

Summary of Interim Financial Results for the Fiscal Year Ending March 31, 2008

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 4922 URL: <http://www.kose.co.jp/>
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 Starting date of dividend payment: December 10, 2007

(Rounded down to million yen)
1. Consolidated Financial Results for the Interim Period Ended September 30, 2007
(April 1, 2007 – September 30, 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 (%) | Net income (Million yen) | YoY change (%) |
|-------------------|----------------------------|----------------------|--------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------|----------------------|
| FY03/2008 Interim | 88,119 | 3.9 | 6,696 | 40.2 | 6,992 | 41.2 | 3,134 | 80.3 |
| FY03/2007 Interim | 84,833 | (1.6) | 4,776 | (39.7) | 4,953 | (40.7) | 1,738 | (39.5) |
| FY03/2007 | 176,390 | - | 13,730 | - | 14,285 | - | 6,895 | - |

| | Net income per share (basic) (Yen) | Net income per share (diluted) (Yen) |
|-------------------|--|--|
| FY03/2008 Interim | 52.20 | - |
| FY03/2007 Interim | 28.71 | - |
| FY03/2007 | 114.22 | - |

(Ref.) Equity in earnings of unconsolidated subsidiaries (million yen)

FY03/2008 Interim: - FY03/2007 Interim: - FY03/2007: -

(2) Consolidated financial position

| | Total assets (Million yen) | Net assets (Million yen) | Equity ratio (%) | Net assets per share (Yen) |
|-------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|
| FY03/2008 Interim | 173,467 | 105,162 | 57.9 | 1,673.99 |
| FY03/2007 Interim | 169,770 | 99,480 | 56.4 | 1,580.96 |
| FY03/2007 | 171,638 | 102,362 | 57.3 | 1,636.44 |

(Ref.) Shareholders' equity (million yen)

FY03/2008 Interim: 100,520 FY03/2007 Interim: 95,727 FY03/2007: 98,267

(3) Consolidated cash flow position

| | Net cash provided by (used in) | | | Cash and cash equivalents at end of period (Million yen) |
|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| | Operating activities (Million yen) | Investing activities (Million yen) | Financing activities (Million yen) | |
| FY03/2008 Interim | 4,462 | (1,402) | (1,301) | 32,970 |
| FY03/2007 Interim | 1,598 | (1,197) | (1,823) | 30,057 |
| FY03/2007 | 11,203 | (6,911) | (4,766) | 31,119 |

2. Dividends

| Record date | Dividend per share | | |
|----------------------|---------------------|-------------------|-----------------|
| | First-half (Yen) | Year-end (Yen) | Annual (Yen) |
| FY03/2007 | 20.00 | 20.00 | 40.00 |
| FY03/2008 | 20.00 | - | 40.00 |
| FY03/2008 (forecast) | - | 20.00 | |

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2008 (April 1, 2007 – March 31, 2008)
(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 (%) | Net income (Million yen) | YoY change (%) | Net income per share (Yen) |
|-----------|----------------------------|----------------------|--------------------------------------|----------------------|-------------------------------------|----------------------|--------------------------------|----------------------|----------------------------------|
| Full Year | 182,700 | 3.6 | 16,000 | 16.5 | 16,000 | 12.0 | 8,200 | 18.9 | 136.55 |

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

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

- 1) Changes caused by revision of accounting standards: Yes
- 2) Other changes: Yes

(3) Number of shares outstanding (common shares)

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

As of September 30, 2007: 60,592,541 shares
 As of September 30, 2006: 60,592,541 shares
 As of March 31, 2007: 60,592,541 shares

2) Number of treasury stock

As of September 30, 2007: 543,736 shares
 As of September 30, 2006: 42,424 shares
 As of March 31, 2007: 543,046 shares

(Reference) Non-consolidated financial results

Non-consolidated Financial Results for the Interim Period Ended September 30, 2007

(April 1, 2007 – September 30, 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 (%) | Net income (Million yen) | YoY change (%) |
|-------------------|----------------------------|----------------------|--------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------------|----------------------|
| FY03/2008 Interim | 44,107 | 4.1 | 609 | 39.1 | 2,007 | (13.7) | 1,460 | (4.1) |
| FY03/2007 Interim | 42,376 | (5.5) | 438 | (61.2) | 2,326 | (22.3) | 1,522 | 7.6 |
| FY03/2007 | 87,752 | - | 3,338 | - | 5,713 | - | 3,555 | - |

| | Net income per share (basic) (Yen) |
|-------------------|--|
| FY03/2008 Interim | 24.33 |
| FY03/2007 Interim | 25.15 |
| FY03/2007 | 58.89 |

(2) Non-consolidated financial position

| | Total assets (Million yen) | Net assets (Million yen) | Equity ratio (%) | Net assets per share (Yen) |
|-------------------|-------------------------------|-----------------------------|---------------------|-------------------------------|
| FY03/2008 Interim | 119,660 | 77,055 | 64.4 | 1,283.22 |
| FY03/2007 Interim | 120,472 | 77,552 | 64.4 | 1,280.79 |
| FY03/2007 | 120,973 | 76,811 | 63.5 | 1,279.14 |

(Ref.) Shareholders' equity (million yen)

FY03/2008 Interim: 77,055 FY03/2007 Interim: 77,552 FY03/2007: 76,811

*Cautionary statement with respect to forward-looking statements

These materials contain forward-looking statements and statements of this nature based on assumptions judged to be valid and information available to the Company as of the announcement dated of the summary. As such, these projections entail risks and uncertainties resulting from changes in the economic environment. 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"

1. Results of Operations

1. Analysis of Results of Operations

(1) Financial Results for the current interim period

1) Review of Operations

Millions of yen, %

| Operating segment | FY03/2007 Interim | | FY03/2008 Interim | | YoY change | |
|-------------------|-------------------|---------|-------------------|---------|------------|--------|
| | Amount | % comp. | Amount | % comp. | Amount | % |
| Cosmetics | 62,858 | 74.1 | 64,482 | 73.2 | 1,623 | 2.6 |
| Cosmetaries | 20,435 | 24.1 | 22,254 | 25.2 | 1,819 | 8.9 |
| Other | 1,539 | 1.8 | 1,381 | 1.6 | (157) | (10.2) |
| Total net sales | 84,833 | 100.0 | 88,119 | 100.0 | 3,285 | 3.9 |

| | FY03/2007 Interim | | FY03/2008 Interim | | YoY change | |
|------------------|-------------------|------------|-------------------|------------|------------|------|
| | Amount | % of sales | Amount | % of sales | Amount | % |
| Operating income | 4,776 | 5.6 | 6,696 | 7.6 | 1,920 | 40.2 |
| Ordinary income | 4,953 | 5.8 | 6,992 | 7.9 | 2,038 | 41.2 |
| Net income | 1,738 | 2.0 | 3,134 | 3.6 | 1,396 | 80.3 |

During the first half of the fiscal year, despite concerns about crude oil prices and other uncertainties, the slow expansion of the Japanese economy continued as corporate earnings improved and consumer spending remained healthy. In the cosmetics industry, unit volume and monetary sales of cosmetics in Japan remained flat year-on-year during the first eighth months of 2007, according to statistics compiled by the Ministry of Economy, Trade and Industry.

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

The result was a 3.9% increase in net sales to 88,119 million yen benefited from strength in luxury cosmetics products and "self-selection" cosmetics. Earnings was a 40.2% increase in operating income to 6,696 million yen, a 41.2% increase in ordinary income to 6,992 million yen, and a 80.3% increase in net income to 3,134 million yen.

2) Results by Business Segment

a. Cosmetics Business

Millions of yen, %

| | FY03/2007 Interim | FY03/2008 Interim | YoY change | |
|--------------------------------|-------------------|-------------------|------------|------|
| | | | Amount | % |
| Sales to third parties | 62,858 | 64,482 | 1,623 | 2.6 |
| Intragroup sales and transfers | 10 | 9 | - | - |
| Total net sales | 62,869 | 64,492 | - | - |
| Operating income | 6,377 | 7,242 | 865 | 13.6 |
| Operating margin | 10.1 | 11.2 | - | - |

In the cosmetics business, KOSÉ took several initiatives to boost sales. These included the introduction of a new series of makeup and skin care products in the COSME DECORTE lineup of luxury products, the addition of skin care products to the ESPRIQUE PRECIOUS brand, and high-profile promotional activities for the SEKKISEI brand.

Overseas, KOSÉ conducted effective sales promotion activities to raise awareness of its brands, mainly in Asia. In particular, there were extensive promotional activities for the SEKKISEI brand just as in Japan. Increasing the number of stores handling our products and improving operating efficiency were other priorities.

Due to the above factors, sales in the cosmetics business increased 2.6% to 64,482 million yen, and operating income was up 13.6% to 7,242 million yen.

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

COSME DECORTE MAGIE DECO (makeup series)

COSME DECORTE FUTURE-SCIENCE (skin care series)

ESPRIQUE PRECIOUS (makeup series, base makeup series)

b. Cosmetaries Business

Millions of yen, %

| | FY03/2007 Interim | FY03/2008 Interim | YoY change | |
|--------------------------------|-------------------|-------------------|------------|------|
| | | | Amount | % |
| Sales to third parties | 20,435 | 22,254 | 1,819 | 8.9 |
| Intragroup sales and transfers | - | - | - | - |
| Total net sales | 20,435 | 22,254 | - | - |
| Operating income | 380 | 638 | 257 | 67.7 |
| Operating margin | 1.9 | 2.9 | - | - |

In the cosmetaries business, KOSÉ conducted effective sales initiatives for distinctive brands and developed and introduced products that match the needs of consumers. Due to these activities, cleansing products recorded strong sales and shampoo and other new hair care products performed well.

As a result, sales in the cosmetaries business increased 8.9% to 22,254 million yen, and operating income increased 67.7% to 638 million yen.

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

FASIO Hyper-stay Mascara Digi-color

SALON STYLE (hair care series)

Coen Rich Q10 White Hand Cream Deep Moisture

c. Other Business

Millions of yen, %

| | FY03/2007 Interim | FY03/2008 Interim | YoY change | |
|--------------------------------|-------------------|-------------------|------------|--------|
| | | | Amount | % |
| Sales to third parties | 1,539 | 1,381 | (157) | (10.2) |
| Intragroup sales and transfers | 1,138 | 1,184 | - | - |
| Total net sales | 2,678 | 2,566 | - | - |
| Operating income | 191 | 312 | 121 | 63.4 |
| Operating margin | 7.2 | 12.2 | - | - |

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

The result was a 10.2% decrease in net sales to 1,381 million yen, and a 63.4% increase in operating income to 312 million yen due to a decrease in operating expenses.

(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 many actions based on the new management policy. Distinctive brand marketing activities will be taken to an even higher level in order to respond to increasingly diverse market and customer needs. Another goal is improving operating efficiency and profitability by achieving the best possible allocation of the Group's resources.

In the cosmetics business, the goal is to enhance the power of some distinctive brands and the COSME DECORTE brand. A business unit has been established for this and is charged with increasing the number of customers and establishing solid relationships with those customers. Outside Japan, KOSÉ will continue to work on raising sales by concentrating on Asian market.

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 current fiscal year ending March 31, 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. Analysis of Financial Position

(1) Cash Flows

Millions of yen

| | FY03/2007 Interim | FY03/2008 Interim | YoY change |
|---|----------------------|----------------------|------------|
| Net cash provided by (used in) operating activities | 1,598 | 4,462 | 2,864 |
| Net cash provided by (used in) investing activities | (1,197) | (1,402) | (204) |
| Net cash provided by (used in) financing activities | (1,823) | (1,301) | 521 |
| Increase (decrease) in cash and cash equivalents | (1,329) | 1,850 | 3,180 |
| Cash and cash equivalents at end of period | 30,057 | 32,970 | 2,913 |

Cash and cash equivalents (consolidated basis) as of September 30, 2007 were 32,970 million yen, an increase of 2,913 million yen, or 9.7%, compared with September 30, 2006. Cash flows and major components during the first half of the current fiscal year were as follows.

Net cash provided by operating activities increased 179.1% over the same period of the previous fiscal year to 4,462 million yen. This was mainly the net result of net income before income taxes of 6,779 million yen, depreciation, a non-cash expense, of 2,566 million yen, a decrease in accrued employees' retirement benefits of 1,284 million yen, a decrease in notes and accounts receivable of 926 million yen, an increase in inventories of 2,618 million yen, an increase in notes and accounts payable of 2,991 million yen, a decrease in other liabilities of 1,591 million yen due to a decrease in accounts payable-other, and an income taxes paid of 3,649 million yen.

Net cash used in investing activities increased 17.1% to 1,402 million yen. The major components were a net proceed of 2,996 million yen from the sale and purchase of securities, a payment for purchase of property, plant and equipment of 3,567 million yen, and a net payment of 794 million yen from the sale and purchase of investment securities.

Net cash used in financing activities decreased 28.6% to 1,301 million yen. This was mainly due to a net decrease in borrowings of 65 million yen, and dividends paid of 1,233 million yen.

(2) Cash Flow Indicators

| | FY03/2004 | FY03/2005 | FY03/2006 | FY03/2007 | FY03/2008 Interim |
|--|-----------|-----------|-----------|-----------|----------------------|
| Shareholders' equity ratio (%) | 51.1 | 53.2 | 55.4 | 57.3 | 57.9 |
| Shareholders equity ratio based on market prices (%) | 120.6 | 136.1 | 156.3 | 121.8 | 105.6 |
| Interest-bearing debt to cash flow ratio | 0.6 | 0.5 | 0.6 | 0.6 | - |
| Interest coverage ratio | 119.2 | 152.2 | 543.9 | 322.9 | 207.6 |

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

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

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flows (no figure for interim periods)

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.
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 debt 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 FY03/2008

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.

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.

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 28, 2007.

3. Management Policies

1. Fundamental Management Policy

The KOSÉ Group is guided by the philosophy of providing cosmetics and services with the outstanding quality that can earn the true satisfaction of customers. This spirit is evident in many ways. One is R&D activities and manufacturing technology that create new cosmetics such as innovative foundation products and the industry's first beauty serum. Another is a distinctive brand marketing program in which brands that match the needs of consumers are supplied through the most suitable retail channels. The philosophy also serves as a driving force behind the Group's growth and development.

The KOSÉ Group will continue to make effective use of these resources while conducting business operations in line with three new guidelines for our activities.

(1) Products: KOSÉ will propose the value of "Beauty" and ground it in customer needs.

(2) Place: KOSÉ would like to grow with business partners who share the value of our brand and products.

(3) Service: KOSE will offer value-added services in order to achieve the greatest possible customer satisfaction.

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. 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 Group is concentrating on four core management themes: rebuilding the cosmetics business in Japan; reinforcing overseas operations; entering new business fields; and upgrading the Group's overall strengths.

(1) Rebuilding the cosmetics business in Japan

In Japan, KOSÉ is taking its distinctive brand marketing to a higher level in order to adapt to changes in distribution channels and sales formats with greater flexibility. Actions include optimizing the KOSÉ Group's brand portfolio and developing core brands into highly competitive brands that offer considerable value. Plans also include making stores selling KOSÉ products more appealing as select stores and building a more powerful sales system. The ultimate goal is build a solid base of operations for the domestic cosmetics business.

(2) Reinforcing overseas operations

KOSÉ aims to increase sales outside Japan, particularly in rapidly growing markets in Asia. In the luxury cosmetics category, a market sector where the KOSÉ Group has a particularly high profile, the priorities are promoting global brands and making brands more powerful. Plans also include expanding operations through acquisitions, alliances and other actions to add overseas brands. In addition, KOSÉ is working on establishing a presence in countries where its products are not yet marketed.

(3) Entering new business fields

KOSÉ will establish a presence in categories of the beauty care market where there are good prospects for growth. The goal is to expand the scope of business activities while retaining cosmetics products as the nucleus.

(4) Upgrading the Group's overall strengths

The KOSÉ Group is dedicated to making constant improvements in operating efficiency and profitability. The Group will review its entire cost structure with the aim of cutting the cost of sales and administrative expenses. Marketing activities are fully integrated, extending from R&D through manufacturing and sales. Through this approach, the Group intends to build a product manufacturing system that can quickly adapt to shifts in market trends. In addition, the Group is committed to the consistent development of personnel with outstanding skills. Actions include upgrading training systems and facilities as well as reviewing the personnel system to improve the utilization and training of human resources.

4. Interim Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

| | FY03/2007 Interim As of Sep. 30, 2006 | | FY03/2008 Interim As of Sep. 30, 2007 | | FY03/2007 Summary As of Mar. 31, 2007 | |
|--|--|--------|--|--------|--|--------|
| | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | |
| I Current assets | | | | | | |
| 1. Cash and time deposits | 20,277 | | 19,695 | | 21,725 | |
| 2. Notes and accounts receivable | 25,442 | | 25,978 | | 26,718 | |
| 3. Short-term investments in securities | 19,988 | | 25,177 | | 22,251 | |
| 4. Inventories | 24,754 | | 24,005 | | 21,272 | |
| 5. Deferred tax assets-current | 4,094 | | 4,618 | | 4,354 | |
| 6. Other current assets | 5,293 | | 1,969 | | 5,029 | |
| 7. Allowance for doubtful accounts | (252) | | (283) | | (286) | |
| Total current assets | 99,596 | 58.7 | 101,161 | 58.3 | 101,065 | 58.9 |
| II Fixed assets | | | | | | |
| (1) Property, plant and equipment | | | | | | |
| 1. Buildings and structures | 27,129 | | 28,512 | | 27,215 | |
| Accumulated depreciation | 15,751 | 11,378 | 16,545 | 11,967 | 16,137 | 11,077 |
| 2. Machinery and automotive equip. | 13,781 | | 13,977 | | 13,878 | |
| Accumulated depreciation | 11,104 | 2,676 | 11,515 | 2,462 | 11,265 | 2,613 |
| 3. Furniture and fixtures | 24,478 | | 25,389 | | 24,439 | |
| Accumulated depreciation | 18,005 | 6,472 | 19,236 | 6,153 | 18,188 | 6,250 |
| 4. Land | | 18,044 | | 18,063 | | 18,053 |
| 5. Construction in progress | | 58 | | 1,249 | | 360 |
| Total property, plant and equipment | 38,631 | 22.8 | 39,896 | 23.0 | 38,355 | 22.3 |
| (2) Intangible assets | | | | | | |
| 1. Software | 4,416 | | 3,501 | | 4,035 | |
| 2. Other intangible assets | 406 | | 431 | | 368 | |
| Total intangible assets | 4,823 | 2.8 | 3,932 | 2.3 | 4,404 | 2.6 |
| (3) Investments and others | | | | | | |
| 1. Investments in securities | 9,576 | | 12,363 | | 10,830 | |
| 2. Deferred tax assets-non-current | 14,400 | | 13,372 | | 13,979 | |
| 3. Others | 3,101 | | 3,108 | | 3,336 | |
| 4. Allowance for doubtful accounts | (360) | | (367) | | (333) | |
| Total investments and others | 26,719 | 15.7 | 28,477 | 16.4 | 27,813 | 16.2 |
| Total fixed assets | 70,173 | 41.3 | 72,306 | 41.7 | 70,573 | 41.1 |
| Total assets | 169,770 | 100.0 | 173,467 | 100.0 | 171,638 | 100.0 |

Millions of yen

| | FY03/2007 Interim As of Sep. 30, 2006 | | FY03/2008 Interim As of Sep. 30, 2007 | | FY03/2007 Summary As of Mar. 31, 2007 | |
|---|--|-------|--|-------|--|-------|
| | Amount | % | Amount | % | Amount | % |
| Liabilities | | | | | | |
| I Current liabilities | | | | | | |
| 1. Notes and accounts payable | 16,033 | | 16,990 | | 13,592 | |
| 2. Short-term borrowings | 4,693 | | 4,645 | | 4,702 | |
| 3. Current portion of long-term debt | - | | 1,500 | | 1,500 | |
| 4. Accounts payable-other | 5,437 | | 5,178 | | 6,704 | |
| 5. Accrued expenses | 7,246 | | 7,020 | | 7,214 | |
| 6. Accrued income taxes | 2,048 | | 2,773 | | 3,744 | |
| 7. Accrued consumption taxes | 741 | | 469 | | 946 | |
| 8. Reserve for returned goods unsold | 910 | | 879 | | 884 | |
| 9. Other current liabilities | 1,402 | | 745 | | 764 | |
| Total current liabilities | 38,515 | 22.7 | 40,202 | 23.2 | 40,052 | 23.4 |
| II Long-term liabilities | | | | | | |
| 1. Long-term debt | 1,500 | | - | | - | |
| 2. Accrued employees' retirement benefits | 26,830 | | 24,427 | | 25,711 | |
| 3. Accrued officers' severance benefits | 3,318 | | 3,573 | | 3,401 | |
| 4. Other long-term liabilities | 125 | | 101 | | 110 | |
| Total long-term liabilities | 31,774 | 18.7 | 28,102 | 16.2 | 29,223 | 17.0 |
| Total liabilities | 70,290 | 41.4 | 68,304 | 39.4 | 69,276 | 40.4 |
| Net assets | | | | | | |
| I Shareholders' equity | | | | | | |
| 1. Common stock | 4,848 | 2.9 | 4,848 | 2.8 | 4,848 | 2.8 |
| 2. Capital surplus | 6,391 | 3.8 | 6,391 | 3.7 | 6,391 | 3.7 |
| 3. Consolidated retained earnings | 84,132 | 49.5 | 90,012 | 51.9 | 88,078 | 51.3 |
| 4. Treasury stock | (136) | (0.1) | (1,829) | (1.1) | (1,827) | (1.0) |
| Total shareholders' equity | 95,235 | 56.1 | 99,421 | 57.3 | 97,490 | 56.8 |
| II Valuation and translation adjustments | | | | | | |
| 1. Net unrealized holding gain (loss) on other securities | 221 | 0.1 | 323 | 0.2 | 347 | 0.2 |
| 2. Deferred hedge gain (loss) | 7 | 0.0 | - | - | 4 | 0.0 |
| 3. Foreign currency translation adjustments | 261 | 0.2 | 775 | 0.4 | 424 | 0.3 |
| Total valuation and translation adjustments | 491 | 0.3 | 1,098 | 0.6 | 776 | 0.5 |
| III Minority interests | 3,753 | 2.2 | 4,641 | 2.7 | 4,094 | 2.3 |
| Total net assets | 99,480 | 58.6 | 105,162 | 60.6 | 102,362 | 59.6 |
| Total liabilities and net assets | 169,770 | 100.0 | 173,467 | 100.0 | 171,638 | 100.0 |

(2) Consolidated Statements of Income

Millions of yen

| | FY03/2007 Interim | | | FY03/2008 Interim | | | FY03/2007 Summary | | |
|---|------------------------------|--------|-------|------------------------------|--------|-------|------------------------------|---------|-------|
| | Apr. 1, 2006 - Sep. 30, 2006 | | | Apr. 1, 2007 - Sep. 30, 2007 | | | Apr. 1, 2006 - Mar. 31, 2007 | | |
| | Amount | | % | Amount | | % | Amount | | % |
| I Net sales | | 84,833 | 100.0 | | 88,119 | 100.0 | | 176,390 | 100.0 |
| II Cost of sales | | 21,416 | 25.2 | | 21,279 | 24.1 | | 44,659 | 25.3 |
| Gross profit | | 63,416 | 74.8 | | 66,839 | 75.9 | | 131,731 | 74.7 |
| III SG&A expenses | | | | | | | | | |
| 1. Advertising | 4,609 | | | 5,105 | | | 9,078 | | |
| 2. Sales promotion | 17,996 | | | 18,640 | | | 37,266 | | |
| 3. Transportation | 2,430 | | | 2,673 | | | 5,018 | | |
| 4. Salaries and wages | 18,917 | | | 19,155 | | | 37,663 | | |
| 5. Retirement benefits | 574 | | | 416 | | | 1,062 | | |
| 6. Welfare | 3,294 | | | 3,410 | | | 6,464 | | |
| 7. Travel | 2,255 | | | - | | | 4,479 | | |
| 8. Depreciation | 1,258 | | | 1,275 | | | 2,592 | | |
| 9. Taxes other than income | 303 | | | - | | | 659 | | |
| 10. Miscellaneous expenses | 7,000 | 58,640 | 69.2 | 9,465 | 60,142 | 68.3 | 13,715 | 118,001 | 66.9 |
| Operating income | | 4,776 | 5.6 | | 6,696 | 7.6 | | 13,730 | 7.8 |
| IV Non-operating income | | | | | | | | | |
| 1. Interest income | 65 | | | 156 | | | 179 | | |
| 2. Dividend income | 74 | | | 79 | | | 84 | | |
| 3. Patent royalty income | 30 | | | 43 | | | - | | |
| 4. Foreign exchange gains | 56 | | | - | | | 243 | | |
| 5. Miscellaneous revenue | 55 | 282 | 0.3 | 61 | 342 | 0.4 | 227 | 735 | 0.4 |
| V Non-operating expenses | | | | | | | | | |
| 1. Interest expense | 28 | | | 24 | | | 65 | | |
| 2. Loss on redemption of short-term investments in securities | 39 | | | - | | | 39 | | |
| 3. Provision of allowance for doubtful accounts | 0 | | | - | | | - | | |
| 4. Amortization of initial expenses | 18 | | | - | | | 18 | | |
| 5. Foreign exchange loss | - | | | 8 | | | - | | |
| 6. Miscellaneous loss | 18 | 105 | 0.1 | 13 | 46 | 0.1 | 56 | 180 | 0.1 |
| Ordinary income | | 4,953 | 5.8 | | 6,992 | 7.9 | | 14,285 | 8.1 |

Millions of yen

| | FY03/2007 Interim | | | FY03/2008 Interim | | | FY03/2007 Summary | | |
|--|------------------------------|-------|-----|------------------------------|-------|-----|------------------------------|--------|-----|
| | Apr. 1, 2006 - Sep. 30, 2006 | | | Apr. 1, 2007 - Sep. 30, 2007 | | | Apr. 1, 2006 - Mar. 31, 2007 | | |
| | Amount | | % | Amount | | % | Amount | | % |
| VI Extraordinary income | | | | | | | | | |
| 1. Gain on sales of fixed assets | 8 | | | - | | | 9 | | |
| 2. Reversal of allowance for doubtful accounts | 52 | | | 16 | | | 40 | | |
| 3. Gain on sale of investments in securities | - | | | 10 | | | - | | |
| 4. Compensation for premises removal | - | 60 | 0.1 | - | 27 | 0.1 | 474 | 524 | 0.3 |
| VII Extraordinary loss | | | | | | | | | |
| 1. Loss on disposal of fixed assets | 170 | | | 64 | | | 343 | | |
| 2. Unrealized holding loss on investments in securities | - | | | 5 | | | - | | |
| 3. Provision of allowance for doubtful accounts | - | | | 135 | | | - | | |
| 4. Bad debt loss | - | 170 | 0.2 | 34 | 240 | 0.3 | - | 343 | 0.2 |
| Net income before income taxes and minority interests | | 4,844 | 5.7 | | 6,779 | 7.7 | | 14,466 | 8.2 |
| Income taxes-current | 2,412 | | | 2,680 | | | 6,414 | | |
| Income taxes-deferred | 238 | 2,651 | 3.2 | 379 | 3,059 | 3.5 | 325 | 6,739 | 3.8 |
| Minority interests-income | | 454 | 0.5 | | 585 | 0.6 | | 832 | 0.5 |
| Net income | | 1,738 | 2.0 | | 3,134 | 3.6 | | 6,895 | 3.9 |

(3) Consolidated Statements of Changes in Net Assets

FY03/2007 Interim (Apr. 1, 2006 – Sep. 30, 2006)

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 | | | | | |
| Dividends from 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 September 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 | | | | | | |
| Dividends from 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 September 30, 2006 | 221 | 7 | 261 | 491 | 3,753 | 99,480 |

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

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|--------------------------------|----------------|----------------------------|
| | Common stock | Capital surplus | Consolidated retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2007 | 4,848 | 6,391 | 88,078 | (1,827) | 97,490 |
| Changes in the current period | | | | | |
| Dividends from surplus | | | (1,200) | | (1,200) |
| Net income | | | 3,134 | | 3,134 |
| Acquisition of treasury stock | | | | (2) | (2) |
| Disposal of treasury stock | | 0 | | 0 | 0 |
| Changes (net) in items other than shareholders' equity | | | | | |
| Total changes in the current period | - | 0 | 1,933 | (2) | 1,931 |
| Balance as of September 30, 2007 | 4,848 | 6,391 | 90,012 | (1,829) | 99,421 |

| | 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, 2007 | 347 | 4 | 424 | 776 | 4,094 | 102,362 |
| Changes in the current period | | | | | | |
| Dividends from surplus | | | | | | (1,200) |
| Net income | | | | | | 3,134 |
| Acquisition of treasury stock | | | | | | (2) |
| Disposal of treasury stock | | | | | | 0 |
| Changes (net) in items other than shareholders' equity | (23) | (4) | 350 | 322 | 546 | 868 |
| Total changes in the current period | (23) | (4) | 350 | 322 | 546 | 2,800 |
| Balance as of September 30, 2007 | 323 | - | 775 | 1,098 | 4,641 | 105,162 |

| | 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 | | | | | |
| Dividends from surplus (Note) | | | (1,211) | | (1,211) |
| Dividends from 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 | | | | | | |
| Dividends from surplus (Note) | | | | | | (1,211) |
| Dividends from 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

| | FY03/2007 Interim Apr. 1, 2006 – Sep. 30, 2006 | FY03/2008 Interim Apr. 1, 2007 – Sep. 30, 2007 | FY03/2007 Summary Apr. 1, 2006 – Mar. 31, 2007 |
|--|--|--|--|
| I Cash flows from operating activities | | | |
| Net income before income taxes and minority interests | 4,844 | 6,779 | 14,466 |
| Depreciation | 2,440 | 2,566 | 5,135 |
| Impairment loss | - | 34 | - |
| Increase (decrease) in allowance for doubtful accounts | (80) | 107 | (52) |
| Increase (decrease) in accrued employees' retirement benefits | (1,038) | (1,284) | (2,159) |
| Increase (decrease) in accrued officers' severance benefits for director | 116 | 172 | 199 |
| Increase (decrease) in reserve for other allowances | 18 | (5) | (8) |
| Loss (gain) on disposal of fixed assets | 161 | 64 | 333 |
| Compensation for premises removal | - | - | (474) |
| Interest and dividend income | (139) | (236) | (264) |
| Interest expense | 28 | 24 | 65 |
| Foreign exchange loss (gain) | (18) | 7 | (136) |
| Loss (gain) on redemption of short-term investments in securities | 39 | - | 39 |
| Loss (gain) on sale of investment in securities | - | (10) | - |
| Decrease (increase) in notes and accounts receivable | 1,146 | 926 | 35 |
| Decrease (increase) in inventories | (2,010) | (2,618) | 1,577 |
| Increase (decrease) in notes and accounts payable | 2,112 | 2,991 | 16 |
| Decrease (increase) in other assets | (121) | (10) | (87) |
| Increase (decrease) in other liabilities | (214) | (1,591) | (54) |
| Officers' remuneration paid | (76) | - | (76) |
| Subtotal | 7,207 | 7,918 | 18,555 |
| Interests and dividends received | 133 | 233 | 254 |
| Interests paid | (21) | (39) | (59) |
| Compensation received for premises removal | - | - | 474 |
| Income taxes paid | (5,720) | (3,649) | (8,021) |
| Net cash provided by operating activities | 1,598 | 4,462 | 11,203 |
| II Cash flows from investing activities | | | |
| Payment for time deposits placed | (620) | (100) | (4,432) |
| Proceeds from time deposit | 10 | 280 | 1,442 |
| Payment for acquisition of short-term investments in securities | (12,988) | (13,981) | (20,774) |
| Proceeds from sale of short-term investments in securities | 14,960 | 16,978 | 23,451 |
| Payment for acquisition of property, plant and equipment | (1,757) | (3,567) | (3,551) |
| Proceeds from sale of property, plant and equipment | 11 | 4 | 13 |
| Payment for acquisition of intangible assets | (288) | (196) | (524) |
| Payment for acquisition of investments in securities | (508) | (905) | (3,019) |
| Proceeds from sale of investments in securities | - | 110 | 516 |
| Decrease (increase) in other investments | (16) | (25) | (33) |
| Net cash used in investing activities | (1,197) | (1,402) | (6,911) |
| III Cash flows from financing activities | | | |
| Increase (decrease) in short-term borrowings | (551) | (65) | (559) |
| Net change from acquisition and sale of treasury stock | (25) | (2) | (1,716) |
| Cash dividends paid | (1,211) | (1,200) | (2,422) |
| Dividends to minority shareholders | (35) | (32) | (68) |
| Net cash used in financing activities | (1,823) | (1,301) | (4,766) |
| IV Effect of exchange rate changes on cash and cash equivalents | 91 | 91 | 207 |
| V Increase (decrease) in cash and cash equivalents | (1,329) | 1,850 | (267) |
| VI Cash and cash equivalents at beginning of year | 31,386 | 31,119 | 31,386 |
| VII Cash and cash equivalents at end of period | 30,057 | 32,970 | 31,119 |