

**Summary of Financial Results for the Fiscal Year Ended March 31, 2007
(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
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 Schedule date of general meeting of shareholders: June 28, 2007
 Schedule date of filing of Securities Report: June 28, 2007
 Starting date of dividend payment: June 29, 2007

(Rounded down to million yen)

**1. Consolidated Financial Results for the Fiscal Year Ended March 2007
(April 1, 2006 – March 31, 2007)**

(1) Consolidated financial results

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

	Net sales (Million yen)	YoY change (%)	Operating income (Million yen)	YoY change (%)	Ordinary income (Million yen)	YoY change (%)
FY03/2007	176,390	(0.8)	13,730	(29.8)	14,285	(30.6)
FY03/2006	177,810	4.6	19,561	5.4	20,590	8.9

	Net income (Million yen)	YoY change (%)	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
FY03/2007	6,895	(31.0)	114.22	-
FY03/2006	9,986	6.1	180.00	-

	Return on equity (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY03/2007	7.1	8.3	7.8
FY03/2006	10.9	12.2	11.0

(Ref.) Equity in earnings of unconsolidated subsidiaries

FY03/2007: - million yen FY03/2006: - million yen

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2007	171,638	102,362	57.3	1,636.44
FY03/2006	171,975	95,352	55.4	1,730.68

(Ref.) Shareholders' equity

FY03/2007: 98,267 million yen FY03/2006: - million yen

(3) Consolidated cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of year (Million yen)
	Operating activities (Million yen)	Investing activities (Million yen)	Financing activities (Million yen)	
FY03/2007	11,203	(6,911)	(4,766)	31,119
FY03/2006	10,653	(5,375)	(93)	31,386

2. Dividends

Record date	Dividend per share			Total dividends (annual) (Million yen)	Payout ratio (consolidated) (%)	Dividend on equity (consolidated) (%)
	First-half (Yen)	Year-end (Yen)	Annual (Yen)			
FY03/2007	18.00	22.00	40.00	2,202	22.2	2.4
FY03/2006	20.00	20.00	40.00	2,411	35.0	2.5
FY03/2008 (forecast)	20.00	20.00	40.00		29.3	

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

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

	Net sales	YoY	Operating	YoY	Ordinary	YoY	Net	YoY	Net income
	(Million yen)	change (%)	income (Million yen)	change (%)	income (Million yen)	change (%)	income (Million yen)	change (%)	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 (changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standard: Yes

2) Other changes: None

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding (incl. treasury stock)

As of March 31, 2007: 60,592,541 shares

As of March 31, 2006: 55,084,129 shares

2) Number of treasury stock

As of March 31, 2007: 543,046 shares

As of March 31, 2006: 32,936 shares

(Reference) Non-consolidated financial results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 2007

(April 1, 2006 – March 31, 2007)

(1) Non-consolidated financial results

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

	Net sales (Million yen)	YoY change (%)	Operating income (Million yen)	YoY change (%)	Ordinary income (Million yen)	YoY change (%)
FY03/2007	87,752	(4.6)	3,338	(39.6)	5,713	(30.7)
FY03/2006	91,984	4.7	5,528	2.8	8,246	16.5

	Net income (Million yen)	YoY change (%)	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
FY03/2007	3,555	(29.3)	58.89	-
FY03/2006	5,031	4.6	90.39	-

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2007	120,973	76,811	63.5	1,279.14
FY03/2006	123,245	77,337	62.8	1,403.84

(Ref.) Shareholders' equity

FY03/2007: 76,811 million yen

FY03/2006: - million yen

*Cautionary statement with respect to forward-looking statements

These materials contain forward-looking statements and statements of this nature based on information available as of the announcement dated of the summary. 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.

For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to the section " 1. Results of Operations I. Analysis of Results of Operations"

(Reference) Restatement of earnings

The Company implemented a 1.1-for-1 stock split on April 1, 2006, and retroactively adjusted per share figures are as follows.

	Consolidated financial results		Dividends	Non-consolidated financial results	
	Net income per share (Yen)	Net assets per share (Yen)	Dividends per share (Yen)	Net income per share (Yen)	Net assets per share (Yen)
FY03/2007	114.22	1,636.44	40.00	58.89	1,279.14
FY03/2006	163.64	1,573.34	36.36	82.17	1,276.22

1. Results of Operations

I. Analysis of Results of Operations

1. Financial Results for the current fiscal year

(1) Review of Operations

Millions of yen, %

Operating segment	FY03/2006		FY03/2007		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	132,613	74.6	132,464	75.1	(149)	(0.1)
Cosmetaries	41,877	23.5	40,938	23.2	(939)	(2.2)
Other	3,319	1.9	2,988	1.7	(331)	(10.0)
Total net sales	177,810	100.0	176,390	100.0	(1,420)	(0.8)

	FY03/2006		FY03/2007		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	19,561	11.0	13,730	7.8	(5,831)	(29.8)
Ordinary income	20,590	11.6	14,285	8.1	(6,304)	(30.6)
Net income	9,986	5.6	6,895	3.9	(3,091)	(31.0)

During the fiscal year that ended in March 2007, Japan's economy continued to expand at a moderate pace as rising corporate earnings and capital expenditures offset concerns about crude oil prices and other uncertainties. In addition, consumer spending showed signs of rebounding even though personal income remained basically flat. In the cosmetics industry, 2006 unit volume and monetary sales of cosmetics in Japan were slightly lower than in 2005 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, GMSs, and other sales outlets. In addition, KOSÉ took many other growth-oriented measures that included the launch of the ESPRIQUE PRECIOUS brand in December 2006, which targets a broad range of stores, regardless of the type of sales channel, that offer counseling to their customers.

Fiscal year 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 in Japan. The result was a 0.8% decrease in net sales to 176,390 million yen. Earnings declined because of the lower sales and growth in both the cost of sales and general and administrative expenses. The result was a 29.8% decline in operating income to 13,730 million yen, a 30.6% decline in ordinary income to 14,285 million yen and a 31.0% decline in net income to 6,895 million yen.

2) Results by Business Segment

a. Cosmetics Business

Millions of yen, %

	FY03/2006	FY03/2007	YoY change	
			Amount	%
Sales to third parties	132,613	132,464	(149)	(0.1)
Intragroup sales and transfers	25	24	-	-
Total net sales	132,639	132,488	-	-
Operating income	17,882	14,811	(3,071)	(17.2)
Operating margin	13.5	11.2	-	-

In the cosmetics business, sales increased due to a strong performance by ALBION CO., LTD., which sells luxury products, JILL STUART brand also contributed to sales, reflecting growth in the number of stores, primarily department stores, carrying this line of cosmetics. In addition, sales of the new ESPRIQUE PRECIOUS brand exceeded the initial goal. However, the core KOSÉ brand recorded lower sales.

Overseas, effective sales strategies raised awareness of brands and efforts to raise the number of stores handling our products continued. The result was a 17% increase in overseas sales.

Due to the above factors, sales in the cosmetics business decreased 0.1% to 132,464 million yen, and operating income was down 17.2% to 14,811 million yen, mainly due to higher selling and personnel expenses.

Major new products introduced during the fiscal year were as follows:

- COSME DECORTE AQ (skin care series)
- JILL STUART (skin care series)
- ESPRIQUE PRECIOUS (makeup series, base makeup series)
- VISÉE Rush Escalation (makeup series)

b. Cosmetaries Business

Millions of yen, %

	FY03/2006	FY03/2007	YoY change	
			Amount	%
Sales to third parties	41,877	40,938	(939)	(2.2)
Intragroup sales and transfers	-	-	-	-
Total net sales	41,877	40,938	-	-
Operating income	3,339	1,044	(2,295)	(68.7)
Operating margin	8.0	2.6	-	-

In the cosmetaries business, we increased the number of stores handling the recently introduced RIMMEL line of make-up products. This category also recorded higher sales of distinctive products like SOFTYMO and Coen Rich Q10, all of which were backed by high-profile advertising and marketing activities. However, total cosmetaries sales decreased due to intense competition and because the initial round of sales of new products introduced one year ago have run their course.

As a result, sales in the cosmetaries business decreased 2.2% to 40,938 million yen, and operating income fell 68.7% to 1,044 million yen because of increases in the cost of sales and expenses associated with launching new brands.

Major new products introduced during the fiscal year were as follows:

- FASIO Hyper-stay Mascara (curl long)
- RIMMEL (makeup series)
- SOFTYMO (cleansing oil)
- Coen Rich Q10 White Hand Cream

c. Other Business

Millions of yen, %

	FY03/2006	FY03/2007	YoY change	
			Amount	%
Sales to third parties	3,319	2,988	(331)	(10.0)
Intragroup sales and transfers	2,181	2,282	-	-
Total net sales	5,500	5,270	-	-
Operating income	471	353	(118)	(25.0)
Operating margin	8.6	6.7	-	-

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, sales were lower despite promotional activities and other measures to increase sales.

The result was a 10.0% decrease in sales to 2,988 million yen, and operating income decreased 25.0% to 353 million yen.

(2) Outlook

Economic growth in Japan is expected to continue along with a further increase in private-sector demand. However, a number of factors make the economic outlook uncertain, notably the cost of crude oil and inflation. In the cosmetics industry, there are no prospects for significant growth in demand in Japan. At the same time, cosmetics companies must deal with increasingly diverse customer needs and even more intense competition. The result is an extremely challenging operating climate.

To meet these challenges, the Group will take its distinctive brand marketing activities to an even higher level in order to respond to increasingly diverse market and customer needs. The Group is also focusing on developing new sales channels and entering new business fields.

In the cosmetics business, one goal is enhancing the power of the COSME DECORTE brand, for which a business unit has been established. The goal is to increase the number of customers and establish solid relationships with these customers. 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 objective is to develop a portfolio of highly competitive brands by channeling resources primarily to strategic brands and product categories.

Regarding structural reforms, KOSÉ has started a new reorganization program with the aim of building an organization that has even greater speed and flexibility. In addition, KOSÉ continues to execute company-wide business process reforms in order to achieve a constant improvement in profitability. Through these actions, KOSÉ intends to build an even more powerful operating framework.

In the fiscal year ending March 2008, the Company is forecasting increase of 3.6% in net sales to 182,700 million yen, 16.5% increase in operating income to 16,000 million yen, 12.0% increase in ordinary income to 16,000 million yen, and 18.9% increase in net income to 8,200 million yen. The Company is forecasting capital expenditures of 5,600 million yen and depreciation expenses of 5,400 million yen.

Millions of yen, %

Operating segment	FY03/2007		FY03/2008 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	132,464	75.1	137,500	75.3	5,035	3.8
Cosmetaries	40,938	23.2	42,700	23.4	1,761	4.3
Other	2,988	1.7	2,500	1.3	(488)	(16.3)
Total net sales	176,390	100.0	182,700	100.0	6,309	3.6

	FY03/2007		FY03/2008 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	13,730	7.8	16,000	8.8	2,269	16.5
Ordinary income	14,285	8.1	16,000	8.8	1,714	12.0
Net income	6,895	3.9	8,200	4.5	1,304	18.9

* Forecasts are based on foreign exchange rates of 116 yen to the U.S. dollar, 3.6 yen to the Taiwan dollar and 14.6 yen to the Chinese yuan.

2. Financial Position

(1) Cash Flows

Millions of yen

	FY03/2006	FY03/2007	Change
Net cash provided by (used in) operating activities	10,653	11,203	549
Net cash provided by (used in) investing activities	(5,375)	(6,911)	(1,536)
Net cash provided by (used in) financing activities	(93)	(4,766)	(4,672)
Increase (decrease) in cash and cash equivalents	5,318	(267)	(5,585)
Cash and cash equivalents at end of year	31,386	31,119	(267)

Cash and cash equivalents (consolidated basis) as of March 31, 2007 were 31,119 million yen, a decrease of 267 million yen, or 0.9%, compared with March 31, 2006. Cash flows and major components during the fiscal year were as follows.

Net cash provided by operating activities increased 5.2% over the previous fiscal year to 11,203 million yen. This was mainly the net result of net income before income taxes of 14,466 million yen, a depreciation, a non-cash expense, of 5,135 million yen, a decrease in accrued employees' retirement benefits of 2,159 million yen, a decrease in inventories of 1,577 million yen, and an income tax paid of 8,021 million yen.

Net cash used in investing activities increased 28.6% to 6,911 million yen. The major components were a net payment of 2,989 million yen for increase in time deposits, a net proceed of 2,676 million yen from the sale/purchase of securities, a payment for purchase of property, plant and equipment of 3,551 million yen, and a net payment of 2,502 million yen from the sale and purchase of investment securities.

Net cash used in financing activities increased 4,672 million yen to 4,766 million yen. This was mainly the result of a net decrease in borrowings of 559 million yen, net payments of 1,716 million yen from sales and purchases of treasury stock (including a 1,688 million yen stock repurchase approved by the Board of Directors), and 2,490 million yen used for dividends paid.

(2) Cash Flow Indicators

Fiscal year ended March	2003	2004	2005	2006	2007
Shareholders' equity ratio (%)	47.4	51.1	53.2	55.4	57.3
Shareholders equity ratio based on market prices (%)	109.0	120.6	136.1	156.3	121.8
Debt to annual cash flow (year)	0.7	0.6	0.5	0.6	0.6
Interest coverage ratio	73.4	119.2	152.2	543.9	322.9

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders equity ratio based on market prices: Market capitalization / Total assets

Debt to annual cash flow: Interest-bearing liabilities / Cash flows

Interest coverage ratio: Cash flows (before Interests and income taxes paid) / Interest payments

- These indices are calculated on a consolidated basis.
- Market capitalization is based on the number of shares issued less treasury stock.
Market capitalization: Closing price of stock on the balance sheet date x Number of shares outstanding at the end of the year on the balance sheet date.
- The closing price of stock on the balance sheet date is adjusted in case the Company conducts a stock split for shareholders of record at fiscal year end.
- Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.
- Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest. Interest paid on the consolidated statement of cash flows is interest expenses.

(3) Profit Allocation Policy and Dividends for FY03/2007 and FY03/2008

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.

KOSÉ has a fundamental policy of paying an interim dividend and a year-end dividend. Shareholders determine the year-end dividend at the annual meeting and the Board of Directors determines the interim dividend.

Despite the current challenging operating environment, KOSÉ plans to pay a year-end ordinary dividend of 20 yen per share. In addition, shareholders received an interim dividend of 20 yen per share on December 8, 2006. This will result in a dividend of 40 yen per share applicable to FY03/2007 (ended March 2007).

In FY03/2008 (ending March 2008), KOSÉ plans to keep the dividend unchanged at 40 yen per share.

2. The KOSÉ Group

Information concerning the business activities of group companies and the relationships of these companies is not presented because there have been no significant changes since the Securities Report dated June 29, 2006.

3. 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. Goals and Performance Indicators

The Group is placing priority on improving the operating margin and return on total assets (ROA).

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

3. 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. To accomplish these goals, the Company is concentrating on four core elements of management: strengthening brand marketing, improving efficiency and profitability, targeting opportunities in growing markets, and training and fostering talented employees.

The first core element is reinforcing KOSÉ's distinctive brand marketing. KOSÉ plans to achieve the optimal brand allocation in response to its increasingly diverse markets. Another goal is responding with flexibility to shifts in distribution channels and sales formats. Additionally, core brands will be developed into highly competitive brands 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, improving the profit structure is one of the Company's highest priorities. For this purpose, the entire company is concentrating on streamlining all business units and executing business process reforms to optimize all aspects of operations.

The third core element is the development of overseas markets, especially growing markets in Asia. Just as in Japan, KOSÉ aims to increase sales by using brand marketing. 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.

KOSÉ is currently preparing medium-term and long-term management goals for the Company's new management framework.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	FY03/2006 As of Mar. 31, 2006		FY03/2007 As of Mar. 31, 2007		Change
	Amount	%	Amount	%	Amount
Assets					
I Current assets					
Cash and time deposits	21,920		21,725		(195)
Notes and accounts receivable	26,597		26,718		120
Short-term investments in securities	21,481		22,251		769
Inventories	22,762		21,272		(1,489)
Deferred tax assets-current	3,994		4,354		360
Other current assets	5,183		5,029		(153)
Allowance for doubtful accounts	(326)		(286)		39
Total current assets	101,613	59.1	101,065	58.9	(548)
II Fixed assets					
Property, plant and equipment					
Buildings and structures	11,730		11,077		(653)
Machinery and automotive equip.	2,693		2,613		(80)
Furniture and fixtures	6,421		6,250		(170)
Land	18,043		18,053		10
Construction in progress	90		360		270
Total property, plant and equipment	38,978	22.7	38,355	22.3	(623)
Intangible assets					
Software	4,754		4,035		(718)
Other intangible assets	439		368		(70)
Total intangible assets	5,194	3.0	4,404	2.6	(789)
Investments and others					
Investments in securities	8,608		10,830		2,221
Deferred tax assets-non-current	14,734		13,979		(754)
Others	3,213		3,336		123
Allowance for doubtful accounts	(367)		(333)		34
Total investments and others	26,188	15.2	27,813	16.2	1,624
Total fixed assets	70,361	40.9	70,573	41.1	211
Total assets	171,975	100.0	171,638	100.0	(336)
Liabilities					
I Current liabilities					
Notes and accounts payable	12,882		13,592		710
Short-term borrowings	5,266		4,702		(563)
Current portion of long-term debt	-		1,500		1,500
Accounts payable-other	7,408		6,704		(704)
Accrued expenses	6,847		7,214		366
Accrued income taxes	5,353		3,744		(1,609)
Accrued consumption taxes	967		946		(21)
Reserve for returned goods unsold	892		884		(8)
Other current liabilities	938		764		(173)
Total current liabilities	40,556	23.6	40,052	23.4	(503)
II Long-term liabilities					
Long-term debt	1,500		-		(1,500)
Accrued employees' retirement benefits	27,867		25,711		(2,156)
Accrued officers' severance benefits	3,202		3,401		199
Other long-term liabilities	157		110		(46)
Total long-term liabilities	32,727	19.0	29,223	17.0	(3,503)
Total liabilities	73,284	42.6	69,276	40.4	(4,007)
Minority interests	3,338	2.0	-	-	-

Millions of yen

	FY03/2006 As of Mar. 31, 2006		FY03/2007 As of Mar. 31, 2007		Change
	Amount	%	Amount	%	Amount
Shareholders' equity					
I Common stock	4,848	2.8	-	-	-
II Capital surplus	6,391	3.7	-	-	-
III Consolidated retained earnings	83,682	48.7	-	-	-
IV Net unrealized holding gain (loss) on other securities	234	0.1	-	-	-
V Foreign currency translation adjustments	307	0.2	-	-	-
VI Treasury stock	(111)	(0.1)	-	-	-
Total shareholders' equity	95,352	55.4	-	-	-
Total liabilities, minority interests and shareholders' equity	171,975	100.0	-	-	-
Net assets					
I Shareholders' equity					
Common stock	-	-	4,848	2.8	-
Capital surplus	-	-	6,391	3.7	-
Consolidated retained earnings	-	-	88,078	51.3	-
Treasury stock	-	-	(1,827)	(1.0)	-
Total shareholders' equity	-	-	97,490	56.8	-
II Valuation and translation adjustments					
Net unrealized holding gain (loss) on other securities	-	-	347	0.2	-
Deferred hedge gain (loss)	-	-	4	0.0	-
Foreign currency translation adjustments	-	-	424	0.3	-
Total valuation and translation adjustments	-	-	776	0.5	-
III Minority interests	-	-	4,094	2.3	-
Total net assets	-	-	102,362	59.6	-
Total liabilities and net assets	-	-	171,638	100.0	-

(2) Consolidated Statements of Income

Millions of yen

	FY03/2006		FY03/2007		Change	
	Apr. 1, 2005 - Mar. 31, 2006		Apr. 1, 2006 - Mar. 31, 2007			
	Amount	%	Amount	%	Amount	%
Net sales	177,810	100.0	176,390	100.0	(1,420)	99.2
Cost of sales	43,114	24.2	44,659	25.3	1,544	103.6
Gross profit	134,696	75.8	131,731	74.7	(2,964)	97.8
SG&A expenses	115,135	64.8	118,001	66.9	2,866	102.5
Operating income	19,561	11.0	13,730	7.8	(5,831)	70.2
Non-operating income						
Interest income	72		179		106	
Dividend income	228		84		(143)	
Foreign exchange gains	655		243		(412)	
Miscellaneous revenue	260		227		(32)	
Total non-operating income	1,217	0.7	735	0.4	(481)	60.4
Non-operating expenses						
Interest expense	45		65		20	
Loss on redemption of short-term investments in securities	-		39		39	
Amortization of initial expenses	-		18		18	
Miscellaneous loss	143		56		(87)	
Total non-operating expenses	188	0.1	180	0.1	(8)	95.5
Ordinary income	20,590	11.6	14,285	8.1	(6,304)	69.4
Extraordinary income						
Gain on sales of fixed assets	433		9		(424)	
Reversal of allowance for doubtful accounts	-		40		40	
Gain on sale of investments in securities	525		-		(525)	
Gain on liquidation of affiliated company	1,084		-		(1,084)	
Compensation for premises removal	-		474		474	
Total extraordinary income	2,043	1.1	524	0.3	(1,518)	25.7
Extraordinary loss						
Loss on disposal of fixed assets	1,052		343		(708)	
Unrealized holding loss on investments in securities	1		-		(1)	
Provision of allowance for doubtful accounts	2		-		(2)	
Loss on disposal of inventories	1,043		-		(1,043)	
Impairment loss	1,832		-		(1,832)	
Total extraordinary loss	3,931	2.2	343	0.2	(3,588)	8.7
Net income before income taxes	18,701	10.5	14,466	8.2	(4,235)	77.4
Income taxes-current	8,222	4.6	6,414	3.6	(1,808)	
Income taxes-deferred	400	0.2	325	0.2	(75)	
Minority interests-income	92	0.1	832	0.5	740	
Net income	9,986	5.6	6,895	3.9	(3,091)	69.0

(3) Consolidated Statements of Retained Earnings and Changes in Shareholders' Equity
Consolidated Statements of Retained Earnings

Millions of yen

	FY03/2006 Apr. 1, 2005 - Mar. 31, 2006	
Capital surplus		
I Balance at beginning of period		6,391
II Increase in capital surplus		
Gain on disposal of treasury stock	0	0
III Balance at end of the period		6,391
Retained earnings		
I Balance at beginning of period		75,613
II Increase in retained earnings		
Net income	9,986	9,986
III Decrease in retained earnings		
Cash dividends	1,841	
Bonuses to officers	75	1,917
IV Balance at end of the period		83,682

Consolidated Statements of Changes in Shareholders' Equity

FY03/2007 (Apr. 1, 2006 - Mar. 31, 2007)

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 fiscal year					
Dividend of surplus (Note)			(1,211)		(1,211)
Dividend of surplus			(1,211)		(1,211)
Directors' bonuses (Note)			(76)		(76)
Net income			6,895		6,895
Acquisition of treasury stock				(1,717)	(1,717)
Disposal of treasury stock		0		1	1
Changes (net) in items other than shareholders' equity					
Total changes in the current fiscal year	-	0	4,396	(1,716)	2,680
Balance as of March 31, 2007	4,848	6,391	88,078	(1,827)	97,490

	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 fiscal year						
Dividend of surplus (Note)						(1,211)
Dividend of surplus						(1,211)
Directors' bonuses (Note)						(76)
Net income						6,895
Acquisition of treasury stock						(1,717)
Disposal of treasury stock						1
Changes (net) in items other than shareholders' equity	112	4	116	234	756	990
Total changes in the current fiscal year	112	4	116	234	756	3,670
Balance as of March 31, 2007	347	4	424	776	4,094	102,362

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

(4) Consolidated Statements of Cash Flows

Millions of yen

	FY03/2006 Apr. 1, 2005 – Mar. 31, 2006	FY03/2007 Apr. 1, 2006 – Mar. 31, 2007
I Cash flows from operating activities		
Net income before income taxes	18,701	14,466
Depreciation	4,996	5,135
Impairment loss	1,832	-
Increase (decrease) in allowance for doubtful accounts	(35)	(52)
Increase (decrease) in accrued employees' retirement benefits	(1,972)	(2,159)
Increase (decrease) in accrued officers' severance benefits for director	322	199
Increase (decrease) in reserve for other allowances	13	(8)
Loss (gain) on disposal of fixed assets	618	333
Compensation for premises removal	-	(474)
Interest and dividend income	(301)	(264)
Interest expense	45	65
Foreign exchange loss (gain)	(224)	(136)
Loss on redemption of short-term investments in securities	-	39
Loss (gain) on sale of investment in securities	(525)	-
Gain on liquidation of affiliated company	(1,084)	-
Decrease (increase) in notes and accounts receivable	(1,956)	35
Decrease (increase) in inventories	(142)	1,577
Increase (decrease) in notes and accounts payable	(2,355)	16
Decrease (increase) in other assets	23	(87)
Increase (decrease) in other liabilities	399	(54)
Officers' remuneration paid	(75)	(76)
Subtotal	18,279	18,555
Interests and dividends received	301	254
Interests paid	(34)	(59)
Compensation received for premises removal	-	474
Income taxes paid	(7,893)	(8,021)
Net cash provided by operating activities	10,653	11,203
II Cash flows from investing activities		
Payment for time deposits placed	(2,603)	(4,432)
Proceeds from time deposit	1,600	1,442
Payment for acquisition of short-term investments in securities	(13,997)	(20,774)
Proceeds from sale of short-term investments in securities	16,097	23,451
Payment for acquisition of property, plant and equipment	(6,005)	(3,551)
Proceeds from sale of property, plant and equipment	778	13
Payment for acquisition of intangible assets	(1,249)	(524)
Payment for acquisition of investments in securities	(741)	(3,019)
Proceeds from sale of investments in securities	758	516
Decrease (increase) in other investments	(11)	(33)
Net cash used in investing activities	(5,375)	(6,911)
III Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,840	(559)
Proceeds from long-term debt	1,500	-
Repayment of long-term debt	(1,500)	-
Net change from acquisition and sale of treasury stock	(34)	(1,716)
Cash dividends paid	(1,841)	(2,422)
Dividends to minority shareholders	(58)	(68)
Net cash used in financing activities	(93)	(4,766)
IV Effect of exchange rate changes on cash and cash equivalents	133	207
V Increase (decrease) in cash and cash equivalents	5,318	(267)
VI Cash and cash equivalents at beginning of year	26,068	31,386
VII Cash and cash equivalents at end of year	31,386	31,119

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.