



August 6, 2004

Summary of Financial Results for Three Months Ended June 30, 2004 (Consolidated)

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 Stock exchange listing: Tokyo Stock Exchange, First Section
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1. Accounting Policies in the Preparation of Quarterly Financial Results

- 1) Adoption of simplified accounting method: None
 2) Change in accounting method in current fiscal year: Yes

(Description) Yen translations of sales and expenses at foreign subsidiaries use the average exchange rates during the applicable fiscal period instead of the exchange rates as of the end of the fiscal period as in prior fiscal years. This change had a negligible effect on earnings.

- 3) Change in scope of consolidation and use of equity method: None

2. Financial results for the first quarter ended June 2004 (April 1, 2004 – June 30, 2004)

(1) Results of Operations Rounded down to million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Three months ended June 2004	39,992	7.2	4,085	114.0	4,266	115.1
Three months ended June 2003	37,298	-	1,909	-	1,983	-
(Reference) Year ended March 2004	160,641	4.1	17,923	17.3	17,736	18.3

	Net income		Net income per share	Diluted net income per share
	Million yen	YoY change (%)	Yen	Yen
Three months ended June 2004	1,780	5.7	35.57	-
Three months ended June 2003	1,684	-	37.01	-
(Reference) Year ended March 2004	8,941	29.5	194.68	-

Notes: 1) The percentages shown for net sales, operating income, ordinary income and net income represent changes from the same period in the previous year.

- 2) After adjusting for the 1-to-1.1 stock split conducted on May 20, 2004, net income per share was 33.65 yen for the three months ended June 30, 2003 and 176.98 yen for the fiscal year ended March 31, 2004.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Three months ended June 2004	157,266	81,614	51.9	1,630.47
Three months ended June 2003	153,563	73,827	48.1	1,622.16
(Reference) Year ended March 2004	158,092	80,736	51.1	1,772.23

Note: After adjusting for the 1-to-1.1 stock split conducted on May 20, 2004, shareholders' equity per share was 1,474.69 yen as of June 30, 2003 and 1,611.12 yen as of March 31, 2004.

(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
Three months ended June 2004	(489)	(1,144)	(2)	22,391
Three months ended June 2003	(1,773)	(4,727)	63	16,609
(Reference) Year ended March 2004	9,392	(4,211)	(4,044)	24,030

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

(Consolidated)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	82,700	8,500	4,300
Full Year	169,400	18,900	9,800

(Non-Consolidated)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	42,000	2,300	1,500
Full Year	89,200	7,300	4,300

(Reason for revision in forecast)

Consolidated and non-consolidated ordinary income and net income forecasts that were announced May 14, 2004 for the fiscal year's first half have been revised because of unused operating expenses and other items. Forecasts for the fiscal year have not been revised.

Cautionary statement

Forecasts regarding future performance in these materials are based judgments made in accordance with information available at the time this presentation was prepared. Forecasts therefore embody risks and uncertainties. Readers should be aware that actual results and events might differ substantially from these forecasts.

Consolidated Results of Operations

(1) Financial Results for Three Months Ended June 2004 (April 1, 2004 - June 30, 2004)

Millions of yen, %

Operating segment	Three months ended June 2003		Three months ended June 2004		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	28,026	75.1	29,128	72.8	1,102	3.9
Cosmetaries	8,235	22.1	9,954	24.9	1,719	20.9
Other	1,036	2.8	908	2.3	(128)	(12.3)
Total net sales	37,298	100.0	39,992	100.0	2,693	7.2

Item	Three months ended June 2003		Three months ended June 2004		Change	
	Amount	%	Amount	%	Amount	% YoY
Operating income	1,909	5.1	4,085	10.2	2,176	114.0
Ordinary income	1,983	5.3	4,266	10.7	2,282	115.1
Net income	1,684	4.5	1,780	4.5	95	5.7

During the first quarter, the Japanese economy staged a recovery backed by growth in capital spending, mainly by manufacturers, and strong exports. Rising corporate earnings improved the employment picture and contributed to an upturn in consumer spending. However, there was a slight delay in the recovery of the cosmetics industry, resulting in extremely difficult market conditions.

In the environment, Kose conducted its unique brand marketing program, strengthening actions to support sales of brands designed for specific sales channels, such as cosmetics stores, department stores and GMS. In addition, Kose began the full-scale development of sales through convenience stores to enlarge its market coverage. High-profile advertising and sales promotion activities were conducted to back up core brands, especially new products.

Net sales were 39,992 million yen, 7.2% higher than one year earlier, due to growth in sales of high-value-added brands and "self-selection" cosmetics for consumers' on selection. Excluding the effect of the yen's appreciation, there was a year-on-year sales increase of 7.7%. Earnings benefited from higher sales of luxury products and measures to cut personnel expenses. Furthermore, parts of budgeted operating expenses were not used. As a result, operating income increased 114.0% to 4,085 million yen, ordinary income increased 115.1% to 4,266 million yen and net income increased 5.7% to 1,780 million yen. In the previous fiscal year, net income included an extraordinary income of 2,146 million yen resulting mainly from the sale of Nihon L' Oréal K.K. stock.

(2) Results by Business Segment

Cosmetics Business

Kose concentrated on advertising and sales promotion activities to support core brands. In addition, new and distinctive products were introduced for PRÉDIA, INFINITY and other brands that target specific distribution channels. Both actions contributed to sales growth. In China, an R&D Strategy Dept. was set up to develop products for Chinese consumers and the Chinese sales base was moved to Shanghai to bolster sales operations. The result was a 3.9 % increase in cosmetics sales to 29,128 million yen.

Cosmetaries Business

In this business, Kose introduced the SEKKISUI brand of products for sale exclusively through convenience stores in order to enter new business domains. Another highlight of the quarter was strong sales of HAPPY BIRTHDAY products. The result was a 20.9% increase in sales to 9,954 million yen.

Other Business

In the amenities category, sales increased slightly because of sales promotion initiatives targeting sales agents. However, there was a decline in orders for the manufacture of OEM products. The result was a 12.3% decrease in sales to 908 million yen.

1. Summary Consolidated Balance Sheets

Unit: Millions of yen

Account	1Q FY 2003 As of June 30, 2003	1Q FY 2004 As of June 30, 2004	Change	FY 2003 As of March 31, 2004
Assets				
I. Current assets				
Cash and time deposits	15,940	16,648	1,257	15,390
Notes and accounts receivable	20,321	21,648	(1,724)	23,373
Short-term investments in securities	17,221	15,205	(4,318)	19,524
Inventories	18,802	20,600	2,755	17,845
Deferred tax assets-current	3,960	3,674	(768)	4,443
Other current assets	5,414	5,451	1,399	4,052
Allowance for doubtful accounts	(355)	(385)	(0)	(385)
Total current assets	81,305	82,845	(1,398)	84,243
II. Fixed Assets				
Property, plant and equipment				
Buildings and structures	11,679	11,155	(191)	11,346
Machinery and automotive equip.	3,242	3,064	(91)	3,156
Furniture and fixtures	6,081	6,312	209	6,102
Land	18,681	17,200	(140)	17,341
Construction in progress	400	1,696	668	1,028
Total property, plant and equipment	40,085	39,430	454	38,975
Intangible assets				
Software	952	859	(78)	938
Software under development	715	2,653	163	2,490
Other intangible assets	347	269	(2)	272
Total intangible assets	2,015	3,782	81	3,701
Investments and others				
Investments in securities	12,016	13,271	(51)	13,323
Deferred tax assets-non-current	15,832	15,618	(38)	15,656
Others	2,717	2,545	20	2,525
Allowance for doubtful accounts	(409)	(228)	105	(333)
Total investments and others	30,156	31,207	36	31,171
Total fixed assets	72,258	74,421	572	73,848
Total Assets	153,563	157,266	(826)	158,092

Unit: Millions of yen

Account	1Q FY 2003 As of June 30, 2003	1Q FY 2004 As of June 30, 2004	Change	FY 2003 As of March 31, 2004
Liabilities				
I. Current liabilities				
Notes and accounts payable	16,832	17,121	4,252	12,868
Short-term borrowings	5,556	5,339	800	4,539
Accounts payable-other	5,263	5,104	(2,354)	7,458
Accrued expenses	3,944	4,033	(3,026)	7,059
Accrued income taxes	1,606	1,417	(2,781)	4,199
Other current liabilities	4,863	4,044	1,521	2,523
Total current liabilities	38,067	37,061	(1,588)	38,649
II. Long-term liabilities				
Long-term debt	2,500	1,500	-	1,500
Accrued employees' retirement benefits	33,385	31,370	(465)	31,836
Accrued officers' severance benefits	2,586	2,730	107	2,622
Other long-term liabilities	144	172	(2)	174
Total long-term liabilities	38,616	35,772	(360)	36,133
Total Liabilities	76,684	72,833	(1,948)	74,782
Minority Interests	3,052	2,817	245	2,572
Shareholders' Equity				
I. Common stock	4,848	4,848	-	4,848
II. Capital surplus	6,390	6,390	-	6,390
III. Consolidated retained earnings	61,333	68,833	925	67,907
IV. Net unrealized holdings gains (losses) on other securities	(15)	521	(6)	527
V. Foreign currency translation adjustments	1,313	1,090	(18)	1,109
VI. Treasury stock	(42)	(70)	(22)	(47)
Total Shareholders' Equity	73,827	81,614	877	80,736
Total Liabilities, Minority Interests and Shareholders' Equity	153,563	157,266	(826)	158,092

2. Summary Consolidated Statements of Income

Unit: Millions of yen

Account	1Q FY 2003 Apr. 1, 2003 - Jun. 30, 2003		1Q FY 2004 Apr. 1, 2004 - Jun. 30, 2004		Change		FY 2003 Apr. 1, 2003 - Mar. 31, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	37,298	100.0	39,992	100.0	2,693	107.2	160,641	100.0
Cost of sales	8,686	23.3	9,419	23.6	733	108.4	38,216	23.8
Gross profit	28,612	76.7	30,572	76.4	1,960	106.9	122,425	76.2
SG&A expenses	26,703	71.6	26,486	66.2	(216)	99.2	104,501	65.0
Operating income	1,909	5.1	4,085	10.2	2,176	214.0	17,923	11.2
Non-operating income								
Interest and dividends income	108		93		(14)		388	
Foreign exchange gains	-		26		26		-	
Other non-operating income	113		107		(5)		149	
Total non-operating income	221	0.6	227	0.6	6	102.7	538	0.3
Non-operating expenses								
Interest expense	43		18		(24)		167	
Foreign exchange losses	50		-		(50)		458	
Other non-operating expenses	52		27		(24)		99	
Total non-operating expenses	146	0.4	46	0.1	(100)	31.8	725	0.5
Ordinary income	1,983	5.3	4,266	10.7	2,282	215.1	17,736	11.0
Extraordinary income								
Gain on sale of investments in securities	2,146		-		(2,146)		2,147	
Other extraordinary income	8		68		59		1,754	
Total extraordinary income	2,155	5.8	68	0.2	(2,087)	3.2	3,901	2.5
Extraordinary loss								
Loss on disposal of property, plant and equipment	168		18		(149)		2,171	
Other extraordinary loss	-		-		-		1,383	
Total extraordinary loss	168	0.5	18	0.1	(149)	11.3	3,555	2.2
Net income before income taxes and minority interests	3,970	10.6	4,316	10.8	345	108.7	18,082	11.3
Income taxes-current	1,768	4.7	1,486	3.7	(281)		8,994	5.6
Income taxes-deferred	383	1.0	816	2.0	433		(289)	(0.2)
Minority interests	134	0.4	232	0.6	98		436	0.3
Net income	1,684	4.5	1,780	4.5	95	105.7	8,941	5.6

3. Summary Consolidated Statements of Cash Flows

Unit: Millions of yen

Account	1Q FY 2003 Apr. 1, 2003 - Jun. 30, 2003	1Q FY 2004 Apr. 1, 2004 - Jun. 30, 2004
I. Cash flows from operating activities		
Net income before income taxes and minority interests	3,970	4,316
Depreciation	875	857
Increase (decrease) in provision of allowance for doubtful accounts	(26)	(106)
Increase (decrease) in accrued employees' retirement benefits	(256)	(466)
Increase (decrease) in accrued officers' severance benefits for director	118	107
Loss (gain) on disposal of property, plant and equipment	168	18
Interest and dividend income	(108)	(93)
Loss (gain) on sale of investment in securities	(2,146)	-
Decrease (increase) in notes and accounts receivable	1,399	1,731
Decrease (increase) in inventories	(2,517)	(2,760)
Increase (decrease) in notes and accounts payable	3,304	2,574
Others	(1,023)	(2,499)
Subtotal	3,756	3,679
Interest and dividends received	126	110
Interest paid	(33)	(13)
Income taxes paid	(5,622)	(4,266)
Net cash provided by operating activities	(1,773)	(489)
II. Cash flows from investing activities		
Decrease (increase) in securities	(1,802)	1,499
Payment for purchase of property, plant and equipment	(853)	(1,477)
Proceeds from sale of property, plant and equipment	6	145
Payment for acquisition of intangible assets	(92)	(182)
Payment for acquisition of investments in securities	(507)	(2)
Proceeds from sale of investments in securities	2,221	-
Others	(3,700)	(1,127)
Net cash used in investment activities	(4,727)	(1,144)
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	899	814
Repayment of long-term debt	(38)	-
Net change from purchase and sale of treasury stock	(2)	(22)
Payment of dividends	(794)	(794)
Net cash used in financing activities	63	(2)
IV. Effect of exchange rate changes on cash and cash equivalents	1	(2)
V. Increase (decrease) in cash and cash equivalents	(6,435)	(1,639)
VI. Cash and cash equivalents at beginning of period	23,044	24,030
VII. Cash and cash equivalents at end of period	16,609	22,391