



K O S É

November 8, 2006

**Summary of Interim Financial Results for the Fiscal Year Ending March 31, 2007
(Consolidated)**

Company name: **KOSÉ Corporation**
 Stock code: 4922
 Stock Exchange listing: Tokyo Stock Exchange, First Section
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Date of board meeting for approving financial results: November 8, 2006

Accounting principle: Japanese GAAP

**1. Financial Results for the First Half Ended September 2006 (April 1, 2006 - September 30, 2006)
(1) Financial results**

Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
First half ended Sep. 2006	84,833	(1.6)	4,776	(39.7)	4,953	(40.7)
First half ended Sep. 2005	86,208	3.1	7,918	(11.1)	8,359	(8.6)
Fiscal year ended Mar. 2006	177,810		19,561		20,590	

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
First half ended Sep. 2006	1,738	(39.5)	28.71	-
First half ended Sep. 2005	2,874	(34.9)	52.20	-
Fiscal year ended Mar. 2006	9,986		180.00	-

Notes:

1. Average number of shares outstanding (consolidated)

First half ended Sep. 2006: 60,551,634 shares

First half ended Sep. 2005: 55,055,825 shares

Fiscal year ended Mar. 2006: 55,054,092 shares

2. Changes in accounting principles applied: None

3. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2006	169,770	99,480	56.4	1,580.96
As of September 30, 2005	166,605	90,310	54.2	1,640.41
As of March 31, 2006	171,975	95,352	55.4	1,730.68

Note: Number of shares outstanding (consolidated) at the end of the period

As of September 30, 2006: 60,550,117 shares

As of September 30, 2005: 55,053,969 shares

As of March 31, 2006: 55,051,193 shares

(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
First half ended Sep. 2006	1,598	(1,197)	(1,823)	30,057
First half ended Sep. 2005	1,362	2,126	(607)	29,082
Fiscal year ended Mar. 2006	10,653	(5,375)	(93)	31,386

(4) The scope of consolidation and application of the equity method

Consolidated subsidiaries: 30

Unconsolidated subsidiaries accounted for under the equity method: 0

Affiliates accounted for under the equity method: 0

(5) Changes in the scope of consolidation and affiliates accounted for under the equity method

Consolidated subsidiaries:

Newly added: 2

Excluded: 0

Affiliates accounted for under the equity method:

Newly added: 0

Excluded: 0

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

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full Year	180,000	16,000	7,800

Reference: Estimated net income per share for the fiscal year ending March 2007: 128.82 yen

The above forecasts are based on assumptions and other relevant factors discussed in the section on supplementary information. (Page: 10)

1. The KOSÉ Group

The KOSÉ Group includes KOSÉ Corporation and 32 subsidiaries. The principal activities and the relationship of group companies are as follows:

(1) Manufacturing

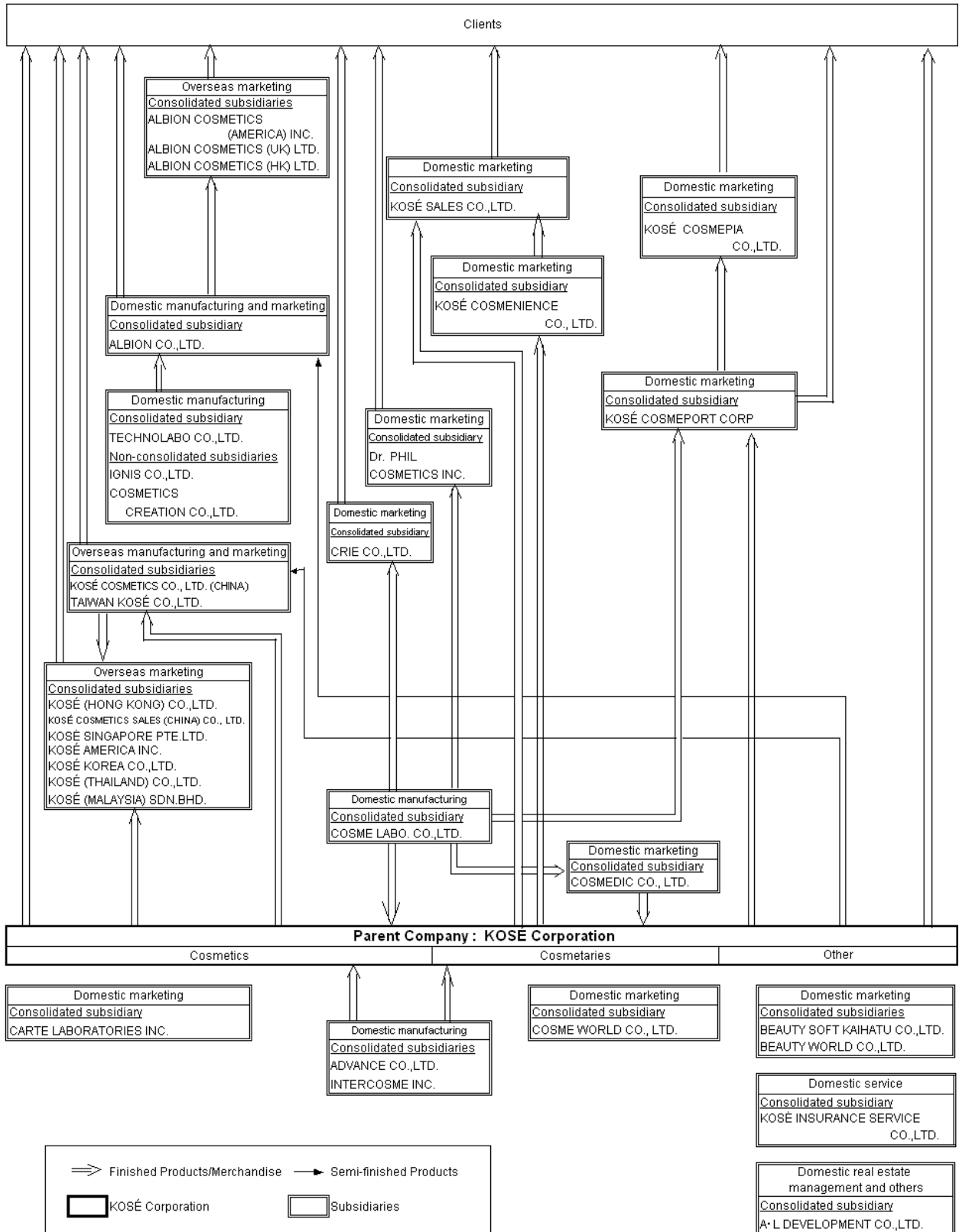
Company name		Principal activities
Domestic		
Parent company	KOSÉ Corporation	Manufacture of cosmetics
Consolidated subsidiary	COSME LABO. CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	ADVANCE CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	INTERCOSME INC.	Manufacture of plastic and cardboard containers
Consolidated subsidiary	ALBION CO., LTD.	Manufacture of cosmetics
N-cons. subsidiary accounted for under the equity method	COSMETICS CREATION CO., LTD.	Manufacture of cosmetics
N-cons. subsidiary accounted for under the equity method	IGNIS CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	TECHNOLABO CO., LTD.	Manufacture and processing of cosmetics
Overseas		
Consolidated subsidiary	KOSÉ COSMETICS CO., LTD. (CHINA)	Manufacture, import and marketing of cosmetics
Consolidated subsidiary	TAIWAN KOSÉ CO., LTD.	Manufacture, import and marketing of cosmetics

(2) Marketing and Service

Company name		Principal activities
Domestic		
Consolidated subsidiary	KOSÉ SALES CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMENIENCE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPORT CORP	Wholesaling of cosmetics
Consolidated subsidiary	CARTE LABORATORIES INC.	Marketing of cosmetics on consignment
Consolidated subsidiary	COSMEDIC CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	CRIE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPIA CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	Dr. PHIL COSMETICS INC.	Wholesaling of cosmetics
Consolidated subsidiary	COSME WORLD CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	BEAUTY WORLD CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	BEAUTY SOFT KAIHATU CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	KOSÉ INSURANCE SERVICE CO., LTD.	Casualty insurance agency
Consolidated subsidiary	A-L DEVELOPMENT CO., LTD.	Real estate brokerage
Overseas		
Consolidated subsidiary	KOSÉ (HONG KONG) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ COSMETICS SALES (CHINA) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ SINGAPORE PTE. LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ AMERICA INC.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ KOREA CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (THAILAND) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (MALAYSIA) SDN. BHD.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (AMERICA) INC.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (UK) LTD.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (HK) LTD.	Import and marketing of cosmetics

Note: ALBION COSMETICS (UK) LTD. is currently being liquidated.

(3) Business relationship in Group



2. Management Policies

1. Fundamental Management Policy

The nucleus of the KOSÉ Group's management policy is "consistently managing to heighten corporate value" by pursuing growth and greater efficiency. The top priority is the provision of products and services of the highest quality to earn the true satisfaction of customers. The Group conducts a distinctive brand marketing program in which brands that match the needs of consumers are supplied through the most suitable retail channels. These activities are backed by three key components: world-leading expertise in R&D in such fields of cosmetics as foundation products and beauty care essences; superior manufacturing expertise that draws on highly sophisticated equipment and technology; and the collective strengths of all group companies.

For the purpose of managing the Group to consistently increase corporate value, these strengths are used effectively in order to heighten the value of KOSÉ brands and, through gains in operating efficiency, make the Group even more profitable. 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. Profit Allocation Policy

Preserving a stable dividend is the fundamental policy for returning earnings to shareholders. But the Company retains an aggressive posture regarding other measures to return earnings, such as dividend increases, while taking into account the need to retain earnings to fund future growth as well as current financial soundness, operating results and the dividend payout ratio.

3. Goals and Performance Indicators

The Group is placing priority on improving the operating margin and return on total assets (ROA). In terms of concrete targets, KOSÉ aims to raise operating margin to 11.7% of net sales and raise the ROA to 13.0% by the fiscal year ending in March 2009.

Note: $ROA = (\text{Operating income} + \text{Interest and dividend income}) / \text{Total assets (average of assets at beginning and end of year)} \times 100$

4. Medium- and Long-Term Strategies and Important Issues

The Company is placing priority on expanding all of its businesses, not only by increasing its market share in Japan, but also by moving faster to target opportunities in growing markets. The Company is also building a powerful operating framework that can succeed against new forms of competition with other companies.

In response, the Group in April 2006 launched a three-year medium-term management plan that carries on four central elements: strengthening brand marketing; improving efficiency and profitability; targeting opportunities in growing markets, and training and fostering talented employees. The entire Group will focus its energy on these four issues.

The first core element of this management plan is reinforcing KOSÉ's distinctive brand marketing activities, which represent the Group's greatest strengths. KOSÉ plans to achieve the optimal brand allocation to support an increasingly diverse range of distribution channels. Additionally, core brands will be developed into brands that are recognized worldwide as sources of significant value. Moreover, the Group will place priority on establishing a presence in new distribution channels and starting new cosmetics businesses in order to expand into other business domains that involve cosmetics.

The second core element is the forceful implementation of structural reforms. The goals here are more gains in efficiency and profitability. Currently, the Company is assembling a supply chain management (SCM) and building a new accounting system. The Company plans to generate concrete benefits from these investments by streamlining all business units and executing business process reforms to optimize all aspects of operations. Moreover, the entire company is concentrating on the important management theme of reforming the cost structure.

The third core element is the development of overseas markets, especially growing markets in Asia, to increase sales outside Japan. The goal is to increase overseas sales ratio to at least 11% of total sales by the fiscal year ending in March 2009. The Company will concentrate on strengthening of brand marketing as in Japan. In addition, actions will be taken to stabilize overseas operations by establishing close links with domestic activities with regard to business infrastructure components such as research, manufacturing, distribution and information systems.

The fourth core element is the development of manpower to carry KOSÉ forward in the years ahead. The composition of our staff has undergone noticeable changes in recent years. Furthermore, aggressive expansion into overseas markets is making this task even more urgent. To effectively meet these challenges, KOSÉ is introducing employees' training programs, expanding its facilities, as well as reviewing promotion assessment.

Due to the above factors, KOSÉ is targeting net sales of 204,400 million yen, operating income of 24,000 million yen, ordinary income of 24,000 million yen, and net income of 12,700 million yen in the fiscal year ending in March 2009.

KOSÉ revises its three-year medium-term management plan in every fiscal year based on operating results, market trends and other items. These revisions may result in changes to the above targets.

5. Matters Concerning the Parent Company

No reportable information.

3. Results of Operations and Financial Condition

I. Results of Operations

1. Review of Operations

(1) Financial Results

Millions of yen, %

Operating segment	First half ended Sep. 30, 2005		First half ended Sep. 30, 2006		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	62,773	72.8	62,858	74.1	85	0.1
Cosmetaries	21,754	25.2	20,435	24.1	(1,319)	(6.1)
Other	1,681	2.0	1,539	1.8	(141)	(8.4)
Total net sales	86,208	100.0	84,833	100.0	(1,375)	(1.6)

Item	First half ended Sep. 30, 2005		First half ended Sep. 30, 2006		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	7,918	9.2	4,776	5.6	(3,141)	(39.7)
Ordinary income	8,359	9.7	4,953	5.8	(3,405)	(40.7)
Net income	2,874	3.3	1,738	2.0	(1,135)	(39.5)

During the first half of the fiscal year, the Japanese economy continued to expand steadily, despite crude oil price trends 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 eight months of 2006, according to statistics compiled by the Ministry of Economy, Trade and Industry.

In this environment, KOSÉ conducted distinctive brand marketing and promoted moves to support sales of brands designed for specific sales channels, such as cosmetics stores, department stores and GMSs. In addition, KOSÉ took many other growth-oriented measures that included the launch of the RIMMEL brand through a licensing agreement.

First half performance benefited from strength in luxury cosmetics products and double-digit sales growth outside Japan. However, there was an even greater negative impact from more intense competition and unfavorable weather in Japan. The result was a 1.6% decrease in net sales to 84,833 million yen. Lower net sales had a substantial impact on earnings. Operating income was down 39.7% to 4,776 million yen, ordinary income fell 40.7% to 4,953 million yen and interim net income declined 39.5% to 1,738 million yen.

(2) Results by Business Segment

1. Cosmetics Business

Millions of yen, %

Item	First half ended Sep. 30, 2005	First half ended Sep. 30, 2006	Change	
			Amount	% YoY
Sales to third parties	62,773	62,858	85	0.1
Intragroup sales and transfers	10	10	-	-
Total net sales	62,784	62,869	-	-
Operating income	7,414	6,377	(1,037)	(14.0)
Operating margin	11.8	10.1	-	-

Sales of high-value-added brands were strong in the cosmetics business. Also contributing to sales growth were strong performances by the INFINITY line of products that are sold exclusively at GMSs and drug stores, and ALBION CO., LTD., which sells luxury products. Moreover, products of the JILL STUART brand, which KOSÉ launched in August 2005, posted higher sales as the number of stores, mainly department stores, selling these products increased.

The core KOSÉ brand recorded lower sales, a performance that was due in part the contribution of sales promotions in the first half of the previous fiscal year.

Overseas, effective sales strategies raised awareness of brands and efforts to raise the number of stores handling KOSÉ products continued. The result was a 14.1% increase in overseas sales.

Due to the above factors, net sales in the cosmetics business increased 0.1% to 62,858 million yen, and operating income decreased 14.0% to 6,377 million yen due to an increase in the cost of sales ratio.

Major new products introduced during the interim period were as follows:

- COSME DECORTE AQ (skin care series)
- PRÉDIA AFFINITY (makeup series)

2. Cosmetaries Business

Millions of yen, %

Item	First half ended Sep. 30, 2005	First half ended Sep. 30, 2006	Change	
			Amount	% YoY
Sales to third parties	21,754	20,435	(1,319)	(6.1)
Intragroup sales and transfers	-	-	-	-
Total net sales	21,754	20,435	-	-
Operating income	2,151	380	(1,771)	(82.3)
Operating margin	9.9	1.9	-	-

In the cosmetaries business, performance was affected by intense competition and year-on-year declines in sales of makeup products, partly because the initial round of sales of new products introduced one year ago have run their course, and in shampoo and other hair care products.

Sales of many products that offer highly distinctive features were higher. In particular, SOFTYMO cleansing products were higher and Coen Rich Q10 hand cream performed well.

As a result, net sales in the cosmetaries business decreased 6.1% to 20,435 million yen and operating income decreased 82.3% to 380 million yen.

Major new products introduced during the interim period were as follows:

- SALON STYLE nano-charge (styling series)
- JUNKISEI PRIME (skin care series)
- RIMMEL (makeup series)

3. Other Business

Millions of yen, %

Item	First half ended Sep. 30, 2005	First half ended Sep. 30, 2006	Change	
			Amount	% YoY
Sales to third parties	1,681	1,539	(141)	(8.4)
Intragroup sales and transfers	1,117	1,138	-	-
Total net sales	2,798	2,678	-	-
Operating income	272	191	(80)	(29.6)
Operating margin	9.7	7.2	-	-

In this segment, 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 despite promotional activities and other measures to increase sales.

The result was an 8.4% decrease in net sales to 1,539 million yen, and operating income decreased 29.6% to 191 million yen.

2. Outlook

Millions of yen, %

Operating segment	First half ended Sep. 30, 2005		First half ended Sep. 30, 2006		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	132,613	74.6	136,400	75.8	3,786	2.9
Cosmetaries	41,877	23.5	40,600	22.6	(1,277)	(3.0)
Other	3,319	1.9	3,000	1.6	(319)	(9.6)
Total net sales	177,810	100.0	180,000	100.0	2,189	1.2

Item	First half ended Sep. 30, 2005		First half ended Sep. 30, 2006		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	19,561	11.0	16,000	8.9	(3,561)	(18.2)
Ordinary income	20,590	11.6	16,000	8.9	(4,590)	(22.3)
Net income	9,986	5.6	7,800	4.3	(2,186)	(21.9)

* Forecasts are based on foreign exchange rates of 116 yen to the U.S. dollar, 3.6 yen to the Taiwan dollar and 14.5 yen to the Chinese yuan.

Moderate economic growth is expected to continue in Japan as corporate earnings recover. However, the high cost of crude oil, weakening growth in consumer spending and other factors make the outlook uncertain. In the cosmetics industry, KOSÉ continues to face a challenging operating environment caused by diversifying consumer preferences and intensifying competition. Furthermore, cosmetics demand in Japan is unlikely to grow significantly.

To meet these challenges, the Group will further strengthen its distinctive brand marketing activities in order to respond to increasingly diverse market and customer needs. In addition, the Group will establish new sales channels and expand into new business domains.

In the cosmetics business, initiatives will be focused on the core COSME DECORTE brand, for which a business unit has been established. The goal is to further enhance the power of this brand through actions such as raising the market profile of the newly introduced ESPRIQUE PRECIOUS brand. Outside Japan, KOSÉ will continue to work on raising sales by concentrating on the three core markets of China, Taiwan and South Korea.

In the cosmetaries business, the goals are to increase the number of stores that handle the RIMMEL brand, which was newly introduced during the first half of this fiscal year, and to introduce new strategic products to become more competitive.

Regarding structural reforms, KOSÉ will continue to execute company-wide business process reforms while studying measures concerning the rebuilding of the sales framework and programs to train beauty care sales professionals.

KOSÉ is reallocating operating expenses, chiefly selling expenses, in response to the shift in its sales composition. The objective is to conduct highly targeted and effective activities to sell products bearing newly introduced brands.

Based on this outlook, KOSÉ has revised its fiscal year forecasts as follows.

The fiscal year forecasts have been significantly affected by the weak sales in the first half. For the fiscal year, the Company is forecasting a 1.2% increase in net sales to 180,000 million yen but, due to strategic selling expenses, an 18.2% decrease in operating income to 16,000 million yen, a 22.3% decrease in ordinary income to 16,000 million yen and a 21.9% decrease in net income to 7,800 million yen.

The Company decided to pay an interim dividend of 20 yen per share, and plans to pay a year-end dividend of 20 yen per share. This will make the total dividend per share for the fiscal year of 40 yen as has been originally planned.

II. Financial Position

Cash Flows

Millions of yen

	First half ended Sep. 30, 2005	First half ended Sep. 30, 2006	Change
Net cash provided by (used in) operating activities	1,362	1,598	236
Net cash provided by (used in) investing activities	2,126	(1,197)	(3,323)
Net cash provided by (used in) financing activities	(607)	(1,823)	(1,215)
Increase in cash and cash equivalents	3,014	(1,329)	(4,344)
Cash and cash equivalents at end of period	29,082	30,057	974

Cash and cash equivalents (consolidated basis) as of September 30, 2006 were 30,057 million yen, an increase of 974 million yen, or 3.3%, compared with one year earlier. Cash flows and major components during the first half of the fiscal year were as follows.

Net cash provided by operating activities was 1,598 million yen, 17.4% more than in the same period of the previous fiscal year. This was mainly the net result of net income before income taxes of 4,844 million yen, a depreciation of 2,440 million yen, a non-cash expense, a decrease in accrued employees' retirement benefits of 1,038 million yen, a decrease in notes and accounts receivable of 1,146 million yen, an increase in inventories of 2,010 million yen, an increase in notes and accounts payable of 2,112 million yen, and an income tax paid of 5,720 million yen.

Net cash used in investing activities was 1,197 million yen compared with net cash provided of 2,126 million yen one year earlier. The major components were a net payment of 610 million yen for increase in time deposits, a net proceed of 1,972 million yen from the sale/purchase of securities, a payment for purchase of property, plant and equipment of 1,757 million yen, and 508 million yen for the acquisition of investments in securities.

Net cash used in financing activities was 1,823 million yen, 199.9% more than the same period of the previous fiscal year. This was mainly the result of a net decrease in borrowings of 551 million yen, and 1,246 million yen used for the cash dividends paid.

These materials contain forward-looking statements and statements of this nature based on information current as of November 8, 2006. As such, these projections entail risks and uncertainties resulting from changes in the economic environment. Readers should be aware that actual results and events might differ substantially from these projections.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Unit: Millions of yen

Account title	Period	FY2005 Interim As of Sep. 30, 2005		FY2006 Interim As of Sep. 30, 2006		FY2005 As of March 31, 2006	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
Cash and time deposits		21,209		20,277		21,920	
Notes and accounts receivable		24,583		25,442		26,597	
Short-term investments in securities		16,099		19,988		21,481	
Inventories		26,044		24,754		22,762	
Deferred tax assets-current		3,986		4,094		3,994	
Other current assets		5,345		5,293		5,183	
Allowance for doubtful accounts		(304)		(252)		(326)	
Total current assets		96,964	58.2	99,596	58.7	101,613	59.1
II Fixed assets							
Property, plant and equipment							
Buildings and structures		12,275		11,378		11,730	
Machinery and automotive equip.		2,845		2,676		2,693	
Furniture and fixtures		6,107		6,472		6,421	
Land		16,480		18,044		18,043	
Construction in progress		427		58		90	
Total property, plant and equipment		38,136	22.9	38,631	22.8	38,978	22.7
Intangible assets							
Software		3,856		4,416		4,754	
Other intangible assets		837		406		439	
Total intangible assets		4,694	2.8	4,823	2.8	5,194	3.0
Investments and others							
Investments in securities		10,047		9,576		8,608	
Deferred tax assets-non-current		14,647		14,400		14,734	
Others		2,457		3,101		3,213	
Allowance for doubtful accounts		(343)		(360)		(367)	
Total investments and others		26,809	16.1	26,719	15.7	26,188	15.2
Total fixed assets		69,640	41.8	70,173	41.3	70,361	40.9
Total assets		166,605	100.0	169,770	100.0	171,975	100.0
Liabilities							
I Current liabilities							
Notes and accounts payable		17,438		16,033		12,882	
Short-term borrowings		5,174		4,693		5,266	
Accounts payable-other		5,718		5,437		7,408	
Accrued expenses		7,160		7,246		6,847	
Accrued income taxes		3,010		2,048		5,353	
Accrued consumption taxes		514		741		967	
Reserve for returned goods unsold		882		910		892	
Other current liabilities		1,050		1,402		938	
Total current liabilities		40,949	24.6	38,515	22.7	40,556	23.6
II Long-term liabilities							
Long-term debt		-		1,500		1,500	
Accrued employees' retirement benefits		28,838		26,830		27,867	
Accrued officers' severance benefits		3,137		3,318		3,202	
Other long-term liabilities		168		125		157	
Total long-term liabilities		32,144	19.3	31,774	18.7	32,727	19.0
Total liabilities		73,093	43.9	70,290	41.4	73,284	42.6
Minority interests		3,200	1.9	-	-	3,338	2.0

Unit: Millions of yen

Account title	Period	FY2005 Interim As of Sep. 30, 2005		FY2006 Interim As of Sep. 30, 2006		FY2005 As of March 31, 2006	
		Amount	%	Amount	%	Amount	%
Shareholders' equity							
I Common stock		4,848	2.9	-	-	4,848	2.8
II Capital surplus		6,391	3.8	-	-	6,391	3.7
III Consolidated retained earnings		77,560	46.6	-	-	83,682	48.7
IV Net unrealized holding gain (loss) on other securities		256	0.2	-	-	234	0.1
V Foreign currency translation adjustments		1,351	0.8	-	-	307	0.2
VI Treasury stock		(97)	(0.1)	-	-	(111)	(0.1)
Total shareholders' equity		90,310	54.2	-	-	95,352	55.4
Total liabilities, minority interests and shareholders' equity		166,605	100.0	-	-	171,975	100.0
Net assets							
I Shareholders' equity							
Common stock		-	-	4,848	2.9	-	-
Capital surplus		-	-	6,391	3.8	-	-
Consolidated retained earnings		-	-	84,132	49.5	-	-
Treasury stock		-	-	(136)	(0.1)	-	-
Total shareholders' equity		-	-	95,235	56.1	-	-
II Valuation and translation adjustments							
Net unrealized holding gain (loss) on other securities		-	-	221	0.1	-	-
Deferred hedge gain		-	-	7	0.0	-	-
Foreign currency translation adjustments		-	-	261	0.2	-	-
Total valuation and translation adjustments		-	-	491	0.3	-	-
III Minority interests		-	-	3,753	2.2	-	-
Total net assets		-	-	99,480	58.6	-	-
Total liabilities and net assets		-	-	169,770	100.0	-	-

(2) Consolidated Statements of Income

Unit: Millions of yen

Account title	Period	FY2005 Interim Apr. 1, 2005 - Sep. 30, 2005		FY2006 Interim Apr. 1, 2006 - Sep. 30, 2006		FY2005 Apr. 1, 2005 - Mar. 31, 2006	
		Amount	%	Amount	%	Amount	%
Net sales		86,208	100.0	84,833	100.0	177,810	100.0
Cost of sales		20,627	23.9	21,416	25.2	43,114	24.2
Gross profit		65,581	76.1	63,416	74.8	134,696	75.8
SG&A expenses		57,663	66.9	58,640	69.2	115,135	64.8
Operating income		7,918	9.2	4,776	5.6	19,561	11.0
Non-operating income							
Interest income		45		65		72	
Dividend income		99		74		228	
Patent royalty income		29		30		54	
Foreign exchange gains		231		56		655	
Miscellaneous revenue		83		55		206	
Total non-operating income		489	0.6	282	0.3	1,217	0.7
Non-operating expenses							
Interest expense		26		28		45	
Loss on redemption of short-term investments in securities		-		39		-	
Amortization of initial expenses		-		18		-	
Miscellaneous loss		22		19		143	
Total non-operating expenses		48	0.1	105	0.1	188	0.1
Ordinary income		8,359	9.7	4,953	5.8	20,590	11.6
Extraordinary income							
Gain on sales of fixed assets		6		8		433	
Gain on sale of investments in securities		524		-		525	
Gain on liquidation of affiliated company		-		-		1,084	
Reversal of allowance for doubtful accounts		57		52		-	
Total extraordinary income		587	0.7	60	0.1	2,043	1.1
Extraordinary loss							
Loss on disposal of fixed assets		122		170		1,052	
Unrealized holding loss on investments in securities		1		-		1	
Provision of allowance for doubtful accounts		16		-		2	
Loss on disposal of inventories		554		-		1,043	
Impairment loss		1,832		-		1,832	
Total extraordinary loss		2,527	3.0	170	0.2	3,931	2.2
Net income before income taxes		6,419	7.4	4,844	5.7	18,701	10.5
Income taxes-current		3,139	3.6	2,412	2.9	8,222	4.6
Income taxes-deferred		481	0.6	238	0.3	400	0.2
Minority interests-income		-	-	454	0.5	92	0.1
Minority interests-loss		75	0.1	-	-	-	-
Net income		2,874	3.3	1,738	2.0	9,986	5.6

(3) Consolidated Statements of Retained Earnings

Unit: Millions of yen

Account title	Period	FY2005 Interim		FY2005	
		Apr. 1, 2005 - Sep. 30, 2005		Apr. 1, 2005 - Mar. 31, 2006	
Capital surplus					
I Balance at beginning of period			6,391		6,391
II Increase in capital surplus					
Gain on disposal of treasury stock		0	0	0	0
III Balance at end of the period			6,391		6,391
Retained earnings					
I Balance at beginning of period			75,613		75,613
II Increase in retained earnings					
Net income		2,874	2,874	9,986	9,986
III Decrease in retained earnings					
Cash dividends		850		1,841	
Bonuses to officers		75	926	75	1,917
IV Balance at end of the period			77,560		83,682

(4) Consolidated Statements of Changes in Shareholders' Equity

First half ended Sep. 2006 (Apr. 1, 2006 - Sep. 30, 2006)

Unit: Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Consolidated retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	4,848	6,391	83,682	(111)	94,809
Changes in the current period					
Dividend of surplus (Note)			(1,211)		(1,211)
Directors' bonuses (Note)			(76)		(76)
Net income			1,738		1,738
Acquisition of treasury stock				(25)	(25)
Disposal of treasury stock		0		0	0
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	0	450	(25)	425
Balance as of Sep. 30, 2006	4,848	6,391	84,132	(136)	95,235

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	234	-	307	542	3,338	98,691
Changes in the current period						
Dividend of surplus (Note)						(1,211)
Directors' bonuses (Note)						(76)
Net income						1,738
Acquisition of treasury stock						(25)
Disposal of treasury stock						0
Changes (net) in items other than shareholders' equity	(12)	7	(46)	(51)	414	363
Total changes in the current period	(12)	7	(46)	(51)	414	789
Balance as of Sep. 30, 2006	221	7	261	491	3,753	99,480

Note: Appropriation of earnings resolved at the general meeting of shareholders in June 2006.

(5) Consolidated Statements of Cash Flows

Unit: Millions of yen

Account title	Period	FY2005 Interim	FY2006 Interim	FY2005
		Apr. 1, 2005 - Sep. 30, 2005	Apr. 1, 2006 - Sep. 30, 2006	Apr. 1, 2005 - Mar. 31, 2006
I Cash flows from operating activities				
Net income before income taxes		6,419	4,844	18,701
Depreciation		2,298	2,440	4,996
Impairment loss		1,832	-	1,832
Increase (decrease) in allowance for doubtful accounts		(79)	(80)	(35)
Increase (decrease) in accrued employees' retirement benefits		(1,000)	(1,038)	(1,972)
Increase (decrease) in accrued officers' severance benefits for director		258	116	322
Increase (decrease) in reserve for other allowances		3	18	13
Loss (gain) on disposal of fixed assets		116	161	618
Interest and dividend income		(144)	(139)	(301)
Interest expense		26	28	45
Foreign exchange loss (gain)		(109)	(18)	(224)
Loss on redemption of short-term investments in securities		-	39	-
Loss (gain) on sale of investment in securities		(524)	-	(525)
Gain on liquidation of affiliated company		-	-	(1,084)
Decrease (increase) in notes and accounts receivable		(81)	1,146	(1,956)
Decrease (increase) in inventories		(3,529)	(2,010)	(142)
Increase (decrease) in notes and accounts payable		1,449	2,112	(2,355)
Decrease (increase) in other assets		89	(121)	23
Increase (decrease) in other liabilities		(544)	(214)	399
Officers' remuneration paid		(75)	(76)	(75)
Subtotal		6,407	7,207	18,279
Interests and dividends received		128	133	301
Interests paid		(19)	(21)	(34)
Income taxes paid		(5,153)	(5,720)	(7,893)
Net cash provided by operating activities		1,362	1,598	10,653
II Cash flows from investing activities				
Payment for time deposits placed		(1,010)	(620)	(2,603)
Proceeds from time deposit		24	10	1,600
Payment for acquisition of short-term investments in securities		(5,499)	(12,988)	(13,997)
Proceeds from sale of short-term investments in securities		9,998	14,960	16,097
Payment for purchase of property, plant and equipment		(1,811)	(1,757)	(6,005)
Proceeds from sale of property, plant and equipment		15	11	778
Payment for acquisition of intangible assets		(179)	(288)	(1,249)
Payment for acquisition of investments in securities		(115)	(508)	(741)
Proceeds from sale of investments in securities		722	-	758
Decrease (increase) in other investments		(19)	(16)	(11)
Net cash provided by (used in) investing activities		2,126	(1,197)	(5,375)
III Cash flows from financing activities				
Increase (decrease) in short-term borrowings		1,792	(551)	1,840
Proceeds from long-term debt		-	-	1,500
Repayment of long-term debt		(1,500)	-	(1,500)
Net change from purchase and sale of treasury stock		(20)	(25)	(34)
Cash dividends paid		(850)	(1,211)	(1,841)
Dividends to minority shareholders		(28)	(35)	(58)
Net cash used in financing activities		(607)	(1,823)	(93)
IV Effect of exchange rate changes on cash and cash equivalents		133	91	133
V Increase (decrease) in cash and cash equivalents		3,014	(1,329)	5,318
VI Cash and cash equivalents at beginning of period		26,068	31,386	26,068
VII Cash and cash equivalents at end of period		29,082	30,057	31,386