



K O S É

November 10, 2004

**Summary of Interim Financial Results for the Fiscal Year Ending March 31, 2005  
(Consolidated)**

Company name: **KOSÉ Corporation**  
 Stock code: 4922  
 Stock Exchange listing: Tokyo Stock Exchange, First Section  
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Date of board meeting for approving interim financial results: November 10, 2004

Parent company (Stock code): Not applicable

Parent company shareholding: Not applicable

Accounting principle: Japanese GAAP

**1. Financial Results for the First Half Ended September 2004 (April 1, 2004 - September 30, 2004)**

**(1) Financial Results**

*Rounded down to million yen*

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
First half ended Sep. 2004	83,634	6.6	8,906	18.7	9,148	24.6
First half ended Sep. 2003	78,442	3.7	7,502	14.4	7,341	14.3
Fiscal year ended March 2004	160,641		17,923		17,736	

	Net income		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change %	Yen	Yen
First half ended Sep. 2004	4,417	(19.2)	88.25	-
First half ended Sep. 2003	5,468	4.5	120.15	-
Fiscal year ended March 2004	8,941		194.68	-

Notes:

- Average number of shares outstanding (consolidated)
  - First half ended September 2004: 50,056,909 shares
  - First half ended September 2003: 45,511,701 shares
  - Fiscal year ended March 2004: 45,511,298 shares
- Changes in accounting principles applied.
- The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous fiscal year.

## (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2004	160,425	84,185	52.5	1,681.86
As of Sep. 30, 2003	157,694	77,884	49.4	1,711.33
As of March 31, 2004	158,092	80,736	51.1	1,772.23

Note: Number of shares outstanding (consolidated) at the end of the period:

As of Sep. 30, 2004: 50,054,901 shares

As of Sep. 30, 2003: 45,511,282 shares

As of March 31, 2004: 45,510,560 shares

## (3) Cash Flow Position

	Net cash provided by (used in)			Cash and cash equivalents at end of period
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
First half ended Sep. 2004	3,658	(4,203)	(922)	22,597
First half ended Sep. 2003	853	965	(1,671)	23,197
Fiscal year ended March 2004	9,392	(4,211)	(4,044)	24,030

## (4) The scope of consolidation and the application of the equity method

Consolidated subsidiaries: 29

Unconsolidated subsidiaries accounted for under the equity method: -

Affiliates accounted for under the equity method: -

## (5) Changes in the scope of consolidation and affiliates accounted for under the equity method

Consolidated subsidiaries:

Newly added: -

Excluded: -

Affiliates accounted for under the equity method:

Newly added: -

Excluded: -

## 2. Forecast for the Fiscal Year Ending March 2005 (April 1, 2004 - March 31, 2005)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full Year	169,400	18,900	9,800

Reference: Estimated net income per common share for the fiscal year ending March 2005: 195.79 yen

The above forecasts are based on assumptions and other relevant factors discussed in the section on Supplementary Information. (Pages: 10-11)

## 1. The KOSÉ Group

The KOSÉ Group includes KOSÉ Corporation and 32 subsidiaries. The principal activities and the relationship of group companies are as follows:

### (1) Manufacturing

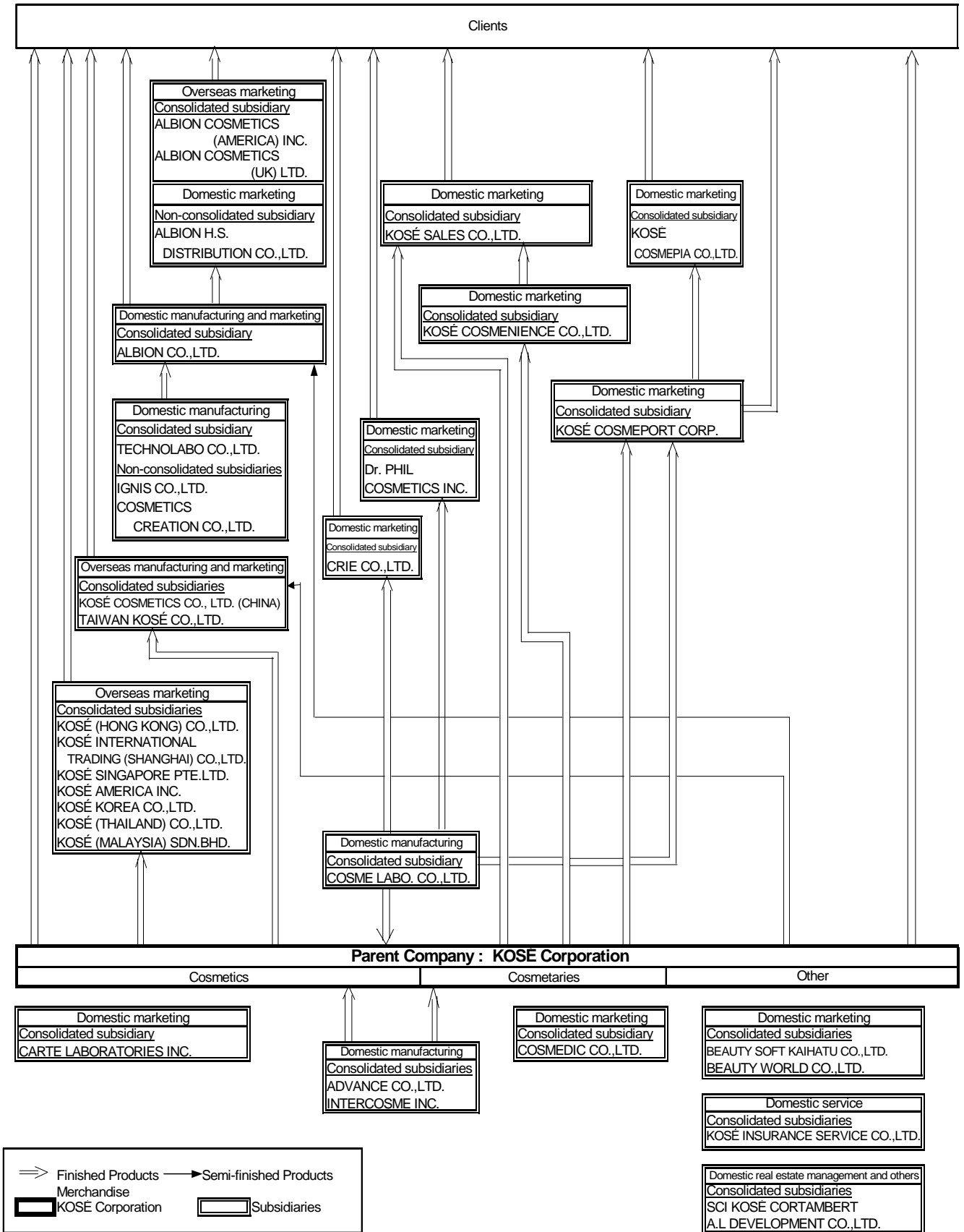
Company name		Principal activities
<b>Domestic</b>		
Parent company	KOSÉ Corporation	Manufacture of cosmetics
Consolidated subsidiary	COSME LABO. CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	ADVANCE CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	INTERCOSME INC.	Manufacture of plastic and cardboard containers
Consolidated subsidiary	ALBION CO., LTD.	Manufacture of cosmetics
N-cons. Subsidiary accounted for by the equity method	COSMETICS CREATION CO., LTD.	Manufacture of cosmetics
N-cons. Subsidiary accounted for by the equity method	IGNIS CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	TECHNOLABO CO., LTD.	Manufacture and processing of cosmetics
<b>Overseas</b>		
Consolidated subsidiary	KOSÉ COSMETICS CO., LTD. (CHINA)	Manufacture, import and marketing of cosmetics
Consolidated subsidiary	TAIWAN KOSÉ CO., LTD.	Manufacture, import and marketing of cosmetics

### (2) Marketing and Service

Company name		Principal activities
<b>Domestic</b>		
Consolidated subsidiary	KOSÉ SALES CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMENIENCE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPORT CORP	Wholesaling of cosmetics
Consolidated subsidiary	CARTE LABORATORIES INC.	Marketing of cosmetics on consignment
Consolidated subsidiary	COSMEDIC CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	CRIE CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	Dr. PHIL COSMETICS INC.	Wholesaling of cosmetics
Consolidated subsidiary	KOSÉ COSMEPIA CO., LTD.	Wholesaling of cosmetics
Consolidated subsidiary	BEAUTY WORLD CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	BEAUTY SOFT KAIHATU CO., LTD.	Wholesaling of beauty materials
Consolidated subsidiary	KOSÉ INSURANCE SERVICE CO., LTD.	Casualty insurance agency
N-cons. Subsidiary accounted for by the equity method	ALBION H.S. DISTRIBUTION CO., LTD.	Door-to-door sales of cosmetics
Consolidated subsidiary	A.L. DEVELOPMENT CO., LTD.	Real estate brokerage
<b>Overseas</b>		
Consolidated subsidiary	KOSÉ (HONG KONG) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ SINGAPORE PTE. LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ AMERICA INC.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ KOREA CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (THAILAND) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ (MALAYSIA) SDN. BHD.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (AMERICA) INC.	Import and marketing of cosmetics
Consolidated subsidiary	ALBION COSMETICS (UK) LTD.	Import and marketing of cosmetics
Consolidated subsidiary	SCI KOSÉ CORTAMBERT	Real estate leasing

Note: KOSÉ INTERNATIONAL TRADING (SHANGHAI) CO., LTD. is currently being liquidated.

### (3) Business Relationship in Group



## **2. Management Policies**

### **1. Fundamental Management Policy**

The nucleus of the KOSÉ Group's management policy is "consistently managing to heighten corporate value" by pursuing growth and greater efficiency. The top priority is the provision of products and services of the highest quality to earn the true satisfaction of customers. The Group conducts a distinctive brand marketing program in which brands that match the needs of consumers are supplied through the most suitable retail channels. These activities are backed by three key components: industry-leading expertise in R&D in such fields of cosmetics as foundation products and beauty care essences; superior manufacturing expertise that draws on highly sophisticated equipment and technology; and the collective strengths of all group companies.

For the purpose of managing the Group to consistently increase corporate value, these strengths are used effectively in order to heighten the value of KOSÉ brands and, through gains in operating efficiency, make the Group even more profitable. 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. Profit Allocation Policy**

KOSÉ's policy is to aggressively distribute earnings to shareholders by increasing dividends and through other means that take into account the Group's financial position, operating results and dividend payout ratio. At the same time, profit allocations also reflect the need to retain earnings to support future growth.

### **3. Goals and Performance Indicators**

The Company is placing priority on improving the operating margin and return on assets (ROA). In terms of concrete targets, KOSÉ aims to raise operating income to 12.0% of net sales and raise the ROA to 12.7% by the fiscal year ending in March 2007.

Note:  $ROA = \frac{\text{Operating income} + \text{Interest and dividends received}}{\text{Total assets (average of assets at beginning and end of year)}} \times 100$

### **4. Medium- and Long-Term Strategies and Important Issues**

Although Japan's economy is rebounding and there are encouraging trends in consumer spending, KOSÉ foresees dramatic changes in the operating environment for the cosmetics industry along with increasingly fierce competition. In this environment, the Group plans to expand all of its business sectors by raising its market share in Japan while growing faster in China and other overseas markets. Another important issue is building a powerful operating framework that can compete successfully as new competitive challenges emerge.

The Group in April 2004 launched a three-year medium-term management plan that carries on three central elements: strengthening brand marketing; achieving aggressive growth in overseas markets; and improving efficiency and profitability. In addition, this new plan has the additional theme of training and fostering talented employees. The entire Group will focus its energy on these four issues.

The first core element of this management plan is reinforcing KOSÉ's distinctive brand marketing activities, which represent the Group's greatest strengths. KOSÉ plans to achieve the optimal brand allocation to support an increasingly diverse range of distribution channels. Additionally, core brands will be developed into brands that are recognized worldwide as sources of significant value.

Moreover, the Group will place priority on establishing a presence in new distribution channels and starting new cosmetics businesses in order to expand into other business domains that involve cosmetics.

The second core element is the aggressive development of overseas markets, especially growing markets in Asia, to increase sales as well as the number of offices outside Japan. The goal is to increase overseas sales to at least 9% of total sales by the fiscal year ending in March 2007. As in Japan, the Company will concentrate on brand marketing.

An International R&D Strategy Dept. has been established to administer KOSÉ's international strategy as the Company makes substantial investments to expand overseas business operations, and also to reinforce the R&D structure in China, KOSÉ's strategic market.

The third core element is the forceful implementation of structural reforms. The goals here are more gains in productivity and profitability. The Company is assembling a supply chain management system (SCM) and building a new accounting system. To put these two systems in place, all areas of the Company are working on streamlining their operations and adopting the best possible work practices. Along with these initiatives, the Group will be concentrating on making progress with regard to an additional theme, improving the cost structure.

The fourth core element is the development of manpower to carry KOSÉ forward in the years ahead. The composition of our staff has undergone noticeable changes in recent years. Furthermore, aggressive expansion into foreign markets is making this task even more urgent. To effectively meet these challenges, KOSÉ is introducing new employee training programs, expanding its training facilities and reviewing its recruiting policies.

Due to the above factors, KOSÉ is targeting net sales of 184,000 million yen, operating income of 22,100 million yen, ordinary income of 22,100 million yen and net income of 10,700 million yen in the fiscal year ending in March 2007.

## **5. Corporate Governance Policies and Actions**

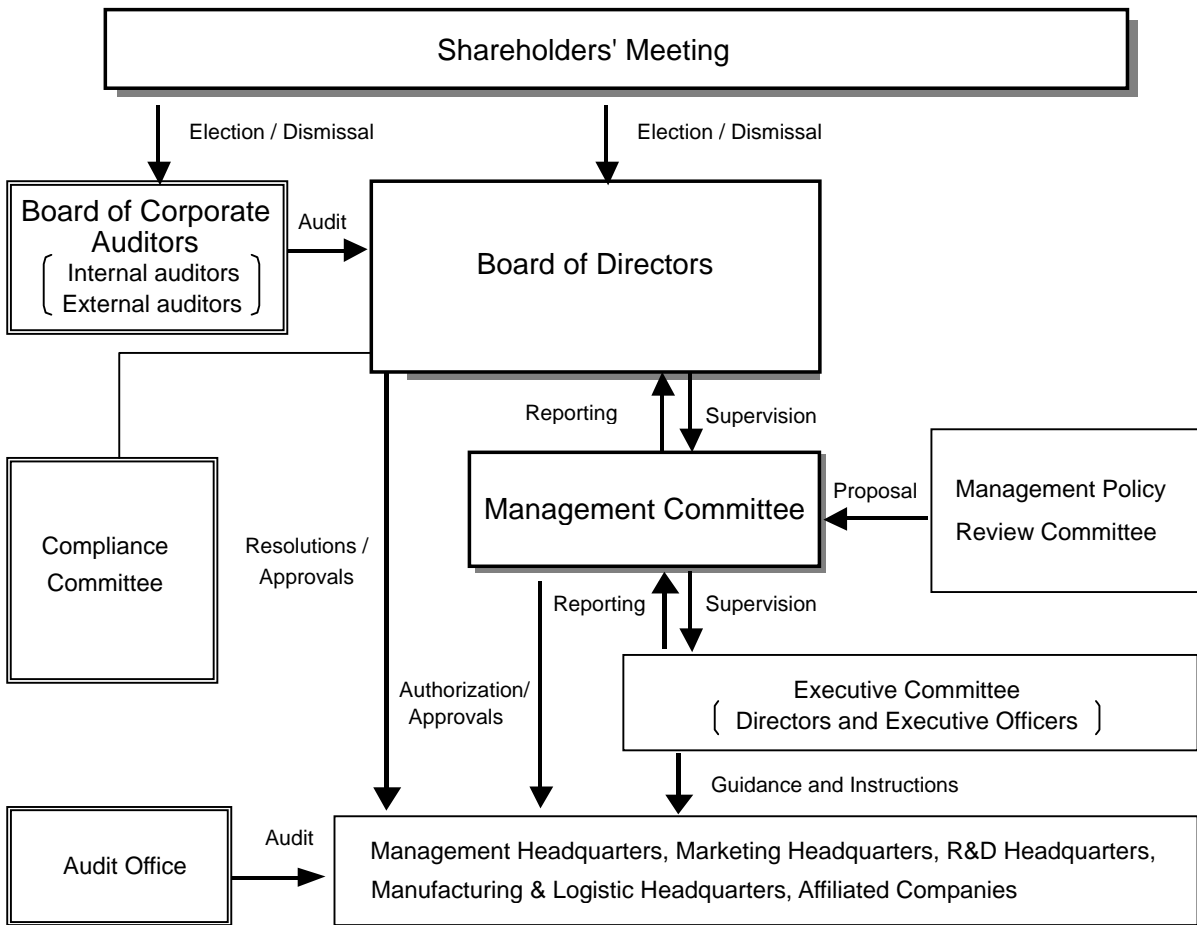
Corporate governance is positioned as one of the highest management priorities from the standpoint of conducting management so as to consistently increase the enterprise value of the KOSÉ Group, the core management policy of the Group. The Group is thus working on establishing the necessary management systems and frameworks as well as on building a framework able to consistently earn the trust of the public. Through the recent establishment of a Compliance Committee, the Group is stepping up risk management, including more effective internal checks and more rigorous compliance programs. The Group is determined to fulfill its social responsibilities by preserving a sound framework for conducting business activities.

KOSÉ has a small Board of Directors to facilitate rapid decision-making. To further strengthen the corporate governance system, directors are given responsibility for specific aspects of operations and the number of executive officers has been increased, thus providing a more effective system for executing business activities.

As of September 30, 2004, there are ten directors and nine executive officers. The Company will continue to take steps aimed at raising the effectiveness of the Board of Directors and the efficiency of business execution.

In addition, the Group has adopted the corporate auditor system. Currently, there are two standing corporate auditors and two outside corporate auditors. Two of outside auditors have no relationship with the Group involving financial interests.

Shown below is a diagram of the Company's corporate governance system.



### 3. Results of Operations and Financial Condition

#### I. Results of Operations

##### 1. Review of Operations

##### (1) Financial Results

Millions of yen, %

Operating segment	First half ended Sep. 30, 2003		First half ended Sep. 30, 2004		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	58,269	74.3	60,064	71.8	1,794	3.1
Cosmetaries	18,015	23.0	21,692	25.9	3,676	20.4
Other	2,157	2.7	1,878	2.3	(278)	(12.9)
Total net sales	78,442	100.0	83,634	100.0	5,191	6.6

Item	First half ended Sep. 30, 2003		First half ended Sep. 30, 2004		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	7,502	9.6	8,906	10.6	1,403	18.7
Ordinary income	7,341	9.4	9,148	10.9	1,806	24.6
Net income	5,468	7.0	4,417	5.3	(1,050)	(19.2)

During the first half of the fiscal year, Japan's economy continued to stage a recovery backed by growth in capital expenditures and strong exports despite concerns sparked by the rapid rise in crude oil prices and the yen's appreciation. Consumer spending continued to increase, as was evident in growth in spending for leisure activities and luxury goods. In the cosmetics industry, however, results were generally flat in terms of sales and volume.

In this environment, the Company achieved steady growth in sales as luxury cosmetics and cosmetics that consumers choose themselves both posted strong sales and aggressive actions were taken to launch new brands outside Japan. Moreover, KOSÉ began the sales through convenience stores. As a result, net sales increased 6.6% to 83,634 million yen and were up 7.1% after excluding the effect of the yen's appreciation. Regarding earnings, growth in sales along with lower personnel and other expenses resulted in an 18.7% increase in operating income to 8,906 million yen, a 24.6% increase in ordinary income to 9,148 million yen and a 19.2% decrease in net income to 4,417 million yen.

In the first half of the previous fiscal year, net income included an extraordinary income of 3,528 million yen from the sale of shares in Nihon L'Oreal K.K. and the transfer of intellectual property rights to Maybelline.



## (2) Results by Business Segment

### 1. Cosmetics Business

Millions of yen, %

Item	First half ended Sep. 30, 2003	First half ended Sep. 30, 2004	Change	
			Amount	% YoY
Sales to third parties	58,269	60,064	1,794	3.1
Intragroup sales and transfers	14	11	-	-
Total net sales	58,283	60,075	-	-
Operating income	7,791	8,175	383	4.9
Operating margin	13.4	13.6	-	-

In the cosmetics business, sales increased due to strong sales of luxury cosmetics and products bearing high-value-added brands. In particular, KOSÉ concentrated on strengthening brands and enlarging sales channels by introducing distinctive products carrying brands created for specific channels, such as department stores and specialty cosmetics stores. In addition, high-profile advertising campaigns were conducted using TV commercials and magazine advertisements to support core brands.

Overseas, operating results were strong as effective sales activities were conducted that mainly targeted the SEKKISEI and SEIKISHO brands. Overseas subsidiaries reported a year-on-year increase of 21.0% in net sales, and sales growth of 31.1% on a local-currency basis. In China, brand marketing activities were reinforced through measures such as an advertising campaign featuring a popular actress and the introduction of BEAUTÉ de KOSÉ, a high-prestige brand for cosmetics sold through leading department stores.

Due to the above factors, net sales in the cosmetics business increased 3.1% to 60,064 million yen and operating income increased 4.9% to 8,175 million yen.

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

- COSME DECORTE VITAL-SCIENCE (skin-care series)
- BEAUTÉ de KOSÉ ULTIMATION (skin care series)
- PRÉDIA Spa Pur (skin care series)
- INFINITY PRIMAL WHITE (skin care series)
- LUMINOUS (makeup series)

### 2. Cosmetaries Business

Millions of yen, %

Item	First half ended Sep. 30, 2003	First half ended Sep. 30, 2004	Change	
			Amount	% YoY
Sales to third parties	18,015	21,692	3,676	20.4
Intragroup sales and transfers	0	-	-	-
Total sales	18,015	21,692	-	-
Operating income	1,062	2,125	1,062	99.9
Operating margin	5.9	9.8	-	-

In the cosmetaries business, the main themes were concentrating resources on strategic brands, introducing products that match market needs, and conducting advertising and marketing activities through television, magazines and other media. Sales growth was driven by the FASIO makeup series, SOFTYMO skin-care series and other products. Further contributing to the significant increase in sales was the April launch of the SEKKISUI brand, which exclusively targets convenience stores.

As a result, net sales increased 20.4% to 21,692 million yen and operating income rose 99.9% to 2,125 million yen because of improvement in the cost of sales ratio.

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

SEKKISUI (skin care series)

SOFTYMO (hyaluronic acid series)

FASIO power-stay mascara 3D color nuance

### 3. Other Business

Millions of yen, %

Item	First half ended Sep. 30, 2003	First half ended Sep. 30, 2004	Change	
			Amount	% YoY
Sales to third parties	2,157	1,878	(278)	(12.9)
Intragroup sales and transfers	1,074	1,203	-	-
Total sales	3,231	3,082	-	-
Operating income	136	329	192	141.0
Operating margin	4.2	10.7	-	-

In this segment, there was a decline in orders for the manufacture of OEM products. In addition, sales were down year on year in the amenities category, which mainly represents sales through sales agents. The result was a 12.9% decrease in net sales to 1,878 million yen, but operating income increased 141.0% to 329 million yen due to the benefits of cost-cutting actions.

### 2. Outlook

Millions of yen, %

Operating segment	Fiscal year ended March 2004		Fiscal year ending March 2005		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	120,609	75.1	125,600	74.1	4,990	4.1
Cosmetaries	35,975	22.4	40,000	23.6	4,024	11.2
Other	4,056	2.5	3,800	2.3	(256)	(6.3)
Total net sales	160,641	100.0	169,400	100.0	8,758	5.5

Item	Fiscal year ended March 2004		Fiscal year ending March 2005		Change	
	Amount	% of sales	Amount	% of sales	Amount	% YoY
Operating income	17,923	11.2	18,900	11.2	976	5.4
Ordinary income	17,736	11.0	18,900	11.2	1,163	6.6
Net income	8,941	5.6	9,800	5.8	858	9.6

Forecasts are based on foreign exchange rates of 107 yen to the U.S. dollar, 3.2 yen to the Taiwan dollar and 12.9 yen to the Chinese yuan.

The operating environment is expected to remain difficult. Although there are signs of a rebound in consumer spending and other components of internal demand, the high cost of crude oil and the yen's appreciation are creating concerns. In response, the KOSÉ Group will continue to conduct unique brand marketing program, one of the Group's core strengths, to raise its market share. The Group will also move quickly to enact structural reforms in order to improve profitability.

In the cosmetics business, actions to raise sales will focus on BEAUTÉ de KOSÉ, INFINITY and other brands for specific sales channels. In addition, strategic marketing investments will be made for the KOSÉ brand to make this brand more competitive. In the cosmetics business, the Group will strengthen brands for products sold through convenience stores and introduce distinctive products for major brands with the aim of capturing a larger share of the market for cosmetics that consumers choose themselves.

Overseas, the Group is conducting aggressive sales promotion activities by making strategic investments in the key markets of China, Taiwan and South Korea. In addition, plans call for introducing a series of high-prestige brands for sale through department stores, a sales channel where competition with overseas brands is fierce. In China, an International R&D Strategy Dept. was established to develop products that match the needs of Chinese consumers. In the second half of the fiscal year, the Group plans to complete construction of a factory in Taiwan in a move to bolster the overseas production network.

A number of actions were taken regarding supply chain management (SCM) to reduce inventories while ensuring that merchandise remains in stock. Actions included the start of operations at an Order Center in Akita and the start-up of computer systems for supply and demand control, production control, sequential production, and other tasks. Moreover, logistics operations are being reviewed as one means of streamlining operations.

In the fiscal year ending March 2005, the Company is forecasting increase of 5.5% in net sales to 169,400 million yen, 5.4% increase in operating income to 18,900 million yen, 6.6% increase in ordinary income to 18,900 million yen, and 9.6% increase in net income to 9,800 million yen.

Shareholders will receive an interim dividend of 17 yen per share as has been originally planned and so determined. As KOSÉ is planning a year-end distribution of 17 yen, shareholders are expected to receive a dividend of 34 yen per share applicable to the current fiscal year.

## II. Financial Position

### Cash Flows

Millions of yen

	First half ended Sep. 30, 2003	First half ended Sep. 30, 2004	Change
Net cash provided by (used in) operating activities	853	3,658	2,804
Net cash provided (used in) investing activities	965	(4,203)	(5,169)
Net cash provided (used in) financing activities	(1,671)	(922)	748
Increase in cash and cash equivalents	153	(1,433)	(1,587)
Cash and cash equivalents at end of period	23,197	22,597	(600)

Cash and cash equivalents as of September 30, 2004 were 22,597 million yen, a decrease of 600 million yen, or 2.6%, compared with one year earlier. Cash flows and major components during the first half of the fiscal year were as follows.

Net cash provided by operating activities was 3,658 million yen, 328.7% more than in the first half of the previous fiscal year. This was mainly the net result of net income before income taxes and minority interests of 8,954 million yen, depreciation of 1,782 million yen, a non-cash expense, a decrease of 1,011 million yen in the accrued employees' retirement benefits, an increase of 2,837 million yen in inventories, an increase of 3,103 million yen in notes and accounts payable, and income tax paid of 4,327 million yen.

Net cash used in investing activities was 4,203 million yen compared with net cash provided of 965 million yen one year earlier. The major components were payments of 2,572 million yen for the purchase of property, plant and equipment, mainly for construction of an R&D facility, and 788 million yen for the acquisition of intangible assets.

Net cash used in financing activities was 922 million yen, 44.8% less than one year earlier. This was mainly the result of a net reduction in debt of 102 million yen and 794 million yen used for the cash dividends paid.

These materials contain forward-looking statements and statements of this nature based on information current as of November 10, 2004. As such, these projections entail risks and uncertainties resulting from changes in the economic environment. Readers should be aware that actual results and events might differ substantially from these projections.

**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.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

Unit: Millions of yen

Account title	Period	FY 2003 Interim As of Sep. 30, 2003		FY 2004 Interim As of Sep. 30, 2004		FY 2003 As of March 31, 2004	
		Amount	%	Amount	%	Amount	%
<b>Assets</b>							
<b>I. Current assets</b>							
Cash and time deposits		15,103		16,226		15,390	
Notes and accounts receivable		22,188		23,648		23,373	
Short-term investments in securities		19,820		16,716		19,524	
Inventories		19,348		20,701		17,845	
Deferred tax assets-current		4,567		3,780		4,443	
Other current assets		4,360		4,999		4,052	
Allowance for doubtful accounts		(373)		(404)		(385)	
Total current assets		85,016	53.9	85,670	53.4	84,243	53.3
<b>II. Fixed Assets</b>							
Property, plant and equipment							
Buildings and structures		11,844		11,038		11,346	
Machinery and automotive equip.		3,085		3,037		3,156	
Furniture and fixtures		6,159		6,319		6,102	
Land		19,018		17,375		17,341	
Construction in progress		451		1,903		1,028	
Total property, plant and equipment		40,559	25.7	39,674	24.7	38,975	24.7
Intangible assets							
Software		814		895		938	
Software under development		887		3,121		2,490	
Other intangible assets		291		268		272	
Total intangible assets		1,992	1.3	4,285	2.7	3,701	2.3
Investments and others							
Investments in securities		12,433		13,615		13,323	
Long-term loans receivable		28		32		35	
Deferred tax assets-non-current		15,530		15,064		15,656	
Others		2,497		2,470		2,490	
Allowance for doubtful accounts		(363)		(387)		(333)	
Total investments and others		30,126	19.1	30,796	19.2	31,171	19.7
Total fixed assets		72,678	46.1	74,755	46.6	73,848	46.7
<b>Total Assets</b>		<b>157,694</b>	<b>100.0</b>	<b>160,425</b>	<b>100.0</b>	<b>158,092</b>	<b>100.0</b>

Unit: Millions of yen

Account title	Period	FY 2003 Interim As of Sep. 30, 2003		FY 2004 Interim As of Sep. 30, 2004		FY 2003 As of March 31, 2004	
		Amount	%	Amount	%	Amount	%
<b>Liabilities</b>							
<b>I. Current liabilities</b>							
Notes and accounts payable		14,706		15,841		12,868	
Short-term borrowings		3,741		3,417		3,539	
Current maturities of bonds with collateral		1,000		-		-	
Current portion of long-term debt		500		2,500		1,000	
Accounts payable-other		5,258		6,039		7,458	
Accrued expenses		6,716		6,901		7,059	
Accrued income taxes		4,293		2,732		4,199	
Accrued consumption taxes		731		538		951	
Reserve for returned goods unsold		872		942		909	
Other current liabilities		677		584		662	
Total current liabilities		38,499	24.4	39,497	24.6	38,649	24.4
<b>II. Long-term liabilities</b>							
Long-term debt		2,500		-		1,500	
Accrued employees' retirement benefits		32,914		30,825		31,836	
Accrued officers' severance benefits		2,556		2,809		2,622	
Other long-term liabilities		159		219		174	
Total long-term liabilities		38,130	24.2	33,854	21.1	36,133	22.9
<b>Total Liabilities</b>		<b>76,630</b>	<b>48.6</b>	<b>73,351</b>	<b>45.7</b>	<b>74,782</b>	<b>47.3</b>
Minority Interests		3,179	2.0	2,888	1.8	2,572	1.6
<b>Shareholders' Equity</b>							
I. Common stock		4,848	3.1	4,848	3.0	4,848	3.1
II. Capital surplus		6,390	4.1	6,390	4.0	6,390	4.0
III. Consolidated retained earnings		65,117	41.3	71,470	44.5	67,907	43.0
IV. Net unrealized holdings gains (losses) on other securities		231	0.1	405	0.3	527	0.3
V. Foreign currency translation adjustments		1,342	0.8	1,144	0.7	1,109	0.7
VI. Treasury stock		(45)	(0.0)	(73)	(0.0)	(47)	(0.0)
<b>Total Shareholders' Equity</b>		<b>77,884</b>	<b>49.4</b>	<b>84,185</b>	<b>52.5</b>	<b>80,736</b>	<b>51.1</b>
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>		<b>157,694</b>	<b>100.0</b>	<b>160,425</b>	<b>100.0</b>	<b>158,092</b>	<b>100.0</b>

## (2) Consolidated Statements of Income

Unit: Millions of yen

Account title	Period		FY2003 interim Apr.1, 2003 – Sep.30, 2003		FY2004 interim Apr.1, 2004 – Sep.30, 2004		FY2003 Apr.1, 2003 – Mar. 31, 2004	
	Amount	%	Amount	%	Amount	%		
<b>Net sales</b>	78,442	100.0	83,634	100.0	160,641	100.0		
Cost of sales	18,382	23.4	20,129	24.1	38,216	23.8		
Gross profit	60,060	76.6	63,505	75.9	122,425	76.2		
SG&A expenses	52,558	67.0	54,599	65.3	104,501	65.0		
<b>Operating income</b>	7,502	9.6	8,906	10.6	17,923	11.2		
Non-operating income								
Interest income	89		58		178			
Dividend income	80		78		209			
Rent	15		10		24			
Foreign exchange gain	-		166		-			
Miscellaneous revenue	75		45		124			
Total non-operating income	261	0.3	359	0.4	538	0.3		
Non-operating expenses								
Interest expense	93		60		167			
Provision of allowance for doubtful accounts	-		24		8			
Foreign exchange losses	283		-		458			
Miscellaneous loss	44		31		91			
Total non-operating expenses	421	0.5	116	0.1	725	0.5		
<b>Ordinary income</b>	7,341	9.4	9,148	10.9	17,736	11.0		
Extraordinary income								
Gain on transfer of intellectual property rights	1,381		-		1,381			
Gain on sales of fixed assets	1		1		1			
Gain on sale of investments in securities	2,147		-		2,147			
Subsidy income	-		59		-			
Gain on relinquishment of entrusted portion of governmental Welfare Pension Fund	-		-		361			
Other extraordinary income	-		-		8			
Total extraordinary income	3,530	4.5	60	0.1	3,901	2.5		
Extraordinary loss								
Loss on prior-period earnings adjustment	14		-		14			
Loss on disposal of fixed assets	280		77		2,171			
Unrealized holding loss on investments in securities	-		6		2			
Provision of allowance for doubtful accounts	-		33		-			
Loss on disposal of inventories	-		-		246			
Unrealized holding loss on land	-		-		209			
Retirement incentive program	104		130		104			
Lump-sum amortization of consolidation goodwill	57		-		783			
Other extraordinary loss	-		6		23			
Total extraordinary loss	456	0.6	254	0.3	3,555	2.2		
Net income before income taxes and minority interests	10,416	13.3	8,954	10.7	18,082	11.3		
Income taxes-current	4,695	6.0	2,859	3.4	8,994	5.6		
Income taxes-deferred	(85)	(0.1)	1,338	1.6	(289)	(0.2)		
Minority interests	337	0.4	338	0.4	436	0.3		
<b>Net income</b>	5,468	7.0	4,417	5.3	8,941	5.6		

### (3) Consolidated Statements of Retained Earnings

Unit: Millions of yen

Account title	Period	FY2003 interim Apr.1, 2003 – Sep.30, 2003		FY2004 interim Apr.1, 2004 – Sep.30, 2004		FY 2003 Apr.1, 2003 – Mar. 31, 2004	
<b>Capital surplus</b>							
I. Balance at beginning of period			6,390		6,390		6,390
II. Increase in capital surplus							
Gain on disposal of treasury stock		-	-	0	0	0	0
III. Balance at end of the period			6,390		6,390		6,390
<b>Retained earnings</b>							
I. Balance at beginning of period			60,503		67,907		60,503
II. Increase in retained earnings							
Net income		5,468	5,468	4,417	4,417	8,941	8,941
III. Decrease in retained earnings							
Cash dividends		773		773		1,456	
Bonuses to officers		80	854	81	855	80	1,536
IV. Balance at end of the period			65,117		71,470		67,907



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

Period	FY2003 interim	FY2004 interim	FY 2003
Account title	Apr.1, 2003 – Sep.30, 2003	Apr.1, 2004 – Sep.30, 2004	Apr.1, 2003 – Mar. 31, 2004
<b>I. Cash flows from operating activities</b>			
Net income before income taxes and minority interests	10,416	8,954	18,082
Depreciation	1,798	1,782	3,738
Amortization of consolidation goodwill	57	41	783
Increase (decrease) in allowance for doubtful accounts	(55)	72	(68)
Increase (decrease) in accrued employees' retirement benefits	(727)	(1,011)	(1,804)
Increase (decrease) in accrued officers' severance benefits	88	186	154
Increase (decrease) in reserve for other allowances	(51)	32	(14)
Loss (gain) on disposal of fixed assets	278	76	2,170
Unrealized holding loss on land	-	-	209
Interest and dividend income	(170)	(136)	(388)
Interest expense	93	60	167
Foreign exchange loss (gain)	93	(74)	135
Loss (gain) on sale of investment in securities	(2,147)	-	(2,147)
Unrealized holding loss (gain) on investment in securities	-	6	2
Decrease (increase) in notes and accounts receivable	(468)	(247)	(1,802)
Decrease (increase) in inventories	(3,063)	(2,837)	(1,663)
Increase (decrease) in notes and accounts payable	2,925	3,103	1,250
Proceeds from transfer of intellectual property rights	(1,381)	-	(1,381)
Decrease (increase) in other assets	578	126	831
Increase (decrease) in other liabilities	(1,542)	(2,140)	1,246
Officers' remuneration paid	(85)	(86)	(85)
Subtotal	6,638	7,907	19,414
Interest and dividends received	168	138	390
Interest paid	(90)	(60)	(166)
Income taxes paid	(5,863)	(4,327)	(10,246)
Net cash provided by operating activities	853	3,658	9,392
<b>II. Cash flows from investing activities</b>			
Payment for time deposits placed	(10)	(10)	(1,637)
Proceeds from time deposit	10	10	1,639
Payment for acquisition of short-term investments in securities	(14,296)	(9,998)	(25,894)
Proceeds from sale of short-term investments in securities	14,594	10,497	27,691
Payment for loans receivable	(2)	-	(13)
Proceeds from collection of loans receivable	11	2	21
Payment for purchase of property, plant and equipment	(2,556)	(2,572)	(4,941)
Proceeds from sale of property, plant and equipment	25	146	38
Payment for acquisition of intangible assets	(225)	(788)	(2,150)
Payment for acquisition of investments in securities	(510)	(507)	(1,511)
Proceeds from sale of investments in securities	2,224	0	2,225
Payment for acquisition of subsidiaries' stock	-	-	(1,325)
Proceeds from transfer of intellectual property rights	1,477	-	1,477
Decrease (increase) in other investments	222	(984)	168
Net cash used in investment activities	965	(4,203)	(4,211)
<b>III. Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	(542)	(102)	(698)
Repayment of long-term debt	(95)	-	(595)
Redemption of corporate bonds	-	-	(1,000)
Net change from purchase and sale of treasury stock	(4)	(25)	(7)
Cash dividends paid	(773)	(773)	(1,456)
Dividends to minority shareholders	(255)	(20)	(286)
Net cash used in financing activities	(1,671)	(922)	(4,044)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	6	34	(149)
<b>V. Increase (decrease) in cash and cash equivalents</b>	153	(1,433)	986
<b>VI. Cash and cash equivalents at beginning of period</b>	23,044	24,030	23,044
<b>VII. Cash and cash equivalents at end of period</b>	23,197	22,597	24,030