

Summary of Financial Results for the Fiscal Year Ended March 31, 2017
[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 general meeting of shareholders: June 29, 2017
 Scheduled date of filing of Securities Report: June 29, 2017
 Scheduled date of dividend payment: June 30, 2017
 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, 2017
(April 1, 2016 – March 31, 2017)**

 (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 (%)
FY03/2017	266,762	9.6	39,160	13.1	39,564	14.5	21,657	16.1
FY03/2016	243,390	17.1	34,634	52.9	34,566	37.7	18,655	54.7

Note: Comprehensive income (million yen) FY03/2017: 24,643 (up 86.7%) FY03/2016: 13,197 (down 33.0%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY03/2017	379.66	-	13.9	16.5	14.7
FY03/2016	327.04	-	13.0	15.8	14.2

Ref.: Equity in earnings of affiliates (million yen) FY03/2017: - FY03/2016: -

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2017	247,191	177,130	66.3	2,871.60
FY03/2016	233,275	158,543	63.2	2,583.76

Ref.: Shareholders' equity (million yen) FY03/2017: 163,807 FY03/2016: 147,388

(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)	
FY03/2017	17,327	(8,158)	(6,250)	55,622
FY03/2016	26,410	(19,948)	(4,057)	52,997

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)			
FY03/2016	-	37.00	-	57.00	94.00	5,362	28.7	3.7
FY03/2017	-	47.00	-	63.00	110.00	6,274	29.0	4.0
FY03/2018 (forecast)	-	63.00	-	63.00	126.00		30.2	

Note: Breakdown of dividends for the fiscal year ended Mar. 31, 2016:

Ordinary dividends: 47 yen; Commemorative dividends for the 70th Founding Anniversary: 10 yen

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)
(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	134,000	6.5	19,000	1.6	19,200	9.1	10,700	6.3	187.57
Full year	282,000	5.7	41,500	6.0	41,900	5.9	23,800	9.9	417.22

*** 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 : 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 "4. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 18 of the attachments for further information.

(3) Number of shares outstanding (common stock)

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

As of March 31, 2017 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 March 31, 2017 3,548,424 shares As of March 31, 2016 3,548,245 shares

3) Average number of shares outstanding during the period

FY03/2017 57,044,226 shares FY03/2016 57,044,660 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017

(April 1, 2016 – March 31, 2017)

(1) Non-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 (%)	Net income (Million yen)	YoY change (%)
FY03/2017	120,516	4.7	8,320	1.6	15,017	15.4	10,070	4.9
FY03/2016	115,125	15.3	8,190	33.2	13,016	10.2	9,599	28.8

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
FY03/2017	176.54	-
FY03/2016	168.29	-

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2017	132,775	93,676	70.6	1,642.17
FY03/2016	137,232	88,750	64.7	1,555.81

Ref.: Shareholders' equity (million yen) FY03/2017: 93,676 FY03/2016: 88,750

Note 1: The current financial report is not subject to the audit procedures.

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	FY03/2016		FY03/2017		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	180,168	74.0	199,028	74.6	18,859	10.5
Cosmetaries	60,987	25.1	65,634	24.6	4,647	7.6
Other	2,234	0.9	2,099	0.8	(134)	(6.0)
Total net sales	243,390	100.0	266,762	100.0	23,372	9.6

	FY03/2016		FY03/2017		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	34,634	14.2	39,160	14.7	4,526	13.1
Ordinary income	34,566	14.2	39,564	14.8	4,998	14.5
Profit attributable to owners of parent	18,655	7.7	21,657	8.1	3,001	16.1

In the fiscal year that ended on March 31, 2017, the Japanese economy continued to recover slowly as consumer spending remained firm with the support 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 since April 2016 were largely in line with year-ago levels. 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 current fiscal year, net sales increased 9.6% from one year earlier to 266,762 million yen, the 4th consecutive year of record-high sales (up 12.3% after excluding the effects of changes in foreign exchange rates.) Sales increased mainly because of strong sales of high-prestige brands in the cosmetics business and major brands in the cosmetaries business and higher sales of all makeup brands. The share of overseas sales in total consolidated sales was 20.7%.

Earnings increased as higher sales resulting from the use of substantial selling expenses and the efficient use of general and administrative expenses more than offset the negative effect of the higher cost of sales ratio, which was mostly caused by a change in the product mix. Operating income increased 13.1% to 39,160 million yen, ordinary income increased 14.5 % to 39,564 million yen and profit attributable to owners of parent increased 16.1% to 21,657 million yen. Earnings at all levels set a new record for the KOSÉ Group.

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

	FY03/2016	FY03/2017	YoY change	
			Amount	%
Sales to third parties	180,168	199,028	18,859	10.5
Intragroup sales and transfers	-	-	-	-
Total net sales	180,168	199,028	-	-
Operating income	32,246	36,983	4,737	14.7
Operating margin	17.9	18.6	-	-

In the high-prestige category, sales were higher at ALBION CO.,LTD., which sells luxury cosmetics, and the COSME DECORTE brand, which KOSÉ is strengthening as a flagship global brand. Also, sales at the U.S. company Tarte, Inc. were much higher than planned and JILL STUART, ADDICTION and other makeup brands recorded higher sales. In the prestige category, sales of ESPRIQUE makeup products increased due to the introduction of new products and effective marketing activities. In the skin care sector, KOSÉ launched ONE BY KOSÉ, a medicated moisturizing serum containing a substance that improves the skin's ability to retain moisture. There were also measures to upgrade the image of the SEKKISEI brand and increase points of contact with customers. More global counters were opened and a new line of high-end SEKKISEI products was introduced. Overall, sales in the cosmetics business increased 10.5 % to 199,028 million yen and operating income increased 14.7 % to 36,983 million yen.

Cosmetaries Business*Millions of yen, %*

	FY03/2016	FY03/2017	YoY change	
			Amount	%
Sales to third parties	60,987	65,634	4,647	7.6
Intragroup sales and transfers	162	550	-	-
Total net sales	61,150	66,185	-	-
Operating income	5,332	5,627	294	5.5
Operating margin	8.7	8.5	-	-

Sales at KOSÉ COSMEPORT CORP. increased due to higher sales of all brands in key categories, including Je l'aime hair care products and SUNCUT® sunscreen products. Growth in sales of the FASIO and VISÉE self-selection makeup brands and NAIL HOLIC nail care product brand also contributed to the sales growth in the cosmetaries business. As a result, sales in the cosmetaries business increased 7.6 % to 65,634 million yen and operating income increased 5.5 % to 5,627 million yen.

Other Business*Millions of yen, %*

	FY03/2016	FY03/2017	YoY change	
			Amount	%
Sales to third parties	2,234	2,099	(134)	(6.0)
Intragroup sales and transfers	967	642	-	-
Total net sales	3,202	2,742	-	-
Operating income	1,318	1,074	(243)	(18.5)
Operating margin	41.2	39.2	-	-

In the other business segment, there was a decrease in sales of amenity products. As a result, sales decreased 6.0% to 2,099 million yen and operating income decreased 18.5% to 1,074 million yen.

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

	FY03/2016		FY03/2017		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	200,310	82.3	211,655	79.3	11,344	5.7
Asia	27,189	11.2	27,236	10.2	47	0.2
Europe/USA/Other	15,890	6.5	27,870	10.5	11,980	75.4
Total net sales	243,390	100.0	266,762	100.0	23,372	9.6

Japan

Growth of sales to foreign tourists in Japan has started to slow compared to the previous fiscal year. But sales in Japan were higher as all product categories continued to attract more customers in Japan. There was progress with increasing the number of new customers, mainly in the makeup category, and with increasing the number of regular customers, mainly in the skin care category. As a result, sales increased 5.7% to 211,655 million yen.

Asia

Structural reforms are under way in China to improve profitability and sales were generally firm in South Korea and other Asian countries. Although there was a negative effect from foreign exchange rate movements, sales were up 0.2% to 27,236 million yen.

Europe/USA/Other

Sales increased 75.4% to 27,870 million yen because sales in North America, the primary market in this sector, were much higher as sales of the U.S. company Tarte, Inc. significantly exceeded the initial plan.

2) Outlook for Next Fiscal Year

In Japan, the economy is expected to continue to recover slowly because of a continuation in the improvement in the number of jobs and personal income along with the benefits of government economic stimulus measures. However, there are concerns about slowing economic growth in emerging countries and uncertainty about U.S. policies and the political directions of several European countries. As a result, the outlook is expected to become even more unclear.

The KOSÉ Group plans to continue making progress toward goals of the medium-term management plan that started in April 2015 and defines the next few years as a time for building and strengthening global brands. The plan's core strategies are "promoting brands to win recognition and respect around the world" and "achieving a sustainable improvement in performance." By focusing on these goals, the Group is aiming to continue to grow.

Based on this outlook, KOSÉ forecasts net sales of 282,000 million yen (up 5.7% from the previous fiscal year), operating income of 41,500 million yen (up 6.0%), ordinary income of 41,900 million yen (up 5.9%), and profit attributable to owners of parent of 23,800 million yen (up 9.9%). The outlook for business segments is shown below. The forecasts for capital expenditures are 12,700 million yen and depreciation expenses are 7,300 million yen.

Millions of yen, %

Operating segment	FY03/2017		FY03/2018 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	199,028	74.6	211,700	75.1	12,671	6.4
Cosmetaries	65,634	24.6	67,800	24.0	2,165	3.3
Other	2,099	0.8	2,500	0.9	400	19.1
Total net sales	266,762	100.0	282,000	100.0	15,237	5.7

	FY03/2017		FY03/2018 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	39,160	14.7	41,500	14.7	2,339	6.0
Ordinary income	39,564	14.8	41,900	14.9	2,335	5.9
Profit attributable to owners of parent	21,657	8.1	23,800	8.4	2,142	9.9

* Forecasts are based on foreign exchange rates of 109 yen to the U.S. dollar, 3.3 yen to the Taiwan dollar and 16.3 yen to the Chinese yuan.

(2) Analysis of Financial Position

1) Balance sheet position

The current ratio was 307.1%, 27.8 percentage points higher than one year earlier, and the quick ratio was 219.4%, an increase of 12.0 percentage points, as of March 31, 2017. These increases were attributable mainly to the following items.

Assets increased 13,915 million yen. There was a 3,084 million yen increase in quick assets, mainly the result of increases of 2,371 million yen in cash and deposits, 5,397 million yen in notes and accounts receivable-trade, and a decrease of 4,683 million yen in securities. All other current assets increased 7,638 million yen mainly due to an increase of 6,527 million yen in inventories. Non-current assets increased 3,192 million yen due to an increase of 4,328 million yen in property, plant and equipment, a decrease of 2,201 million yen in intangible assets and an increase of 1,066 million yen in investments and other assets.

Liabilities decreased 4,671 million yen. Current liabilities decreased 1,733 million yen mainly due to an increase of 1,552 million yen in notes and accounts payable-trade, and decreases of 50 million yen in electronically recorded obligations-operating, 1,786 million yen in accounts payable-other, and 1,460 million yen in income taxes payable. Non-current liabilities decreased 2,938 million yen mainly due to a decrease of 2,741 million yen in net defined benefit liability.

Interest-bearing debt amounted to 1,629 million yen, and the debt-to-equity ratio was 0.01.

2) Cash flows

	<i>Millions of yen</i>		
	FY03/2016	FY03/2017	YoY change
Net cash provided by (used in) operating activities	26,410	17,327	(9,083)
Net cash provided by (used in) investing activities	(19,948)	(8,158)	11,789
Net cash provided by (used in) financing activities	(4,057)	(6,250)	(2,192)
Increase in cash and cash equivalents	2,220	2,625	404
Cash and cash equivalents at end of period	52,997	55,622	2,625

Cash and cash equivalents (consolidated basis) as of March 31, 2017 were 55,622 million yen, an increase of 2,625 million yen, or 5.0%, compared with March 31, 2016. Cash flows and major components during the current fiscal year are as follows.

Net cash provided by operating activities decreased 34.4% to 17,327 million yen. This was mainly the net result of profit before income taxes of 39,425 million yen, depreciation, a non-cash expense, of 5,821 million yen, a decrease in net defined benefit liability of 1,707 million yen, an increase in inventories of 6,348 million yen, an increase in notes and accounts receivable-trade of 5,541 million yen, an increase in other assets of 284 million yen, an increase in notes and accounts payable-trade of 1,386 million yen, a decrease in other liabilities of 1,029 million yen, and income taxes paid of 15,824 million yen.

Net cash used in investing activities decreased 59.1% to 8,158 million yen. The major components were a net proceeds of 786 million yen from withdrawal of time deposit, proceeds of 5,881 million yen from sales and redemption of securities, purchase of property, plant and equipment of 10,941 million yen, purchase of intangible assets of 585 million yen, and purchase of investment securities of 3,864 million yen.

Net cash used in financing activities increased 54.0% to 6,250 million yen. This was mainly due to cash dividends paid of 6,054 million yen.

3) Cash flow indicators

	FY03/2013	FY03/2014	FY03/2015	FY03/2016	FY03/2017
Shareholders' equity ratio (%)	64.8	67.0	68.3	63.2	66.3
Shareholders' equity ratio based on market prices (%)	72.2	103.8	184.5	267.8	232.4
Interest-bearing debt to cash flow ratio	0.6	0.1	0.1	0.1	0.1
Interest coverage ratio	350.6	663.8	4,073.8	1,285.9	5,133.3

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 FY03/2017 and FY03/2018

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 16 yen per share to 63 yen. Shareholders received an interim dividend of 47 yen per share on December 9, 2016. This will result in a dividend of 110 yen per share applicable to the current fiscal year (ended March 31, 2017).

In the next fiscal year (ending March 31, 2018), KOSÉ plans to pay an annual dividend of 126 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 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: $ROA = (\text{Operating income} + \text{Interest and dividends income}) / \text{Total assets (average at beginning and end of year)} \times 100$

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

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

The KOSÉ Group has a long-term vision called VISION2020 to serve as a roadmap for growth for the period ending in March 2021. To achieve the goals of this vision, the Group has defined three phases to become an organization with a global presence: a V-shaped turnaround, building and strengthening global brands, and expanding and upgrading global brands.

During the phase of building and strengthening global brands, which started in April 2015, reforms based on the following two basic strategic goals have produced numerous benefits. Now these benefits will be used as the base for continuing to increase the pace of growth.

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 2020 are sales of 310,000 million yen, an operating margin of 15.0%, a return on assets of 17.0% and a return on equity of 14.0%.

The three phases of VISION2020

- Phase I: V-shaped turnaround (April 2012 to March 2015)
- Phase II: Building and strengthening global brands (April 2015 to March 2018)
- Phase III: Expanding and upgrading global brands (April 2018 to March 2021)

Two basic strategies for “Building and strengthening global brands”

- 1) Promote brands to win recognition and respect around the world.
 - (a) Promote Flagship Global Brands.
 - (b) Accelerate the pace of developing new markets.
 - (c) Implement the strategies of all business segments.

- 2) Achieve a sustainable improvement in performance.
 - (a) Develop products and services that can create new markets and are highly competitive.
 - (b) Improve the performance of human resources.
 - (c) Operate more efficiently.

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

(1) Consolidated Balance Sheet

	<i>Millions of yen</i>	
	FY03/2016 (As of Mar. 31, 2016)	FY03/2017 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	69,549	71,921
Notes and accounts receivable-trade	32,931	38,328
Securities	17,356	12,672
Merchandise and finished goods	19,276	20,982
Work in process	2,070	2,086
Raw materials and supplies	12,854	17,660
Deferred tax assets	5,269	5,647
Other	2,106	2,823
Allowance for doubtful accounts	(63)	(47)
Total current assets	161,351	172,074
Non-current assets		
Property, plant and equipment		
Buildings and structures	30,938	37,087
Accumulated depreciation	(19,532)	(19,686)
Buildings and structures, net	11,406	17,400
Machinery, equipment and vehicles	13,332	15,242
Accumulated depreciation	(11,543)	(11,759)
Machinery, equipment and vehicles, net	1,788	3,482
Tools, furniture and fixtures	33,251	34,511
Accumulated depreciation	(28,562)	(29,442)
Tools, furniture and fixtures, net	4,688	5,068
Land	16,868	16,524
Leased assets	1,524	1,637
Accumulated depreciation	(913)	(1,094)
Leased assets, net	610	543
Construction in progress	5,131	1,801
Total property, plant and equipment	40,494	44,822
Intangible assets		
Software	1,354	1,445
Goodwill	9,626	8,479
Other	8,959	7,814
Total intangible assets	19,941	17,739
Investments and other assets		
Investment securities	3,486	6,864
Deferred tax assets	5,540	3,156
Other	2,628	2,727
Allowance for doubtful accounts	(167)	(193)
Total investments and other assets	11,488	12,554
Total non-current assets	71,923	75,116
Total assets	233,275	247,191

Millions of yen

	FY03/2016 (As of Mar. 31, 2016)	FY03/2017 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,981	9,533
Electronically recorded obligations-operating	12,029	11,978
Short-term loans payable	1,016	1,016
Lease obligations	187	174
Accounts payable-other	13,971	12,184
Accrued expenses	10,327	10,964
Income taxes payable	7,537	6,077
Accrued consumption taxes	2,065	1,242
Provision for sales returns	1,896	1,998
Other	753	862
Total current liabilities	57,766	56,033
Non-current liabilities		
Lease obligations	500	438
Provision for directors' retirement benefits	2,164	2,346
Net defined benefit liability	10,948	8,207
Deferred tax liabilities	2,844	2,583
Other	506	452
Total non-current liabilities	16,965	14,027
Total liabilities	74,731	70,060
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,388	6,388
Retained earnings	141,480	157,205
Treasury shares	(9,091)	(9,093)
Total shareholders' equity	143,626	159,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	669	1,462
Foreign currency translation adjustment	4,729	3,915
Remeasurements of defined benefit plans	(1,635)	(918)
Total accumulated other comprehensive income	3,762	4,458
Non-controlling interests	11,154	13,323
Total net assets	158,543	177,130
Total liabilities and net assets	233,275	247,191

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

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	243,390	266,762
Cost of sales	59,469	67,027
Gross profit	183,920	199,735
Selling, general and administrative expenses		
Advertising expenses	17,111	18,684
Promotion expenses	46,832	51,208
Freightage and packing expenses	8,579	9,621
Salaries and allowances	41,719	43,830
Retirement benefit expenses	892	1,813
Legal welfare expenses	6,643	6,621
Depreciation	2,966	2,945
Other	24,542	25,849
Total selling, general and administrative expenses	149,286	160,574
Operating income	34,634	39,160
Non-operating income		
Interest income	278	220
Dividend income	68	73
Patent licensing	39	30
Gain on redemption of securities	566	-
Subsidy income	-	124
Compensation income	17	75
Miscellaneous income	210	172
Total non-operating income	1,183	696
Non-operating expenses		
Interest expenses	14	7
Loss on redemption of securities	-	5
Rent expenses on real estates	5	4
Commission fee	12	30
Foreign exchange losses	1,201	217
Miscellaneous loss	18	27
Total non-operating expenses	1,251	292
Ordinary income	34,566	39,564
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	200	272
Loss on valuation of investment securities	1	14
Impairment loss	539	21
Other	0	-
Total extraordinary losses	741	308
Profit before income taxes	33,862	39,425
Income taxes-current	13,147	14,276
Income taxes-deferred	108	1,208
Total income taxes	13,255	15,485
Profit	20,607	23,939
Profit attributable to non-controlling interests	1,951	2,282
Profit attributable to owners of parent	18,655	21,657

Consolidated Statement of Comprehensive Income*Millions of yen*

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	20,607	23,939
Other comprehensive income		
Valuation difference on available-for-sale securities	(710)	794
Foreign currency translation adjustment	(193)	(842)
Remeasurements of defined benefit plans, net of tax	(6,506)	751
Total other comprehensive income	(7,409)	703
Comprehensive income	13,197	24,643
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,556	22,353
Comprehensive income attributable to non-controlling interests	1,640	2,290

(3) Consolidated Statement of Changes in Equity

FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,848	6,390	127,047	(9,082)	129,203
Changes of items during period					
Dividends of surplus			(4,221)		(4,221)
Profit attributable to owners of parent			18,655		18,655
Purchase of treasury shares				(8)	(8)
Change of scope of consolidation			(1)		(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(2)			(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(2)	14,433	(8)	14,422
Balance at end of current period	4,848	6,388	141,480	(9,091)	143,626

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	1,375	4,909	4,576	10,861	9,572	149,637
Changes of items during period						
Dividends of surplus						(4,221)
Profit attributable to owners of parent						18,655
Purchase of treasury shares						(8)
Change of scope of consolidation						(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders						(2)
Net changes of items other than shareholders' equity	(706)	(180)	(6,212)	(7,099)	1,582	(5,517)
Total changes of items during period	(706)	(180)	(6,212)	(7,099)	1,582	8,905
Balance at end of current period	669	4,729	(1,635)	3,762	11,154	158,543

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

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

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	33,862	39,425
Depreciation	5,744	5,821
Impairment loss	539	21
Amortization of goodwill	859	772
Increase (decrease) in allowance for doubtful accounts	(183)	13
Increase (decrease) in provision for directors' retirement benefits	173	181
Increase (decrease) in net defined benefit liability	(2,070)	(1,707)
Increase (decrease) in other provision	(15)	97
Loss (gain) on disposal of non-current assets	200	103
Interest and dividend income	(347)	(294)
Interest expenses	14	7
Foreign exchange losses (gains)	145	178
Loss (gain) on redemption of securities	(566)	5
Loss (gain) on valuation of investment securities	1	14
Loss (gain) on sales of investment securities	(38)	-
Decrease (increase) in notes and accounts receivable-trade	(1,604)	(5,541)
Decrease (increase) in inventories	(6,244)	(6,348)
Increase (decrease) in notes and accounts payable-trade	1,872	1,386
Decrease (increase) in other assets	(797)	(284)
Increase (decrease) in other liabilities	4,643	(1,029)
Subtotal	<u>36,186</u>	<u>32,823</u>
Interest and dividend income received	386	335
Interest expenses paid	(28)	(6)
Income taxes paid	(10,133)	(15,824)
Net cash provided by (used in) operating activities	<u>26,410</u>	<u>17,327</u>
Cash flows from investing activities		
Payments into time deposits	(28,083)	(31,688)
Proceeds from withdrawal of time deposits	11,480	32,474
Purchase of securities	(4,602)	-
Proceeds from sales and redemption of securities	8,966	5,881
Purchase of property, plant and equipment	(7,075)	(10,941)
Proceeds from sales of property, plant and equipment	9	855
Purchase of intangible assets	(474)	(585)
Proceeds from sales of intangible assets	-	0
Purchase of investment securities	(2,104)	(3,864)
Proceeds from sales and redemption of investment securities	539	-
Purchase of shares of subsidiaries	-	(116)
Decrease (increase) in other investments	1,396	(174)
Net cash provided by (used in) investing activities	<u>(19,948)</u>	<u>(8,158)</u>

Millions of yen

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	436	-
Net decrease (increase) in treasury shares	(8)	(1)
Proceeds from share issuance to non-controlling shareholders	16	-
Cash dividends paid	(4,221)	(5,932)
Cash dividends paid to non-controlling shareholders	(76)	(121)
Other, net	(204)	(194)
Net cash provided by (used in) financing activities	(4,057)	(6,250)
Effect of exchange rate change on cash and cash equivalents	(184)	(293)
Net increase (decrease) in cash and cash equivalents	2,220	2,625
Cash and cash equivalents at beginning of period	50,754	52,997
Increase in cash and cash equivalents from newly consolidated subsidiary	22	-
Cash and cash equivalents at end of period	52,997	55,622

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

Not applicable.

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 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 current fiscal year is insignificant.

Additional Information

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

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

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, CRIE, ALBION, Tarte and others. In the cosmetaries segment, principal products are VISÉE, FASIO, ELSIA, softymo, SUNCUT®, STEPHEN KNOLL NEW YORK, RIMMEL, Nature & Co and others.

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

FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)

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	180,168	60,987	241,156	2,234	243,390	-	243,390
(2) Intragroup sales and transfers	-	162	162	967	1,130	(1,130)	-
Total sales	180,168	61,150	241,318	3,202	244,521	(1,130)	243,390
Segment profit	32,246	5,332	37,579	1,318	38,897	(4,262)	34,634

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

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

	FY03/2016	FY03/2017
Eliminations for intersegment transactions	(109)	(99)
Corporate expenses that cannot be allocated to reporting segments	(4,152)	(4,425)
Total	(4,262)	(4,525)

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 financial statements.

(3) Geographic sales information

FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)

Millions of yen

Japan	Asia	Europe & USA	Total
200,310	27,189	15,890	243,390

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

Millions of yen

Japan	Asia	Europe/USA/Others	Total
211,655	27,236	27,870	266,762

Per Share Information

Yen

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	2,583.76	2,871.60
Net income per share	327.04	379.66

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.

Millions of yen

	FY03/2016 (Apr. 1, 2015 – Mar. 31, 2016)	FY03/2017 (Apr. 1, 2016 – Mar. 31, 2017)
Profit attributable to owners of parent	18,655	21,657
Net income not attributable to common shareholders	-	-
Profit attributable to owners of parent available to common stock	18,655	21,657
Average number of shares outstanding (thousand shares)	57,044	57,044

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.