



February 2, 2006

Summary of Financial Results for Nine Months Ended December 31, 2005 (Consolidated)

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 Stock exchange listing: Tokyo Stock Exchange, First Section
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1. Accounting Policies in the Preparation of Quarterly Financial Results

- 1) Adoption of simplified accounting method: None
 2) Change in accounting method in current fiscal year: None
 3) Change in scope of consolidation and use of equity method: Yes
 Description: Consolidation (Newly added): 1

2. Financial Results for Nine Months Ended December 2005 (April 1, 2005 – December 31, 2005)

(1) Results of Operations

Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Nine months ended Dec. 2005	134,358	4.8	16,226	0.2	16,752	1.5
Nine months ended Dec. 2004	128,229	6.2	16,188	7.0	16,509	10.3
(Reference) Year ended Mar. 2005	169,913	5.8	18,550	3.5	18,905	6.6

	Net income		Net income per share	Diluted net income per share
	Million yen	YoY change (%)	Yen	Yen
Nine months ended Dec. 2005	7,746	(4.3)	140.71	-
Nine months ended Dec. 2004	8,095	(9.7)	161.73	-
(Reference) Year ended Mar. 2005	9,411	5.3	186.51	-

Notes:

- 1) The percentages shown for net sales, operating income, ordinary income and net income represent changes from the same period in the previous year.
 2) After adjusting for the 1-to-1.1 stock split conducted on May 20, 2005, retroactively adjusted for stock splits to the beginning of FY 2004, net income per share was 147 yen for the nine months ended December 31, 2004, and 169.56 yen for the fiscal year ended March 31, 2005.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2005	170,236	94,327	55.4	1,713.40
As of Dec. 31, 2004	163,706	87,215	53.3	1,742.40
(Reference) As of Mar. 31, 2005	165,886	88,316	53.2	1,762.91

Note: After adjusting for the 1-to-1.1 stock split conducted on May 20, 2005, retroactively adjusted for stock splits to the beginning of FY 2004, shareholders' equity per share was 1,584.00 yen as of December 31, 2004, and 1,602.65 yen as of March 31, 2005.

(3) Cash Flow Position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Nine months ended Dec. 2005	2,243	600	(376)	28,699
Nine months ended Dec. 2004	4,912	(3,300)	(1,953)	23,768
(Reference) Year ended Mar. 2005	10,737	(6,062)	(2,668)	26,068

3. Forecast for the Fiscal Year Ending March 2006 (April 1, 2005 - March 31, 2006)

There are no revisions to the forecast announced on November 9, 2005.

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full year	177,700	19,000	8,700

Reference: Net income per share for the fiscal year ending March 2006: 158.03 yen

Cautionary statement

Forecasts regarding future performance in these materials are based judgments made in accordance with information available at the time this presentation was prepared. Forecasts therefore embody risks and uncertainties. Readers should be aware that actual results and events might differ substantially from these forecasts.

Consolidated Results of Operations

(1) Financial Results for Nine Months Ended December 2005 (April 1, 2005 – December 31, 2005)

Millions of yen, %

Operating segment	Nine months ended Dec. 2004		Nine months ended Dec. 2005		Change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	93,879	73.2	99,373	74.0	5,493	5.9
Cosmetaries	31,556	24.6	32,436	24.1	880	2.8
Other	2,792	2.2	2,548	1.9	(244)	(8.8)
Total net sales	128,229	100.0	134,358	100.0	6,129	4.8

Item	Nine months ended Dec. 2004		Nine months ended Dec. 2005		Change	
	Amount	%	Amount	%	Amount	%
Operating income	16,188	12.6	16,226	12.1	38	0.2
Ordinary income	16,509	12.9	16,752	12.5	243	1.5
Net income	8,095	6.3	7,746	5.8	(349)	(4.3)

During the first three quarters of the fiscal year, Japan's economy was strong due to growth in consumption expenditures, higher stock prices and other factors. The cosmetics industry was generally healthy as consumer spending in Japan continued to recover.

In this environment, KOSÉ introduced distinctive new products bearing core KOSÉ brand to increase sales. In the luxury product lines, actions that included the launch of a new series were taken to strengthen and develop KOSÉ brands.

Furthermore, KOSÉ conducted cosmetics business using a licensing agreement with JILL STUART, a U.S. fashion brand, with the aim of strengthening sales activities at department stores. To KOSÉ brand and "self-selection" cosmetics, the Company conducted aggressive advertising and sales promotion campaigns using TV, magazine and other mass media. Outside Japan, KOSÉ worked on increasing sales through the strategic marketing investments in key countries.

As a result, net sales in the first three quarters increased 4.8% to 134,358 million yen. Sales growth was mainly attributable to the popularity of distinctive new products and the strong performances of luxury products. Operating income increased 0.2% to 16,226 million yen and ordinary income was up 1.5% to 16,752 million yen. However, net income decreased 4.3% to 7,746 million yen. This was mainly reflection of an impairment loss and the disposal of inventories in accordance with revised to the Pharmaceutical Affairs Law in the first half of the fiscal year.

Reference: Consolidated Operating Results

Millions of yen, %

Operating segment	Nine months ended Dec. 2003		Nine months ended Dec. 2004		Nine months ended Dec. 2005	
	Amount	%	Amount	%	Amount	%
Net sales	120,733	-	128,229	6.2	134,358	4.8
Operating income	15,126	-	16,188	7.0	16,226	0.2
Ordinary income	14,964	-	16,509	10.3	16,752	1.5
Net income	8,961	-	8,095	(9.7)	7,746	(4.3)

Advertising	6,429	-	7,119	10.7	7,432	4.4
Sales promotion	23,164	-	24,876	7.4	26,985	8.5
Total	29,593	-	31,995	8.1	34,418	7.6

(2) Results by Business Segment

Cosmetics Business

Sales in the cosmetics business increased. One reason was the success of Beauty Essence with Axtaxanthin, introduced in the core KOSÉ brand. Another reason was higher sales of the INFINITY line of products that are sold exclusively at GMSs and drug stores. Overseas, sales in Taiwan and South Korea exceeded plans. Total sales at overseas subsidiaries were 17% higher than one year earlier. ALBION CO., LTD. continued to perform well, posting sales growth driven mainly by skin-care and base-makeup products.

The result was a 5.9% increase in cosmetics sales to 99,373 million yen.

Cosmetaries Business

In the cosmetaries business, KOSÉ took steps to increase its presence in categories where its products are already strong. This involved conducting effective advertising campaigns and highly visible sales promotion activities linked to new products. Sales of whitening cosmetics and body-care products declined. However, total sales in this business rose because of the popularity of “self-selection” cosmetics that are distributed through wholesalers, such as the SALON STYLE nano-charge series of hair care products and the SOFTYMO series of facial washing and cleansing products.

The result was a 2.8% increase in sales to 32,436 million yen.

Other Business

In other business, there was a decline in orders for the manufacture of OEM products. In the amenities category, sales decreased slightly despite sales promotion initiatives targeting sales agents.

The result was an 8.8% decrease in sales to 2,548 million yen.

1. Summary Consolidated Balance Sheets

Unit: Millions of yen

Account	3Q FY 2004 As of Dec. 31, 2004	3Q FY 2005 As of Dec. 31, 2005	Change	FY 2004 As of March 31, 2005
Assets				
I. Current Assets				
Cash and time deposits	18,705	23,345	4,132	19,213
Notes and accounts receivable	25,003	28,077	3,695	24,381
Short-term investments in securities	15,411	13,598	(5,001)	18,599
Inventories	22,927	25,300	2,902	22,398
Deferred tax assets-current	3,820	4,173	49	4,124
Other current assets	5,374	4,398	(1,021)	5,420
Allowance for doubtful accounts	(383)	(311)	69	(381)
Total current assets	90,858	98,582	4,825	93,756
II. Fixed Assets				
Property, plant and equipment				
Buildings and structures	12,286	12,587	53	12,534
Machinery and automotive equip.	3,019	2,762	(181)	2,944
Furniture and fixtures	6,420	6,267	(451)	6,718
Land	17,384	18,026	663	17,362
Construction in progress	908	52	(95)	148
Total property, plant and equipment	40,019	39,696	(12)	39,708
Intangible assets				
Software	1,091	3,997	409	3,587
Software under development	3,550	246	(973)	1,219
Other intangible assets	272	271	6	264
Total intangible assets	4,914	4,514	(557)	5,072
Investments and others				
Investments in securities	10,833	10,272	(44)	10,316
Deferred tax assets-non-current	14,969	14,946	31	14,915
Others	2,464	2,567	104	2,463
Allowance for doubtful accounts	(354)	(343)	2	(345)
Total investments and others	27,913	27,443	94	27,349
Total fixed assets	72,847	71,654	(475)	72,129
Total Assets	163,706	170,236	4,350	165,886

Unit: Millions of yen

Account	3Q FY 2004 As of Dec. 31, 2004	3Q FY 2005 As of Dec. 31, 2005	Change	FY 2004 As of March 31, 2005
Liabilities				
I. Current Liabilities				
Notes and accounts payable	16,818	15,894	633	15,260
Short-term borrowings	5,805	4,944	80	4,864
Accounts payable-other	5,686	5,620	(1,733)	7,353
Accrued expenses	4,362	4,362	(2,721)	7,083
Accrued income taxes	3,838	4,123	(894)	5,017
Other current liabilities	3,507	4,199	2,401	1,797
Total current liabilities	40,018	39,144	(2,233)	41,377
II. Long-term Liabilities				
Long-term debt	-	1,500	1,500	-
Accrued employees' retirement benefits	30,352	28,346	(1,490)	29,836
Accrued officers' severance benefits	2,844	3,176	297	2,879
Other long-term liabilities	215	194	27	166
Total long-term liabilities	33,412	33,217	334	32,883
Total Liabilities	73,431	72,362	(1,898)	74,260
Minority Interests	3,059	3,546	238	3,308
Shareholders' Equity				
I. Common stock	4,848	4,848	-	4,848
II. Capital surplus	6,391	6,391	0	6,391
III. Consolidated retained earnings	74,297	81,442	5,829	75,613
IV. Net unrealized holdings gains (losses) on other securities	527	322	(45)	367
V. Foreign currency translation adjustments	1,226	1,425	252	1,173
VI. Treasury stock	(75)	(102)	(25)	(76)
Total Shareholders' Equity	87,215	94,327	6,010	88,316
Total Liabilities, Minority Interests and Shareholders' Equity	163,706	170,236	4,350	165,886

2. Summary Consolidated Statements of Income

Unit: Millions of yen

Account	3Q FY 2004 Apr. 1, 2004 - Dec. 31, 2004		3Q FY 2005 Apr. 1, 2005 - Dec. 31, 2005		Change		FY 2004 Apr. 1, 2004 - Mar. 31, 2005	
	Amount	%	Amount	%	Amount	%	Amount	%
Net Sales	128,229	100.0	134,358	100.0	6,129	104.8	169,913	100.0
Cost of Sales	30,593	23.9	32,010	23.8	1,416	104.6	41,221	24.3
Gross Profit	97,635	76.1	102,348	76.2	4,713	104.8	128,691	75.7
SG&A expenses	81,447	63.5	86,121	64.1	4,674	105.7	110,140	64.8
Operating Income	16,188	12.6	16,226	12.1	38	100.2	18,550	10.9
Non-operating income								
Interest and dividends income	197		186		(11)		235	
Foreign exchange gains	153		275		122		79	
Other non-operating income	128		182		54		210	
Total non-operating income	478	0.4	644	0.5	165	134.6	526	0.3
Non-operating expenses								
Interest expense	78		45		(32)		111	
Other non-operating expenses	79		72		(6)		59	
Total non-operating expenses	157	0.1	118	0.1	(38)	75.4	171	0.1
Ordinary Income	16,509	12.9	16,752	12.5	243	101.5	18,905	11.1
Extraordinary income	70	0.0	987	0.7	916	-	296	0.2
Extraordinary loss*	657	0.5	2,795	2.1	2,137	425.3	937	0.6
Net Income before Income Taxes	15,923	12.4	14,944	11.1	(978)	93.9	18,264	10.7
Income taxes-current	5,993	4.7	6,945	5.1	951	115.9	7,179	4.2
Income taxes-deferred	1,308	1.0	(48)	(0.0)	(1,357)	-	1,171	0.7
Minority interests-income	524	0.4	301	0.2	(223)	57.4	502	0.3
Net Income	8,095	6.3	7,746	5.8	(349)	95.7	9,411	5.5

* Extraordinary loss includes a 1,832 million yen of impairment loss in the current third quarter.

3. Summary Consolidated Statements of Cash Flows

Unit: Millions of yen

Account	3Q FY 2004 Apr. 1, 2004 - Dec. 31, 2004	3Q FY 2005 Apr. 1, 2005 - Dec. 31, 2005
I. Cash Flows from Operating Activities		
Net income before income taxes	15,923	14,944
Depreciation	2,791	3,594
Impairment loss	-	1,832
Amortization of consolidation goodwill	41	-
Increase (decrease) in provision of allowance for doubtful accounts	18	(72)
Increase (decrease) in accrued employees' retirement benefits	(1,484)	(1,492)
Increase (decrease) in accrued officers' severance benefits for director	222	297
Loss (gain) on disposal of fixed assets	171	(257)
Interest and dividend income	(197)	(186)
Loss (gain) on sale of investment in securities	(0)	(525)
Decrease (increase) in notes and accounts receivable	(1,570)	(3,527)
Decrease (increase) in inventories	(5,029)	(2,749)
Increase (decrease) in notes and accounts payable	2,712	(272)
Others	(2,466)	(1,647)
Subtotal	11,132	9,938
Interest and dividends received	213	193
Interest paid	(75)	(39)
Income taxes paid	(6,357)	(7,847)
Net cash provided by operating activities	4,912	2,243
II. Cash Flows from Investing Activities		
Decrease (increase) in securities	499	4,499
Payment for purchase of property, plant and equipment	(4,092)	(4,886)
Proceeds from sale of property, plant and equipment	344	774
Payment for acquisition of intangible assets	(1,566)	(279)
Payment for acquisition of investments in securities	(518)	(228)
Proceeds from sale of investments in securities	3,001	723
Others	(967)	(2)
Net cash provided by (used in) investment activities	(3,300)	600
III. Cash Flows from Financing Activities		
Increase (decrease) in short-term borrowings	(257)	1,549
Proceeds from long-term debt	-	1,500
Repayment of long-term debt	-	(1,500)
Net change from purchase and sale of treasury stock	(26)	(25)
Payment of dividends	(1,668)	(1,899)
Net cash used in financing activities	(1,953)	(376)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	77	162
V. Increase (decrease) in Cash and Cash Equivalents	(262)	2,630
VI. Cash and Cash Equivalents at Beginning of Period	24,030	26,068
VII. Cash and Cash Equivalents at End of Period	23,768	28,699