



January 31, 2008

## Summary of Financial Results for Nine Months Ended December 31, 2007

Company name: **KOSÉ Corporation**

Stock listing: Tokyo Stock Exchange, First Section

Stock code: 4922

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### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2007 (April 1, 2007 – December 31, 2007)

(1) Consolidated financial results *(YoY change % represents changes from the same period of 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 (%)
3Q FY03/2008	136,312	2.2	13,634	12.7	14,123	13.8	6,812	17.9
3Q FY03/2007	133,380	(0.7)	12,100	(25.4)	12,415	(25.9)	5,779	(25.4)
FY03/2007	176,390		13,730		14,285		6,895	

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
3Q FY03/2008	113.58	-
3Q FY03/2007	95.56	-
FY03/2007	114.22	-

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
3Q FY03/2008	169,810	105,622	59.3	1,694.00
3Q FY03/2007	169,714	101,249	57.2	1,616.79
FY03/2007	171,638	102,362	57.3	1,636.44

(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)	
3Q FY03/2008	5,713	(2,731)	(5,734)	28,287
3Q FY03/2007	4,351	896	(4,759)	32,060
FY03/2007	11,203	(6,911)	(4,766)	31,119

### 2. Dividends

There is no dividend with a record date at the end of the third quarter.

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

There are no revisions to the forecast announced on May 9, 2007.

*(YoY change % represents changes from the same period of 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	137.25

### 4. Others

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

(2) Adoption of simplified accounting method: None

(3) Changes in accounting method compared to the previous fiscal year: None

#### \*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.

## Qualitative Information and Financial Statements

### 1. Qualitative Information Regarding Consolidated Results of Operations Nine Months Ended December 31, 2007 (April 1, 2007 – December 31, 2007)

Millions of yen, %

Operating segment	3Q FY03/2007		3Q FY03/2008		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	99,772	74.8	100,373	73.6	600	0.6
Cosmetaries	31,296	23.5	33,866	24.9	2,569	8.2
Other	2,311	1.7	2,072	1.5	(238)	(10.3)
Total net sales	133,380	100.0	136,312	100.0	2,932	2.2

	3Q FY03/2007		3Q FY03/2008		Change	
	Amount	%	Amount	%	Amount	%
Operating income	12,100	9.1	13,634	10.0	1,533	12.7
Ordinary income	12,415	9.3	14,123	10.4	1,708	13.8
Net income	5,779	4.3	6,812	5.0	1,033	17.9

During the first three quarters of the fiscal year (April-December 2007), the slow expansion of the Japanese economy continued as corporate earnings improved and consumer spending remained firm. On the other hand, uncertainties about the prospects for the economy are increasing as crude oil and consumer prices continue to rise. In the cosmetics industry, monetary sales up to November 2007 were static despite higher unit volume, 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.

In the cosmetics business, sales of luxury products sold through specialty cosmetics stores and department stores were higher. In particular, sales of the SEKKISEI brand, driven by aggressive promotional activities, rose substantially. Overseas, KOSÉ conducted effective sales promotion activities to raise awareness of its brands, mainly in Asia.

Sales were higher in the cosmetaries business as KOSÉ conducted effective sales initiatives for distinctive brands and launched new products.

In the other business, 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.

The result was a 2.2% increase in net sales to 136,312 million yen. Earnings was a 12.7% increase in operating income to 13,634 million yen, a 13.8% increase in ordinary income to 14,123 million yen, and a 17.9% increase in net income to 6,812 million yen.

## **2. Qualitative Information Regarding Consolidated Financial Position**

Cash and cash equivalents as of December 31, 2007 were 28,287 million yen, a decrease of 3,773 million yen, or 11.8%, compared with December 31, 2006. Cash flows and major components during the first three quarters of the current fiscal year were as follows.

Net cash provided by operating activities increased 31.3% over the same period of the previous fiscal year to 5,713 million yen. This was mainly the net result of net income before income taxes and minority interests of 13,911 million yen, depreciation, a non-cash expense, of 3,974 million yen, a decrease in accrued employees' retirement benefits of 1,902 million yen, a decrease in notes and accounts receivable of 577 million yen, an increase in inventories of 2,414 million yen, an increase in notes and accounts payable of 1,802 million yen, an increase in other assets of 1,606 million yen, a decrease in other liabilities of 2,990 million yen, and income taxes paid of 6,013 million yen.

Net cash used in investing activities were 2,731 million yen compared with net cash provided of 896 million yen one year earlier. The major components were a net proceed of 1,790 million yen from net change in time deposit accounts, a net proceed of 903 million yen from the sale and purchase of securities, payment for purchase of property, plant and equipment of 4,207 million yen, and a net payment of 892 million yen for the sale and purchase of investment securities.

Net cash used in financing activities increased 20.5% to 5,734 million yen. This was mainly due to repayment of long-term debt of 1,500 million yen, net payment of 1,933 million yen from acquisition and sale of treasury stock (including a 1,930 million yen stock repurchase approved by the Board of Directors), and dividends paid of 2,467 million yen.

## **3. Others**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

No reportable information.

(2) Adoption of simplified accounting method

No reportable information.

(3) Change in accounting method compared to the previous fiscal year

No reportable information.

#### 4. Summary Consolidated Financial Statements

##### (1) Summary Consolidated Balance Sheets

Millions of yen, %

Account	3Q FY03/2007	3Q FY03/2008	YoY change		FY03/2007
	As of Dec. 31, 2006	As of Dec. 31, 2007	Amount	%	As of March 31, 2007
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
<b>I. Current assets</b>					
Cash and time deposits	23,674	18,604	(5,069)	(21.4)	21,725
Notes and accounts receivable	27,501	26,011	(1,489)	(5.4)	26,718
Short-term investments in securities	16,980	22,067	5,086	30.0	22,251
Inventories	24,284	23,603	(681)	(2.8)	21,272
Deferred tax assets-current	3,798	4,715	917	24.2	4,354
Other current assets	4,352	3,731	(620)	(14.3)	5,029
Allowance for doubtful accounts	(346)	(288)	57	16.6	(286)
Total current assets	100,245	98,444	(1,800)	(1.8)	101,065
<b>II. Fixed assets</b>					
<b>Property, plant and equipment</b>					
Buildings and structures	11,198	11,754	556	5.0	11,077
Machinery and automotive equip.	2,562	2,324	(238)	(9.3)	2,613
Furniture and fixtures	6,364	5,852	(512)	(8.1)	6,250
Land	18,048	18,028	(20)	(0.1)	18,053
Construction in progress	418	1,311	893	213.5	360
Total property, plant and equipment	38,593	39,271	678	1.8	38,355
<b>Intangible assets</b>					
Software	4,110	3,209	(900)	(21.9)	4,035
Other intangible assets	437	432	(4)	(1.1)	368
Total intangible assets	4,547	3,642	(905)	(19.9)	4,404
<b>Investments and others</b>					
Investments in securities	9,288	12,448	3,160	34.0	10,830
Deferred tax assets-non-current	14,024	13,190	(834)	(5.9)	13,979
Others	3,366	3,175	(191)	(5.7)	3,336
Allowance for doubtful accounts	(351)	(362)	(11)	(3.2)	(333)
Total investments and others	26,327	28,451	2,123	8.1	27,813
Total fixed assets	69,469	71,365	1,896	2.7	70,573
<b>Total assets</b>	<b>169,714</b>	<b>169,810</b>	<b>96</b>	<b>0.1</b>	<b>171,638</b>

Millions of yen, %

Account	3Q FY03/2007	3Q FY03/2008	YoY change		FY03/2007
	As of Dec. 31, 2006	As of Dec. 31, 2007	Amount	%	As of March 31, 2007
	Amount	Amount	Amount	%	Amount
<b>Liabilities</b>					
<b>I. Current liabilities</b>					
Notes and accounts payable	15,315	14,453	(861)	(5.6)	13,592
Short-term borrowings	6,201	4,868	(1,332)	(21.5)	6,202
Accounts payable-other	6,555	6,188	(367)	(5.6)	6,704
Accrued expenses	4,103	4,346	243	5.9	7,214
Accrued income taxes	2,146	3,392	1,245	58.0	3,744
Other current liabilities	4,349	3,453	(895)	(20.6)	2,594
Total current liabilities	38,671	36,703	(1,967)	(5.1)	40,052
<b>II. Long-term liabilities</b>					
Accrued employees' retirement benefits	26,310	23,768	(2,542)	(9.7)	25,711
Accrued officers' severance benefits	3,358	3,611	253	7.5	3,401
Other long-term liabilities	124	103	(20)	(16.5)	110
Total long-term liabilities	29,793	27,483	(2,309)	(7.8)	29,223
<b>Total liabilities</b>	68,464	64,187	(4,277)	(6.2)	69,276
<b>Net assets</b>					
<b>I. Shareholders' equity</b>					
Common stock	4,848	4,848	-	-	4,848
Capital surplus	6,391	6,391	0	0.0	6,391
Consolidated retained earnings	86,962	92,488	5,526	6.4	88,078
Treasury stock	(1,826)	(3,761)	(1,934)	(105.9)	(1,827)
Total shareholders' equity	96,375	99,966	3,591	3.7	97,490
<b>II. Valuation and translation adjustments</b>					
Net unrealized holding gain (loss) on other securities	345	324	(20)	(6.0)	347
Deferred hedge gain (loss)	6	-	(6)	-	4
Foreign currency translation adjustments	360	350	(9)	(2.7)	424
Total valuation and translation adjustments	712	675	(37)	(5.2)	776
<b>III. Minority interests</b>	4,161	4,981	819	19.7	4,094
<b>Total net assets</b>	101,249	105,622	4,373	4.3	102,362
<b>Total liabilities and net assets</b>	169,714	169,810	96	0.1	171,638

## (2) Summary Consolidated Statements of Income

Millions of yen, %

Account	3Q FY03/2007 Apr. 1, 2006 - Dec. 31, 2006		3Q FY03/2008 Apr. 1, 2007 - Dec. 31, 2007		YoY change		FY03/2007 Apr. 1, 2006 - Mar. 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Net sales</b>	133,380	100.0	136,312	100.0	2,932	2.2	176,390	100.0
<b>Cost of sales</b>	32,982	24.7	33,012	24.2	29	0.1	44,659	25.3
<b>Gross profit</b>	100,397	75.3	103,300	75.8	2,902	2.9	131,731	74.7
SG&A expenses	88,296	66.2	89,665	65.8	1,368	1.6	118,001	66.9
<b>Operating income</b>	12,100	9.1	13,634	10.0	1,533	12.7	13,730	7.8
Non-operating income								
Interest and dividend income	170		299		128		264	
Foreign exchange gains	96		1		(95)		243	
Other non-operating income	170		252		82		227	
Total non-operating income	438	0.3	553	0.4	114	26.1	735	0.4
Non-operating expenses								
Interest expense	36		42		5		65	
Other non-operating expenses	86		22		(64)		114	
Total non-operating expenses	123	0.1	64	0.0	(59)	(48.1)	180	0.1
<b>Ordinary income</b>	12,415	9.3	14,123	10.4	1,708	13.8	14,285	8.1
Extraordinary income	9	0.0	72	0.0	63	644.8	524	0.3
Extraordinary loss	212	0.1	284	0.2	72	33.9	343	0.2
<b>Net income before income taxes and minority interests</b>	12,212	9.2	13,911	10.2	1,699	13.9	14,466	8.2
Income taxes-current	4,708	3.6	5,664	4.2	955	20.3	6,414	3.6
Income taxes-deferred	827	0.6	469	0.3	(358)	(43.3)	325	0.2
Minority interests-income	897	0.7	966	0.7	68	7.6	832	0.5
<b>Net income</b>	5,779	4.3	6,812	5.0	1,033	17.9	6,895	3.9

## (3) Summary Consolidated Statements of Changes in Net Assets

3Q FY03/2008 (Apr. 1, 2007 - Dec. 31, 2007)

*Millions of yen*

	Shareholders' equity			
	Common stock	Capital surplus	Consolidated retained earnings	Treasury stock
Balance as of March 31, 2007	4,848	6,391	88,078	(1,827)
Changes in the current period				
Dividends from surplus			(2,401)	
Net income			6,812	
Acquisition of treasury stock				(1,934)
Disposal of treasury stock		0		0
Changes (net) in items other than shareholders' equity				
Total changes in the current period	-	0	4,410	(1,933)
Balance as of December 31, 2007	4,848	6,391	92,488	(3,761)

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized holding gain (loss) on other securities	Deferred hedge gain (loss)	Foreign currency translation adjustments		
Balance as of March 31, 2007	347	4	424	4,094	102,362
Changes in the current period					
Dividends from surplus					(2,401)
Net income					6,812
Acquisition of treasury stock					(1,934)
Disposal of treasury stock					0
Changes (net) in items other than shareholders' equity	(22)	(4)	(74)	886	784
Total changes in the current period	(22)	(4)	(74)	886	3,260
Balance as of December 31, 2007	324	-	350	4,981	105,622

## (4) Summary Consolidated Statements of Cash Flows

Millions of yen

Account	3Q FY03/2007 Apr. 1, 2006 - Dec. 31, 2006	3Q FY03/2008 Apr. 1, 2007 - Dec. 31, 2007	FY03/2007 Apr. 1, 2006 - Mar. 31, 2007
	Amount	Amount	Amount
<b>I. Cash flows from operating activities</b>			
Net income before income taxes and minority interests	12,212	13,911	14,466
Depreciation	3,757	3,974	5,135
Increase (decrease) in allowance for doubtful accounts	2	116	(52)
Increase (decrease) in accrued employees' retirement benefits	(1,559)	(1,902)	(2,159)
Increase (decrease) in accrued officers' severance benefits for director	156	210	199
Loss (gain) on disposal of fixed assets	202	94	333
Compensation for premises removal	-	-	(474)
Interest and dividend income	(170)	(299)	(264)
Decrease (increase) in notes and accounts receivable	(842)	577	35
Decrease (increase) in inventories	(1,482)	(2,414)	1,577
Increase (decrease) in notes and accounts payable	1,823	1,802	16
Others	(1,962)	(4,573)	(258)
Subtotal	12,135	11,496	18,555
Interests and dividends received	170	305	254
Interests paid	(36)	(75)	(59)
Compensation received for premises removal	-	-	474
Income taxes paid	(7,918)	(6,013)	(8,021)
Net cash provided by operating activities	4,351	5,713	11,203
<b>II. Cash flows from investing activities</b>			
Net change in time deposit accounts	(3,989)	1,790	(2,989)
Decrease (increase) in securities	6,966	903	2,676
Payment for acquisition of property, plant and equipment	(2,674)	(4,207)	(3,551)
Proceeds from sale of property, plant and equipment	24	4	13
Payment for acquisition of intangible assets	(366)	(236)	(524)
Payment for acquisition of investments in securities	(511)	(1,304)	(3,019)
Proceeds from sale of investments in securities	500	412	516
Others	948	(93)	(33)
Net cash provided (used in) investing activities	896	(2,731)	(6,911)
<b>III. Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	(553)	167	(559)
Repayment of long-term debt	-	(1,500)	-
Net change from acquisition and sale of treasury stock	(1,715)	(1,933)	(1,716)
Cash dividends paid	(2,490)	(2,467)	(2,490)
Net cash used in financing activities	(4,759)	(5,734)	(4,766)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>			
	184	(80)	207
<b>V. Increase (decrease) in cash and cash equivalents</b>			
	673	(2,832)	(267)
<b>VI. Cash and cash equivalents at beginning of year</b>			
	31,386	31,119	31,386
<b>VII. Cash and cash equivalents at end of period</b>			
	32,060	28,287	31,119