



July 31, 2018

**Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019
(Three Months Ended June 30, 2018)**

[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 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 Three Months Ended June 30, 2018
(April 1, 2018 – June 30, 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 (%)
1Q FY03/2019	80,472	13.8	17,592	37.3	18,697	44.4	13,393	55.2
1Q FY03/2018	70,689	13.2	12,813	26.0	12,949	39.7	8,627	64.1

Note: Comprehensive income (million yen) 1Q FY03/2019: 9,936 (up 7.9%) 1Q FY03/2018: 9,206 (up 125.0%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q FY03/2019	234.79	-
1Q FY03/2018	151.24	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q FY03/2019	272,192	203,430	69.2	3,303.72
FY03/2018	270,370	198,607	68.1	3,227.07

Ref.: Shareholders' equity (million yen) 1Q FY03/2019: 188,456 FY03/2018: 184,083

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY03/2018	-	63.00	-	85.00	148.00
FY03/2019	-	-	-	-	-
FY03/2019 (forecast)	-	85.00	-	85.00	170.00

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

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	162,000	12.0	31,000	32.1	32,200	34.5	22,600	48.6	396.19
Full year	325,000	7.1	56,000	15.7	57,400	18.3	38,300	25.1	671.42

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

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): Yes

Newly added: - Excluded: 1 KOSÉ COSMETICS CO., LTD. (CHINA)

(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, 2018: 60,592,541 shares

As of March 31, 2018: 60,592,541 shares

2) Number of treasury shares at end of the period

As of June 30, 2018: 3,548,904 shares

As of March 31, 2018: 3,548,828 shares

3) Average number of shares outstanding during the period

1Q FY03/2019: 57,043,675 shares

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

Note 1: The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to 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

Three Months Ended June 30, 2018 (April 1, 2018 – June 30, 2018)

Millions of yen, %

Operating segment	1Q FY03/2018		1Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	53,870	76.2	61,725	76.7	7,854	14.6
Cosmetaries	16,309	23.1	18,117	22.5	1,807	11.1
Other	509	0.7	630	0.8	120	23.8
Total net sales	70,689	100.0	80,472	100.0	9,783	13.8

	1Q FY03/2018		1Q FY03/2019		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	12,813	18.1	17,592	21.9	4,779	37.3
Ordinary profit	12,949	18.3	18,697	23.2	5,748	44.4
Profit attributable to owners of parent	8,627	12.2	13,393	16.6	4,766	55.2

In the first quarter (April 1 to June 30, 2018) 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, sales volume and monetary sales of cosmetics continued to increase since April 2018 compared with one year earlier. In Asia and the United States, which are the primary overseas markets for the KOSÉ Group, economies continued to recover slowly.

The current fiscal year is the first year of the KOSÉ Group's new medium-term management plan that has the central theme of upgrading global brands and reinforcing customer points of contact. The objective of this plan is global and borderless growth through the greatest possible use of KOSÉ's resources and the constant creation of innovative value. A powerful business foundation capable of supporting growth will underpin all activities.

In the first quarter, sales were higher in all business segments and regions. Net sales increased 13.8% to 80,472 million yen (up 14.4% after excluding the effects of changes in foreign exchange rates). This was the fifth consecutive year of record-high first quarter sales. The share of overseas sales in total consolidated sales was 25.8%.

Earnings were higher mainly because of a decline in the cost of sales ratio due to an increase in the share of sales from products with high profit margins. The more efficient use of selling, general and administrative expenses also contributed to earnings growth. Operating profit increased 37.3% to 17,592 million yen, ordinary profit increased 44.4% to 18,697 million yen and profit attributable to owners of parent increased 55.2% to 13,393 million yen. Earnings at all levels set a new record for the KOSÉ Group.

In the cosmetics business, COSME DECORTE made a big contribution to sales growth as sales of this brand increased significantly in Japan and overseas. ALBION CO., LTD., which sells luxury cosmetics, and the U.S. company Tarte, Inc. also posted strong sales growth. In the prestige category, one component of sales growth was the ONE BY KOSÉ brand, which includes the recently launched MELANOSHOT WHITE, a medicated whitening serum with the active ingredient kojic acid. Overseas, sales were higher in South Korea, China and other Asian countries with key global brands accounting for much of this growth. Overall, sales in the cosmetics business increased 14.6% to 61,725 million yen and operating profit increased 38.3% to 17,129 million yen.

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. Three of the brands that performed well were softymo, a line of face washes and cleansing products, CLEAR TURN, a line of facial sheet masks, and SALON STYLE BIOLISS, a line of botanical hair care products. Big increases in sales of self-selection makeup brands, notably VISÉE lip and eye makeup products, were another reason for higher sales in this business. As a result, sales in the cosmetaries business increased 11.1% to 18,117 million yen and operating profit increased 2.4% to 1,411 million yen.

In the other business segment, there was an increase in sales of amenity and other products. Sales increased 23.8% to 630 million yen and operating profit increased 54.6% to 354 million yen.

Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	1Q FY03/2018		1Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	54,146	76.6	59,711	74.2	5,564	10.3
Asia	6,912	9.8	10,761	13.4	3,848	55.7
North America	8,971	12.7	9,077	11.3	105	1.2
Other	658	0.9	922	1.1	263	40.0
Total net sales	70,689	100.0	80,472	100.0	9,783	13.8

Japan

Sales were higher at all major sales channels. There was very strong growth at department stores, which sell primarily COSME DECORTE and other high-prestige brands. These brands are popular among foreign tourists in Japan as well as Japanese customers. Sales at drug stores and general merchandise stores increased because of higher sales in the prestige category and the cosmetaries business. In the prestige category, major contributors were ONE BY KOSÉ, a brand for products with high efficacy, the primary brands of KOSÉ COSMEPORT CORP., and the VISÉE line of makeup products. As a result, sales increased 10.3% to 59,711 million yen.

Asia

COSME DECORTE, a brand for products with significant added value, was a major reason for sales growth in Asia. This brand recorded higher sales in every Asian country and region where it is sold. Most significant was consistently strong sales growth at duty-free stores in South Korea and a big increase in China, where e-commerce sales are climbing rapidly. As a result, sales increased 55.7% to 10,761 million yen.

North America

Sales continued to increase at the U.S. company Tarte, Inc., with sales higher at both specialty stores and the Tarte e-commerce website. As a result, sales increased 1.2% to 9,077 million yen.

Other

Sales increased 40.0% to 922 million yen because of a big increase in e-commerce sales of the U.S. company Tarte, Inc. in Europe and Australia.

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

The KOSÉ Group has reviewed current trends in its performance and revised its consolidated forecast that was announced on April 27, 2018 as follows.

(First half)

In the first half, net sales, operating profit, ordinary profit and profit attributable to owners of parent are expected to be higher than in the previous forecast and climb to all-time highs. In addition to strong sales in Japan centered on high-prestige brand products, sales in South Korea, China and other Asian countries remain high.

(Full year)

For the same reasons as for the first half forecast revisions, the projected figures for net sales, operating profit, ordinary profit and profit attributable to owners of parent are upwardly revised.

Revision to Consolidated Forecast for the First Half of Fiscal Year Ending March 31, 2019

(April 1, 2018 – September 30, 2018)

	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)	154,500	25,000	25,300	14,600	255.94
Revised forecast (B)	162,000	31,000	32,200	22,600	396.19
Change (B – A)	7,500	6,000	6,900	8,000	-
Percentage change (%)	4.9	24.0	27.3	54.8	-
(Reference) Previous first half results (First half ended Sep. 30, 2017)	144,615	23,467	23,940	15,212	266.68

Revision to Consolidated Forecast for the Fiscal Year Ending March 31, 2019

(April 1, 2018 – March 31, 2019)

	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)	323,000	52,000	52,400	32,300	566.23
Revised forecast (B)	325,000	56,000	57,400	38,300	671.42
Change (B – A)	2,000	4,000	5,000	6,000	-
Percentage change (%)	0.6	7.7	9.5	18.6	-
(Reference) Previous fiscal year results (FY03/2018)	303,399	48,408	48,508	30,611	536.63

Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

Millions of yen, %

Operating segment	FY03/2018		FY03/2019 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	229,603	75.7	248,900	76.6	19,296	8.4
Cosmetaries	71,323	23.5	73,800	22.7	2,476	3.5
Other	2,473	0.8	2,300	0.7	(173)	(7.0)
Total net sales	303,399	100.0	325,000	100.0	21,600	7.1

	FY03/2018		FY03/2019 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	48,408	16.0	56,000	17.2	7,591	15.7
Ordinary profit	48,508	16.0	57,400	17.7	8,891	18.3
Profit attributable to owners of parent	30,611	10.1	38,300	11.8	7,688	25.1

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

	<i>Millions of yen</i>	
	FY03/2018 (As of Mar. 31, 2018)	1Q FY03/2019 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	83,637	84,775
Notes and accounts receivable-trade	41,403	40,334
Securities	8,274	5,325
Merchandise and finished goods	29,260	30,150
Work in process	2,407	2,758
Raw materials and supplies	19,271	22,885
Other	2,913	2,986
Allowance for doubtful accounts	(48)	(54)
Total current assets	187,119	189,162
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,813	39,588
Accumulated depreciation	(20,961)	(20,904)
Buildings and structures, net	16,852	18,684
Machinery, equipment and vehicles	16,078	15,906
Accumulated depreciation	(12,251)	(11,875)
Machinery, equipment and vehicles, net	3,827	4,030
Tools, furniture and fixtures	36,164	36,621
Accumulated depreciation	(30,357)	(30,260)
Tools, furniture and fixtures, net	5,806	6,360
Land	16,555	16,541
Leased assets	1,932	2,016
Accumulated depreciation	(1,314)	(1,377)
Leased assets, net	618	638
Construction in progress	4,351	2,342
Total property, plant and equipment	48,011	48,598
Intangible assets		
Software	1,563	1,483
Goodwill	7,629	6,977
Other	7,190	7,078
Total intangible assets	16,383	15,539
Investments and other assets		
Investment securities	10,381	12,018
Deferred tax assets	5,872	4,061
Other	2,850	3,060
Allowance for doubtful accounts	(247)	(248)
Total investments and other assets	18,856	18,891
Total non-current assets	83,250	83,029
Total assets	270,370	272,192

Millions of yen

	FY03/2018 (As of Mar. 31, 2018)	1Q FY03/2019 (As of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,534	11,346
Electronically recorded obligations-operating	15,849	20,821
Short-term loans payable	600	600
Lease obligations	227	253
Accounts payable-other	13,725	9,836
Accrued expenses	9,423	5,575
Income taxes payable	7,865	2,750
Accrued consumption taxes	1,872	1,843
Provision for sales returns	1,928	1,927
Other	1,767	5,175
Total current liabilities	62,793	60,131
Non-current liabilities		
Lease obligations	484	483
Provision for directors' retirement benefits	2,513	2,454
Net defined benefit liability	4,952	4,573
Deferred tax liabilities	25	-
Other	993	1,118
Total non-current liabilities	8,969	8,629
Total liabilities	71,763	68,761
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Retained earnings	180,514	189,058
Treasury shares	(9,098)	(9,100)
Total shareholders' equity	176,263	184,806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,651	4,102
Foreign currency translation adjustment	4,098	(538)
Remeasurements of defined benefit plans	70	85
Total accumulated other comprehensive income	7,820	3,649
Non-controlling interests	14,523	14,974
Total net assets	198,607	203,430
Total liabilities and net assets	270,370	272,192

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

	1Q FY03/2018 (Apr. 1, 2017 – Jun. 30, 2017)	1Q FY03/2019 (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	70,689	80,472
Cost of sales	18,179	19,371
Gross profit	52,510	61,101
Selling, general and administrative expenses		
Advertising expenses	3,992	4,298
Promotion expenses	12,164	13,260
Freightage and packing expenses	2,662	3,255
Salaries and allowances	11,007	12,006
Retirement benefit expenses	481	315
Legal welfare expenses	1,655	1,769
Depreciation	724	915
Other	7,007	7,686
Total selling, general and administrative expenses	39,696	43,508
Operating profit	12,813	17,592
Non-operating income		
Interest income	30	69
Dividend income	37	100
Patent licensing	17	19
Gain on redemption of securities	27	-
Foreign exchange gains	-	861
Miscellaneous income	62	76
Total non-operating income	175	1,127
Non-operating expenses		
Interest expenses	3	0
Commission fee	1	5
Foreign exchange losses	30	-
Miscellaneous loss	4	16
Total non-operating expenses	39	22
Ordinary profit	12,949	18,697
Extraordinary income		
Gain on sales of non-current assets	3	1
Gain on sales of investment securities	0	-
Gain on sales of shares of subsidiaries and associates	-	925
Total extraordinary income	4	926
Extraordinary losses		
Loss on disposal of non-current assets	31	40
Loss on valuation of investment securities	-	6
Total extraordinary losses	31	47
Profit before income taxes	12,921	19,576
Income taxes-current	2,390	3,804
Income taxes-deferred	915	1,629
Total income taxes	3,305	5,433
Profit	9,616	14,143
Profit attributable to non-controlling interests	989	749
Profit attributable to owners of parent	8,627	13,393

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

Millions of yen

	1Q FY03/2018 (Apr. 1, 2017 – Jun. 30, 2017)	1Q FY03/2019 (Apr. 1, 2018 – Jun. 30, 2018)
Profit	9,616	14,143
Other comprehensive income		
Valuation difference on available-for-sale securities	578	450
Foreign currency translation adjustment	(1,096)	(4,676)
Remeasurements of defined benefit plans, net of tax	108	19
Total other comprehensive income	(409)	(4,206)
Comprehensive income	9,206	9,936
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,261	9,222
Comprehensive income attributable to non-controlling interests	945	714

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

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

Not applicable.

Changes in Consolidated Subsidiaries during the Period

In the first quarter of the current fiscal year, the Company sold all the equity interests in KOSE Cosmetics Co., Ltd. in China. As a result, this company is no longer a specified subsidiary of the Company and excluded from the scope of consolidation.

Only the statement of income of KOSE Cosmetics Co., Ltd. was consolidated until the completion of the sale of equity interests.

Additional Information

Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the first quarter of the current fiscal year. Accordingly, deferred tax assets and deferred tax liabilities are reclassified and included in the investments and other assets section and the current liabilities section, respectively.

Segment and Other Information**Segment Information**

I. 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

II. 1Q FY03/2019 (Apr. 1, 2018 – Jun. 30, 2018)

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	61,725	18,117	79,842	630	80,472	-	80,472
(2) Intragroup sales and transfers	-	267	267	219	487	(487)	-
Total sales	61,725	18,385	80,110	849	80,960	(487)	80,472
Segment profit	17,129	1,411	18,540	354	18,895	(1,302)	17,592

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	38
Corporate expenses that cannot be allocated to reportable segments	(1,340)

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 FY03/2019.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
59,711	10,761	9,077	922	80,472

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.