



K O S É

July 31, 2006

**Summary of Financial Results for Three Months Ended June 30, 2006
(Consolidated)**

Company name: **KOSÉ Corporation**
 Stock code: 4922
 Stock exchange listing: Tokyo Stock Exchange, First Section
 Company domicile: 3-6-2, Nihonbashi, Chuo-ku, Tokyo, 103-8251, Japan
 URL: <http://www.kose.co.jp/>
 President: Yasukiyo Kobayashi
 Contact: Tsuneo Kitazawa,
 General Manager of Public Relations Div. & Investor Relations Div.
 Tel: +81- (0) 3-3273-1812

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: | None |

2. Financial Results for Three Months Ended June 2006 (April 1, 2006 – June 30, 2006)

(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 (%)
Three months ended Jun. 2006	40,924	(2.7)	1,964	(22.1)	2,093	(23.2)
Three months ended Jun. 2005	42,052	5.2	2,522	(38.3)	2,724	(36.1)
(Reference) Year ended Mar. 2006	177,810	4.6	19,561	5.4	20,590	8.9

	Net income		Net income per share	Diluted net income per share
	Million yen	YoY change (%)	Yen	Yen
Three months ended Jun. 2006	296	-	4.90	-
Three months ended Jun. 2005	(404)	-	(7.34)	-
(Reference) Year ended Mar. 2006	9,986	6.1	180.00	-

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 April 1, 2006, retroactively adjusted for stock splits to the beginning of FY2005, net income per share was (6.67) yen for the three months ended June 30, 2005, and 163.64 yen for the fiscal year ended March 31, 2006.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2006	168,271	97,881	56.0	1,556.92
As of Jun. 30, 2005	161,951	87,082	53.8	1,581.74
(Reference) As of Mar. 31, 2006	171,975	95,352	55.4	1,730.68

Note: After adjusting for the 1-to-1.1 stock split conducted on April 1, 2006, retroactively adjusted for stock splits to the beginning of FY2005, net assets per share was 1,437.95 yen as of June 30, 2005, and 1,573.34 yen as of March 31, 2006.

(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
Three months ended Jun. 2006	(1,560)	745	(1,273)	29,433
Three months ended Jun. 2005	(2,083)	1,642	(887)	24,815
(Reference) Year ended Mar. 2006	10,653	(5,375)	(93)	31,386

3. Forecast for the Fiscal Year Ending March 2007 (April 1, 2006 - March 31, 2007)

There are no revisions to the forecast announced on May 10, 2006.

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	89,500	6,100	2,300
Full year	185,800	20,000	10,200

Reference: Estimated net income per share for the fiscal year ending March 2007: 168.44 yen

Note: The estimated net income per share is calculated based on an estimated number of shares outstanding after taking the stock split scheduled on April 1, 2006 into account.

Cautionary statement

Forecasts regarding future performance in these materials are based judgments made in accordance with information available at the time this report 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

Financial Results for Three Months Ended June 2006 (April 1, 2006 – June 30, 2006)

Millions of yen, %

Operating segment	Three months ended Jun. 2005		Three months ended Jun. 2006		Change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	30,906	73.5	30,728	75.1	(178)	(0.6)
Cosmetaries	10,287	24.5	9,367	22.9	(920)	(8.9)
Other	858	2.0	828	2.0	(29)	(3.5)
Total net sales	42,052	100.0	40,924	100.0	(1,128)	(2.7)

Item	Three months ended Jun. 2005		Three months ended Jun. 2006		Change	
	Amount	%	Amount	%	Amount	%
Operating income	2,522	6.0	1,964	4.8	(558)	(22.1)
Ordinary income	2,724	6.5	2,093	5.1	(631)	(23.2)
Net income	(404)	(1.0)	296	0.7	700	-

During the first quarter, the Japanese economy continued to expand steadily, despite higher crude oil prices and other concerns, driven by rising corporate capital expenditures and consumer spending. In the cosmetics industry, unit volume and monetary sales of cosmetics in Japan remained flat year-on-year during the first five months of 2006, according to statistics compiled by the Ministry of Economy, Trade and Industry.

In this environment, KOSÉ conducted distinctive brand marketing and strengthened moves to support sales of brands designed for specific sales channels, such as cosmetics stores, department stores and GMSs.

In the cosmetics business, ALBION CO., LTD., which sells luxury goods continued to perform well. The company markets the INFINITY line of products that are sold exclusively at GMSs and drug stores. However, aggregate sales in the cosmetics business were sluggish, held down by weak sales of skincare products in other mainstay brands. Poor weather and a reaction to active sales promotions in the first quarter of the previous fiscal year impacted on sales.

Overseas, KOSÉ implemented effective sales strategies, in addition to concentrating on signing up more leading department stores in China and South Korea.

In the cosmetaries business, despite strong sales of SOFTYMO's cleansing products, total sales suffered a year-on-year decline, as the initial round of sales of new products introduced in the first quarter of the previous fiscal year ran their course.

In the other business, orders for the manufacture of OEM products increased slightly, but there was a downturn in orders for sales agents in the amenities category.

As a result of the above factors, first-quarter operating income fell 22.1% year-on-year to 1,964 million yen, as net sales declined 2.7% to 40,924 million yen. Ordinary income fell 23.2% to 2,093 million yen. Net income was 296 million yen, up from a net loss of 404 million yen in the previous first quarter due to impairment losses.

Although the operating environment is expected to remain severe in the first half and the full fiscal year, KOSÉ has left its consolidated forecasts of operating results unchanged, as planned launching of new products and brands will contribute to business results.

1. Summary Consolidated Balance Sheets

Unit: Millions of yen

Account	1Q FY2005 As of Jun. 30, 2005	1Q FY2006 As of Jun. 30, 2006	Change	FY2005 As of March 31, 2006
Assets				
I. Current assets				
Cash and time deposits	18,936	22,046	125	21,920
Notes and accounts receivable	23,555	23,850	(2,747)	26,597
Short-term investments in securities	15,099	17,956	(3,524)	21,481
Inventories	25,089	25,566	2,803	22,762
Deferred tax assets-current	3,988	3,948	(46)	3,994
Other current assets	5,459	5,736	552	5,183
Allowance for doubtful accounts	(381)	(331)	(5)	(326)
Total current assets	91,745	98,772	(2,841)	101,613
II. Fixed assets				
Property, plant and equipment				
Buildings and structures	12,424	11,601	(129)	11,730
Machinery and automotive equip.	2,934	2,780	87	2,693
Furniture and fixtures	6,005	6,518	97	6,421
Land	16,429	18,052	9	18,043
Construction in progress	155	63	(26)	90
Total property, plant and equipment	37,948	39,017	38	38,978
Intangible assets				
Software	4,071	4,688	(65)	4,754
Other intangible assets	793	407	(31)	439
Total intangible assets	4,864	5,096	(97)	5,194
Investments and others				
Investments in securities	10,413	8,478	(130)	8,608
Deferred tax assets-non-current	14,897	14,634	(99)	14,734
Others	2,418	2,631	(581)	3,213
Allowance for doubtful accounts	(336)	(359)	8	(367)
Total investments and others	27,392	25,385	(803)	26,188
Total fixed assets	70,205	69,499	(862)	70,361
Total assets	161,951	168,271	(3,703)	171,975

Unit: Millions of yen

Account	1Q FY2005 As of Jun. 30, 2005	1Q FY2006 As of Jun. 30, 2006	Change	FY2005 As of March 31, 2006
Liabilities				
I. Current liabilities				
Notes and accounts payable	18,969	17,158	4,276	12,882
Short-term borrowings	4,870	5,267	1	5,266
Accounts payable-other	6,034	6,029	(1,378)	7,408
Accrued expenses	4,206	4,024	(2,822)	6,847
Accrued income taxes	1,454	1,034	(4,318)	5,353
Other current liabilities	3,761	4,526	1,727	2,798
Total current liabilities	39,297	38,041	(2,514)	40,556
II. Long-term liabilities				
Long-term debt	-	1,500	-	1,500
Accrued employees' retirement benefits	29,320	27,336	(530)	27,867
Accrued officers' severance benefits	3,099	3,363	161	3,202
Other long-term liabilities	173	147	(9)	157
Total long-term liabilities	32,594	32,348	(379)	32,727
Total liabilities	71,891	70,390	(2,894)	73,284
Minority interests	2,977	-	-	3,338
Shareholders' equity				
I. Common stock	4,848	-	-	4,848
II. Capital surplus	6,391	-	-	6,391
III. Consolidated retained earnings	74,282	-	-	83,682
IV. Net unrealized holding gain (loss) on other securities	399	-	-	234
V. Foreign currency translation adjustments	1,255	-	-	307
VI. Treasury stock	(94)	-	-	(111)
Total shareholders' equity	87,082	-	-	95,352
Total liabilities, minority interests and shareholders' equity	161,951	-	-	171,975
Net assets				
I. Shareholders' equity				
Common stock	-	4,848	-	-
Capital surplus	-	6,391	-	-
Consolidated retained earnings	-	82,691	-	-
Treasury stock	-	(130)	-	-
Total shareholders' equity	-	93,799	-	-
II. Valuation and translation adjustments				
Net unrealized holding gain (loss) on other securities	-	142	-	-
Deferred hedge gain (loss)	-	8	-	-
Foreign currency translation adjustments	-	323	-	-
Total valuation and translation adjustments	-	474	-	-
III. Minority interests	-	3,607	-	-
Total net assets	-	97,881	-	-
Total liabilities and net assets	-	168,271	-	-

2. Summary Consolidated Statements of Income

Unit: Millions of yen

Account	1Q FY2005 Apr. 1, 2005 - Jun. 30, 2005		1Q FY2006 Apr. 1, 2006 - Jun. 30, 2006		Change		FY2005 Apr. 1, 2005 - Mar. 31, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	42,052	100.0	40,924	100.0	(1,128)	97.3	177,810	100.0
Cost of sales	10,325	24.6	10,369	25.3	43	100.4	43,114	24.2
Gross profit	31,727	75.4	30,555	74.7	(1,171)	96.3	134,696	75.8
SG&A expenses	29,204	69.4	28,591	69.9	(613)	97.9	115,135	64.8
Operating income	2,522	6.0	1,964	4.8	(558)	77.9	19,561	11.0
Non-operating income								
Interest and dividend income	98		82		(16)		301	
Foreign exchange gains	53		17		(35)		655	
Other non-operating income	80		75		(5)		260	
Total non-operating income	232	0.6	175	0.4	(57)	75.4	1,217	0.7
Non-operating expenses								
Interest expense	17		13		(3)		45	
Other non-operating expenses	13		32		19		143	
Total non-operating expenses	30	0.1	46	0.1	15	151.2	188	0.1
Ordinary income	2,724	6.5	2,093	5.1	(631)	76.8	20,590	11.6
Extraordinary income	10	0.0	13	0.0	3	138.4	2,043	1.1
Extraordinary loss*	1,840	4.4	10	0.0	(1,829)	0.6	3,931	2.2
Net income before income taxes	894	2.1	2,096	5.1	1,202	234.4	18,701	10.5
Income taxes-current	1,463	3.5	1,290	3.2	(172)	88.2	8,222	4.6
Income taxes-deferred	132	0.3	200	0.5	67	151.0	400	0.2
Minority interests-income	-	-	308	0.7	-	-	92	0.1
Minority interests-loss	297	0.7	-	-	-	-	-	-
Net income	-	-	296	0.7	-	-	9,986	5.6
Net loss	404	1.0	-	-	-	-	-	-

* Extraordinary loss includes a 1,832 million yen of impairment loss in 1Q FY2005.

3. Summary Consolidated Statements of Cash Flows

Unit: Millions of yen

Account	1Q FY2005 Apr. 1, 2005 - Jun. 30, 2005	1Q FY2006 Apr. 1, 2006 - Jun. 30, 2006
I. Cash flows from operating activities		
Net income before income taxes	894	2,096
Depreciation	1,114	1,269
Impairment loss	1,832	-
Increase (decrease) in allowance for doubtful accounts	(9)	(3)
Increase (decrease) in accrued employees' retirement benefits	(516)	(531)
Increase (decrease) in accrued officers' severance benefits for director	220	161
Loss (gain) on disposal of fixed assets	5	3
Interest and dividend income	(98)	(82)
Decrease (increase) in notes and accounts receivable	906	2,798
Decrease (increase) in inventories	(2,625)	(2,790)
Increase (decrease) in notes and accounts payable	4,620	3,336
Others	(3,467)	(2,281)
Subtotal	2,875	3,977
Interests and dividends received	88	88
Interests paid	(16)	(13)
Income taxes paid	(5,031)	(5,612)
Net cash used in operating activities	(2,083)	(1,560)
II. Cash flows from investing activities		
Decrease (increase) in securities	3,499	2,001
Payment for acquisition of property, plant and equipment	(798)	(1,004)
Proceeds from sale of property, plant and equipment	1	1
Payment for acquisition of intangible assets	(88)	(231)
Payment for acquisition of investments in securities	(2)	(3)
Others	(968)	(17)
Net cash provided by investing activities	1,642	745
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	8	(7)
Net change from acquisition and sale of treasury stock	(17)	(19)
Payment of dividends	(879)	(1,246)
Net cash used in financing activities	(887)	(1,273)
IV. Effect of exchange rate changes on cash and cash equivalents	76	135
V. Increase (decrease) in cash and cash equivalents	(1,252)	(1,953)
VI. Cash and cash equivalents at beginning of period	26,068	31,386
VII. Cash and cash equivalents at end of period	24,815	29,433