



July 30, 2007

Summary of Financial Results for Three Months Ended June 30, 2007 (Consolidated)

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
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1. Consolidated Financial Results for Three Months Ended June 30, 2007 (April 1, 2007 – June 30, 2007)

(1) Consolidated financial results

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

| | Net sales (Million yen) | YoY change (%) | Operating income (Million yen) | YoY change (%) | Ordinary income (Million yen) | YoY change (%) |
|--------------|----------------------------|-------------------|-----------------------------------|-------------------|----------------------------------|-------------------|
| 1Q FY03/2008 | 42,457 | 3.7 | 2,342 | 19.3 | 2,595 | 24.0 |
| 1Q FY03/2007 | 40,924 | (2.7) | 1,964 | (22.1) | 2,093 | (23.2) |
| FY03/2007 | 176,390 | | 13,730 | | 14,285 | |

| | Net income (Million yen) | YoY change (%) | Net income per share (basic) (Yen) | Net income per share (diluted) (Yen) |
|--------------|-----------------------------|-------------------|---------------------------------------|---|
| 1Q FY03/2008 | 728 | 145.5 | 12.13 | - |
| 1Q FY03/2007 | 296 | - | 4.90 | - |
| FY03/2007 | 6,895 | | 114.22 | - |

(2) Consolidated financial position

| | Total assets (Million yen) | Net assets (Million yen) | Equity ratio (%) | Net assets per share (Yen) |
|--------------|-------------------------------|-----------------------------|---------------------|-------------------------------|
| 1Q FY03/2008 | 171,238 | 102,235 | 57.1 | 1,629.07 |
| 1Q FY03/2007 | 168,271 | 97,881 | 56.0 | 1,556.92 |
| FY03/2007 | 171,638 | 102,362 | 57.3 | 1,636.44 |

(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) | |
| 1Q FY03/2008 | 1,314 | (1,069) | (1,186) | 30,147 |
| 1Q FY03/2007 | (1,560) | 745 | (1,273) | 29,433 |
| FY03/2007 | 11,203 | (6,911) | (4,766) | 31,119 |

2. Dividends

There is no dividend with a record date at the end of the first quarter.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

There are no revisions to the forecast announced on May 9, 2007.

(YoY change % represents changes from the same period of 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 (%) | Net income per share (Yen) |
|------------|----------------------------|-------------------|-----------------------------------|-------------------|----------------------------------|-------------------|-----------------------------|-------------------|-------------------------------|
| First-half | 88,300 | 4.1 | 6,100 | 27.7 | 6,100 | 23.1 | 2,800 | 61.1 | 46.63 |
| Full Year | 182,700 | 3.6 | 16,000 | 16.5 | 16,000 | 12.0 | 8,200 | 18.9 | 136.55 |

4. Others

- (1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None
- (2) Adoption of simplified accounting method: None
- (3) Changes in accounting method compared to the previous fiscal year: None

[Qualitative Information and Financial Statements]

1. Qualitative Information Regarding Consolidated Results of Operations

Millions of yen, %

| Operating segment | 1Q FY03/2007 | | 1Q FY03/2008 | | YoY change | |
|-------------------|--------------|---------|--------------|---------|------------|--------|
| | Amount | % comp. | Amount | % comp. | Amount | % |
| Cosmetics | 30,728 | 75.1 | 30,881 | 72.7 | 153 | 0.5 |
| Cosmetaries | 9,367 | 22.9 | 10,830 | 25.5 | 1,463 | 15.6 |
| Other | 828 | 2.0 | 745 | 1.8 | (82) | (10.0) |
| Total net sales | 40,924 | 100.0 | 42,457 | 100.0 | 1,533 | 3.7 |

| | 1Q FY03/2007 | | 1Q FY03/2008 | | Change | |
|------------------|--------------|-----|--------------|-----|--------|-------|
| | Amount | % | Amount | % | Amount | % |
| Operating income | 1,964 | 4.8 | 2,342 | 5.5 | 378 | 19.3 |
| Ordinary income | 2,093 | 5.1 | 2,595 | 6.1 | 502 | 24.0 |
| Net income | 296 | 0.7 | 728 | 1.7 | 431 | 145.5 |

During the first quarter of the fiscal year, Japan's economy continued to post moderate growth as rising corporate capital expenditures and firm consumer spending offset concerns about crude oil prices and other uncertainties. In the cosmetics industry, unit volume and monetary sales of cosmetics in Japan remained flat year-on-year during the first five months of 2007, according to statistics compiled by the Ministry of Economy, Trade and Industry.

In this environment, KOSÉ concentrated on further strengthening the group's core brands and maintaining flexibility with regard to distribution channels and retailing formats. For major brands, KOSÉ conducted high-profile advertising and sales promotion activities to increase the profile of these brands and raise sales.

In the cosmetics business, sales were generally strong, including higher sales of luxury products sold at specialty cosmetics stores and department stores. Outside Japan, KOSÉ worked on increasing sales in key countries.

In the cosmetaries business, sales increased because of effective sales initiatives for distinctive brands and contributions to sales from new products.

In the other business, there was a decline in orders for the manufacture of OEM products. In the amenities category, which mainly involves sales through sales agents, net sales were lower.

As a result of the above factors, operating income rose 19.3% year-on-year to 2,342 million yen, as net sales increased 3.7% to 42,457 million yen. Ordinary income rose 24.0% to 2,595 million yen. Quarterly net income rose 145.5% year-on-year to 728 million yen.

2. Qualitative Information Regarding Consolidated Results of Financial Position

Cash and cash equivalents as of June 30, 2007 were 30,147 million yen, an increase of 713 million yen, or 2.4%, compared with June 30, 2006. Cash flows and major components during the first quarter of fiscal year were as follows.

Net cash provided by operating activities was 1,314 million yen compared with net cash used of 1,560 million yen one year earlier. This was mainly the net result of net income before income taxes and minority interests of 2,585 million yen, depreciation, a non-cash expense, of 1,228 million yen, a decrease in accrued employees' retirement benefits of 624 million yen, a decrease in notes and accounts receivable of 2,866 million yen, an increase in inventories of 3,293 million yen, an increase in notes and accounts payable of 4,279 million yen, a decrease in other liabilities of 1,993 million yen, and income tax paid of 3,815 million yen.

Net cash used in investing activities was 1,069 million yen compared with net cash provided of 745 million yen one year earlier. The major components were a net proceed of 998 million yen from the sale and purchase of securities, a net payment of 695 million yen for the sale and purchase of investment securities, and a payment for purchase of property, plant and equipment of 1,485 million yen.

Net cash used in financing activities was 1,186 million yen, 6.8% less than one year earlier. This was mainly due to cash dividends paid of 1,233 million yen.

3. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

No reportable information.

(2) Adoption of simplified accounting method

No reportable information.

(3) Change in accounting method compared to the previous fiscal year

No reportable information.

4. Consolidated Financial Statements

(1) Summary Consolidated Balance Sheets

Millions of yen, %

| Account | 1Q FY03/2007 | 1Q FY03/2008 | YoY change | | FY03/2007 |
|--------------------------------------|---------------------|---------------------|------------|--------|----------------------|
| | As of Jun. 30, 2006 | As of Jun. 30, 2007 | Amount | % | As of March 31, 2007 |
| | Amount | Amount | Amount | % | Amount |
| Assets | | | | | |
| I. Current assets | | | | | |
| Cash and time deposits | 22,046 | 22,582 | 536 | 2.4 | 21,725 |
| Notes and accounts receivable | 23,850 | 23,855 | 5 | 0.0 | 26,718 |
| Short-term investments in securities | 17,956 | 19,263 | 1,306 | 7.3 | 22,251 |
| Inventories | 25,566 | 24,559 | (1,006) | (3.9) | 21,272 |
| Deferred tax assets-current | 3,948 | 4,579 | 631 | 16.0 | 4,354 |
| Other current assets | 5,736 | 5,082 | (653) | (11.4) | 5,029 |
| Allowance for doubtful accounts | (331) | (286) | 44 | 13.5 | (286) |
| Total current assets | 98,772 | 99,635 | 863 | 0.9 | 101,065 |
| II. Fixed assets | | | | | |
| Property, plant and equipment | | | | | |
| Buildings and structures | 11,601 | 10,920 | (680) | (5.9) | 11,077 |
| Machinery and automotive equip. | 2,780 | 2,554 | (226) | (8.1) | 2,613 |
| Furniture and fixtures | 6,518 | 6,261 | (257) | (3.9) | 6,250 |
| Land | 18,052 | 18,047 | (5) | (0.0) | 18,053 |
| Construction in progress | 63 | 1,413 | 1,349 | - | 360 |
| Total property, plant and equipment | 39,017 | 39,197 | 179 | 0.5 | 38,355 |
| Intangible assets | | | | | |
| Software | 4,688 | 3,781 | (907) | (19.4) | 4,035 |
| Other intangible assets | 407 | 373 | (34) | (8.4) | 368 |
| Total intangible assets | 5,096 | 4,154 | (941) | (18.5) | 4,404 |
| Investments and others | | | | | |
| Investments in securities | 8,478 | 11,640 | 3,161 | 37.3 | 10,830 |
| Deferred tax assets-non-current | 14,634 | 13,717 | (917) | (6.3) | 13,979 |
| Others | 2,631 | 3,218 | 586 | 22.3 | 3,336 |
| Allowance for doubtful accounts | (359) | (325) | 34 | 9.6 | (333) |
| Total investments and others | 25,385 | 28,250 | 2,865 | 11.3 | 27,813 |
| Total fixed assets | 69,499 | 71,603 | 2,103 | 3.0 | 70,573 |
| Total assets | 168,271 | 171,238 | 2,967 | 1.8 | 171,638 |

Millions of yen, %

| Account | 1Q FY03/2007 | 1Q FY03/2008 | YoY change | | FY03/2007 |
|--|---------------------|---------------------|----------------|--------------|----------------------|
| | As of Jun. 30, 2006 | As of Jun. 30, 2007 | Amount | % | As of March 31, 2007 |
| | Amount | Amount | Amount | % | Amount |
| Liabilities | | | | | |
| I. Current liabilities | | | | | |
| Notes and accounts payable | 17,158 | 18,256 | 1,098 | 6.4 | 13,592 |
| Short-term borrowings | 5,267 | 6,255 | 987 | 18.7 | 6,202 |
| Accounts payable-other | 6,029 | 5,961 | (68) | (1.1) | 6,704 |
| Accrued expenses | 4,024 | 4,167 | 143 | 3.6 | 7,214 |
| Accrued income taxes | 1,034 | 1,445 | 410 | 39.7 | 3,744 |
| Other current liabilities | 4,526 | 4,208 | (317) | (7.0) | 2,594 |
| Total current liabilities | 38,041 | 40,295 | 2,253 | 5.9 | 40,052 |
| II. Long-term liabilities | | | | | |
| Long-term debt | 1,500 | - | (1,500) | (100.0) | - |
| Accrued employees' retirement benefits | 27,336 | 25,087 | (2,249) | (8.2) | 25,711 |
| Accrued officers' severance benefits | 3,363 | 3,513 | 149 | 4.4 | 3,401 |
| Other long-term liabilities | 147 | 107 | (39) | (27.1) | 110 |
| Total long-term liabilities | 32,348 | 28,707 | (3,640) | (11.3) | 29,223 |
| Total liabilities | 70,390 | 69,003 | (1,386) | (2.0) | 69,276 |
| Net assets | | | | | |
| I. Shareholders' equity | | | | | |
| Common stock | 4,848 | 4,848 | - | - | 4,848 |
| Capital surplus | 6,391 | 6,391 | 0 | 0.0 | 6,391 |
| Consolidated retained earnings | 82,691 | 87,605 | 4,914 | 5.9 | 88,078 |
| Treasury stock | (130) | (1,828) | (1,697) | - | (1,827) |
| Total shareholders' equity | 93,799 | 97,016 | 3,217 | 3.4 | 97,490 |
| II. Valuation and translation adjustments | | | | | |
| Net unrealized holding gain (loss) on other securities | 142 | 421 | 279 | 196.8 | 347 |
| Deferred hedge gain (loss) | 8 | 2 | (6) | (68.4) | 4 |
| Foreign currency translation adjustments | 323 | 382 | 59 | 18.2 | 424 |
| Total valuation and translation adjustments | 474 | 807 | 332 | 70.1 | 776 |
| III. Minority interests | 3,607 | 4,411 | 803 | 22.3 | 4,094 |
| Total net assets | 97,881 | 102,235 | 4,353 | 4.4 | 102,362 |
| Total liabilities and net assets | 168,271 | 171,238 | 2,967 | 1.8 | 171,638 |

(2) Summary Consolidated Statements of Income

Millions of yen, %

| Account | 1Q FY03/2007 Apr. 1, 2006 - Jun. 30, 2006 | | 1Q FY03/2008 Apr. 1, 2007 - Jun. 30, 2007 | | YoY change | | FY03/2007 Apr. 1, 2006 - Mar. 31, 2007 | |
|--|---|-------|---|-------|------------|---------|--|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Net sales | 40,924 | 100.0 | 42,457 | 100.0 | 1,533 | 3.7 | 176,390 | 100.0 |
| Cost of sales | 10,369 | 25.3 | 10,335 | 24.3 | (33) | (0.3) | 44,659 | 25.3 |
| Gross profit | 30,555 | 74.7 | 32,122 | 75.7 | 1,567 | 5.1 | 131,731 | 74.7 |
| SG&A expenses | 28,591 | 69.9 | 29,780 | 70.2 | 1,189 | 4.2 | 118,001 | 66.9 |
| Operating income | 1,964 | 4.8 | 2,342 | 5.5 | 378 | 19.3 | 13,730 | 7.8 |
| Non-operating income | | | | | | | | |
| Interest and dividend income | 82 | | 114 | | 32 | | 264 | |
| Foreign exchange gains | 17 | | 97 | | 80 | | 243 | |
| Other non-operating income | 75 | | 61 | | (13) | | 227 | |
| Total non-operating income | 175 | 0.4 | 274 | 0.6 | 98 | 56.3 | 735 | 0.4 |
| Non-operating expenses | | | | | | | | |
| Interest expense | 13 | | 12 | | (1) | | 65 | |
| Other non-operating expenses | 32 | | 7 | | (24) | | 114 | |
| Total non-operating expenses | 46 | 0.1 | 20 | 0.0 | (25) | (55.9) | 180 | 0.1 |
| Ordinary income | 2,093 | 5.1 | 2,595 | 6.1 | 502 | 24.0 | 14,285 | 8.1 |
| Extraordinary income | 13 | 0.0 | 14 | 0.0 | 0 | 2.7 | 524 | 0.3 |
| Extraordinary loss | 10 | 0.0 | 24 | 0.0 | 14 | 141.0 | 343 | 0.2 |
| Net income before income taxes and minority interests | 2,096 | 5.1 | 2,585 | 6.1 | 488 | 23.3 | 14,466 | 8.2 |
| Income taxes-current | 1,290 | 3.2 | 1,518 | 3.6 | 228 | 17.7 | 6,414 | 3.6 |
| Income taxes-deferred | 200 | 0.5 | (11) | (0.0) | (211) | (105.6) | 325 | 0.2 |
| Minority interests-income | 308 | 0.7 | 349 | 0.8 | 40 | 13.3 | 832 | 0.5 |
| Net income | 296 | 0.7 | 728 | 1.7 | 431 | 145.5 | 6,895 | 3.9 |

(3) Summary Consolidated Statements of Changes in Net Assets

1Q FY03/2008 (Apr. 1, 2007 - Jun. 30, 2007)

Millions of yen

| | Shareholders' equity | | | |
|--|----------------------|-----------------|--------------------------------|----------------|
| | Common stock | Capital surplus | Consolidated retained earnings | Treasury stock |
| Balance as of March 31, 2007 | 4,848 | 6,391 | 88,078 | (1,827) |
| Changes in the current period | | | | |
| Dividends from surplus | | | (1,200) | |
| Net income | | | 728 | |
| Acquisition of treasury stock | | | | (0) |
| Changes (net) in items other than shareholders' equity | | | | |
| Total changes in the current period | - | - | (472) | (0) |
| Balance as of June 30, 2007 | 4,848 | 6,391 | 87,605 | (1,828) |

| | Valuation and translation adjustments | | | Minority interests | Total net assets |
|--|--|----------------------------|--|--------------------|------------------|
| | Net unrealized holding gain (loss) on other securities | Deferred hedge gain (loss) | Foreign currency translation adjustments | | |
| Balance as of March 31, 2007 | 347 | 4 | 424 | 4,094 | 102,362 |
| Changes in the current period | | | | | |
| Dividend of surplus | | | | | (1,200) |
| Net income | | | | | 728 |
| Acquisition of treasury stock | | | | | (0) |
| Changes (net) in items other than shareholders' equity | 74 | (1) | (42) | 316 | 346 |
| Total changes in the current period | 74 | (1) | (42) | 316 | (126) |
| Balance as of June 30, 2007 | 421 | 2 | 382 | 4,411 | 102,235 |

(4) Summary Consolidated Statements of Cash Flows

Millions of yen

| Account | 1Q FY03/2007 Apr. 1, 2006 - Jun. 30, 2006 | 1Q FY03/2008 Apr. 1, 2007 - Jun. 30, 2007 | FY03/2007 Apr. 1, 2006 - Mar. 31, 2007 |
|--|---|---|--|
| | Amount | Amount | Amount |
| I. Cash flows from operating activities | | | |
| Net income before income taxes and minority interests | 2,096 | 2,585 | 14,466 |
| Depreciation | 1,269 | 1,228 | 5,135 |
| Increase (decrease) in allowance for doubtful accounts | (3) | (8) | (52) |
| Increase (decrease) in accrued employees' retirement benefits | (531) | (624) | (2,159) |
| Increase (decrease) in accrued officers' severance benefits for director | 161 | 111 | 199 |
| Loss (gain) on disposal of fixed assets | 3 | 24 | 333 |
| Compensation for premises removal | - | - | (474) |
| Interest and dividend income | (82) | (114) | (264) |
| Loss (gain) on sale of investment in securities | - | (10) | - |
| Decrease (increase) in notes and accounts receivable | 2,798 | 2,866 | 35 |
| Decrease (increase) in inventories | (2,790) | (3,293) | 1,577 |
| Increase (decrease) in notes and accounts payable | 3,336 | 4,279 | 16 |
| Others | (2,281) | (2,032) | (258) |
| Subtotal | 3,977 | 5,012 | 18,555 |
| Interests and dividends received | 88 | 124 | 254 |
| Interests paid | (13) | (6) | (59) |
| Compensation received for premises removal | - | - | 474 |
| Income taxes paid | (5,612) | (3,815) | (8,021) |
| Net cash provided by (used in) operating activities | (1,560) | 1,314 | 11,203 |
| II. Cash flows from investing activities | | | |
| Net change in time deposit accounts | 10 | 180 | (2,989) |
| Decrease (increase) in securities | 2,001 | 998 | 2,676 |
| Payment for acquisition of property, plant and equipment | (1,004) | (1,485) | (3,551) |
| Proceeds from sale of property, plant and equipment | 1 | - | 13 |
| Payment for acquisition of intangible assets | (231) | (68) | (524) |
| Payment for acquisition of investments in securities | (3) | (805) | (3,019) |
| Proceeds from sale of investments in securities | - | 110 | 516 |
| Others | (27) | 0 | (33) |
| Net cash provided (used in) investing activities | 745 | (1,069) | (6,911) |
| III. Cash flows from financing activities | | | |
| Increase (decrease) in short-term borrowings | (7) | 47 | (559) |
| Net change from acquisition and sale of treasury stock | (19) | (0) | (1,716) |
| Cash dividends paid | (1,246) | (1,233) | (2,490) |
| Net cash used in financing activities | (1,273) | (1,186) | (4,766) |
| IV. Effect of exchange rate changes on cash and cash equivalents | | | |
| | 135 | (30) | 207 |
| V. Increase (decrease) in cash and cash equivalents | | | |
| | (1,953) | (972) | (267) |
| VI. Cash and cash equivalents at beginning of year | | | |
| | 31,386 | 31,119 | 31,386 |
| VII. Cash and cash equivalents at end of period | | | |
| | 29,433 | 30,147 | 31,119 |