

Summary of Financial Results for the Fiscal Year Ended March 31, 2010

Company name: **KOSÉ Corporation** Stock listing: Tokyo Stock Exchange, First Section
 Stock code: 4922 URL: <http://www.kose.co.jp/>
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 Scheduled date of general meeting of shareholders: June 29, 2010
 Scheduled date of filing of Securities Report: June 29, 2010
 Scheduled date of dividend payment: June 30, 2010

(Rounded down to million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

(April 1, 2009 – March 31, 2010)

(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 (%)
FY03/2010	172,564	(3.1)	10,132	(17.6)	10,832	(9.9)	5,154	8.7
FY03/2009	178,121	(1.2)	12,303	(19.0)	12,017	(19.1)	4,742	(31.3)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)	Return on equity (%)	Ordinary income to total assets (%)	Operating income to net sales (%)
FY03/2010	88.81	-	5.2	6.5	5.9
FY03/2009	81.55	-	4.8	7.1	6.9

(Ref.) Equity in earnings of affiliates (million yen) FY03/2010: - FY03/2009: -

(2) Consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2010	167,395	107,538	60.6	1,746.59
FY03/2009	166,920	104,468	59.1	1,699.92

(Ref.) Shareholders' equity (million yen) FY03/2010: 101,385 FY03/2009: 98,676

(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)	
FY03/2010	10,328	(12,622)	(2,661)	33,787
FY03/2009	8,927	1,865	(5,183)	39,066

2. Dividends

	Dividend per share					Total dividends (total) (Million yen)	Payout ratio (consolidated) (%)	Dividend on equity (consolidated) (%)
	1Q-end (Yen)	2Q-end (Yen)	3Q-end (Yen)	Year-end (Yen)	Total (Yen)			
FY03/2009	-	20.00	-	20.00	40.00	2,321	49.0	2.4
FY03/2010	-	20.00	-	20.00	40.00	2,321	45.0	2.3
FY03/2011 (forecast)	-	20.00	-	20.00	40.00		39.4	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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)
First half	88,300	3.6	3,900	38.2	4,000	54.5	1,700	129.4	29.29
Full year	178,400	3.4	11,000	8.6	11,100	2.5	5,900	14.5	101.64

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 consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "Changes in Basis of Preparation of Consolidated Financial Statements" on page 17 and "Reclassifications" on page 18 for further information.

(3) Number of shares outstanding (common shares)

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

As of March 31, 2010: 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 March 31, 2010: 2,545,000 shares

As of March 31, 2009: 2,544,823 shares

Note: Please refer to "Per Share Information" on page 22 for the number of shares used in calculating net income per share.

(Reference) Non-consolidated financial results**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2010**

(April 1, 2009 – March 31, 2010)

(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 (%)
FY03/2010	88,752	1.0	2,600	341.0	4,450	70.0	2,591	87.6
FY03/2009	87,895	(1.3)	589	(80.5)	2,617	(36.0)	1,381	(53.4)

	Net income per share (basic) (Yen)	Net income per share (diluted) (Yen)
FY03/2010	44.64	-
FY03/2009	23.75	-

(2) Non-consolidated financial position

	Total assets (Million yen)	Net assets (Million yen)	Equity ratio (%)	Net assets per share (Yen)
FY03/2010	114,361	70,977	62.1	1,222.75
FY03/2009	113,857	70,819	62.2	1,220.02

(Ref.) Shareholders' equity (million yen) FY03/2010: 70,977 FY03/2009: 70,819

***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 "1. Results of Operations 1. Analysis of Results of Operations."

1. Results of Operations

1. Analysis of Results of Operations

(1) Financial Results for the Current Fiscal Year

1) Review of Operations

Millions of yen, %

Operating segment	FY03/2009		FY03/2010		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	132,517	74.4	126,104	73.1	(6,412)	(4.8)
Cosmetaries	43,821	24.6	44,972	26.0	1,151	2.6
Other	1,782	1.0	1,487	0.9	(295)	(16.6)
Total net sales	178,121	100.0	172,564	100.0	(5,556)	(3.1)

	FY03/2009		FY03/2010		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	12,303	6.9	10,132	5.9	(2,170)	(17.6)
Ordinary income	12,017	6.7	10,832	6.3	(1,184)	(9.9)
Net income	4,742	2.7	5,154	3.0	412	8.7

There were signs of an upturn in the Japanese economy in the current fiscal year due to a rebound in corporate earnings and other positive signs. However, employment and income levels remain low as consumer prices fall and consumer spending remains sluggish. In the Japanese cosmetics industry, unit volume sales were up slightly but there was a big drop in monetary sales according to fiscal 2009 statistics for cosmetics shipments compiled by the Ministry of Economy, Trade and Industry.

To overcome these challenges, the KOSÉ Group made steady progress with management reforms in accordance with the Group's medium-term management policies to serve 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.

Net sales decreased 3.1% to 172,564 million yen because of lackluster consumer spending caused by the poor economy and to the yen's strength. After excluding the effect of foreign exchange rate changes, net sales were down 1.8% from the previous fiscal year.

Sales increased in China and other Asian countries but yen conversion of overseas sales accounted for 10.8% of total consolidated sales because of the appreciation of the yen.

The Group took many actions during the fiscal year to improve earnings despite the challenging market conditions. However, earnings were lower because of the decline in net sales and an increase in the cost of sales ratio associated with a shift in the composition of sales. The result was a 17.6% decrease in operating income to 10,132 million yen and a 9.9% decrease in ordinary income to 10,832 million yen. However, net income increased 8.7% to 5,154 million yen because of declines in income taxes and minority interests in income while there was a noncurrent asset impairment loss resulting from the outsourcing of logistics operations.

2) Results by Business Segment

(a) Cosmetics Business

Millions of yen, %

	FY03/2009	FY03/2010	YoY change	
			Amount	%
Sales to third parties	132,517	126,104	(6,412)	(4.8)
Intragroup sales and transfers	-	-	-	-
Total net sales	132,517	126,104	-	-
Operating income	14,572	11,890	(2,682)	(18.4)
Operating margin	11.0	9.4	-	-

In the cosmetics business, KOSÉ focused on enlarging the lineup of luxury brands distributed through specialty cosmetics stores and department stores. Two highlights were the debut of the ADDICTION brand of makeup products for sale in department stores and the relaunch of the COSME DECORTE AQ MELIORITY brand. In addition, there were extensive sales initiatives and effective advertising and marketing activities to support core brands. For example, there were continuous promotions for SEKKISEI and for the GRANDAINE LUXAGE line of skin care products, which was introduced in September 2009. Despite these activities, cosmetics sales in Japan decreased because of the prolonged slump in consumer spending and other negative aspects of the operating environment.

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.

Overall, sales in the cosmetics business decreased 4.8% to 126,104 million yen and operating income was down 18.4% to 11,890 million yen.

Major new products introduced during the fiscal year were as follows:

COSME DECORTE AQ MELIORITY (skin care series)

ADDICTION (makeup series)

GRANDAINE LUXAGE (skin care series)

(b) Cosmetaries Business

Millions of yen, %

	FY03/2009	FY03/2010	YoY change	
			Amount	%
Sales to third parties	43,821	44,972	1,151	2.6
Intragroup sales and transfers	0	-	-	-
Total net sales	43,821	44,972	-	-
Operating income	136	585	449	330.1
Operating margin	0.3	1.3	-	-

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 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. In addition, KOSÉ entered the male cosmetics market by introducing men's personal care product series "adidas skin protection".

As a result, sales in the cosmetaries business increased 2.6% to 44,972 million yen and operating income was up 330.1% to 585 million yen.

Major new products introduced during the fiscal year were as follows:

SALON STYLE (hair care series)

adidas skin protection

(c) Other Business

Millions of yen, %

	FY03/2009	FY03/2010	YoY change	
			Amount	%
Sales to third parties	1,782	1,487	(295)	(16.6)
Intragroup sales and transfers	2,412	2,339	-	-
Total net sales	4,195	3,826	-	-
Operating income	444	521	76	17.2
Operating margin	10.6	13.6	-	-

In the other business segment, there was a decline in orders for the manufacture of OEM products. As a result, sales decreased 16.6% to 1,487 million yen and operating income increased 17.2% to 521 million yen.

(2) Outlook for Next Fiscal Year

(Progress in Medium-term Management Plan)

The KOSÉ Group has been reforming its operations since April 2008 based on the four core themes of its medium-term management policies (see "3. Management Policies"). To rebuild the cosmetics business in Japan, the Group is optimizing the brand portfolio. This involves simplifying the lineup of brands while launching brands that embody the new value needed to meet today's market needs. Another objective is to improve operating efficiency by upgrading the operations of stores selling KOSÉ products and promoting an efficient sales system. To reinforce overseas operations, the Group introduced global brands in China and other growing markets, increased the number of stores selling KOSÉ products and took other steps aimed at growth. In addition, KOSÉ has acquired the trademark JILLSTUART and plans to leverage the value of this brand to support growth. To enter new business fields, the Group used the adidas brand to launch a business that targets the market for male cosmetics. The Group plans to increase sales and earnings in this market sector, which has excellent prospects for growth. To upgrade the Group's overall strengths, KOSÉ has decided to outsource its logistics operations. The goals are to respond with greater speed to changes in logistics needs while holding down the growth in expenses. Furthermore, the Group will continue to cut costs across the entire organization.

(Outlook)

In the fiscal year ending on March 31, 2011, Japan's economy is expected to continue recovering as corporate earnings improve. But there is still a risk of an economic downturn caused by deflation and the outlook for employment is uncertain. In Japan's cosmetics market, monetary sales in January and February 2010 were lower than one year earlier based on preliminary Ministry of Economy, Trade and Industry data on cosmetics shipments.

In response to this difficult operating environment, the KOSÉ Group will continue to enact management reforms. The goals are to serve diversifying markets and consumer needs with even greater flexibility, use resources effectively, and improve operating efficiency and earnings.

Based on this outlook, KOSÉ forecasts a 3.4% increase in net sales to 178,400 million yen, an 8.6% increase in operating income to 11,000 million yen, a 2.5% increase in ordinary income to 11,100 million yen and a 14.5% increase in net income to 5,900 million yen. The outlook for business segments is shown below. The forecasts for capital expenditures and depreciation expenses are both 5,700 million yen.

Millions of yen, %

Operating segment	FY03/2010		FY03/2011 (forecast)		YoY change	
	Amount	% comp.	Amount	% comp.	Amount	%
Cosmetics	126,104	73.1	129,600	72.7	3,495	2.8
Cosmetaries	44,972	26.0	47,500	26.6	2,527	5.6
Other	1,487	0.9	1,300	0.7	(187)	(12.6)
Total net sales	172,564	100.0	178,400	100.0	5,835	3.4

	FY03/2010		FY03/2011 (forecast)		YoY change	
	Amount	% of sales	Amount	% of sales	Amount	%
Operating income	10,132	5.9	11,000	6.2	867	8.6
Ordinary income	10,832	6.3	11,100	6.2	267	2.5
Net income	5,154	3.0	5,900	3.3	745	14.5

* Forecasts are based on foreign exchange rates of 91 yen to the U.S. dollar, 2.8 yen to the Taiwan dollar and 13.3 yen to the Chinese yuan.

2. Analysis of Financial Position

(1) Balance sheet position

The current ratio was 280.3%, 9.4 percentage points higher than one year earlier, and the quick ratio was 197.0%, an improvement of 2.5 percentage points, as of March 31, 2010. These increases were attributable mainly to the following items.

Assets increased 475 million yen. There was a 2,152 million yen decrease in quick assets, the result of a 718 million yen increase in cash and deposits and decreases of 323 million yen in notes and accounts receivable-trade and 2,547 million yen in short-term investment securities. All other current assets, which include inventories, increased 1,317 million yen. Noncurrent assets increased 1,310 million yen due to a decrease of 1,958 million yen in property, plant and equipment, and increases of 879 million yen in intangible assets and 2,389 million yen in other investments.

Liabilities decreased 2,594 million yen. Current liabilities decreased 1,556 million yen mainly due to a decrease of 1,582 million yen in notes and accounts payable-trade. Noncurrent liabilities decreased 1,038 million yen mainly due to a decrease in provision for retirement benefits.

Interest-bearing debt amounted to 4,502 million yen and the debt-to-equity ratio was 0.04.

(2) Cash flows

	<i>Millions of yen</i>		
	FY03/2009	FY03/2010	YoY change
Net cash provided by (used in) operating activities	8,927	10,328	1,401
Net cash provided by (used in) investing activities	1,865	(12,622)	(14,487)
Net cash provided by (used in) financing activities	(5,183)	(2,661)	2,522
Increase in cash and cash equivalents	4,972	(5,279)	(10,251)
Cash and cash equivalents at end of period	39,066	33,787	(5,279)

Cash and cash equivalents (consolidated basis) as of March 31, 2010 were 33,787 million yen, a decrease of 5,279 million yen, or 13.5%, compared with March 31, 2009. Cash flows and major components during the current fiscal year are as follows.

Net cash provided by operating activities increased 15.7% to 10,328 million yen. This was mainly the net result of income before income taxes and minority interests of 9,418 million yen, depreciation and amortization, a non-cash expense, of 5,892 million yen, impairment loss of 1,376 million yen, a decrease in provision for retirement benefits of 1,244 million yen, an increase in inventories of 817 million yen, foreign exchange losses of 163 million yen, a decrease in other provision of 82 million yen, a decrease in notes and accounts receivable-trade of 452 million yen, a decrease in notes and accounts payable-trade of 1,080 million yen, a decrease in other liabilities of 74 million yen, and income taxes paid of 3,699 million yen.

Net cash used in investing activities was 12,622 million yen compared with net cash provided of 1,865 million yen one year earlier. The major components were a net payment of 1,000 million yen into time deposits, net payments of 1,716 million yen for sales, purchase and redemption of short-term investment securities, purchase of property, plant and equipment of 3,858 million yen, purchase of intangible assets of 2,321 million yen, and net payments of 3,161 million yen for sales, purchase and redemption of investment securities.

Net cash used in financing activities decreased 48.7% to 2,661 million yen. This was mainly due to net decrease in loans payable of 200 million yen and cash dividends paid of 2,387 million yen.

(3) Cash flow indicators

	FY03/2006	FY03/2007	FY03/2008	FY03/2009	FY03/2010
Shareholders' equity ratio (%)	55.4	57.3	58.1	59.1	60.6
Shareholders' equity ratio based on market prices (%)	156.3	121.8	73.9	63.6	76.1
Interest-bearing debt to cash flow ratio	0.6	0.6	0.3	0.5	0.4
Interest coverage ratio	543.9	322.9	209.5	193.0	196.8

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

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 includes all liabilities on the consolidated balance sheets that incur interest. Interest expenses paid on the consolidated statements of cash flows is used for interest payments.

3. Profit Allocation Policy and Dividends for FY03/2010 and FY03/2011

Preserving a stable dividend is the fundamental policy for profit allocations. KOSÉ plans to return earnings to shareholders while taking into account the need to retain earnings to fund future growth as well as the Company's 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.

KOSÉ plans to pay a year-end ordinary dividend of 20 yen per share. In addition, shareholders received an interim dividend of 20 yen per share on December 10, 2009. This will result in a dividend of 40 yen per share applicable to FY03/2010 (ended March 31, 2010).

In FY03/2011 (ending March 31, 2011), KOSÉ plans to keep the dividend unchanged at 40 yen per share.

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 most recent Securities Report dated June 26, 2009.

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 Group will continue to make effective use of these resources while conducting business operations in line with three new guidelines for its 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: KOSÉ 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: $ROA = (\text{Operating income} + \text{Interest and dividends income}) / \text{Total assets (average of assets at beginning and end of year)} \times 100$

3. Medium- and Long-Term Strategies and Important Issues

The Group 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 Group 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 to 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 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	FY03/2009 (As of Mar. 31, 2009)	FY03/2010 (As of Mar. 31, 2010)
Assets		
Current assets		
Cash and deposits	21,787	22,505
Notes and accounts receivable-trade	24,044	23,720
Short-term investment securities	26,534	23,987
Merchandise and finished goods	11,549	12,764
Work in process	1,262	1,299
Raw materials and supplies	9,034	8,653
Deferred tax assets	4,637	4,387
Other	2,194	2,874
Allowance for doubtful accounts	(283)	(266)
Total current assets	100,760	99,925
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	31,367	31,435
Accumulated depreciation	(17,461)	(18,495)
Buildings and structures, net	13,905	12,940
Machinery, equipment and vehicles	13,550	13,326
Accumulated depreciation	(11,463)	(11,524)
Machinery, equipment and vehicles, net	2,087	1,802
Tools, furniture and fixtures	26,344	27,999
Accumulated depreciation	(21,057)	(22,888)
Tools, furniture and fixtures, net	5,286	5,111
Land	17,701	17,220
Lease assets	114	249
Accumulated depreciation	(13)	(55)
Lease assets, net	100	194
Construction in progress	214	68
Total property, plant and equipment	39,296	37,337
Intangible assets		
Software	1,924	1,825
Other	1,081	2,059
Total intangible assets	3,005	3,885
Investments and other assets		
Investment securities	7,958	10,505
Deferred tax assets	12,610	12,453
Other	3,615	3,499
Allowance for doubtful accounts	(326)	(211)
Total investments and other assets	23,858	26,247
Total noncurrent assets	66,159	67,470
Total assets	166,920	167,395

Millions of yen

	FY03/2009 (As of Mar. 31, 2009)	FY03/2010 (As of Mar. 31, 2010)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,187	12,604
Short-term loans payable	4,485	4,294
Lease obligations	28	57
Accounts payable-other	6,062	6,390
Accrued expenses	7,332	6,992
Income taxes payable	1,978	1,609
Accrued consumption taxes	327	733
Provision for sales returns	2,116	2,034
Other	681	926
Total current liabilities	37,199	35,643
Noncurrent liabilities		
Lease obligations	79	150
Provision for retirement benefits	21,279	20,034
Provision for directors' retirement benefits	3,845	3,998
Other	48	29
Total noncurrent liabilities	25,252	24,213
Total liabilities	62,452	59,857
Net assets		
Shareholders' equity		
Capital stock	4,848	4,848
Capital surplus	6,390	6,390
Retained earnings	94,977	97,810
Treasury stock	(7,228)	(7,229)
Total shareholders' equity	98,988	101,820
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	145	45
Foreign currency translation adjustment	(456)	(480)
Total valuation and translation adjustments	(311)	(435)
Minority interests	5,791	6,153
Total net assets	104,468	107,538
Total liabilities and net assets	166,920	167,395

(2) Consolidated Statements of Income*Millions of yen*

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net sales	178,121	172,564
Cost of sales	45,279	44,468
Gross profit	132,841	128,096
Selling, general and administrative expenses		
Advertising expenses	8,640	8,350
Promotion expenses	37,749	35,797
Freightage and packing expenses	5,287	5,350
Salaries and allowances	37,682	37,716
Retirement benefit expenses	1,093	1,677
Legal welfare expenses	5,067	5,068
Depreciation	2,744	2,840
Other	22,272	21,161
Total selling, general and administrative expenses	120,538	117,964
Operating income	12,303	10,132
Non-operating income		
Interest income	351	256
Dividends income	122	288
Patent royalty income	75	-
Miscellaneous income	152	282
Total non-operating income	700	826
Non-operating expenses		
Interest expenses	82	56
Foreign exchange losses	869	49
Miscellaneous loss	34	20
Total non-operating expenses	986	125
Ordinary income	12,017	10,832
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Reversal of allowance for doubtful accounts	-	35
Gain on sales of investment securities	36	282
Compensation for transfer	85	-
Total extraordinary income	123	319
Extraordinary loss		
Loss on disposal of noncurrent assets	382	239
Loss on liquidation of subsidiaries and affiliates	-	111
Loss on sales of investment securities	-	0
Loss on valuation of investment securities	336	6
Impairment loss	154	1,376
Other	7	-
Total extraordinary losses	880	1,733
Income before income taxes and minority interests	11,261	9,418
Income taxes-current	4,895	3,327
Income taxes-deferred	796	461
Total income taxes	5,691	3,789
Minority interests in income	827	474
Net income	4,742	5,154

(3) Consolidated Statements of Changes in Net Assets*Millions of yen*

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	4,848	4,848
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,848	4,848
Capital surplus		
Balance at the end of previous period	6,391	6,390
Changes of items during the period		
Disposal of treasury stock	(0)	(0)
Transfer to capital surplus from retained earnings	-	0
Total changes of items during the period	(0)	(0)
Balance at the end of current period	6,390	6,390
Retained earnings		
Balance at the end of previous period	92,577	94,977
Changes of items during the period		
Dividends from surplus	(2,341)	(2,321)
Net income	4,742	5,154
Transfer to capital surplus from retained earnings	-	(0)
Total changes of items during the period	2,400	2,833
Balance at the end of current period	94,977	97,810
Treasury stock		
Balance at the end of previous period	(4,789)	(7,228)
Changes of items during the period		
Purchase of treasury stock	(2,441)	(0)
Disposal of treasury stock	1	0
Total changes of items during the period	(2,439)	(0)
Balance at the end of current period	(7,228)	(7,229)
Total shareholders' equity		
Balance at the end of previous period	99,027	98,988
Changes of items during the period		
Dividends from surplus	(2,341)	(2,321)
Net income	4,742	5,154
Purchase of treasury stock	(2,441)	(0)
Disposal of treasury stock	1	0
Transfer to capital surplus from retained earnings	-	-
Total changes of items during the period	(39)	2,832
Balance at the end of current period	98,988	101,820

Millions of yen

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	230	145
Changes of items during the period		
Net changes of items other than shareholders' equity	(84)	(100)
Total changes of items during the period	(84)	(100)
Balance at the end of current period	145	45
Foreign currency translation adjustment		
Balance at the end of previous period	743	(456)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,200)	(23)
Total changes of items during the period	(1,200)	(23)
Balance at the end of current period	(456)	(480)
Total valuation and translation adjustments		
Balance at the end of previous period	973	(311)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,284)	(124)
Total changes of items during the period	(1,284)	(124)
Balance at the end of current period	(311)	(435)
Minority interests		
Balance at the end of previous period	5,047	5,791
Changes of items during the period		
Net changes of items other than shareholders' equity	744	361
Total changes of items during the period	744	361
Balance at the end of current period	5,791	6,153
Total net assets		
Balance at the end of previous period	105,048	104,468
Changes of items during the period		
Dividends from surplus	(2,341)	(2,321)
Net income	4,742	5,154
Purchase of treasury stock	(2,441)	(0)
Disposal of treasury stock	1	0
Net changes of items other than shareholders' equity	(540)	237
Total changes of items during the period	(580)	3,069
Balance at the end of current period	104,468	107,538

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

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,261	9,418
Depreciation and amortization	5,593	5,892
Impairment loss	154	1,376
Increase (decrease) in allowance for doubtful accounts	92	(102)
Increase (decrease) in provision for retirement benefits	(1,918)	(1,244)
Increase (decrease) in provision for directors' retirement benefits	195	153
Increase (decrease) in other provision	(204)	(82)
Loss (gain) on disposal of noncurrent assets	381	238
Compensation for removal	(85)	-
Interest and dividends income	(473)	(544)
Interest expenses	82	56
Foreign exchange losses (gains)	606	163
Loss (gain) on sales of investment securities	(36)	(282)
Loss (gain) on valuation of investment securities	336	6
Loss (gain) on liquidation of subsidiaries and affiliates	-	111
Decrease (increase) in notes and accounts receivable-trade	(273)	452
Decrease (increase) in inventories	(1,075)	(817)
Increase (decrease) in notes and accounts payable-trade	938	(1,080)
Decrease (increase) in other assets	(217)	(79)
Increase (decrease) in other liabilities	(293)	(74)
Subtotal	15,062	13,558
Interest and dividends income received	472	541
Interest expenses paid	(80)	(71)
Proceeds from compensation for removal	85	-
Income taxes paid	(6,612)	(3,699)
Net cash provided by (used in) operating activities	8,927	10,328
Net cash provided by (used in) investing activities		
Payments into time deposits	(2,200)	(6,000)
Proceeds from withdrawal of time deposits	1,800	5,000
Purchase of short-term investment securities	(24,969)	(29,979)
Proceeds from sales and redemption of securities	30,555	28,263
Purchase of investments in subsidiaries	-	(114)
Purchase of property, plant and equipment	(5,771)	(3,858)
Proceeds from sales of property, plant and equipment	15	51
Purchase of intangible assets	(1,120)	(2,321)
Purchase of investment securities	(1,640)	(4,580)
Proceeds from sales and redemption of investment securities	5,817	1,419
Decrease (increase) in other investments	(621)	(501)
Net cash provided by (used in) investing activities	1,865	(12,622)

Millions of yen

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(317)	(200)
Net decrease (increase) in treasury stock	(2,440)	(0)
Cash dividends paid	(2,341)	(2,321)
Cash dividends paid to minority shareholders	(72)	(65)
Other, net	(11)	(73)
Net cash provided by (used in) financing activities	(5,183)	(2,661)
Effect of exchange rate change on cash and cash equivalents	(637)	(324)
Net increase (decrease) in cash and cash equivalents	4,972	(5,279)
Cash and cash equivalents at beginning of period	34,093	39,066
Cash and cash equivalents at end of period	39,066	33,787

Going Concern Assumption

Not applicable.

Basis of Preparation of Consolidated Financial Statements

The basis of preparation of the consolidated financial statements is not presented since there are no significant changes from the most recent Securities Report (filed on June 26, 2009).

Changes in Basis of Preparation of Consolidated Financial Statements

“Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)”

The Company has adopted “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (Accounting Standards Board of Japan (ASBJ) Statement No.19, July 31, 2008) from the current fiscal year. The application of this standard does not have a material effect on earnings.

Reclassifications

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
<p>(Consolidated balance sheets)</p> <p>With the adoption of “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), “Inventories” is reclassified and divided into “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies” in the current fiscal year. “Merchandise and finished goods,” “Work in process,” and “Raw materials and supplies” those included in “Inventories” were 11,137 million yen, 1,299 million yen, and 8,862 million yen respectively in the previous fiscal year.</p>	<p>(Consolidated statements of income)</p> <p>“Patent royalty income” under “Non-operating income,” presented as a separate line item in the previous fiscal year, is reclassified and included in “Miscellaneous income” in the current fiscal year, given that the amount has decreased the materiality of impact in the context of consolidated financial statements. In the current fiscal year, “Patent royalty income” totaled 60 million yen.</p>
<p>(Consolidated statements of income)</p> <p>In the previous fiscal year, the Group has classified certain expenses involving research and development as “Salaries and allowances” and “Depreciation.” These expenses were then deducted by using the other account transfers included in “Other” and these expenses were added to research and development expenses included in “Other.” This process made it possible to recognize research and development expenses for the entire Group properly. In the current fiscal year, these expenses are included directly in “Other” as research and development expenses in order to more clearly disclose the status of the Group’s operations. Compared with the method used in the previous fiscal year, this change reduced “Salaries and allowances” by 827 million yen and “Depreciation” by 123 million yen and increased “Other” by 951 million yen.</p>	<p>_____</p>
<p>(Consolidated statements of income)</p> <p>“Legal welfare expenses” (4,975 million yen,) included in “Welfare expenses” under “Selling, general and administrative expenses” in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year, to clarify its contents. Accordingly, “Welfare expenses” (1,637 million yen in the current fiscal year) has decreased the materiality of impact in the context of consolidated financial statements and included in “Other.”</p>	<p>_____</p>
<p>(Consolidated statements of income)</p> <p>“Loss on valuation of investment securities and other” under “Extraordinary loss” is divided into “Loss on valuation of investments securities” (153 million yen in the previous fiscal year) and “Other” (5 million yen in the previous fiscal year) in the current fiscal year. The purpose is to better facilitate comparisons of consolidated financial statements in conjunction with the switch of the EDINET system to XBRL.</p>	<p>_____</p>

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
<p>(Consolidated statements of cash flows)</p> <p>“Loss (gain) on sales of investment securities and other” under “Net cash provided by (used in) operating activities” is reclassified and presented as “Loss (gain) on sales of investment securities” in the current fiscal year. The purpose is to better facilitate comparisons of consolidated financial statements in conjunction with the switch of the EDINET system to XBRL. In the previous fiscal year, “Loss (gain) on sales of investment securities” was 10 million yen and “Gain on sales of subsidiaries and affiliates’ stocks” was 36 million yen.</p>	—————
<p>(Consolidated statements of cash flows)</p> <p>“Loss (gain) on valuation of investment securities and other” under “Net cash provided by (used in) operating activities” is reclassified and presented as “Loss (gain) on valuation of investment securities” in the current fiscal year. The purpose is to better facilitate comparisons of consolidated financial statements in conjunction with the switch of the EDINET system to XBRL. In the previous fiscal year, “Loss (gain) on valuation of investment securities” was 153 million yen and “Decrease (increase) in other assets” was 5 million yen.</p>	—————

Notes to Consolidated Financial Statements

Notes to Consolidated Statements of Income

Millions of yen

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
<p>1. R&D expenses included in general and administrative expenses, and current period manufacturing costs</p> <p style="text-align: right;">4,333</p>	<p>1. R&D expenses included in general and administrative expenses, and current period manufacturing costs</p> <p style="text-align: right;">4,306</p>
<p>2. Gain on sales of noncurrent assets is mainly due to sales of machinery and equipment.</p>	<p>2. Gain on sales of noncurrent assets is mainly due to sales of machinery and equipment, and vehicles.</p>
<p>3. Loss on disposal of noncurrent assets is mainly due to disposal of tools, furniture and fixtures.</p>	<p>3. Loss on disposal of noncurrent assets is mainly due to disposal of tools, furniture and fixtures.</p>

Segment Information

a. Business segments

Business segment information for the two most recent consolidated fiscal years is as follows.

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)

Millions of yen

	Cosmetics	Cosmetaries	Other	Total	Eliminations or corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to third parties	132,517	43,821	1,782	178,121	-	178,121
(2) Intragroup sales and transfers	-	0	2,412	2,412	(2,412)	-
Total sales	132,517	43,821	4,195	180,534	(2,412)	178,121
Operating expenses	117,944	43,685	3,751	165,380	437	165,818
Operating income	14,572	136	444	15,153	(2,850)	12,303
II. Assets, depreciation, impairment loss and capital expenditures						
Assets	74,599	23,210	5,958	103,769	63,151	166,920
Depreciation	3,559	1,187	367	5,114	479	5,593
Impairment loss	-	-	-	-	154	154
Capital expenditures	4,444	1,274	393	6,113	509	6,622

FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)

Millions of yen

	Cosmetics	Cosmetaries	Other	Total	Eliminations or corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to third parties	126,104	44,972	1,487	172,564	-	172,564
(2) Intragroup sales and transfers	-	-	2,339	2,339	(2,339)	-
Total sales	126,104	44,972	3,826	174,904	(2,339)	172,564
Operating expenses	114,214	44,387	3,305	161,908	524	162,432
Operating income	11,890	585	521	12,996	(2,864)	10,132
II. Assets, depreciation, impairment loss and capital expenditures						
Assets	73,940	24,828	5,303	104,072	63,322	167,395
Depreciation	3,827	1,250	321	5,400	491	5,892
Impairment loss	720	535	120	1,376	-	1,376
Capital expenditures	3,548	784	202	4,536	1,927	6,463

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

(Cosmetaries)

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

(Other)

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

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

Millions of yen

FY03/2009	FY03/2010
2,852	2,864

(3) Corporate assets included in eliminations or corporate consist primarily of financial assets (cash and deposits, short-term investment securities and investment securities, etc.), deferred tax assets, and assets related to the administration division at the Company. Amounts are as follows:

Millions of yen

FY03/2009	FY03/2010
63,213	63,037

(4) Depreciation and capital expenditures include amortization value and amount of increase of long-term prepaid expenses.

b. Geographic segment information

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)

No information on geographic segments has been presented because the Company and its consolidated subsidiaries have conducted over 90% of their total sales in Japan, and over 90% of the Company's consolidated total assets were located in Japan.

FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)

No information on geographic segments has been presented because the Company and its consolidated subsidiaries have conducted over 90% of their total sales in Japan, and over 90% of the Company's consolidated total assets were located in Japan.

c. Overseas sales

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)

	Asia	Other area	Total
I. Overseas sales (Millions of yen)	18,530	573	19,103
II. Consolidated sales (Millions of yen)			178,121
III. Share of overseas sales in total consolidated sales (%)	10.4	0.3	10.7

FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)

	Asia	Other area	Total
I. Overseas sales (Millions of yen)	18,310	371	18,682
II. Consolidated sales (Millions of yen)			172,564
III. Share of overseas sales in total consolidated sales (%)	10.6	0.2	10.8

- Notes:
1. Geographic area segments are based on geographical proximity and major market.
 2. Countries and regions outside Japan are broken down into the following geographical areas
 - (1) Asia: Taiwan, China, South Korea, Hong Kong, Singapore, etc.
 - (2) Other area: Asia, other countries or regions other than Japan
 3. Total overseas sales represent exports of the Company and its domestic consolidated subsidiaries, plus sales of the Company's overseas consolidated subsidiaries in regions other than Japan. Intragroup sales have been eliminated from total sales.

Per Share Information

Yen

FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)		FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)	
Net assets per share	1,699.92	Net assets per share	1,746.59
Net income per share	81.55	Net income per share	88.81
Net income per share (diluted) is not presented since the Company has no outstanding securities.		Net income per share (diluted) is not presented since the Company has no outstanding securities.	

Note: The following is a reconciliation of net income per share

Millions of yen

	FY03/2009 (Apr. 1, 2008 – Mar. 31, 2009)	FY03/2010 (Apr. 1, 2009 – Mar. 31, 2010)
Net income	4,742	5,154
Net income not available to common shareholders	-	-
Net income applicable to common stock	4,742	5,154
Average number of shares outstanding (thousand shares)	58,156	58,047

Subsequent Events

Not applicable.

Omission of Disclosure

Notes on lease transactions, financial instruments, securities, retirement benefits, tax-effect accounting, real estate for rent and related party transactions are not presented since the disclosure of this information is not significant in the context of the summary of financial results.