



Press Release

October 30, 2009

KOSÉ Corporation

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Revisions to Earnings Forecasts for the Fiscal Year Ending March 31, 2010

KOSÉ Corporation has reviewed the current performance trends and revised the previously released earnings forecasts of April 30, 2009 as follows.

Revision to Consolidated Forecasts for the Fiscal Year Ending March 31, 2010

(April 1, 2009 – March 31, 2010)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	<i>Million yen</i>	<i>Million yen</i>	<i>Million yen</i>	<i>Million yen</i>	<i>Yen</i>
Previous forecast (A)	180,000	12,500	12,600	5,900	101.64
Revised forecast (B)	176,000	10,000	9,700	3,500	60.30
Change (B – A)	(4,000)	(2,500)	(2,900)	(2,400)	
Percentage change (%)	(2.2)	(20.0)	(23.0)	(40.7)	
(Reference) Previous fiscal year results (Fiscal year ended Mar. 31, 2009)	178,121	12,303	12,017	4,742	81.55

Reasons for Revisions

Although there are some signs of an improvement in Japan's economy, there are still concerns about the outlook because of persistent weakness in employment and income statistics and sluggish consumer spending. In the Japanese cosmetics industry, competition is becoming more heated as demand for cosmetics declines. In conjunction with the decision to outsource its logistics activities in October 2009, KOSÉ expects to post an impairment loss for noncurrent assets at distribution centers.

Based on the above outlook and the estimates for the increase in the cost of sales ratio associated with the change in the sales composition and other factors, the forecast for the current fiscal year has been revised as mentioned above.

By business segment, KOSÉ has reduced the sales forecasts by 3,400 million yen, or 2.6%, to 129,700 million yen in the cosmetics business, 500 million yen, or 1.1%, to 44,900 million yen in the cosmetaries business, and 100 million yen, or 6.7%, to 1,400 million yen in the other business segment.



Press Release

NEWS RELEASE

October 30, 2009

KOSÉ Decides to Outsource Logistics Operations to Hitachi Transport

KOSÉ Corporation (Headquarters: Chuo-ku, Tokyo, President: Kazutoshi Kobayashi) has decided to outsource its logistics operations to Hitachi Transport System, Ltd. (Headquarters: Koto-ku, Tokyo, President: Takao Suzuki) and Hitachi Collabonext Transport System Co., Ltd. (Headquarters: Koto-ku, Tokyo, President: Kazunori Umino). This decision is part of KOSÉ's ongoing structural business reforms. KOSÉ and Hitachi Transport have reached an agreement in principle concerning the scheme for the transfer of logistics operations.

KOSÉ announced in May 2008 a medium-term management plan with four key components: rebuilding the cosmetics business in Japan, reinforcing overseas operations, entering new business fields, and upgrading the KOSÉ Group's overall strengths. Since then, the Company has been enacting management reforms to achieve these goals. With regard to upgrading group strengths, KOSÉ is aiming to improve efficiency and profitability by optimizing the overall cost structure from many perspectives. Outsourcing logistics operations is one step toward achieving this goal. KOSÉ has decided to use an external partner to perform logistics functions, which the company until now has handled using its own resources, including both facilities and operational systems. KOSÉ believes this action will produce many benefits. The Company expects to increase operating efficiency by focusing resources on its core business of manufacturing and selling cosmetics. In addition, outsourcing is expected to improve the quality of logistics operations, make it possible to adapt to changing logistics needs with greater speed, and reduce the environmental impact of logistics by streamlining these operations.

In accordance with the scheme for the transfer of operations, work will begin on developing logistics systems, designing business processes and other tasks. Plans call for enacting the transfer in stages at each distribution center. The transfer of all operations is to be completed during the fiscal year that ends on March 31, 2011.



Press Release

1. Outsourcing process at distribution centers

Present

All distribution centers are operated by KOSÉ
(Currently the following six locations)

Hokkaido Distribution Center
(Eniwa City, Hokkaido)

Tohoku Distribution Center
(Sukagawa City, Fukushima)

Sayama Distribution Center
(Sayama City, Saitama)

Meishin Distribution Center
(Konan City, Shiga)

Chushikoku Distribution Center
(Kasaoka City, Okayama)

Kyushu Distribution Center
(Koga City, Fukuoka)

→ After outsourcing

All operations will be performed by
Hitachi Transport System and
Hitachi Collabonext Transport System
(Logistics operations are to be consolidated
at the following four locations)

Hokkaido

Kanto

Kansai

Kyushu

2. Tentative timetable for outsourcing of development and distribution activities

Second half of FY03/2009 to First half of FY03/2010	Logistics systems and business process designs
Second half of FY03/2010	Start of trial logistics outsourcing at selected locations
	After evaluation of performance, outsourcing will be expanded in stages
FY03/2011	Completion of transfer to outsourcing of all logistics operations