



January 31, 2019

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019 (Nine Months Ended December 31, 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: February 8, 2019
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

(Rounded down to million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2018 (April 1, 2018 – December 31, 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 (%)
3Q FY03/2019	247,883	10.9	46,282	18.7	47,475	19.7	32,930	33.2
3Q FY03/2018	223,566	16.2	38,980	29.2	39,652	27.5	24,724	32.8

Note: Comprehensive income (million yen) 3Q FY03/2019: 33,055 (up 17.6%) 3Q FY03/2018: 28,111 (up 81.3%)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2019	577.28	-
3Q FY03/2018	433.44	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2019	287,656	221,493	71.5	3,606.31
FY03/2018	270,370	198,607	68.1	3,227.07

Ref.: Shareholders' equity (million yen) 3Q FY03/2019: 205,716 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 December 31, 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 December 31, 2018:	3,549,024 shares
As of March 31, 2018:	3,548,828 shares

3) Average number of shares outstanding during the period

3Q FY03/2019:	57,043,607 shares
3Q FY03/2018:	57,043,965 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 3 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	3
2. Consolidated Quarterly Financial Statements and Notes	4
(1) Consolidated Quarterly Balance Sheet	4
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	6
Consolidated Quarterly Statement of Income	
(For the Nine-month Period)	6
Consolidated Quarterly Statement of Comprehensive Income	
(For the Nine-month Period)	7
(3) Notes to Consolidated Quarterly Financial Statements	8
(Going Concern Assumption)	8
(Quarterly Consolidated Statements of Income)	8
(Precaution Concerning Significant Changes in Shareholders' Equity)	8
(Changes in Consolidated Subsidiaries during the Period)	8
(Additional Information)	8
(Segment and Other Information)	9

1. Qualitative Information on Consolidated Quarterly Financial Performance

(1) Explanation of Results of Operations

Nine Months Ended December 31, 2018 (April 1, 2018 – December 31, 2018)

Millions of yen, %

Operating segment	3Q FY03/2018		3Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	168,694	75.5	190,537	76.9	21,842	12.9
Cosmetaries	53,091	23.7	54,997	22.2	1,906	3.6
Other	1,780	0.8	2,348	0.9	568	31.9
Total net sales	223,566	100.0	247,883	100.0	24,317	10.9

	3Q FY03/2018		3Q FY03/2019		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating profit	38,980	15.7	46,282	18.7	7,301	18.7
Ordinary profit	39,652	17.7	47,475	19.2	7,823	19.7
Profit attributable to owners of parent	24,724	11.1	32,930	13.3	8,205	33.2

In the first nine months (April 1 to December 31, 2018) of the current fiscal year, the Japanese economy recovered slowly primarily due to growth in corporate earnings and employment. However, caution is required concerning the outlook because of increasing uncertainty about the global economy, the effects of trade policies on economic activity and other reasons. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry (January to November), 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, overall Asian economies are staging a rebound and the U.S. economy continued to recover steadily.

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 nine months, net sales were 247,883 million yen, 10.9% higher than in the same period of the previous fiscal year (up 12.3% after excluding the effects of changes in foreign exchange rates). This was the sixth consecutive year of record-high sales for the first nine months of a fiscal year. Overseas sales were 26.8% of total sales.

Earnings increased mainly due to sales growth resulting from the aggressive use of selling expenses, activities to reduce the cost of sales, and the efficient use of general and administrative expenses. Operating profit increased 18.7% to 46,282 million yen, ordinary profit increased 19.7% to 47,475 million yen and profit attributable to owners of parent increased 33.2% to 32,930 million yen. Earnings at all levels set a new record for the KOSÉ Group.

In the cosmetics business, sales were higher in the high-prestige category. One reason was a strong performance by the COSME DECORTE brand, which is conducting the Liposome RED Campaign, a global marketing initiative centered on department stores. In addition, ALBION CO., LTD. and the U.S. company Tarte, Inc., which both sell high-end cosmetics, posted higher sales. In the prestige category, In Japan, sales increased at the ONE BY KOSÉ brand, a line of unique products with outstanding efficacy that perform specific beauty care functions. One contributor to sales growth was THE WRINKLESS, a new quasi-drug medicated cream for reducing wrinkles. 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 continued to increase in South Korea and China. In addition, the strong growth of duty-free sales in Japan and overseas continued. Overall, sales in the cosmetics business increased 12.9% to 190,537 million yen and operating profit increased 21.3% to

44,705 million yen.

In the cosmetaries business, sales benefited from a strong performance at KOSÉ COSMEPORT CORP. backed by the success of a marketing campaign for the Softymo brand, which is primarily face washes and cleansing products. The Visée line of makeup products also contributed to sales growth, mainly due to the popularity of eye color products. As a result, sales in the cosmetaries business increased 3.6% to 54,997 million yen and operating profit decreased 6.7% to 4,417 million yen.

In the other business segment, sales of amenity products and the manufacture of OEM products account for most of the sales in this segment. Sales increased 31.9% to 2,348 million yen and operating profit increased 35.4% to 1,171 million yen.

Net Sales by Region (Sales to Third Parties)

Millions of yen, %

	3Q FY03/2018		3Q FY03/2019		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Japan	170,556	76.3	181,363	73.2	10,806	6.3
Asia	23,886	10.7	36,738	14.8	12,851	53.8
North America	27,006	12.1	27,202	11.0	195	0.7
Other	2,116	0.9	2,579	1.0	462	21.9
Total net sales	223,566	100.0	247,883	100.0	24,317	10.9

Japan

Sales continued to be higher than one year earlier in all major sales channels. In the department store channel, which is used mainly for high-prestige brands, COSME DECORTE, a brand for products with significant added value, attracted new customers for products in its skin care, base makeup, point makeup and other major categories. The popularity of COSME DECORTE products among foreign tourists in Japan also contributed to sales growth in the high-prestige category. In the drug store and general merchandise store channels, which are used primarily for the prestige category and cosmetaries products, sales increased with the support of the ONE BY KOSÉ and Visée brands and the softymo and BIOLISS products sold by KOSÉ COSMEPORT CORP. As a result, sales increased 6.3% to 181,363 million yen.

Asia

Activities in Asia focused on reinforcing existing sales channels throughout this region and expanding relatively new sales channels like duty-free stores and e-commerce. The objective is establishing a borderless customer base encompassing all countries and sales channels by using activities including linkage with Japan's foreign tourist market. Sales were higher in almost every country and region where KOSÉ sells its products in Asia. Most significantly, strong sales growth continued at South Korea duty-free stores and in China, where COSME DECORTE started sales activities that use an internet counseling service. As a result, sales increased 53.8% to 36,738 million yen.

North America

Although competition in the makeup market is intense, Tarte continued to achieve sales growth at specialty stores and in the e-commerce sector. As a result, sales increased 0.7% to 27,202 million yen.

Other

Sales increased 21.9% to 2,579 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)	3Q FY03/2019 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	83,637	93,134
Notes and accounts receivable-trade	41,403	42,020
Securities	8,274	554
Merchandise and finished goods	29,260	33,863
Work in process	2,407	3,314
Raw materials and supplies	19,271	24,806
Other	2,913	3,594
Allowance for doubtful accounts	(48)	(85)
Total current assets	187,119	201,204
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,813	40,527
Accumulated depreciation	(20,961)	(21,064)
Buildings and structures, net	16,852	19,463
Machinery, equipment and vehicles	16,078	16,570
Accumulated depreciation	(12,251)	(12,351)
Machinery, equipment and vehicles, net	3,827	4,218
Tools, furniture and fixtures	36,164	38,693
Accumulated depreciation	(30,357)	(31,630)
Tools, furniture and fixtures, net	5,806	7,062
Land	16,555	16,560
Leased assets	1,932	1,873
Accumulated depreciation	(1,314)	(1,365)
Leased assets, net	618	508
Construction in progress	4,351	2,697
Total property, plant and equipment	48,011	50,509
Intangible assets		
Software	1,563	1,653
Goodwill	7,629	7,043
Other	7,190	7,338
Total intangible assets	16,383	16,035
Investments and other assets		
Investment securities	10,381	10,907
Deferred tax assets	5,872	6,017
Other	2,850	3,231
Allowance for doubtful accounts	(247)	(250)
Total investments and other assets	18,856	19,906
Total non-current assets	83,250	86,451
Total assets	270,370	287,656

Millions of yen

	FY03/2018 (As of Mar. 31, 2018)	3Q FY03/2019 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,534	11,074
Electronically recorded obligations-operating	15,849	19,524
Short-term loans payable	600	600
Lease obligations	227	202
Accounts payable-other	13,725	8,871
Accrued expenses	9,423	6,505
Income taxes payable	7,865	4,737
Accrued consumption taxes	1,872	732
Provision for sales returns	1,928	2,033
Other	1,767	3,474
Total current liabilities	62,793	57,756
Non-current liabilities		
Lease obligations	484	468
Provision for directors' retirement benefits	2,513	2,744
Net defined benefit liability	4,952	4,024
Deferred tax liabilities	25	-
Other	993	1,169
Total non-current liabilities	8,969	8,406
Total liabilities	71,763	66,162
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Retained earnings	180,514	203,746
Treasury shares	(9,098)	(9,102)
Total shareholders' equity	176,263	199,492
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,651	3,089
Foreign currency translation adjustment	4,098	3,020
Remeasurements of defined benefit plans	70	114
Total accumulated other comprehensive income	7,820	6,224
Non-controlling interests	14,523	15,776
Total net assets	198,607	221,493
Total liabilities and net assets	270,370	287,656

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

	3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 2017)	3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	223,566	247,883
Cost of sales	59,878	63,228
Gross profit	163,688	184,655
Selling, general and administrative expenses		
Advertising expenses	13,827	15,659
Promotion expenses	39,647	43,905
Freightage and packing expenses	8,258	10,126
Salaries and allowances	33,263	36,164
Retirement benefit expenses	1,437	943
Legal welfare expenses	5,167	5,423
Depreciation	2,237	2,767
Other	20,867	23,383
Total selling, general and administrative expenses	124,707	138,373
Operating profit	38,980	46,282
Non-operating income		
Interest income	136	288
Dividend income	73	135
Patent licensing	33	37
Gain on redemption of securities	2	-
Foreign exchange gains	296	527
Miscellaneous income	184	333
Total non-operating income	726	1,323
Non-operating expenses		
Interest expenses	4	2
Commission fee	30	11
Loss on investments in partnership	-	71
Miscellaneous loss	19	44
Total non-operating expenses	54	129
Ordinary profit	39,652	47,475
Extraordinary income		
Gain on sales of non-current assets	1	9
Gain on sales of investment securities	0	2
Gain on sales of shares of subsidiaries and associates	-	925
Gain on liquidation of business	-	* 788
Total extraordinary income	2	1,725
Extraordinary losses		
Loss on disposal of non-current assets	79	358
Loss on valuation of investment securities	4	12
Impairment loss	-	-
Other	1	-
Total extraordinary losses	85	371
Profit before income taxes	39,568	48,829
Income taxes-current	11,815	14,026
Income taxes-deferred	532	142
Total income taxes	12,348	14,168
Profit	27,220	34,660
Profit attributable to non-controlling interests	2,495	1,730
Profit attributable to owners of parent	24,724	32,930

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

Millions of yen

	3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 2017)	3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	27,220	34,660
Other comprehensive income		
Valuation difference on available-for-sale securities	1,534	(563)
Foreign currency translation adjustment	(970)	(1,098)
Remeasurements of defined benefit plans, net of tax	326	57
Total other comprehensive income	891	(1,604)
Comprehensive income	28,111	33,055
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,611	31,334
Comprehensive income attributable to non-controlling interests	2,500	1,721

(3) Notes to Consolidated Quarterly Financial Statements

Going Concern Assumption

Not applicable.

Quarterly Consolidated Statements of Income

*Gain on liquidation of business

3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 2018)

The licensing agreement with Coty Inc. that allowed KOSÉ to sell RIMMEL brand products in Japan was terminated on October 31, 2018. As a result, the decision was made to liquidate COSMEDIC CO., LTD., a consolidated subsidiary of KOSÉ that performed sales activities for the RIMMEL brand. KOSÉ posted the difference between the compensation received due to the termination of this agreement and the loss on the liquidation of COSMEDIC as a gain on liquidation of business.

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. 3Q FY03/2018 (Apr. 1, 2017 – Dec. 31, 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	168,694	53,091	221,785	1,780	223,566	-	223,566
(2) Intragroup sales and transfers	-	336	336	458	794	(794)	-
Total sales	168,694	53,427	222,121	2,238	224,360	(794)	223,566
Segment profit	36,859	4,731	41,591	864	42,456	(3,475)	38,980

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	74
Corporate expenses that cannot be allocated to reportable segments	(3,549)

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 3Q FY03/2018.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
170,556	23,886	27,006	2,116	223,566

II. 3Q FY03/2019 (Apr. 1, 2018 – Dec. 31, 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	190,537	54,997	245,534	2,348	247,883	-	247,883
(2) Intragroup sales and transfers	-	585	585	547	1,132	(1,132)	-
Total sales	190,537	55,582	246,119	2,896	249,016	(1,132)	247,883
Segment profit	44,705	4,417	49,122	1,171	50,293	(4,011)	46,282

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	103
Corporate expenses that cannot be allocated to reportable segments	(4,115)

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 3Q FY03/2019.

3. Geographic sales information

Millions of yen

Japan	Asia	North America	Other	Total
181,363	36,738	27,202	2,579	247,883

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.