



February 7, 2005

Summary of Financial Results for Nine Months Ended December 31, 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 third quarter ended December 2004 (April 1, 2004 – December 31, 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 (%)
Nine months ended Dec. 2004	128,229	6.2	16,188	7.0	16,509	10.3
Nine months ended Dec. 2003	120,733	-	15,126	-	14,964	-
(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
Nine months ended Dec. 2004	8,095	(9.7)	161.73	-
Nine months ended Dec. 2003	8,961	-	196.90	-
(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, retroactively adjusted for stock splits to the beginning of FY 2003, net income per share was 179.00 yen for the nine months ended December 31, 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
Nine months ended Dec. 2004	163,706	87,215	53.3	1,742.40
Nine months ended Dec. 2003	157,393	80,580	51.2	1,770.56
(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, retroactively adjusted for stock splits to the beginning of FY 2003, shareholders' equity per share was 1,609.60 yen as of December 31, 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
Nine months ended Dec. 2004	4,912	(3,300)	(1,953)	23,768
Nine months ended Dec. 2003	283	(527)	(1,843)	20,866
(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)

There are no revisions to the forecast announced on November 10, 2004.

	Net sales	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Full Year (Consolidated)	169,400	18,900	9,800	195.79

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 Nine Months Ended December 2004 (April 1, 2004 – December 31, 2004)

Millions of yen, %

Operating segment	Nine months ended Dec. 2003		Nine months ended Dec. 2004		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	91,009	75.4	93,879	73.2	2,870	3.2
Cosmetaries	26,572	22.0	31,556	24.6	4,984	18.8
Other	3,151	2.6	2,792	2.2	(358)	(11.4)
Total net sales	120,733	100.0	128,229	100.0	7,495	6.2

Item	Nine months ended Dec. 2003		Nine months ended Dec. 2004		Change	
	Amount	%	Amount	%	Amount	% YoY
Operating income	15,126	12.5	16,188	12.6	1,061	7.0
Ordinary income	14,964	12.4	16,509	12.9	1,545	10.3
Net income	8,961	7.4	8,095	6.3	(865)	(9.7)

During the third quarters, Japan's economy staged a recovery backed by solid corporate earnings and capital expenditures. However, there were some signs of weakness, including slowing growth in manufacturing and exports, along with renewed concerns about the yen's appreciation. In the cosmetics industry, the overall market remained as consumer spending rose but did not achieve a full-scale recovery.

In this environment, KOSÉ conducted its unique brand marketing activities to target the diversifying needs of consumers. Measures were taken to strengthen brands that target specific sales channels, such as department stores and specialty cosmetics stores. This included the launch of distinctive new products that match the characteristics of each sales channel.

To increase sales in the high-volume market sectors, KOSÉ conducted aggressive advertising and sales promotion campaigns using TV, magazine and other mass media. Outside Japan, strategic marketing investments were made for advertising and sales promotion activities in the key markets of China and South Korea. In addition, a new factory was completed in Taiwan, giving KOSÉ a more powerful overseas production capability.

As a result of these activities, both brands for specific sales channels and cosmetics that customers choose themselves posted strong sales. For the third quarters, net sales increased 6.2% to 128,229 million yen. Regarding earnings, a lower personnel expense ratio and other factors outweighed an increase in the cost of sales ratio, resulting in a 7.0% increase in operating income to 16,188 million yen, a 10.3% increase in ordinary income to 16,509 million yen and a 9.7% decrease in net income to 8,095 million yen.

Net income included an extraordinary gain 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.

Reconstruction of the Product Research Laboratory (Sakae-cho, Kita-ku, Tokyo) was completed and operations have started. Including the Fundamental Research Laboratory and Technical Research Center, this gives KOSÉ a network of three research facilities.

(2) Results by Business Segment

Cosmetics Business

In the cosmetics business, results were highlighted by the success of MOISTURE SKIN REPAIR, which incorporates the first ingredient recognized under the Pharmaceutical Affairs Law to "improve the ability to retain moisture," and brisk sales of luxury skin care products, such as the PRÉDIA and INFINITY series, for specific sales channels. Overseas, the SEKKISEI and SEIKISHO brands contributed to sales growth.

The result was a 3.2 % increase in cosmetics sales to 93,879 million yen.

Cosmetaries Business

In the cosmetaries business, KOSÉ conducted aggressive advertising and sales promotion campaigns with the aim of becoming the leader in market sector for cosmetics that customers choose themselves. Overall, there was a large increase in sales because of the popularity of FASIO's mascaras and SOFTYMO's facial cleansing products.

The result was a 18.8% increase in sales to 31,556 million yen.

Other Business

In the other business, there was a decline in orders for the manufacture of OEM products.

In the amenities category, sales were slightly lower year on year despite sales promotion activities targeting sales agents.

The result was a 11.4% decrease in sales to 2,792 million yen.

1. Summary Consolidated Balance Sheets

Unit: Millions of yen

Account	3Q FY 2003 As of Dec. 31, 2003	3Q FY 2004 As of Dec. 31, 2004	Change	FY 2003 As of March 31, 2004
Assets				
I. Current assets				
Cash and time deposits	15,959	18,705	3,314	15,390
Notes and accounts receivable	23,094	25,003	1,630	23,373
Short-term investments in securities	14,621	15,411	(4,112)	19,524
Inventories	19,873	22,927	5,081	17,845
Deferred tax assets-current	4,832	3,820	(622)	4,443
Other current assets	5,443	5,374	1,322	4,052
Allowance for doubtful accounts	(349)	(383)	1	(385)
Total current assets	83,473	90,858	6,615	84,243
II. Fixed Assets				
Property, plant and equipment				
Buildings and structures	11,600	12,286	939	11,346
Machinery and automotive equip.	3,001	3,019	(136)	3,156
Furniture and fixtures	6,130	6,420	317	6,102
Land	18,995	17,384	42	17,341
Construction in progress	971	908	(119)	1,028
Total property, plant and equipment	40,699	40,019	1,043	38,975
Intangible assets				
Software	1,004	1,091	153	938
Software under development	1,202	3,550	1,060	2,490
Other intangible assets	289	272	0	272
Total intangible assets	2,496	4,914	1,213	3,701
Investments and others				
Investments in securities	12,972	10,833	(2,489)	13,323
Deferred tax assets-non-current	15,599	14,969	(687)	15,656
Others	2,513	2,464	(61)	2,525
Allowance for doubtful accounts	(363)	(354)	(20)	(333)
Total investments and others	30,722	27,913	(3,258)	31,171
Total fixed assets	73,919	72,847	(1,001)	73,848
Total Assets	157,393	163,706	5,613	158,092

Unit: Millions of yen

Account	3Q FY 2003 As of Dec. 31, 2003	3Q FY 2004 As of Dec. 31, 2004	Change	FY 2003 As of March 31, 2004
Liabilities				
I. Current liabilities				
Notes and accounts payable	14,046	16,818	3,949	12,868
Short-term borrowings	5,530	5,805	1,265	4,539
Accounts payable-other	5,427	5,686	(1,772)	7,458
Accrued expenses	4,136	4,362	(2,697)	7,059
Accrued income taxes	3,592	3,838	(360)	4,199
Other current liabilities	3,505	3,507	983	2,523
Total current liabilities	36,238	40,018	1,369	38,649
II. Long-term liabilities				
Long-term debt	2,500	-	(1,500)	1,500
Accrued employees' retirement benefits	32,522	30,352	(1,483)	31,836
Accrued officers' severance benefits	2,589	2,844	222	2,622
Other long-term liabilities	138	215	41	174
Total long-term liabilities	37,751	33,412	(2,720)	36,133
Total Liabilities	73,990	73,431	(1,351)	74,782
Minority Interests	2,822	3,059	486	2,572
Shareholders' Equity				
I. Common stock	4,848	4,848	-	4,848
II. Capital surplus	6,390	6,391	0	6,390
III. Consolidated retained earnings	67,927	74,297	6,389	67,907
IV. Net unrealized holdings gains (losses) on other securities	278	527	(0)	527
V. Foreign currency translation adjustments	1,182	1,226	116	1,109
VI. Treasury stock	(46)	(75)	(27)	(47)
Total Shareholders' Equity	80,580	87,215	6,478	80,736
Total Liabilities, Minority Interests and Shareholders' Equity	157,393	163,706	5,613	158,092

2. Summary Consolidated Statements of Income

Unit: Millions of yen

Account	3Q FY 2003 Apr. 1, 2003 - Dec. 31, 2003		3Q FY 2004 Apr. 1, 2004 - Dec. 31, 2004		Change		FY 2003 Apr. 1, 2003 - Mar. 31, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	120,733	100.0	128,229	100.0	7,495	106.2	160,641	100.0
Cost of sales	27,837	23.1	30,593	23.9	2,756	109.9	38,216	23.8
Gross profit	92,896	76.9	97,635	76.1	4,739	105.1	122,425	76.2
SG&A expenses	77,769	64.4	81,447	63.5	3,677	104.7	104,501	65.0
Operating income	15,126	12.5	16,188	12.6	1,061	107.0	17,923	11.2
Non-operating income								
Interest and dividends income	228		197		(31)		388	
Foreign exchange gains	-		153		153		-	
Other non-operating income	190		128		(62)		149	
Total non-operating income	419	0.3	478	0.4	58	114.1	538	0.3
Non-operating expenses								
Interest expense	135		78		(57)		167	
Foreign exchange losses	275		-		(275)		458	
Other non-operating expenses	171		79		(91)		99	
Total non-operating expenses	582	0.5	157	0.1	(424)	27.0	725	0.5
Ordinary income	14,964	12.4	16,509	12.9	1,545	110.3	17,736	11.0
Extraordinary income								
Gain on transfer of intellectual property right	1,381		-		(1,381)		1,381	
Gain on sale of investments in securities	2,147		0		(2,147)		2,147	
Other extraordinary income	60		70		10		372	
Total extraordinary income	3,589	3.0	70	0.0	(3,518)	2.0	3,901	2.5
Extraordinary loss								
Loss on disposal of property, plant and equipment	295		173		(122)		2,171	
Unrealized holding loss on investments in securities	-		6		6		2	
Provision of allowance for doubtful accounts	0		33		33		-	
Retirement incentive program	104		437		332		104	
Lump-sum amortization of consolidation goodwill	783		-		(783)		783	
Other extraordinary loss	2		7		4		493	
Total extraordinary loss	1,186	1.0	657	0.5	(529)	55.4	3,555	2.2
Net income before income taxes and minority interests	17,367	14.4	15,923	12.4	(1,444)	91.7	18,082	11.3
Income taxes-current	8,216	6.8	5,993	4.7	(2,222)		8,994	5.6
Income taxes-deferred	(448)	(0.4)	1,308	1.0	1,756		(289)	(0.2)
Minority interests	638	0.5	524	0.4	(114)		436	0.3
Net income	8,961	7.4	8,095	6.3	(865)	90.3	8,941	5.6

3. Summary Consolidated Statements of Cash Flows

Unit: Millions of yen

Account	3Q FY 2003 Apr. 1, 2003 - Dec. 31, 2003	3Q FY 2004 Apr. 1, 2004 - Dec. 31, 2004
I. Cash flows from operating activities		
Net income before income taxes and minority interests	17,367	15,923
Depreciation	2,760	2,791
Amortization of consolidation goodwill	-	41
Increase (decrease) in provision of allowance for doubtful accounts	(76)	18
Increase (decrease) in accrued employees' retirement benefits	(1,118)	(1,484)
Increase (decrease) in accrued officers' severance benefits for director	121	222
Loss (gain) on disposal of property, plant and equipment	294	171
Interest and dividend income	(228)	(197)
Loss (gain) on sale of investment in securities	(2,147)	0
Decrease (increase) in notes and accounts receivable	(1,427)	(1,570)
Decrease (increase) in inventories	(3,652)	(5,029)
Increase (decrease) in notes and accounts payable	2,384	2,712
Gain on transfer of intellectual property right	(1,381)	-
Others	(2,654)	(2,466)
Subtotal	10,241	11,132
Interest and dividends received	250	213
Interest paid	(128)	(75)
Income taxes paid	(10,079)	(6,357)
Net cash provided by operating activities	283	4,912
II. Cash flows from investing activities		
Decrease (increase) in securities	2,296	499
Payment for purchase of property, plant and equipment	(3,902)	(4,092)
Proceeds from sale of property, plant and equipment	20	344
Payment for acquisition of intangible assets	(862)	(1,566)
Payment for acquisition of investments in securities	(1,011)	(518)
Proceeds from sale of investments in securities	2,225	3,001
Proceeds from transfer of intellectual property rights	1,477	-
Others	(771)	(967)
Net cash used in investment activities	(527)	(3,300)
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(4)	(257)
Repayment of long-term debt	(95)	-
Net change from purchase and sale of treasury stock	(5)	(26)
Payment of dividends	(1,738)	(1,668)
Net cash used in financing activities	(1,843)	(1,953)
IV. Effect of exchange rate changes on cash and cash equivalents	(91)	77
V. Increase (decrease) in cash and cash equivalents	(2,178)	(262)
VI. Cash and cash equivalents at beginning of period	23,044	24,030
VII. Cash and cash equivalents at end of period	20,866	23,768