



July 29, 2016

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017 (Three Months Ended June 30, 2016)

[Japanese GAAP]

Company name: **KOSÉ Corporation**

Stock listing: Tokyo Stock Exchange, First Section

Stock code: 4922

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Scheduled date of filing of Quarterly Report: August 5, 2016

Scheduled date of dividend payment: -

Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

(Rounded down to million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2016

(April 1, 2016 – June 30, 2016)

(1) Consolidated financial results (YoY change % represents changes from the previous fiscal year)

	Net sales (Million yen)	YoY change (%)	Operating income (Million yen)	YoY change (%)	Ordinary income (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)
1Q FY03/2017	62,419	10.5	10,173	19.1	9,269	3.3	5,256	8.0
1Q FY03/2016	56,487	27.5	8,543	197.9	8,975	219.3	4,868	326.1

Note: Comprehensive income (million yen) 1Q FY03/2017: 4,091 (down 25.9%) 1Q FY03/2016: 5,520 (up 445.8%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
1Q FY03/2017	92.15	-
1Q FY03/2016	85.35	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
1Q FY03/2017	222,989	159,321	66.2	2,586.17
FY03/2016	233,275	158,543	63.2	2,583.76

Ref.: Shareholders' equity (million yen) 1Q FY03/2017: 147,525 FY03/2016: 147,388

2. Dividends

	Dividend per share				
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)
FY03/2016	-	37.00	-	57.00	94.00
FY03/2017	-	-	-	-	-
FY03/2017 (forecast)	-	47.00	-	47.00	94.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(YoY change % represents changes from the previous fiscal year)

	Net sales (Million yen)	YoY change (%)	Operating income (Million yen)	YoY change (%)	Ordinary income (Million yen)	YoY change (%)	Profit attributable to owners of parent (Million yen)	YoY change (%)	Net income per share (Yen)
First half	124,000	7.4	18,300	1.4	17,400	(6.9)	10,000	(8.7)	175.30
Full year	254,000	4.4	36,000	3.9	36,200	4.7	20,900	12.0	366.38

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

*** 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 : Yes

2) Changes in accounting policies other than 1) above : None

3) Changes in accounting-based estimates : None

4) Restatements : None

Note: Please refer to "2. Matters Related to Summary Information (Notes), (2) Changes in Accounting Policies and Accounting-based Estimates, and Restatements" on page 4 of the attachments for further information.

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding (incl. treasury shares) at end of the period

As of June 30, 2016: 60,592,541 shares

As of March 31, 2016: 60,592,541 shares

2) Number of treasury shares at end of the period

As of June 30, 2016: 3,548,245 shares

As of March 31, 2016: 3,548,245 shares

3) Average number of shares outstanding during the period

1Q FY03/2017: 57,044,296 shares

1Q FY03/2016: 57,044,996 shares

Note 1: Indication of quarterly review procedure implementation status

The current quarterly financial summary is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly financial statements based on the Financial Instruments and Exchange Act have not been completed.

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 3 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, 2016 (April 1, 2016 – June 30, 2016)

Millions of yen, %

Operating segment	1Q FY03/2016		1Q FY03/2017		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	40,332	71.4	45,791	73.4	5,458	13.5
Cosmetaries	15,634	27.7	16,137	25.8	503	3.2
Other	519	0.9	490	0.8	(29)	(5.6)
Total net sales	56,487	100.0	62,419	100.0	5,932	10.5

	1Q FY03/2016		1Q FY03/2017		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	8,543	15.1	10,173	16.3	1,630	19.1
Ordinary income	8,975	15.9	9,269	14.9	294	3.3
Profit attributable to owners of parent	4,868	8.6	5,256	8.4	388	8.0

In the first quarter (April 1 to June 30, 2016) of the current fiscal year, the Japanese economy continued to recover slowly because of improvements in employment, personal income and other areas. However, there are concerns about the effects of the yen's appreciation and falling stock prices in Japan since the start of 2016 and slowing economic growth in China and other emerging countries. As a result, the outlook is becoming increasingly uncertain due to sluggishness in some economic indicators, including corporate earnings and consumer spending. 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 since April 2016 were both higher than one year earlier.

This fiscal year is the second 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 quarter, net sales increased 10.5% from one year earlier to 62,419 million yen, reaching an all-time high for quarterly sales (up 11.5 % after excluding the effects of changes in foreign exchange rates). The growth in sales was attributable to higher sales in Japan, chiefly high-prestige brands, and a big increase in sales at the U.S. company Tarte, Inc. Sales to foreign tourists in Japan were also increased. Overseas sales were 16.8% of total consolidated sales.

Operating income increased 19.1% to 10,173 million yen mainly due to sales growth resulting from the aggressive use of selling expenses, an improvement in the cost of sales ratio, and containment of general and administrative expenses. Ordinary income increased 3.3% to 9,269 million yen, and profit attributable to owners of parent increased 8.0% to 5,256 million yen. Earnings at all levels set a new quarterly record for the KOSÉ Group.

In the cosmetics business, sales in Japan were driven by the strong performance of ALBION CO.,LTD., which sells luxury cosmetics, and higher sales of high-prestige brands like COSME DECORTE and JILL STUART, which are positioned as flagship global brands. In the prestige brand category, sales of SEKKISEI skin care

products were down from one year earlier when there were special promotions but there was growth in sales of ESPRIQUE makeup products and in sales of some other brands. Overseas, sales increased despite ongoing structural reforms that began in the previous fiscal year for operations in China. Sales were higher in Taiwan and South Korea and sales growth at U.S. company Tarte, Inc. surpassed the plan. Overall, sales in the cosmetics business increased 13.5 % to 45,791 million yen and operating income increased 28.5% to 10,117 million yen.

In the cosmetaries business, sales growth was driven by the strong performances by brands in key categories at KOSÉ COSMEPORT CORP. including facial sheet masks and sunscreen products. Also, the self-selection makeup brand VISÉE performed well. As a result, sales in the cosmetaries business increased 3.2 % to 16,137 million yen and operating income decreased 34.3% to 933 million yen.

In the other business segment, there were decreases in sales of amenity products and orders for the manufacture of OEM products. As a result, sales decreased 5.6 % to 490 million yen and operating income increased 11.4% to 243 million yen.

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

KOSÉ revised its consolidated forecast for the first half of the fiscal year ending March 31, 2017 that was announced on April 28, 2016 as follows.

Net sales and operating income are both expected to be higher than in the previous forecast and climb to all-time highs. Sales in Japan centered on high-prestige brand products are strong, and U.S. subsidiary Tarte, Inc. continues to perform well.

KOSÉ plans to announce the full-year earnings forecast for the fiscal year ending March 31, 2017 with the announcement of first half results of operations.

Revision to Consolidated Forecast for the First Half of Fiscal Year Ending March 31, 2017

(April 1, 2016 – September 30, 2016)

	Net sales	Operating income	Ordinary income	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)	122,000	14,000	14,100	6,800	119.21
Revised forecast (B)	124,000	18,300	17,400	10,000	175.30
Change (B – A)	2,000	4,300	3,300	3,200	-
Percentage change (%)	1.6	30.7	23.4	47.1	-
(Reference) Previous first half results (First half ended Sep. 30, 2015)	115,407	18,045	18,691	10,951	191.98

2. Matters Related to Summary Information (Notes)

(1) Changes in Consolidated Subsidiaries during the Period

Not applicable.

(2) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

(Changes in Accounting Policies)

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revised Corporation Tax Law, the Company and its consolidated subsidiaries in Japan have adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on operating income, ordinary income and profit attributable to owners of parent for the first quarter is insignificant.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

Millions of yen

	FY03/2016 (As of Mar. 31, 2016)	1Q FY03/2017 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	69,549	70,061
Notes and accounts receivable-trade	32,931	31,208
Securities	17,356	7,791
Merchandise and finished goods	19,276	19,879
Work in process	2,070	2,194
Raw materials and supplies	12,854	15,611
Deferred tax assets	5,269	4,034
Other	2,106	2,296
Allowance for doubtful accounts	(63)	(57)
Total current assets	161,351	153,019
Non-current assets		
Property, plant and equipment		
Buildings and structures	30,938	30,911
Accumulated depreciation	(19,532)	(19,682)
Buildings and structures, net	11,406	11,229
Machinery, equipment and vehicles	13,332	13,416
Accumulated depreciation	(11,543)	(11,595)
Machinery, equipment and vehicles, net	1,788	1,820
Tools, furniture and fixtures	33,251	33,561
Accumulated depreciation	(28,562)	(28,870)
Tools, furniture and fixtures, net	4,688	4,690
Land	16,868	16,870
Leased assets	1,524	1,525
Accumulated depreciation	(913)	(956)
Leased assets, net	610	568
Construction in progress	5,131	5,333
Total property, plant and equipment	40,494	40,512
Intangible assets		
Software	1,354	1,347
Goodwill	9,626	8,799
Other	8,959	8,283
Total intangible assets	19,941	18,431
Investments and other assets		
Investment securities	3,486	2,984
Deferred tax assets	5,540	5,613
Other	2,628	2,594
Allowance for doubtful accounts	(167)	(166)
Total investments and other assets	11,488	11,026
Total non-current assets	71,923	69,970
Total assets	233,275	222,989

Millions of yen

	FY03/2016 (As of Mar. 31, 2016)	1Q FY03/2017 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,981	10,433
Electronically recorded obligations-operating	12,029	15,629
Short-term loans payable	1,016	993
Lease obligations	187	181
Accounts payable-other	13,971	6,767
Accrued expenses	10,327	5,673
Income taxes payable	7,537	624
Accrued consumption taxes	2,065	1,836
Provision for sales returns	1,896	1,822
Other	753	3,453
Total current liabilities	57,766	47,414
Non-current liabilities		
Lease obligations	500	460
Provision for directors' retirement benefits	2,164	2,192
Net defined benefit liability	10,948	10,397
Deferred tax liabilities	2,844	2,705
Other	506	497
Total non-current liabilities	16,965	16,253
Total liabilities	74,731	63,667
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	6,388
Retained earnings	141,480	143,485
Treasury shares	(9,091)	(9,091)
Total shareholders' equity	143,626	145,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	311
Foreign currency translation adjustment	4,729	3,133
Remeasurements of defined benefit plans	(1,635)	(1,550)
Total accumulated other comprehensive income	3,762	1,894
Non-controlling interests	11,154	11,795
Total net assets	158,543	159,321
Total liabilities and net assets	233,275	222,989

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

	1Q FY03/2016 (Apr. 1, 2015 – Jun. 30, 2015)	1Q FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	56,487	62,419
Cost of sales	13,259	14,542
Gross profit	43,227	47,877
Selling, general and administrative expenses		
Advertising expenses	3,607	4,123
Promotion expenses	10,665	11,683
Freightage and packing expenses	2,022	2,179
Salaries and allowances	10,103	10,574
Retirement benefit expenses	219	455
Legal welfare expenses	1,552	1,554
Depreciation	698	714
Other	5,815	6,418
Total selling, general and administrative expenses	34,684	37,704
Operating income	8,543	10,173
Non-operating income		
Interest income	75	46
Dividend income	37	36
Patent licensing	21	18
Gain on redemption of securities	76	70
Foreign exchange gains	194	-
Miscellaneous income	37	65
Total non-operating income	441	237
Non-operating expenses		
Interest expenses	1	1
Foreign exchange losses	-	1,126
Miscellaneous loss	7	12
Total non-operating expenses	9	1,141
Ordinary income	8,975	9,269
Extraordinary income		
Gain on sales of non-current assets	-	82
Total extraordinary income	-	82
Extraordinary losses		
Loss on disposal of non-current assets	18	12
Loss on valuation of investment securities	-	2
Total extraordinary losses	18	15
Profit before income taxes	8,956	9,337
Income taxes-current	1,659	2,054
Income taxes-deferred	1,892	1,273
Total income taxes	3,551	3,328
Profit	5,405	6,009
Profit attributable to non-controlling interests	536	752
Profit attributable to owners of parent	4,868	5,256

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

Millions of yen

	1Q FY03/2016 (Apr. 1, 2015 – Jun. 30, 2015)	1Q FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)
Profit	5,405	6,009
Other comprehensive income		
Valuation difference on available-for-sale securities	208	(361)
Foreign currency translation adjustment	(5)	(1,651)
Remeasurements of defined benefit plans, net of tax	(87)	95
Total other comprehensive income	114	(1,917)
Comprehensive income	5,520	4,091
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,979	3,388
Comprehensive income attributable to non-controlling interests	540	703

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

Not applicable.

Precaution Concerning Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment Information**

I. 1Q FY03/2016 (Apr. 1, 2015 – Jun. 30, 2015)

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	40,332	15,634	55,967	519	56,487	-	56,487
(2) Intragroup sales and transfers	-	-	-	118	118	(118)	-
Total sales	40,332	15,634	55,967	638	56,605	(118)	56,487
Segment profit	7,876	1,420	9,296	218	9,514	(971)	8,543

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 profits are as follows.

Millions of yen

Eliminations for intersegment transactions	10
Corporate expenses that cannot be allocated to reporting segments	(982)

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 income 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 FY03/2016.

3. Geographic sales information

Millions of yen

Japan	Asia	Europe & USA	Total
48,468	4,527	3,491	56,487

II. 1Q FY03/2017 (Apr. 1, 2016 – Jun. 30, 2016)

1. Information related to net sales and profit or loss for each reportable segment

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated quarterly statement of income (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	45,791	16,137	61,929	490	62,419	-	62,419
(2) Intragroup sales and transfers	-	119	119	145	264	(264)	-
Total sales	45,791	16,257	62,048	636	62,684	(264)	62,419
Segment profit	10,117	933	11,051	243	11,294	(1,121)	10,173

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 profits are as follows.

Millions of yen

Eliminations for intersegment transactions	18
Corporate expenses that cannot be allocated to reportable segments	(1,139)

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 income 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 FY03/2017.

3. Geographic sales information

Millions of yen

Japan	Asia	Europe/USA/Other	Total
51,918	5,006	5,494	62,419

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.