

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 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: None

2) Other changes: None

(4) Number of shares outstanding (common shares)

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

As of September 30, 2009:	60,592,541 shares
As of March 31, 2009:	60,592,541 shares

2) Number of treasury stock at end of the period

As of September 30, 2009:	2,545,040 shares
As of March 31, 2009:	2,544,823 shares

3) Average number of shares outstanding during the period

1H FY03/2010	58,047,624 shares
1H FY03/2009	58,264,505 shares

*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 date of the summary. As such, actual results may differ significantly from these projections resulting from changes in the economic environment and other risks and uncertainties. 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.”

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

Six Months Ended September 30, 2009 (April 1, 2009 – September 30, 2009)

Millions of yen, %

Operating segment	1H FY03/2009		1H FY03/2010		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	64,874	73.4	61,485	72.1	(3,389)	(5.2)
Cosmetaries	22,588	25.5	23,109	27.1	521	2.3
Other	988	1.1	674	0.8	(314)	(31.8)
Total net sales	88,451	100.0	85,269	100.0	(3,181)	(3.6)

	1H FY03/2009		1H FY03/2010		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	4,603	5.2	2,821	3.3	(1,782)	(38.7)
Ordinary income	4,872	5.5	2,589	3.0	(2,282)	(46.9)
Net income	1,583	1.8	740	0.9	(842)	(53.2)

1) Review of Operations

In the first half of the fiscal year, Japan's economy remained lackluster due to consistently sluggish consumer spending as corporate earnings weakened, unemployment increased and personal income declined. In the Japanese cosmetics industry, according to statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry, there was only a small decrease in unit volume sales in the first eight months of 2009 compared with one year earlier, but monetary sales were down sharply.

The KOSÉ Group responded by further refining its original brand marketing to meet diversifying markets and consumer needs with even greater flexibility. The Group also focused on achieving the optimal allocation of resources and improving operating efficiency and earnings.

First half net sales decreased 3.6% to 85,269 million yen as higher sales in the cosmetaries business were offset by a decline in sales in the cosmetics business and other business segment. After excluding the effect of foreign exchange rate changes on overseas sales, net sales were down 2.3%.

The decline in net sales brought down earnings despite measures to use expenses more efficiently. Operating income decreased 38.7% to 2,821 million yen, ordinary income decreased 46.9% to 2,589 million yen and net income decreased 53.2% to 740 million yen.

2) Results by Business Segment

(a) Cosmetics Business

Millions of yen, %

	1H FY03/2009	1H FY03/2010	YoY change	
			Amount	%
Sales to third parties	64,874	61,485	(3,389)	(5.2)
Intragroup sales and transfers	-	-	-	-
Total net sales	64,874	61,485	-	-
Operating income	6,100	4,668	(1,431)	(23.5)
Operating margin	9.4	7.6	-	-

In the cosmetics business, KOSÉ focused on enlarging the lineup of luxury products distributed through specialty cosmetics stores and department stores in Japan. Two highlights were the debut of the ADDICTION brand of make-up products for sale in department stores and promotional events to mark the fifth anniversary of the launch in Japan of the JILLSTUART brand. Many other actions were taken to increase sales, including the introduction of the GRANDAINE LUXAGE brand and a marketing campaign for SEKKISEI products. Despite these actions, overall performance in Japan was weak because of difficult market conditions, notably the prolonged downturn in consumer spending.

In overseas markets, sales were higher due to measures aimed at growth, such as an increase in the number of specialty cosmetics stores selling KOSÉ products in China and the launch of new brands in several countries. However, yen conversions of overseas sales were brought down by the yen's appreciation compared with one year earlier.

The result was a 5.2% decrease in sales in the cosmetics business to 61,485 million yen and a 23.5% decrease in operating income to 4,668 million yen.

(b) Cosmetaries Business*Millions of yen, %*

	1H FY03/2009	1H FY03/2010	YoY change	
			Amount	%
Sales to third parties	22,588	23,109	521	2.3
Intragroup sales and transfers	-	-	-	-
Total net sales	22,588	23,109	-	-
Operating income	(259)	(543)	(283)	-
Operating margin	-	-	-	-

Revisions concerning retailers that sell KOSÉ cosmetaries products had a negative effect on sales and the contribution of promotional activities to sales one year earlier created a high hurdle for sales growth this year. However, sales in the cosmetaries business benefited from the introduction of new products and new versions of existing products along with extensive advertising campaigns and sales promotion activities. These activities were aimed at making brands even more appealing and attracting more customers.

The result was a 2.3% increase in the cosmetaries business to 23,109 million yen. However, up-front advertising expenses resulted in an operating loss of 543 million yen.

(c) Other Business*Millions of yen, %*

	1H FY03/2009	1H FY03/2010	YoY change	
			Amount	%
Sales to third parties	988	674	(314)	(31.8)
Intragroup sales and transfers	1,209	1,229	-	-
Total net sales	2,197	1,904	-	-
Operating income	187	167	(20)	(10.9)
Operating margin	8.5	8.8	-	-

In the other business segment, there was a decline in orders for the manufacture of OEM products. As a result, sales decreased 31.8% to 674 million yen and operating income decreased 10.9% to 167 million yen.

2. Qualitative Information Regarding Consolidated Financial Position

Assets increased 1,572 million yen compared with the end of March 2009. There were an increase of 135 million yen in cash and deposits, decreases of 66 million yen in notes and accounts receivable-trade and 1,539 million yen in short-term investment securities, and increases of 918 million yen in merchandise and finished goods, 244 million yen in work in process and 899 million yen in raw materials and supplies.

Liabilities increased 1,047 million yen. This was mainly the result of a 2,163 million yen increase in notes and accounts payable-trade, decreases of 517 million yen in income taxes payable, 370 million yen in accrued expenses, and 641 million yen in provision for retirement benefits.

Interest-bearing debt amounted to 4,657 million yen at the end of the second quarter and the debt-to-equity ratio was 0.05.

3. Qualitative Information Regarding Consolidated Forecast

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 response to these challenges, the KOSÉ Group will continue to focus on expanding sales of core products in the second half of the fiscal year. In addition, the Group will introduce new products and brands in order to achieve the flexibility to succeed as markets and consumer needs continue to diversify. Overseas, the central themes will remain strengthening global brands and expanding sales channels. In October 2009, KOSÉ acquired the trademark "JILLSTUART". As the owner of this brand, KOSÉ plans to further increase the brand's value and increase sales of JILLSTUART products.

In a step to strengthen its business operations, KOSÉ in October 2009 decided to outsource its logistics activities. The goal is to increase operating efficiency by concentrating resources on the manufacture and sale of cosmetics. KOSÉ expects to post an impairment loss for noncurrent assets at distribution centers in conjunction with the outsourcing of logistics activities.

Based on the above outlook, the forecast for the current fiscal year has been revised as follows.

Due to performance in the first half, the increase in the cost of sales ratio associated with the change in the sales composition and other factors, KOSÉ forecasts net sales of 176,000 million yen, down 1.2%, operating income of 10,000 million yen, down 18.7%, ordinary income of 9,700 million yen, down 19.3% and net income of 3,500 million yen, down 26.2%, in the fiscal year ending on March 31, 2010.

	Net sales (Million yen)	Operating income (Million yen)	Ordinary income (Million yen)	Net income (Million yen)	Net income per share (Yen)
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

Consolidated Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 – March 31, 2010)

Millions of yen, %

Operating segment	FY03/2009		FY03/2010		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	132,517	74.4	129,700	73.7	(2,817)	(2.1)
Cosmetaries	43,821	24.6	44,900	25.5	1,078	2.5
Other	1,782	1.0	1,400	0.8	(382)	(21.5)
Total net sales	178,121	100.0	176,000	100.0	(2,121)	(1.2)

	FY03/2009		FY03/2010		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	12,303	6.9	10,000	5.7	(2,303)	(18.7)
Ordinary income	12,017	6.7	9,700	5.5	(2,317)	(19.3)
Net income	4,742	2.7	3,500	2.0	(1,242)	(26.2)

* Forecasts are based on foreign exchange rates of 92 yen to the U.S. dollar, 2.8 yen to the Taiwan dollar and 13.4 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

No reportable information.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

Millions of yen

	1H FY03/2010 (As of Sep. 30, 2009)	FY03/2009 Summary (As of Mar. 31, 2009)
Assets		
Current assets		
Cash and deposits	21,922	21,787
Notes and accounts receivable-trade	23,977	24,044
Short-term investment securities	24,995	26,534
Merchandise and finished goods	12,468	11,549
Work in process	1,507	1,262
Raw materials and supplies	9,933	9,034
Deferred tax assets	5,076	4,637
Other	2,493	2,194
Allowance for doubtful accounts	(280)	(283)
Total current assets	102,093	100,760
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	31,953	31,367
Accumulated depreciation	(18,009)	(17,461)
Buildings and structures, net	13,944	13,905
Machinery, equipment and vehicles	13,674	13,550
Accumulated depreciation	(11,590)	(11,463)
Machinery, equipment and vehicles, net	2,084	2,087
Tools, furniture and fixtures	27,428	26,344
Accumulated depreciation	(22,054)	(21,057)
Tools, furniture and fixtures, net	5,374	5,286
Land	17,695	17,701
Lease assets	193	114
Accumulated depreciation	(29)	(13)
Lease assets, net	164	100
Construction in progress	200	214
Total property, plant and equipment	39,463	39,296
Intangible assets		
Software	2,155	1,924
Other	449	1,081
Total intangible assets	2,604	3,005
Investments and other assets		
Investment securities	8,616	7,958
Deferred tax assets	12,294	12,610
Other	3,718	3,615
Allowance for doubtful accounts	(299)	(326)
Total investments and other assets	24,331	23,858
Total noncurrent assets	66,399	66,159
Total assets	168,493	166,920

Millions of yen

	1H FY03/2010 (As of Sep. 30, 2009)	FY03/2009 Summary (As of Mar. 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,350	14,187
Short-term loans payable	4,481	4,485
Lease obligations	45	28
Accounts payable-other	5,917	6,062
Accrued expenses	6,962	7,332
Income taxes payable	1,460	1,978
Accrued consumption taxes	524	327
Provision for sales returns	2,106	2,116
Other	904	681
Total current liabilities	38,752	37,199
Noncurrent liabilities		
Lease obligations	129	79
Provision for retirement benefits	20,637	21,279
Provision for directors' retirement benefits	3,933	3,845
Other	46	48
Total noncurrent liabilities	24,746	25,252
Total liabilities	63,499	62,452
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,390	6,390
Retained earnings	94,557	94,977
Treasury stock	(7,229)	(7,228)
Total shareholders' equity	98,567	98,988
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	263	145
Foreign currency translation adjustment	53	(456)
Total valuation and translation adjustments	316	(311)
Minority interests	6,109	5,791
Total net assets	104,993	104,468
Total liabilities and net assets	168,493	166,920

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

Millions of yen

	1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)	1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)
Net sales	88,451	85,269
Cost of sales	22,800	22,207
Gross profit	65,651	63,062
Selling, general and administrative expenses		
Advertising expenses	4,465	5,133
Promotion expenses	19,409	18,062
Freightage and packing expenses	2,713	2,715
Salaries and allowances	19,462	18,921
Retirement benefit expenses	403	814
Welfare expenses	3,427	-
Legal welfare expenses	-	2,449
Depreciation	1,342	1,318
Other	9,823	10,823
Total selling, general and administrative expenses	61,047	60,240
Operating income	4,603	2,821
Non-operating income		
Interest income	171	139
Dividends income	87	41
Miscellaneous income	94	109
Total non-operating income	353	290
Non-operating expenses		
Interest expenses	44	28
Foreign exchange losses	26	486
Miscellaneous loss	15	8
Total non-operating expenses	85	522
Ordinary income	4,872	2,589
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Reversal of allowance for doubtful accounts	-	13
Gain on sales of investment securities	36	-
Compensation for transfer	85	-
Total extraordinary income	122	14
Extraordinary loss		
Loss on disposal of noncurrent assets	80	87
Loss on valuation of investment securities	12	-
Loss on sales of investment securities	-	0
Provision of allowance for doubtful accounts	-	17
Other	6	-
Total extraordinary losses	99	104
Income before income taxes and minority interests	4,894	2,498
Income taxes-current	2,540	1,600
Income taxes-deferred	236	(201)
Total income taxes	2,777	1,398
Minority interests in income	534	359
Net income	1,583	740

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

	1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)	1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,894	2,498
Depreciation and amortization	2,535	2,693
Increase (decrease) in allowance for doubtful accounts	54	(2)
Increase (decrease) in provision for retirement benefits	(1,129)	(641)
Increase (decrease) in provision for directors' retirement benefits	116	87
Increase (decrease) in other provision	54	(10)
Loss (gain) on disposal of noncurrent assets	80	86
Compensation for removal	(85)	-
Interest and dividends income	(259)	(181)
Interest expenses	44	28
Foreign exchange losses (gains)	17	336
Loss (gain) on sales of investment securities	(36)	0
Loss (gain) on valuation of investment securities	12	-
Decrease (increase) in notes and accounts receivable-trade	142	230
Decrease (increase) in inventories	(2,037)	(1,934)
Increase (decrease) in notes and accounts payable-trade	2,334	1,336
Decrease (increase) in other assets	(289)	(79)
Increase (decrease) in other liabilities	992	419
Subtotal	7,441	4,869
Interest and dividends income received	244	169
Interest expenses paid	(50)	(39)
Proceeds from compensation for removal	85	-
Income taxes paid	(4,036)	(2,123)
Net cash provided by (used in) operating activities	3,685	2,875
Net cash provided by (used in) investment activities		
Payments into time deposits	-	(2,800)
Proceeds from withdrawal of time deposits	100	1,800
Purchase of short-term investment securities	(13,979)	(17,189)
Proceeds from sales of short-term investment securities	15,475	11,986
Purchase of investments in subsidiaries	-	(114)
Purchase of property, plant and equipment	(3,005)	(1,969)
Proceeds from sales of property, plant and equipment	1	12
Purchase of intangible assets	(643)	(281)
Purchase of investment securities	(333)	(576)
Proceeds from sales of investment securities	4,811	7
Decrease (increase) in other investments	(763)	(135)
Net cash provided by (used in) investment activities	1,663	(9,259)

Millions of yen

	1H FY03/2009 (Apr. 1, 2008 – Sep. 30, 2008)	1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)
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)	(0)
Cash dividends paid	(1,180)	(1,160)
Cash dividends paid to minority shareholders	(39)	(32)
Other, net	(1)	(16)
Net cash provided by (used in) financing activities	(3,680)	(1,210)
Effect of exchange rate change on cash and cash equivalents	(113)	(55)
Net increase (decrease) in cash and cash equivalents	1,554	(7,649)
Cash and cash equivalents at beginning of period	34,093	39,066
Cash and cash equivalents at end of period	35,648	31,416

(4) Going Concern Assumption

Not applicable.

(5) Segment Information**a. Business segments**

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

Millions of yen

	Cosmetics	Cosmetaries	Other	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

1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)

Millions of yen

	Cosmetics	Cosmetaries	Other	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Sales to third parties	61,485	23,109	674	85,269	-	85,269
(2) Intragroup sales and transfers	-	-	1,229	1,229	(1,229)	-
Total sales	61,485	23,109	1,904	86,499	(1,229)	85,269
Operating income (loss)	4,668	(543)	167	4,292	(1,470)	2,821

Note: 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, JILLSTUART, CRIE, ALBION, export of manufactured products and merchandise and overseas production

(Cosmetaries)

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

(Other)

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

b. 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.

1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)

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

c. 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.

1H FY03/2010 (Apr. 1, 2009 – Sep. 30, 2009)

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

Not applicable.

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.