



January 31, 2017

**Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017
(Nine Months Ended December 31, 2016)**

[Japanese GAAP]

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: February 10, 2017
 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 Nine Months Ended December 31, 2016
(April 1, 2016 – December 31, 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 (%)
3Q FY03/2017	192,332	7.8	30,177	(0.5)	31,111	0.5	18,618	3.3
3Q FY03/2016	178,457	19.5	30,331	89.9	30,950	69.2	18,025	81.5

Note: Comprehensive income (million yen) 3Q FY03/2017: 15,507 (down 17.6%) 3Q FY03/2016: 18,828 (up 60.3%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2017	326.39	-
3Q FY03/2016	315.99	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2017	224,617	168,007	69.1	2,720.60
FY03/2016	233,275	158,543	63.2	2,583.76

Ref.: Shareholders' equity (million yen) 3Q FY03/2017: 155,194 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	-	47.00	-		
FY03/2017 (forecast)				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)
Full year	256,000	5.2	37,000	6.8	36,300	5.0	20,900	12.0	366.38

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

*** Notes**

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

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting consolidated quarterly financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others : 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 3 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 December 31, 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 December 31, 2016:	3,548,363 shares
As of March 31, 2016:	3,548,245 shares

3) Average number of shares outstanding during the period

3Q FY03/2017:	57,044,257 shares
3Q FY03/2016:	57,044,749 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

Nine Months Ended December 31, 2016 (April 1, 2016 – December 31, 2016)

Millions of yen, %

Operating segment	3Q FY03/2016		3Q FY03/2017		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	131,464	73.7	141,675	73.7	10,211	7.8
Cosmetaries	45,348	25.4	48,956	25.4	3,608	8.0
Other	1,644	0.9	1,699	0.9	55	3.4
Total net sales	178,457	100.0	192,332	100.0	13,874	7.8

	3Q FY03/2016		3Q FY03/2017		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	30,331	17.0	30,177	15.7	(154)	(0.5)
Ordinary income	30,950	17.3	31,111	16.2	161	0.5
Profit attributable to owners of parent	18,025	10.1	18,618	9.7	593	3.3

In the first nine months (April 1 to December 31, 2016) 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 in the first eleven months of the calendar year increased compared with one year earlier. In Asia and the United States, the primary overseas markets for the KOSÉ Group, economic recoveries continued at a slow pace, although there are some regional differences in economic strength.

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 nine months, sales in Japan increased mainly because of strong sales of major high-prestige brands and all makeup brands. In addition, sales at the U.S. company Tarte, Inc. were much higher than planned. As a result, sales were higher in all business segments. Net sales increased 7.8% from one year earlier to 192,332 million yen, reaching an all-time high for the first nine months of a fiscal year (up 10.2 % after excluding the effects of changes in foreign exchange rates). Operating income decreased 0.5% to 30,177 million yen mainly due to sales growth resulting from the aggressive use of selling expenses and effective use of general and administrative expenses. Ordinary income increased 0.5% to 31,111 million yen, and profit attributable to owners of parent increased 3.3% to 18,618 million yen.

In the cosmetics business, sales in the high-prestige category increased mainly because of the strong performance of ALBION Co., Ltd., which introduced a new line of high-end skin care products, highly popular makeup products, and growth in sales of the COSME DECORTE brand, which introduced skin care products with outstanding functions. Makeup brands also contributed to sales growth as JILL STUART and ADDICTION expanded distribution channels in Japan and other countries even faster. In the prestige category, the SEKKISEI skin care brand used global counters and other initiatives to reinforce customers' perception of this brand and create more points of contact with customers. There was also growth in sales of ESPRIQUE makeup products, including newly introduced products, and of other brands. Overseas sales were higher despite ongoing structural reforms in China. Sales benefited mostly from an increase in duty-free sales of

cosmetics in South Korea and a continuation of the rapid growth in sales at Tarte in the United States. Overall, sales in the cosmetics business increased 7.8% to 141,675 million yen and operating income increased 5.6% to 28,695 million yen.

In the cosmetaries business, sales were higher at KOSÉ COSMEPORT CORP. as this company focuses on increasing sales of brands in key categories. There were also strong performances by both new and existing product lines of VISÉE, FASIO and other self-selection makeup brands. As a result, sales in the cosmetaries business increased 8.0% to 48,956 million yen and operating income decreased 23.4% to 3,969 million yen due to extensive marketing investments.

In the other business segment, there was an increase in sales of amenity products. As a result, sales increased 3.4% to 1,699 million yen and operating income increased 2.3% to 842 million yen.

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

There are no revisions to the consolidated forecast announced on October 31, 2016.

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 Act, the Company and its consolidated subsidiaries in Japan have adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the depreciation method for 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 before income taxes for the first nine months is insignificant.

(3) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter of the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

Millions of yen

	FY03/2016 (As of Mar. 31, 2016)	3Q FY03/2017 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	69,549	66,076
Notes and accounts receivable-trade	32,931	34,878
Securities	17,356	8,531
Merchandise and finished goods	19,276	19,443
Work in process	2,070	2,347
Raw materials and supplies	12,854	16,244
Deferred tax assets	5,269	3,797
Other	2,106	2,577
Allowance for doubtful accounts	(63)	(67)
Total current assets	161,351	153,830
Non-current assets		
Property, plant and equipment		
Buildings and structures	30,938	31,116
Accumulated depreciation	(19,532)	(19,520)
Buildings and structures, net	11,406	11,596
Machinery, equipment and vehicles	13,332	13,784
Accumulated depreciation	(11,543)	(11,686)
Machinery, equipment and vehicles, net	1,788	2,097
Tools, furniture and fixtures	33,251	34,093
Accumulated depreciation	(28,562)	(29,178)
Tools, furniture and fixtures, net	4,688	4,915
Land	16,868	16,467
Leased assets	1,524	1,590
Accumulated depreciation	(913)	(1,040)
Leased assets, net	610	550
Construction in progress	5,131	7,663
Total property, plant and equipment	40,494	43,290
Intangible assets		
Software	1,354	1,219
Goodwill	9,626	7,537
Other	8,959	7,304
Total intangible assets	19,941	16,061
Investments and other assets		
Investment securities	3,486	3,767
Deferred tax assets	5,540	5,151
Other	2,628	2,682
Allowance for doubtful accounts	(167)	(166)
Total investments and other assets	11,488	11,435
Total non-current assets	71,923	70,787
Total assets	233,275	224,617

Millions of yen

	FY03/2016 (As of Mar. 31, 2016)	3Q FY03/2017 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,981	8,234
Electronically recorded obligations-operating	12,029	12,293
Short-term loans payable	1,016	843
Lease obligations	187	175
Accounts payable-other	13,971	6,967
Accrued expenses	10,327	6,131
Income taxes payable	7,537	1,160
Accrued consumption taxes	2,065	1,603
Provision for sales returns	1,896	2,005
Other	753	2,332
Total current liabilities	57,766	41,747
Non-current liabilities		
Lease obligations	500	444
Provision for directors' retirement benefits	2,164	2,317
Net defined benefit liability	10,948	9,302
Deferred tax liabilities	2,844	2,321
Other	506	475
Total non-current liabilities	16,965	14,861
Total liabilities	74,731	56,609
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	6,388
Retained earnings	141,480	154,166
Treasury shares	(9,091)	(9,092)
Total shareholders' equity	143,626	156,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	908
Foreign currency translation adjustment	4,729	(645)
Remeasurements of defined benefit plans	(1,635)	(1,379)
Total accumulated other comprehensive income	3,762	(1,116)
Non-controlling interests	11,154	12,813
Total net assets	158,543	168,007
Total liabilities and net assets	233,275	224,617

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

	3Q FY03/2016 (Apr. 1, 2015 – Dec. 31, 2015)	3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	178,457	192,332
Cost of sales	42,663	47,041
Gross profit	135,793	145,290
Selling, general and administrative expenses		
Advertising expenses	11,036	13,046
Promotion expenses	32,624	36,020
Freightage and packing expenses	6,254	6,923
Salaries and allowances	30,278	31,755
Retirement benefit expenses	669	1,366
Legal welfare expenses	4,802	4,858
Depreciation	2,184	2,167
Other	17,610	18,975
Total selling, general and administrative expenses	105,461	115,113
Operating income	30,331	30,177
Non-operating income		
Interest income	212	173
Dividend income	68	70
Patent licensing	38	29
Gain on redemption of securities	566	70
Foreign exchange gains	-	453
Miscellaneous income	136	170
Total non-operating income	1,023	967
Non-operating expenses		
Interest expenses	8	3
Commission fee	7	7
Foreign exchange losses	369	-
Miscellaneous loss	19	22
Total non-operating expenses	404	33
Ordinary income	30,950	31,111
Extraordinary income		
Gain on sales of non-current assets	0	168
Gain on sales of investment securities	38	-
Total extraordinary income	38	168
Extraordinary losses		
Loss on disposal of non-current assets	71	178
Loss on valuation of investment securities	1	-
Impairment loss	-	21
Other	0	-
Total extraordinary losses	73	200
Profit before income taxes	30,915	31,080
Income taxes-current	9,476	9,102
Income taxes-deferred	1,646	1,402
Total income taxes	11,123	10,505
Profit	19,791	20,574
Profit attributable to non-controlling interests	1,765	1,955
Profit attributable to owners of parent	18,025	18,618

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

Millions of yen

	3Q FY03/2016 (Apr. 1, 2015 – Dec. 31, 2015)	3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 2016)
Profit	19,791	20,574
Other comprehensive income		
Valuation difference on available-for-sale securities	(268)	240
Foreign currency translation adjustment	(431)	(5,593)
Remeasurements of defined benefit plans, net of tax	(263)	285
Total other comprehensive income	(963)	(5,067)
Comprehensive income	18,828	15,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,064	13,739
Comprehensive income attributable to non-controlling interests	1,764	1,767

(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. 3Q FY03/2016 (Apr. 1, 2015 – Dec. 31, 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	131,464	45,348	176,812	1,644	178,457	-	178,457
(2) Intragroup sales and transfers	-	113	113	528	641	(641)	-
Total sales	131,464	45,461	176,925	2,172	179,098	(641)	178,457
Segment profit	27,176	5,180	32,356	823	33,180	(2,848)	30,331

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	(54)
Corporate expenses that cannot be allocated to reportable segments	(2,794)

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 the first nine months of FY03/2016.

3. Geographic sales information

Millions of yen

Japan	Asia	Europe & USA	Total
149,699	17,772	10,984	178,457

II. 3Q FY03/2017 (Apr. 1, 2016 – Dec. 31, 2016)

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

Millions of yen

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated quarterly statement of income (Note 3)
	Cosmetics	Cosmetaries	Subtotal				
Net sales							
(1) Sales to third parties	141,675	48,956	190,632	1,699	192,332	-	192,332
(2) Intragroup sales and transfers	-	387	387	461	849	(849)	-
Total sales	141,675	49,344	191,020	2,161	193,181	(849)	192,332
Segment profit	28,695	3,969	32,664	842	33,507	(3,329)	30,177

Notes: 1. The "other" segment consists of activities that are not included in any of the reportable segments: amenity products and real estate leasing.

2. Adjustments to segment profits are as follows.

Millions of yen

Eliminations for intersegment transactions	(45)
Corporate expenses that cannot be allocated to reportable segments	(3,284)

Corporate expenses consist primarily of expenses related to the administration division at the Company and expenses for basic research that are not assigned to any particular reportable segment.

3. Segment profit is adjusted with operating 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 3Q FY03/2017.

3. Geographic sales information

Millions of yen

Japan	Asia	Europe/USA/Other	Total
157,857	18,424	16,049	192,332

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.