



October 31, 2018

**Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2019  
(Six Months Ended September 30, 2018)**

**[Japanese GAAP]**

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section  
 Stock code: 4922 URL: <http://www.kose.co.jp/>  
 President & CEO: Kazutoshi Kobayashi  
 Contact: Hitonori Nakata, General Manager of IR Department Tel: +81- (0) 3-3273-1511  
 Scheduled date of filing of Quarterly Report: November 9, 2018  
 Scheduled date of dividend payment: December 10, 2018  
 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, 2018  
(April 1, 2018 – September 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 (%)
2Q FY03/2019	160,996	11.3	30,712	30.9	32,610	36.2	22,214	46.0
2Q FY03/2018	144,615	15.0	23,467	25.5	23,940	36.1	15,212	51.1

Note: Comprehensive income (million yen) 2Q FY03/2019: 21,645 (up 30.6%) 2Q FY03/2018: 16,572 (up 154.2%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
2Q FY03/2019	389.42	-
2Q FY03/2018	266.68	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
2Q FY03/2019	284,006	215,138	70.3	3,502.22
FY03/2018	270,370	198,607	68.1	3,227.07

Ref.: Shareholders' equity (million yen) 2Q FY03/2019: 199,779 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	-	85.00	-	-	-
FY03/2019 (forecast)	-	-	-	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)
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: None

**\* 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 September 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 September 30, 2018: 3,548,970 shares

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

3) Average number of shares outstanding during the period

2Q FY03/2019: 57,043,634 shares

2Q FY03/2018: 57,044,064 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.

**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	4
2. Consolidated Quarterly Financial Statements and Notes	5
(1) Consolidated Quarterly Balance Sheet	5
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	7
Consolidated Quarterly Statement of Income	
(For the Six-month Period)	7
Consolidated Quarterly Statement of Comprehensive Income	
(For the Six-month Period)	8
(3) Notes to Consolidated Quarterly Financial Statements	9
(Going Concern Assumption)	9
(Precaution Concerning Significant Changes in Shareholders' Equity)	9
(Changes in Consolidated Subsidiaries during the Period)	9
(Additional Information)	9
(Segment and Other Information)	9

## 1. Qualitative Information on Consolidated Quarterly Financial Performance

### (1) Explanation of Results of Operations

Six Months Ended September 30, 2018 (April 1, 2018 – September 30, 2018)

Millions of yen, %

Operating segment	2Q FY03/2018		2Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	107,304	74.2	121,461	75.4	14,156	13.2
Cosmetaries	36,174	25.0	38,172	23.7	1,998	5.5
Other	1,135	0.8	1,361	0.9	225	19.9
Total net sales	144,615	100.0	160,996	100.0	16,380	11.3

	2Q FY03/2018		2Q FY03/2019		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	23,467	16.2	30,712	19.1	7,245	30.9
Ordinary profit	23,940	16.6	32,610	20.3	8,670	36.2
Profit attributable to owners of parent	15,212	10.5	22,214	13.8	7,001	46.0

#### 1) Review of Operations

In the first half (April 1 to September 30, 2018) of the current fiscal year, although heavy rain, earthquakes and typhoons had a negative impact on economic activity, the Japanese economy continued to recover slowly primarily due to growth in corporate earnings and employment. 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 overall Asian economies are staging a rebound.

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 half, sales were higher in all business segments and regions. Net sales increased 11.3% to 160,996 million yen (up 11.6% after excluding the effects of changes in foreign exchange rates). This was the sixth consecutive year of record-high first half sales. The share of overseas sales in total consolidated sales was 26.4%.

Earnings increased mainly because of sales growth, which was chiefly the result of higher sales of key global brands, activities to reduce the cost of sales, and the efficient use of selling, general and administrative expenses. Operating profit increased 30.9% to 30,712 million yen, ordinary profit increased 36.2% to 32,610 million yen and profit attributable to owners of parent increased 46.0% to 22,214 million yen. Earnings at all levels set a new record for the KOSÉ Group.

## 2) Results by Business Segment

### a. Cosmetics Business

Millions of yen, %

	2Q FY03/2018	2Q FY03/2019	YoY change	
			Amount	%
Sales to third parties	107,304	121,461	14,156	13.2
Intragroup sales and transfers	-	-	-	-
Total net sales	107,304	121,461	14,156	13.2
Operating profit	21,675	28,647	6,971	32.2
Operating margin	20.2	23.6	-	-

Sales were higher in the high-prestige and prestige categories. In the high-prestige category, there was a big contribution to growth from the COSME DECORTE brand, which launched iP.Shot Advanced, a quasi-drug product that is KOSÉ's first wrinkle care serum. Other major sources of sales growth were ALBION CO., LTD., which is using a new format for selling products at specialty stores, and Tarte, Inc., a U.S. company that sells makeup and other products mainly in North America. In the prestige category, one major component of sales growth in Japan was the ONE BY KOSÉ brand, a line of unique products with outstanding efficacy that perform specific beauty care functions. Higher sales of MELANOSHOT WHITE, a medicated whitening serum, were a major reason for this brand's higher sales. LECHÉRI, a new skin care brand in the mid-price range, was another reason for sales growth in Japan. Overseas, sales of key global brands increased in South Korea and China. In addition, there was a big increase in duty-free sales in Japan and overseas. Overall, sales in the cosmetics business increased 13.2% to 121,461 million yen and operating profit increased 32.2% to 28,647 million yen.

### b. Cosmetaries Business

Millions of yen, %

	2Q FY03/2018	2Q FY03/2019	YoY change	
			Amount	%
Sales to third parties	36,174	38,172	1,998	5.5
Intragroup sales and transfers	187	487	299	159.9
Total net sales	36,362	38,659	2,297	6.3
Operating profit	3,575	4,152	576	16.1
Operating margin	9.8	10.7	-	-

Sales of major brands at KOSÉ COSMEPORT CORP. increased as this company continued to take actions to achieve the strategic goal of becoming the leader in targeted product categories. 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. There was also a contribution to sales growth from the Visée line of makeup products, where an eye color palette sold for a limited time only was very popular. As a result, sales in the cosmetaries business increased 5.5% to 38,172 million yen and operating profit increased 16.1% to 4,152 million yen.

### c. Other Business

Millions of yen, %

	2Q FY03/2018	2Q FY03/2019	YoY change	
			Amount	%
Sales to third parties	1,135	1,361	225	19.9
Intragroup sales and transfers	331	371	40	12.1
Total net sales	1,467	1,733	265	18.1
Operating profit	565	745	180	31.8
Operating margin	38.6	43.0	-	-

In the other business segment, there was an increase in sales of amenity and other products. Sales increased 19.9% to 1,361 million yen and operating profit increased 31.8% to 745 million yen.

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

	2Q FY03/2018		2Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	110,893	76.7	118,541	73.6	7,648	6.9
Asia	15,402	10.6	23,249	14.4	7,847	51.0
North America	16,931	11.7	17,497	10.9	565	3.3
Other	1,388	1.0	1,707	1.1	318	23.0
Total net sales	144,615	100.0	160,996	100.0	16,380	11.3

**Japan**

Sales were higher in major sales channels despite the negative effects of heavy rain, earthquakes and typhoons in some areas of Japan. The biggest contribution to sales growth in Japan was COSME DECORTE, a brand for products with significant added value. These products are sold at department stores, a sales channel used mainly for high-prestige brands. Sales of COSME DECORTE products were much higher due to their popularity among Japanese consumers as well as foreign tourists in Japan. Sales also increased at drug stores and general merchandise stores, which are sales channels used primarily for the prestige category and cosmetaries products. One reason was the popularity of LECHÉRI, a new brand for skin care products. Sales growth in these sales channels was also attributable to ONE BY KOSÉ, a brand for highly distinctive products with outstanding efficacy, the Visée line of makeup products, and the primary brands of KOSÉ COSMEPORT CORP. As a result, sales increased 6.9% to 118,541 million yen.

**Asia**

Global key brands were the primary reason for sales growth in Asia. COSME DECORTE, a brand of products with significant added value, SEKKISEI, a line of skin care products incorporating Japanese and Chinese herbal extracts, were major drivers of growth. Sales were higher in almost every country and region where KOSÉ sells its products in Asia. Activities continued on strengthening existing sales channels in all countries as well as on expanding relatively new sales channels like duty-free stores and e-commerce. All these activities are helping to increase and reinforcing customer points of contact. Most significantly, sales continued to increase rapidly at duty-free stores in South Korea and at e-commerce retailers China, where the e-commerce market is growing quickly. As a result, sales increased 51.0% to 23,249 million yen.

**North America**

Although competition in the U.S. makeup market is intense, Tarte continued to achieve sales growth at specialty stores and in the e-commerce sector. As a result, sales increased 3.3% to 17,497 million yen.

**Other**

Sales increased 23.0% to 1,707 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**

There are no revisions to the consolidated fiscal year forecast announced on July 31, 2018.

## 2. Consolidated Quarterly Financial Statements and Notes

### (1) Consolidated Quarterly Balance Sheet

Millions of yen

	FY03/2018 (As of Mar. 31, 2018)	2Q FY03/2019 (As of Sep. 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	83,637	93,614
Notes and accounts receivable-trade	41,403	39,025
Securities	8,274	4,567
Merchandise and finished goods	29,260	31,458
Work in process	2,407	3,180
Raw materials and supplies	19,271	23,215
Other	2,913	2,759
Allowance for doubtful accounts	(48)	(76)
Total current assets	187,119	197,746
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,813	40,216
Accumulated depreciation	(20,961)	(20,750)
Buildings and structures, net	16,852	19,466
Machinery, equipment and vehicles	16,078	16,384
Accumulated depreciation	(12,251)	(12,061)
Machinery, equipment and vehicles, net	3,827	4,323
Tools, furniture and fixtures	36,164	37,733
Accumulated depreciation	(30,357)	(30,847)
Tools, furniture and fixtures, net	5,806	6,885
Land	16,555	16,549
Leased assets	1,932	1,927
Accumulated depreciation	(1,314)	(1,352)
Leased assets, net	618	574
Construction in progress	4,351	1,647
Total property, plant and equipment	48,011	49,447
Intangible assets		
Software	1,563	1,608
Goodwill	7,629	7,056
Other	7,190	7,325
Total intangible assets	16,383	15,990
Investments and other assets		
Investment securities	10,381	12,368
Deferred tax assets	5,872	5,514
Other	2,850	3,187
Allowance for doubtful accounts	(247)	(247)
Total investments and other assets	18,856	20,822
Total non-current assets	83,250	86,260
Total assets	270,370	284,006

*Millions of yen*

	FY03/2018 (As of Mar. 31, 2018)	2Q FY03/2019 (As of Sep. 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	9,534	9,300
Electronically recorded obligations-operating	15,849	20,074
Short-term loans payable	600	600
Lease obligations	227	223
Accounts payable-other	13,725	8,731
Accrued expenses	9,423	9,410
Income taxes payable	7,865	7,144
Accrued consumption taxes	1,872	1,080
Provision for sales returns	1,928	1,921
Other	1,767	1,615
<b>Total current liabilities</b>	<b>62,793</b>	<b>60,101</b>
<b>Non-current liabilities</b>		
Lease obligations	484	452
Provision for directors' retirement benefits	2,513	2,711
Net defined benefit liability	4,952	4,291
Deferred tax liabilities	25	-
Other	993	1,312
<b>Total non-current liabilities</b>	<b>8,969</b>	<b>8,767</b>
<b>Total liabilities</b>	<b>71,763</b>	<b>68,868</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,848	4,848
Retained earnings	180,514	197,879
Treasury shares	(9,098)	(9,102)
<b>Total shareholders' equity</b>	<b>176,263</b>	<b>193,625</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,651	4,365
Foreign currency translation adjustment	4,098	1,687
Remeasurements of defined benefit plans	70	100
<b>Total accumulated other comprehensive income</b>	<b>7,820</b>	<b>6,153</b>
<b>Non-controlling interests</b>	<b>14,523</b>	<b>15,359</b>
<b>Total net assets</b>	<b>198,607</b>	<b>215,138</b>
<b>Total liabilities and net assets</b>	<b>270,370</b>	<b>284,006</b>



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

	2Q FY03/2018 (Apr. 1, 2017 – Sep. 30, 2017)	2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	144,615	160,996
Cost of sales	39,403	40,799
Gross profit	105,211	120,196
Selling, general and administrative expenses		
Advertising expenses	8,697	9,257
Promotion expenses	25,636	27,373
Freightage and packing expenses	5,469	6,742
Salaries and allowances	22,184	24,315
Retirement benefit expenses	961	629
Legal welfare expenses	3,436	3,611
Depreciation	1,461	1,812
Other	13,896	15,742
Total selling, general and administrative expenses	81,743	89,483
Operating profit	23,467	30,712
Non-operating income		
Interest income	95	176
Dividend income	41	103
Patent licensing	17	20
Gain on redemption of securities	2	-
Foreign exchange gains	240	1,420
Miscellaneous income	121	272
Total non-operating income	519	1,992
Non-operating expenses		
Interest expenses	3	1
Commission fee	25	6
Loss on investments in partnership	-	54
Miscellaneous loss	16	31
Total non-operating expenses	46	94
Ordinary profit	23,940	32,610
Extraordinary income		
Gain on sales of non-current assets	1	8
Gain on sales of investment securities	0	1
Gain on sales of shares of subsidiaries and associates	-	925
Total extraordinary income	2	935
Extraordinary losses		
Loss on disposal of non-current assets	55	289
Other	1	-
Total extraordinary losses	57	289
Profit before income taxes	23,884	33,256
Income taxes-current	8,158	9,841
Income taxes-deferred	(1,072)	77
Total income taxes	7,085	9,919
Profit	16,799	23,337
Profit attributable to non-controlling interests	1,586	1,123
Profit attributable to owners of parent	15,212	22,214

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

*Millions of yen*

	2Q FY03/2018 (Apr. 1, 2017 – Sep. 30, 2017)	2Q FY03/2019 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	16,799	23,337
Other comprehensive income		
Valuation difference on available-for-sale securities	904	714
Foreign currency translation adjustment	(1,349)	(2,444)
Remeasurements of defined benefit plans, net of tax	217	38
Total other comprehensive income	(226)	(1,691)
Comprehensive income	16,572	21,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,012	20,546
Comprehensive income attributable to non-controlling interests	1,560	1,098

**(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 non-current liabilities section, respectively.

**Segment and Other Information****Segment Information**

I. 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

II. 2Q FY03/2019 (Apr. 1, 2018 – Sep. 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	121,461	38,172	159,634	1,361	160,996	-	160,996
(2) Intragroup sales and transfers	-	487	487	371	858	(858)	-
Total sales	121,461	38,659	160,121	1,733	161,854	(858)	160,996
Segment profit	28,647	4,152	32,799	745	33,544	(2,832)	30,712

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	59
Corporate expenses that cannot be allocated to reportable segments	(2,891)

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 FY03/2019.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
118,541	23,249	17,497	1,707	160,996

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.