materials and supplies	17,660	19,271
Deferred tax assets	5,647	6,044
Other	2,823	2,913
Allowance for doubtful accounts	(47)	(48)
Total current assets	172,074	193,164
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,087	37,813
Accumulated depreciation	(19,686)	(20,961)
Buildings and structures, net	17,400	16,852
Machinery, equipment and vehicles	15,242	16,078
Accumulated depreciation	(11,759)	(12,251)
Machinery, equipment and vehicles, net	3,482	3,827
Tools, furniture and fixtures	34,511	36,164
Accumulated depreciation	(29,442)	(30,357)
Tools, furniture and fixtures, net	5,068	5,806
Land	16,524	16,555
Leased assets	1,637	1,932
Accumulated depreciation	(1,094)	(1,314)
Leased assets, net	543	618
Construction in progress	1,801	4,351
Total property, plant and equipment	44,822	48,011
Intangible assets		
Software	1,445	1,563
Goodwill	8,479	7,629
Other	7,814	7,190
Total intangible assets	17,739	16,383
Investments and other assets		
Investment securities	6,864	10,381
Deferred tax assets	3,156	1,002
Other	2,727	2,850
Allowance for doubtful accounts	(193)	(247)
Total investments and other assets	12,554	13,986
Total non-current assets	75,116	78,381
Total assets	247,191	271,545

Millions of yen

	FY03/2017 (As of Mar. 31, 2017)	FY03/2018 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,533	9,534
Electronically recorded obligations-operating	11,978	15,849
Short-term loans payable	1,016	600
Lease obligations	174	227
Accounts payable-other	12,184	13,725
Accrued expenses	10,964	9,423
Income taxes payable	6,077	7,865
Accrued consumption taxes	1,242	1,872
Provision for sales returns	1,998	1,928
Other	862	1,795
Total current liabilities	56,033	62,821
Non-current liabilities		
Lease obligations	438	484
Provision for directors' retirement benefits	2,346	2,513
Net defined benefit liability	8,207	4,952
Deferred tax liabilities	2,583	1,172
Other	452	993
Total non-current liabilities	14,027	10,116
Total liabilities	70,060	72,938
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	-
Retained earnings	157,205	180,514
Treasury shares	(9,093)	(9,098)
Total shareholders' equity	159,348	176,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	3,651
Foreign currency translation adjustment	3,915	4,098
Remeasurements of defined benefit plans	(918)	70
Total accumulated other comprehensive income	4,458	7,820
Non-controlling interests	13,323	14,523
Total net assets	177,130	198,607
Total liabilities and net assets	247,191	271,545

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income***Millions of yen*

	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	266,762	303,399
Cost of sales	67,027	81,547
Gross profit	199,735	221,852
Selling, general and administrative expenses		
Advertising expenses	18,684	20,008
Promotion expenses	51,208	55,374
Freightage and packing expenses	9,621	11,731
Salaries and allowances	43,830	45,420
Retirement benefit expenses	1,813	1,922
Legal welfare expenses	6,621	7,041
Depreciation	2,945	3,188
Other	25,849	28,755
Total selling, general and administrative expenses	160,574	173,443
Operating profit	39,160	48,408
Non-operating income		
Interest income	220	196
Dividend income	73	74
Patent licensing	30	34
Gain on redemption of securities	-	4
Refunded consumption taxes	47	382
Miscellaneous income	325	328
Total non-operating income	696	1,020
Non-operating expenses		
Interest expenses	7	5
Loss on redemption of securities	5	-
Rent expenses on real estates	4	4
Commission fee	30	10
Foreign exchange losses	217	774
Miscellaneous loss	27	127
Total non-operating expenses	292	920
Ordinary profit	39,564	48,508
Extraordinary income		
Gain on sales of non-current assets	168	32
Gain on sales of investment securities	-	0
Total extraordinary income	168	32
Extraordinary losses		
Loss on disposal of non-current assets	272	213
Loss on valuation of investment securities	14	4
Impairment loss	21	79
Other	-	1
Total extraordinary losses	308	299
Profit before income taxes	39,425	48,242
Income taxes-current	14,276	15,961
Income taxes-deferred	1,208	(1,246)
Total income taxes	15,485	14,715
Profit	23,939	33,526
Profit attributable to non-controlling interests	2,282	2,914
Profit attributable to owners of parent	21,657	30,611

Consolidated Statement of Comprehensive Income*Millions of yen*

	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	23,939	33,526
Other comprehensive income		
Valuation difference on available-for-sale securities	794	2,189
Foreign currency translation adjustment	(842)	168
Remeasurements of defined benefit plans, net of tax	751	1,023
Total other comprehensive income	703	3,381
Comprehensive income	24,643	36,908
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,353	33,974
Comprehensive income attributable to non-controlling interests	2,290	2,934

(3) Consolidated Statement of Changes in Equity

FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	6,388	141,480	(9,091)	143,626
Changes of items during period					
Dividends of surplus			(5,932)		(5,932)
Profit attributable to owners of parent			21,657		21,657
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	15,724	(1)	15,722
Balance at end of current period	4,848	6,388	157,205	(9,093)	159,348

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	669	4,729	(1,635)	3,762	11,154	158,543
Changes of items during period						
Dividends of surplus						(5,932)
Profit attributable to owners of parent						21,657
Purchase of treasury shares						(1)
Net changes of items other than shareholders' equity	792	(813)	716	695	2,168	2,864
Total changes of items during period	792	(813)	716	695	2,168	18,587
Balance at end of current period	1,462	3,915	(918)	4,458	13,323	177,130

FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	6,388	157,205	(9,093)	159,348
Changes of items during period					
Dividends of surplus			(7,187)		(7,187)
Profit attributable to owners of parent			30,611		30,611
Purchase of treasury shares				(5)	(5)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(6,388)	(115)		(6,503)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(6,388)	23,308	(5)	16,914
Balance at end of current period	4,848	-	180,514	(9,098)	176,263

Millions of yen

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,462	3,915	(918)	4,458	13,323	177,130
Changes of items during period						
Dividends of surplus						(7,187)
Profit attributable to owners of parent						30,611
Purchase of treasury shares						(5)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(6,503)
Net changes of items other than shareholders' equity	2,189	182	989	3,361	1,200	4,562
Total changes of items during period	2,189	182	989	3,361	1,200	21,476
Balance at end of current period	3,651	4,098	70	7,820	14,523	198,607

(4) Consolidated Statement of Cash Flows*Millions of yen*

	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	39,425	48,242
Depreciation	5,821	6,977
Impairment loss	21	79
Amortization of goodwill	772	816
Increase (decrease) in allowance for doubtful accounts	13	65
Increase (decrease) in provision for directors' retirement benefits	181	166
Increase (decrease) in net defined benefit liability	(1,707)	(1,887)
Increase (decrease) in other provision	97	(68)
Loss (gain) on disposal of non-current assets	103	181
Interest and dividend income	(294)	(271)
Interest expenses	7	5
Foreign exchange losses (gains)	178	213
Loss (gain) on valuation of securities	-	4
Loss (gain) on redemption of securities	5	(4)
Loss (gain) on valuation of investment securities	14	-
Loss (gain) on sales of investment securities	-	(0)
Decrease (increase) in notes and accounts receivable-trade	(5,541)	(3,073)
Decrease (increase) in inventories	(6,348)	(10,375)
Increase (decrease) in notes and accounts payable-trade	1,386	3,416
Decrease (increase) in other assets	(284)	584
Increase (decrease) in other liabilities	(1,029)	3,744
Other, net	-	1
Subtotal	<u>32,823</u>	<u>48,817</u>
Interest and dividend income received	335	262
Interest expenses paid	(6)	(5)
Income taxes paid	(15,824)	(14,156)
Net cash provided by (used in) operating activities	<u>17,327</u>	<u>34,918</u>
Cash flows from investing activities		
Payments into time deposits	(31,688)	(30,269)
Proceeds from withdrawal of time deposits	32,474	30,065
Purchase of securities	-	(565)
Proceeds from sales and redemption of securities	5,881	1,674
Purchase of property, plant and equipment	(10,941)	(9,939)
Proceeds from sales of property, plant and equipment	855	15
Purchase of intangible assets	(585)	(1,001)
Proceeds from sales of intangible assets	0	-
Purchase of investment securities	(3,864)	(111)
Proceeds from sales and redemption of investment securities	-	10
Purchase of shares of subsidiaries	(116)	(185)
Decrease (increase) in other investments	(174)	(62)
Net cash provided by (used in) investing activities	<u>(8,158)</u>	<u>(10,369)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(530)
Net decrease (increase) in treasury shares	(1)	(5)
Cash dividends paid	(5,932)	(7,187)
Cash dividends paid to non-controlling shareholders	(121)	(372)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(7,897)
Purchase of treasury shares of subsidiaries	-	(192)
Other, net	(194)	(214)
Net cash provided by (used in) financing activities	<u>(6,250)</u>	<u>(16,400)</u>
Effect of exchange rate change on cash and cash equivalents	(293)	113
Net increase (decrease) in cash and cash equivalents	<u>2,625</u>	<u>8,261</u>
Cash and cash equivalents at beginning of period	52,997	55,622
Cash and cash equivalents at end of period	<u>55,622</u>	<u>63,883</u>

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information**(1) Overview of reportable segment**

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the highest management decision-making body performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

To offer products that meet a diverse range of customer needs, the KOSÉ Group uses a variety of brands to sell products that it conceives and develops. Group companies conduct business activities by establishing and implementing comprehensive strategies in Japan and overseas for each brand.

As a result, the Company has two reportable business segments, cosmetics and cosmetaries, that are based on individual brands.

In the cosmetics segment, principal products are KOSÉ, SEKKISEI, ESPRIQUE, COSME DECORTE, PRÉDIA, INFINITY, JILL STUART, ADDICTION, CRIE, ALBION, Tarte and others. In the cosmetaries segment, principal products are VISÉE, FASIO, ELSIA, softymo, SUNCUT®, CLEAR TURN, STEPHEN KNOLL NEW YORK, RIMMEL, Nature & Co and others.

(2) Information related to net sales and profit or loss for each reportable segment

FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	199,028	65,634	264,663	2,099	266,762	-	266,762
(2) Intragroup sales and transfers	-	550	550	642	1,193	(1,193)	-
Total sales	199,028	66,185	265,213	2,742	267,955	(1,193)	266,762
Segment profit	36,983	5,627	42,611	1,074	43,685	(4,525)	39,160

FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	229,603	71,323	300,926	2,473	303,399	-	303,399
(2) Intragroup sales and transfers	-	564	564	673	1,238	(1,238)	-
Total sales	229,603	71,887	301,490	3,147	304,637	(1,238)	303,399
Segment profit	46,382	5,826	52,208	1,057	53,265	(4,857)	48,408

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.

	<i>Millions of yen</i>	
	FY03/2017	FY03/2018
Eliminations for intersegment transactions	(99)	26
Corporate expenses that cannot be allocated to reporting segments	(4,425)	(4,883)
Total	(4,525)	(4,857)

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 financial statements.

(3) Geographic sales information

FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)					<i>Millions of yen</i>
Japan	Asia	North America	Other	Total	
211,655	27,236	26,658	1,211	266,762	

FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)					<i>Millions of yen</i>
Japan	Asia	North America	Other	Total	
227,889	35,232	36,939	3,338	303,399	

Note: Starting with FY03/2018, the previous "Europe/USA/Other" category is divided into "North America" and "Other," due to an increase in materiality of "North America." "Europe/USA/Other" sales of 27,870 million yen in FY03/2017 is reclassified into "North America" sales of 26,658 million yen and "Other" sales of 1,211 million yen.

Per Share Information

	<i>Yen</i>	
	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	2,871.60	3,227.07
Net income per share	379.66	536.63

Notes: 1. Net income per share (diluted) is not presented since the Company has no outstanding dilutive securities.

2. The following is a reconciliation of net income per share.

	<i>Millions of yen</i>	
	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)	FY03/2018 (Apr. 1, 2017 – Mar. 31, 2018)
Profit attributable to owners of parent	21,657	30,611
Net income not attributable to common shareholders	-	-
Profit attributable to owners of parent available to common stock	21,657	30,611
Average number of shares outstanding (thousand shares)	57,044	57,043

Subsequent Events

Not applicable.

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.