



November 6, 2008

**Summary of Financial Results for the First Half of Fiscal Year Ending March 31, 2009  
(Six Months Ended September 30, 2008)**

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section  
 Stock code: 4922 URL: <http://www.kose.co.jp/>  
 President: Kazutoshi Kobayashi  
 Contact: Hitonori Nakata, General Manager of IR Div. Tel: +81- (0) 3-3273-1511  
 Scheduled date of filing of Quarterly Report: November 14, 2008  
 Scheduled date of filing of dividend payment: December 10, 2008

*(Rounded down to million yen)*

**1. Consolidated Financial Results for the Six Months Ended September 30, 2008  
(April 1, 2008 – September 30, 2008)**

(1) Consolidated financial results *(YoY change % represents changes from the previous fiscal year)*

	Net sales	YoY change	Operating income	YoY change	Ordinary income	YoY change	Net income	YoY change
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)
1H FY03/2009	88,451	-	4,603	-	4,872	-	1,583	-
1H FY03/2008	88,119	3.9	6,696	40.2	6,992	41.2	3,134	80.3

	Net income per share (basic)	Net income per share (diluted)
	(Yen)	(Yen)
1H FY03/2009	27.17	-
1H FY03/2008	52.20	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Million yen)	(Million yen)	(%)	(Yen)
1H FY03/2009	170,908	103,291	57.2	1,683.84
FY03/2008	172,128	105,048	58.1	1,693.55

(Ref.) Shareholders' equity (million yen) 1H FY03/2009: 97,743 FY03/2008: 100,000

**2. Dividends**

Record date	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
FY03/2008	-	20.00	-	20.00	40.00
FY03/2009	-	20.00	-	-	-
FY03/2009 (forecast)	-	-	-	20.00	40.00

(Note) Revision of dividend forecast during the period: None

**3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)**

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

	Net sales	YoY change	Operating income	YoY change	Ordinary income	YoY change	Net income	YoY change	Net income per share
	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Million yen)	(%)	(Yen)
Full year	181,500	0.7	13,400	(11.8)	13,600	(8.4)	5,700	(17.4)	98.01

(Note) Revision of consolidated forecast during the period: Yes

**4. Others**

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

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on pages 5 and 6 for further information.

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 6 for further information.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (incl. treasury stock) at end of the period

As of September 30, 2008: 60,592,541 shares

As of March 31, 2008: 60,592,541 shares

2) Number of treasury stock at end of the period

As of September 30, 2008: 2,544,388 shares

As of March 31, 2008: 1,544,258 shares

3) Average number of shares outstanding during the period

1H FY03/2009 58,264,505 shares

1H FY03/2008 60,049,145 shares

\*Cautionary statement with respect to forward-looking statements

1. 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 date 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 “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Consolidated Forecast.”
2. Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements.”

## Qualitative Information and Financial Statements

### 1. Qualitative Information Regarding Consolidated Results of Operations

Six Months Ended September 30, 2008 (April 1, 2008 – September 30, 2008)

Millions of yen, %

Operating segment	1H FY03/2008		1H FY03/2009		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	64,482	73.2	64,874	73.4	392	0.6
Cosmetaries	22,254	25.2	22,588	25.5	333	1.5
Other	1,381	1.6	988	1.1	(393)	(28.5)
Total net sales	88,119	100.0	88,451	100.0	332	0.4

\* Figures for “YoY change” are provided for reference.

	1H FY03/2008		1H FY03/2009	
	Amount	% of sales	Amount	% of sales
Operating income	6,696	7.6	4,603	5.2
Ordinary income	6,992	7.9	4,872	5.5
Net income	3,134	3.6	1,583	1.8

#### 1) Review of Operations

In the first half of the fiscal year, which ended on September 30, 2008, the outlook for Japan's economy became increasingly uncertain as concerns about a global economic downturn grew because of the overseas financial crisis. In Japan, consumer spending weakened as income levels declined and prices rose along with the cost of raw materials and corporate earnings continue to fall. In the cosmetics industry, according to data for the first eight months of calendar 2008 issued by Japan's Ministry of Economy, Trade and Industry, both unit sales and monetary sales of cosmetics were slightly lower than the same period in 2007.

In this environment, the KOSÉ Group further refined its original brand marketing 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.

First half net sales increased 0.4% to 88,451 million yen because of higher sales in the cosmetics business and cosmetaries business. Overseas sales increased 1.1% from one year earlier after excluding the effect of changes in foreign exchange rates.

Earnings were affected by one-time expenses for various reforms, head office relocation expenses and other items. First half operating income was 4,603 million yen, ordinary income was 4,872 million yen and net income was 1,583 million yen.

#### 2) Results by Business Segment

##### (a) Cosmetics Business

Millions of yen, %

	1H FY03/2008	1H FY03/2009	YoY change	
			Amount	%
Sales to third parties	64,482	64,874	392	0.6
Intragroup sales and transfers	9	-	-	-
Total net sales	64,492	64,874	382	0.6
Operating income	7,242	6,100	-	-
Operating margin	11.2	9.4	-	-

In the cosmetics business, KOSÉ concentrated on the lineup of luxury products distributed through specialty cosmetics stores and department stores in Japan. For example, the COSME DECORTE AQ series of makeup products was given a new look. Another goal is upgrading sales in Japan of products accompanied by counseling. Actions in this field included the introduction of SEKKISEI SUPREME and an increase in the number of stores selling INFINITY products.

Overseas, KOSÉ is making even greater use of its lineup of powerful brands, such as by introducing JILLSTUART products in Taiwan and RIMMEL products in China. However, overseas sales were lower after yen conversions because of the yen's appreciation.

The result was a 0.6% increase in cosmetics sales to 64,874 million yen and operating income of 6,100 million yen.

## (b) Cosmetaries Business

*Millions of yen, %*

	1H FY03/2008	1H FY03/2009	YoY change	
			Amount	%
Sales to third parties	22,254	22,588	333	1.5
Intragroup sales and transfers	-	-	-	-
Total net sales	22,254	22,588	333	1.5
Operating income	638	(259)	-	-
Operating margin	2.9	-	-	-

In the cosmetaries business, first half sales increased despite the negative effect of revisions concerning the retailers that sell KOSÉ cosmetaries products. Furthermore, sales in the previous fiscal year's first half benefited from new product introductions. The addition of more items bearing major brands to meet customers' needs was one reason for higher first half sales. Growth was also attributable to measures to effectively utilize brands and attract more customers, such as high-profile advertising and sales promotion activities.

Overall, sales increased 1.5% to 22,588 million yen and there was an operating loss of 259 million yen.

## (c) Other Business

*Millions of yen, %*

	1H FY03/2008	1H FY03/2009	YoY change	
			Amount	%
Sales to third parties	1,381	988	(393)	(28.5)
Intragroup sales and transfers	1,184	1,209	-	-
Total net sales	2,566	2,197	(368)	(14.4)
Operating income	312	187	-	-
Operating margin	12.2	8.5	-	-

In this segment, there was an increase in sales in the amenities category, which represents primarily sales through sales agents, and a decrease in orders for the manufacture of OEM products.

As a result, the sale of two subsidiaries in the previous fiscal year caused sales to fall 28.5% to 988 million yen. Operating income was 187 million yen.

## 2. Qualitative Information Regarding Consolidated Financial Position

Assets decreased 1,219 million yen compared with the end of March 2008. There were an increase of 4,795 million yen in cash and deposits, a decrease of 4,706 million yen in short-term investment securities, increases of 772 million yen in merchandise and finished goods, and 1,210 million yen in property, plant and equipment, decreases of 404 million yen in intangible assets and 4,574 million yen in investment securities.

Liabilities increased 536 million yen. This was mainly the result of a 2,779 million yen increase in notes and accounts payable-trade, a decrease of 1,485 million yen in income taxes payable, and a decrease of 1,129 million yen in provision for retirement benefits.

Interest-bearing debt amounted to 4,881 million yen at the end of the first half and the debt-to-equity ratio was 0.05.

### 3. Qualitative Information Regarding Consolidated Forecast

The global economic growth rate is declining because of the worldwide financial crisis. Resulting weakness in corporate earnings and consumer spending in Japan and other countries indicates that Japan's economy will probably remain lackluster. In the Japanese cosmetics industry, competition is becoming even more heated as the demand for cosmetics shrinks.

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

The revised forecasts incorporate changes to foreign exchange rate assumptions, an expected increase in the cost of sales ratio because of a change in the sales composition, and other items. For the fiscal year ending in March 31, 2009, KOSÉ forecasts a 0.7% increase in net sales to 181,500 million yen, an 11.8% decrease in operating income to 13,400 million yen, an 8.4% decrease in ordinary income to 13,600 million yen, and a 17.4% decrease in net income to 5,700 million yen.

	<i>Millions of yen, %</i>				
	Net sales	Operating income	Ordinary income	Net income	Net income per share (basic)
Previous forecast (A)	183,700	15,500	15,700	7,400	127.24
Revised forecast (B)	181,500	13,400	13,600	5,700	98.01
Change (B-A)	(2,200)	(2,100)	(2,100)	(1,700)	-
Percentage change (%)	(1.2)	(13.5)	(13.4)	(23.0)	-
Reference: Previous fiscal year (FY03/2008)	180,222	15,187	14,854	6,900	115.50

Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

Operating segment	FY03/2008		FY03/2009 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	134,139	74.4	134,900	74.3	760	0.6
Cosmetaries	43,559	24.2	45,000	24.8	1,440	3.3
Other	2,524	1.4	1,600	0.9	(924)	(36.6)
Total net sales	180,222	100.0	181,500	100.0	1,277	0.7

	FY03/2008		FY03/2009 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	15,187	8.4	13,400	7.4	(1,787)	(11.8)
Ordinary income	14,854	8.2	13,600	7.5	(1,254)	(8.4)
Net income	6,900	3.8	5,700	3.1	(1,200)	(17.4)

\* Forecasts are based on foreign exchange rates of 104 yen to the U.S. dollar, 3.3 yen to the Taiwan dollar and 15.0 yen to the Chinese yuan.

### 4. Others

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

No reportable information.

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements

Calculation of income taxes, deferred tax assets and deferred tax liabilities

For the Company and its certain consolidated subsidiaries, the amount of income taxes paid is calculated using only significant taxable and deductible items and tax credit items.

Judgments about the recoverability of deferred tax assets are made based on the earnings forecast at the end of the previous fiscal year and tax planning with regard to items where there have been no significant changes in the operating environment or in the occurrence of temporary differences following the end of the previous fiscal year.

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

1) Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements”.

2) Changes in valuation criteria and methods for principal assets

Inventories

In prior years, inventory for regular sales purposes was computed primarily by the periodic-average cost method. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: July 5, 2006) from the first quarter of fiscal year, inventory is valued primarily by the periodic-average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

These corrections do not have a material effect on earnings.

3) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the first quarter of fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18: May 17, 2006) and has made the necessary adjustments to the consolidated financial statements.

The application of this standard does not have a material effect on earnings.

4) Application of accounting standards for lease transactions

In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary lease transactions for accounting purposes. However, the Company is able to use the following accounting standards beginning with consolidated quarterly financial statements for fiscal years starting on or after April 1, 2008: “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan). The Company has adopted these standards and guidance beginning with the first quarter of fiscal year, using an accounting method for leases that is based on the method used for ordinary purchases and sales. Furthermore, for the depreciation of lease assets associated with finance leases where there is no transfer of ownership, the straight-line method with no residual value is applied with the lease period used as the useful life of the asset. For finance leases where there is no transfer of ownership that started prior to the fiscal year when these standards were first applied, the Company will continue to use an accounting method that is based on the method used for ordinary lease transactions.

The application of these standards does not have a material effect on earnings.

**5. Consolidated Quarterly Financial Statements****(1) Consolidated Quarterly Balance Sheets***Millions of yen*

	1H FY03/2009 (As of Sep. 30, 2008)	FY03/2008 Summary (As of Mar. 31, 2008)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	23,902	19,107
Notes and accounts receivable-trade	24,402	24,735
Short-term investment securities	24,168	28,875
Merchandise and finished goods	11,909	11,137
Work in process	1,261	1,299
Raw materials and supplies	10,117	8,862
Deferred tax assets	4,795	4,725
Other	2,435	2,035
Allowance for doubtful accounts	(287)	(276)
<b>Total current assets</b>	<b>102,704</b>	<b>100,502</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	30,616	28,420
Accumulated depreciation	(17,054)	(16,653)
Buildings and structures, net	13,562	11,767
Machinery, equipment and vehicles	13,839	13,855
Accumulated depreciation	(11,574)	(11,507)
Machinery, equipment and vehicles, net	2,265	2,347
Tools, furniture and fixtures	26,304	25,474
Accumulated depreciation	(20,555)	(19,857)
Tools, furniture and fixtures, net	5,748	5,616
Land	17,773	17,773
Lease assets	71	-
Accumulated depreciation	(1)	-
Lease assets, net	69	-
Construction in progress	623	1,326
<b>Total property, plant and equipment</b>	<b>40,041</b>	<b>38,831</b>
<b>Intangible assets</b>		
Software	2,447	2,947
Other	695	600
<b>Total intangible assets</b>	<b>3,143</b>	<b>3,548</b>
<b>Investments and other assets</b>		
Investment securities	8,587	13,161
Deferred tax assets	12,969	13,260
Other	3,750	3,070
Allowance for doubtful accounts	(288)	(246)
<b>Total investments and other assets</b>	<b>25,018</b>	<b>29,246</b>
<b>Total noncurrent assets</b>	<b>68,204</b>	<b>71,625</b>
<b>Total assets</b>	<b>170,908</b>	<b>172,128</b>

*Millions of yen*

	1H FY03/2009 (As of Sep. 30, 2008)	FY03/2008 Summary (As of Mar. 31, 2008)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	16,782	14,002
Short-term loans payable	4,808	4,824
Lease obligations	17	-
Accounts payable-other	6,198	6,686
Accrued expenses	7,886	7,288
Income taxes payable	2,226	3,711
Accrued consumption taxes	346	617
Provision for sales returns	2,376	2,321
Other	1,043	692
<b>Total current liabilities</b>	<b>41,686</b>	<b>40,145</b>
<b>Noncurrent liabilities</b>		
Lease obligations	55	-
Provision for retirement benefits	22,068	23,197
Provision for directors' retirement benefits	3,766	3,649
Other	41	87
<b>Total noncurrent liabilities</b>	<b>25,930</b>	<b>26,935</b>
<b>Total liabilities</b>	<b>67,617</b>	<b>67,080</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,848	4,848
Capital surplus	6,390	6,391
Retained earnings	92,979	92,577
Treasury stock	(7,228)	(4,789)
<b>Total shareholders' equity</b>	<b>96,990</b>	<b>99,027</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	204	230
Foreign currency translation adjustment	548	743
<b>Total valuation and translation adjustments</b>	<b>753</b>	<b>973</b>
<b>Minority interests</b>	<b>5,548</b>	<b>5,047</b>
<b>Total net assets</b>	<b>103,291</b>	<b>105,048</b>
<b>Total liabilities and net assets</b>	<b>170,908</b>	<b>172,128</b>

**(2) Consolidated Quarterly Statements of Income****(For the Six-month Period)**

	<i>Millions of yen</i>
	1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)
Net sales	88,451
Cost of sales	22,800
Gross profit	65,651
Selling, general and administrative expenses	
Advertising expenses	4,465
Promotion expenses	19,409
Freightage and packing expenses	2,713
Salaries and allowances	19,462
Retirement benefit expenses	403
Welfare expenses	3,427
Depreciation	1,342
Other	9,823
Total selling, general and administrative expenses	61,047
Operating income	4,603
Non-operating income	
Interest income	171
Dividends income	87
Miscellaneous income	94
Total non-operating income	353
Non-operating expenses	
Interest expenses	44
Foreign exchange losses	26
Miscellaneous loss	15
Total non-operating expenses	85
Ordinary income	4,872
Extraordinary income	
Gain on sales of noncurrent assets	0
Gain on sales of investment securities	36
Compensation for transfer	85
Total extraordinary income	122
Extraordinary loss	
Loss on disposal of noncurrent assets	80
Loss on valuation of investment securities	12
Other	6
Total extraordinary losses	99
Income before income taxes and minority interests	4,894
Income taxes-current	2,540
Income taxes-deferred	236
Total income taxes	2,777
Minority interests in income	534
Net income	1,583

**(3) Consolidated Quarterly Statements of Cash Flows**

	<i>Millions of yen</i>
	1H FY03/2009
	(Apr. 1, 2008 – Sep. 30, 2008)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	4,894
Depreciation and amortization	2,535
Increase (decrease) in allowance for doubtful accounts	54
Increase (decrease) in provision for retirement benefits	(1,129)
Increase (decrease) in provision for directors' retirement benefits	116
Increase (decrease) in other provision	54
Loss (gain) on disposal of noncurrent assets	80
Compensation for removal	(85)
Interest and dividends income	(259)
Interest expenses	44
Foreign exchange losses (gains)	17
Loss (gain) on sales of investment securities	(36)
Loss (gain) on valuation of investment securities	12
Decrease (increase) in notes and accounts receivable-trade	142
Decrease (increase) in inventories	(2,037)
Increase (decrease) in notes and accounts payable-trade	2,334
Decrease (increase) in other assets	(289)
Increase (decrease) in other liabilities	992
Subtotal	<u>7,441</u>
Interest and dividends income received	244
Interest expenses paid	(50)
Proceeds from compensation for removal	85
Income taxes paid	(4,036)
Net cash provided by operating activities	<u>3,685</u>
Net cash provided by (used in) investment activities	
Proceeds from withdrawal of time deposits	100
Purchase of short-term investment securities	(13,979)
Proceeds from sales of short-term investment securities	15,475
Purchase of property, plant and equipment	(3,005)
Proceeds from sales of property, plant and equipment	1
Purchase of intangible assets	(643)
Purchase of investment securities	(333)
Proceeds from sales of investment securities	4,811
Decrease (increase) in other investments	(763)
Net cash provided by investment activities	<u>1,663</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(18)
Net decrease (increase) in treasury stock	(2,439)
Cash dividends paid	(1,180)
Cash dividends paid to minority shareholders	(39)
Other, net	(1)
Net cash used in financing activities	<u>(3,680)</u>
Effect of exchange rate change on cash and cash equivalents	(113)
Net increase (decrease) in cash and cash equivalents	<u>1,554</u>
Cash and cash equivalents at beginning of period	<u>34,093</u>
Cash and cash equivalents at end of period	<u>35,648</u>

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements.”

#### (4) Going Concern Assumption

Not applicable.

#### (5) Segment Information

Business segments

1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)

Millions of yen

	Cosmetics	Cosmetaries	Others	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Sales to third parties	64,874	22,588	988	88,451	-	88,451
(2) Intragroup sales and transfers	-	-	1,209	1,209	(1,209)	-
Total sales	64,874	22,588	2,197	89,660	(1,209)	88,451
Operating income (loss)	6,100	(259)	187	6,028	(1,424)	4,603

Notes:

Segmentation policies and breakdown of principal products by business segment

Information on business segments is based on operating segments reported for internal use by management.

(Cosmetics)

Principal products: KOSÉ, BEAUTÉ de KOSÉ, COSME DECORTE, PRÉDIA, INFINITY, export of manufactured products and merchandise, overseas production, CRIE, and ALBION

(Cosmetaries)

Principal products: FASIO, ELSIA, SALON STYLE, SOFTYMO, STEPHEN KNOLL Collection, and RIMMEL

(Others)

Principal products: Amenity products, real estate leasing, and raw material exports

#### Geographic segment information

1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)

No information on geographic segments is presented because the Company and its consolidated subsidiaries have conducted over 90% of their total sales in Japan.

#### Overseas sales

1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)

No information on overseas sales is presented since overseas sales accounted for less than 10% of total consolidated sales.

#### (6) Precaution Concerning Significant Changes in Shareholders' Equity

KOSÉ repurchased its stock using market transactions during the period from May 15, 2008 through June 6, 2008. Due to these repurchases, there was an increase of 2,438 million yen in treasury stock during the first half of the current fiscal year, raising the balance of treasury stock to 7,228 million yen as of September 30, 2008.

*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.*

**Supplementary Information****Financial Statements for the Previous Interim Period****(1) Consolidated Statements of Income***Millions of yen*

Account	FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)	
	Amount	
I Net sales		88,119
II Cost of sales		21,279
Gross profit		66,839
III SG&A expenses		
1. Advertising	5,105	
2. Sales promotion	18,640	
3. Transportation	2,673	
4. Salaries and wages	19,155	
5. Retirement benefits	416	
6. Welfare	3,410	
7. Travel	-	
8. Depreciation	1,275	
9. Taxes other than income	-	
10. Miscellaneous expenses	9,465	60,142
Operating income		6,696
IV Non-operating income		
1. Interest income	156	
2. Dividend income	79	
3. Patent royalty income	43	
4. Foreign exchange gains	-	
5. Miscellaneous revenue	61	342
V Non-operating expenses		
1. Interest expense	24	
2. Loss on redemption of short-term investments in securities	-	
3. Provision of allowance for doubtful accounts	-	
4. Amortization of initial expenses	-	
5. Foreign exchange loss	8	
6. Miscellaneous loss	13	46
Ordinary income		6,992

*Millions of yen*

Account	FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)	
	Amount	
VI Extraordinary income		
1. Gain on sales of fixed assets	-	
2. Reversal of allowance for doubtful accounts	16	
3. Gain on sale of investments in securities	10	
4. Compensation for premises removal	-	27
VII Extraordinary loss		
1. Loss on disposal of fixed assets	64	
2. Unrealized holding loss on investments in securities	5	
3. Provision of allowance for doubtful accounts	135	
4. Bad debt loss	34	240
Net income before income taxes and minority interests		6,779
Income taxes-current	2,680	
Income taxes-deferred	379	3,059
Minority interests-income		585
Net income		3,134

**(2) Consolidated Statements of Cash Flows***Millions of yen*

	FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)
Account	Amount
I. Cash flows from operating activities	
Net income before income taxes and minority interests	6,779
Depreciation	2,566
Bad debt loss	34
Increase (decrease) in allowance for doubtful accounts	107
Increase (decrease) in accrued employees' retirement benefits	(1,284)
Increase (decrease) in accrued officers' severance benefits for director	172
Increase (decrease) in reserve for other allowances	(5)
Loss (gain) on disposal of fixed assets	64
Compensation for premises removal	-
Interest and dividend income	(236)
Interest expense	24
Foreign exchange loss (gain)	7
Loss (gain) on redemption of short-term investments in securities	-
Loss (gain) on sale of investment in securities	(10)
Decrease (increase) in notes and accounts receivable	926
Decrease (increase) in inventories	(2,618)
Increase (decrease) in notes and accounts payable	2,991
Decrease (increase) in other assets	(10)
Increase (decrease) in other liabilities	(1,591)
Officers' remuneration paid	-
Subtotal	7,918
Interests and dividends received	233
Interests paid	(39)
Compensation received for premises removal	-
Income taxes paid	(3,649)
Net cash provided by operating activities	4,462

*Millions of yen*

	FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)
Account	Amount
II. Cash flows from investing activities	
Payment for time deposits placed	(100)
Proceeds from time deposit	280
Payment for acquisition of short-term investments in securities	(13,981)
Proceeds from sale of short-term investments in securities	16,978
Payment for acquisition of property, plant and equipment	(3,567)
Proceeds from sale of property, plant and equipment	4
Payment for acquisition of intangible assets	(196)
Payment for acquisition of investments in securities	(905)
Proceeds from sale of investments in securities	110
Decrease (increase) in other investments	(25)
Net cash used in investing activities	(1,402)
III. Cash flows from financing activities	
Increase (decrease) in short-term borrowings	(65)
Net change from acquisition and sale of treasury stock	(2)
Cash dividends paid	(1,200)
Dividends to minority shareholders	(32)
Net cash used in financing activities	(1,301)
IV. Effect of exchange rate changes on cash and cash equivalents	91
V. Increase (decrease) in cash and cash equivalents	1,850
VI. Cash and cash equivalents at beginning of year	31,119
VII. Cash and cash equivalents at end of period	32,970

**(3) Segment Information**

## Business segments

FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)

*Millions of yen*

	Cosmetics	Cosmetaries	Others	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Sales to third parties	64,482	22,254	1,381	88,119	-	88,119
(2) Intragroup sales and transfers	9	-	1,184	1,194	(1,194)	-
Total sales	64,492	22,254	2,566	89,313	(1,194)	88,119
Operating expenses	57,249	21,616	2,253	81,119	303	81,422
Operating income	7,242	638	312	8,194	(1,497)	6,696

## Notes:

## 1. Segmentation policies and breakdown of principal products by business segment

Information on business segments is based on operating segments reported for internal use by management.

(Cosmetics)

Principal products: KOSÉ, BEAUTÉ de KOSÉ, COSME DECORTE, PRÉDIA, INFINITY, export of manufactured products and merchandise, overseas production, CRIE, and ALBION

(Cosmetaries)

Principal products: FASIO, ELSIA, SALON STYLE, SOFTYMO, STEPHEN KNOLL Collection, and RIMMEL

(Others)

Principal products: Amenity products, real estate leasing, raw material exports, and beauty materials

2. Unallocated operating expenses (1,498 million yen) included in eliminations or corporate consist primarily of expenses related to the administration division at the Company and expenses for basic research. Amounts are as follows:

## Geographic segment information

FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)

No information on geographic segments is presented because the Company and its consolidated subsidiaries have conducted over 90% of their total sales in Japan.

## Overseas sales

FY03/2008 Interim (Apr. 1, 2007 – Sep. 30, 2007)

No information on overseas sales is presented since overseas sales accounted for less than 10% of total consolidated sales.