



May 14, 2003

**Summary of Financial Results for the Fiscal Year Ended March 31, 2003
(Consolidated)**

Company name: **KOSÉ Corporation**
 Stock code: 4922
 Stock Exchange listing: Tokyo Stock Exchange, First Section
 Company Domicile: 3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan
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Date of board meeting for approving financial results: May 14, 2003

Parent company (Stock code): Not applicable

Parent company shareholding: Not applicable

SEC accounting standards: The Company does not apply SEC accounting standards

1. Financial Results for the Fiscal Year Ended March 2003 (April 1, 2002- March 31, 2003)

(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 %
Fiscal year ended March 2003	154,329	5.1	15,278	21.6	14,995	21.2
Fiscal year ended March 2002	146,829	3.4	12,564	1.1	12,374	(1.5)

	Net income		Net income per share, (basic)	Net income per share, (diluted)
	Million yen	YoY change %	Yen	Yen
Fiscal year ended March 2003	6,906	6.5	149.97	-
Fiscal year ended March 2002	6,482	-	175.30	-

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Fiscal year ended March 2003	9.9	10.1	9.7
Fiscal year ended March 2002	10.1	8.7	8.4

Notes:

- Equity in earnings of unconsolidated subsidiaries
 Fiscal year ended March 2003: -
 Fiscal year ended March 2002: -

2. Average number of shares outstanding (consolidated)
Fiscal year ended March 2003: 45,517,346 shares
Fiscal year ended March 2002: 36,981,136 shares
3. Changes in accounting principles applied: Yes
4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from 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 March 31, 2003	153,621	72,862	47.4	1,599.17
As of March 31, 2002	144,667	67,355	46.6	1,627.65

Note:

Number of shares outstanding (consolidated) at the end of the year:

As of March 31, 2003: 45,512,583 shares

As of March 31, 2002: 41,381,984 shares

(3) Cash flow position

	Net cash provided by (used in)			Cash and cash equivalents at end of year
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2003	11,173	(3,505)	(2,730)	23,044
Fiscal year ended March 2002	7,778	(2,377)	(2,552)	18,220

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

Consolidated subsidiaries: 31

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: 3

Excluded: 1

Affiliates accounted for under the equity method:

Newly added: -

Excluded: -

2. Forecast for the Fiscal Year Ending March 2004 (April 1, 2003 - March 31, 2004)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	77,800	5,800	5,000
Full Year	159,300	15,600	8,000

Reference: Estimated net income per common share for the fiscal year ending March 2004: ¥ 175.78

Note: The above forecasts are based on assumptions and other relevant factors discussed in the section on Supplementary Information (Page 10-12).

1. The KOSÉ Group

The KOSÉ Group includes KOSÉ Corporation and 34 subsidiaries. The principal activities and the relationship of group companies is as follows:

(1) Manufacturing

Company name		Principal Activities
Domestic		
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	TOPAC CO., LTD.	Manufacture of cardboard containers
Consolidated subsidiary	INTERCOSME INC.	Manufacture of plastic containers and cosmetics
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
Overseas		
Consolidated subsidiary	CHUNSELY CO., LTD.	Manufacture of cosmetics
Consolidated subsidiary	TAIWAN KOSÉ CO., LTD.	Manufacture, import and marketing of cosmetics

(2) Marketing and service

Company name		Principal Activities
Domestic		
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	PHIL INTERNATIONAL 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	S&I TOURIST CO., LTD.	Leasing and mobile phone agency
Consolidated subsidiary	KOWASHA CO., LTD.	Marketing of commercial-use cosmetics
Consolidated subsidiary	A·L DEVELOPMENT CO., LTD.	Real estate brokerage
Overseas		
Consolidated subsidiary	KOSÉ (HONG KONG) CO., LTD.	Import and marketing of cosmetics
Consolidated subsidiary	KOSÉ INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Import, export 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	SCI KOSÉ CORTAMBERT	Real estate leasing

Note: CAMIC CO., LTD. was liquidated.

2. Management Policies

1. Fundamental Management Policy

The nucleus of the KOSÉ Group's management policy is the pursuit of growth and greater productivity in line with the theme of "consistently managing to heighten corporate value." There are three central themes in this regard: "strengthening brand marketing," "aggressive growth in overseas markets," and "improving operating efficiency and profitability." The fundamental spirit for all operations is creating cosmetics of the highest quality to earn the true satisfaction of our customers. In line with this spirit, the Group has successfully conducted a distinctive brand marketing program to supply products through the most suitable retail channels so as to address the needs of consumers. Underlying all these activities are an industry-leading R&D capability, a manufacturing system based on leading-edge equipment and technology, and the collective strengths of all group companies. KOSÉ's excellent foundation products and beauty care creams are two outstanding examples how these strengths translate into actual products.

To achieve further gains in corporate value, the Group aims to increase the value of its brands by effectively utilizing all three of these strengths. Furthermore, the Group will strive to become an even more profitable organization by further improving operating efficiency. At the same time, even greater priority will be placed on fulfilling obligations to society through quality assurance and environmental protection programs.

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.

The Company plans to increase the year-end dividend per share by ¥3 to ¥17 from the standpoint of its operating results in the past fiscal year and the policy of returning earnings to shareholders. Including an interim dividend per share of ¥13 paid on December 10, 2002, this will result in a dividend per share applicable to the fiscal year of ¥30.

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 10.6% of net sales and raise the ROA to 11.0% by the fiscal year ending in March 2006.

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

As Japan struggles with deflation and a structural economic downturn, increasingly fierce competition is foreseen in the cosmetics market in Japan and overseas. In this environment, the key issue for the KOSÉ Group is increasing the scale of its operations by growing in Japan as well as by continuing to expand in China and other overseas markets.

To deal with these challenges, the KOSÉ Group in April 2003 began implementing a three-year management plan that calls using a process of selection and concentration to aggressively deploy resources to markets and businesses offering the greatest opportunities for earnings.

The first core element of this management plan is reinforcing KOSÉ's distinctive brand marketing activities, which represent the Group's greatest strengths. Efforts will be focused on becoming more competitive by raising the market value of core brands in each distribution channel. In the cosmetics industry, 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. In the "cosmetaries" business, which mainly handles products sold through stores where consumers select cosmetics products themselves, the Company aims to increase sales and earnings by improving the cost structure, primarily for "self-selection" cosmetics, which consumers select themselves, and introducing more brands that are highly competitive.

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 2006. As in Japan, the Company will concentrate on brand marketing. KOSÉ will make substantial investments in China, which is an important market for the Company, while moving quickly to make inroads in the Philippines and other countries where its products are not yet available.

The third core element is the forceful implementation of structural reforms. The goals here are more gains in productivity and profitability. KOSÉ has made progress in the critical areas of bringing down the cost of sales relative to sales, inventories, and personnel expenses relative to sales. Now that improvements have been achieved in these areas, the Company is planning to increase its corporate value by achieving further gains in the efficient use of assets. For this purpose, the Company is assembling a supply chain management system 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. In manufacturing activities, inventories will be reduced by shortening lead times for producing goods and procuring raw materials. Additionally, a production system is being created that can immediately adapt to shifts in demand patterns.

Regarding the funding of retirement benefit liabilities, an issue that has a significant impact on the Company's earnings, the Company is taking steps to reduce future risks associated with pension obligations. The substituted portion of the governmental Welfare Pension Fund that had been managed by KOSÉ has been returned, allowing the Company to adopt a new, cash-balance corporate pension system.

Due to the above factors, KOSÉ is targeting net sales of ¥172,000 million, operating income of ¥18,200 million, ordinary income of ¥18,000 million and net income of ¥8,900 million in the fiscal year ending in March 2006.

5. Corporate Governance Policies and Actions

From the standpoint of conducting management that "consistently manages to heighten corporate value," the nucleus of the KOSÉ Group's fundamental management policies, the Group positions corporate governance as one of its most important issues. The Group is taking steps to build a management organization and framework that can consistently earn the trust of society. Risk management has been strengthened through actions such as enhancing internal checks and conducting a rigorous compliance program. The Group is determined to fulfill its social obligations by maintaining sound management systems.

Regarding the Board of Directors, the Company has been reducing the number of members to facilitate rapid decision-making. The March 2001 introduction of a corporate executive officer system allowed the Board of Directors to focus exclusively on corporate management activities. Another benefit is this system is a more effective business execution function that is performed by corporate executive officers, each of whom is responsible for meeting goals in a particular field of business. There are currently 12 directors, four corporate auditors (including two from outside the KOSÉ Group) and six corporate executive officers. Following the June 27, 2003 annual stockholders meeting, KOSÉ plans to have 10 directors, four corporate auditors (including two from outside the KOSÉ Group) and eight corporate executive officers.

KOSÉ will continue seeking ways to increase the effectiveness of the Board of Directors and execute business activities more efficiently. Furthermore, to make operations still more transparent and fair, KOSÉ will continue to take steps to ensure the timely and proper disclosure of information.

3. Results of Operations and Financial Condition

I. Results of Operations

1. Review of Operations

(1) Financial Results

Millions of yen, %

Operating segment	Fiscal year ended March 2002		Fiscal year ended March 2003		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	110,343	75.1	116,382	75.4	6,038	5.5
Cosmetaries	31,649	21.6	33,809	21.9	2,160	6.8
Other	4,837	3.3	4,137	2.7	(700)	(14.5)
Total net sales	146,829	100.0	154,329	100.0	7,499	5.1

Item	Fiscal year ended March 2002		Fiscal year ended March 31 2003		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Operating income	12,564	8.6	15,278	9.9	2,713	21.6
Ordinary income	12,374	8.4	14,995	9.7	2,620	21.2
Net income	6,482	4.4	6,906	4.5	423	6.5

Japan's economic downturn became even more serious in the past fiscal year. As the global economy slowed, Japan's capital expenditures declined, employment statistics worsened and consumer spending became softer.

In the cosmetics industry, total sales were about the same as in the calendar year 2002, rising only 0.4% in monetary terms according to statistics published by the Ministry of Economy, Trade and Industry. However, there was a 2.9% increase in terms of unit volume, demonstrating the strength of demand for cosmetics.

In this environment, KOSÉ forcefully conducted distinctive brand marketing, its greatest strength, to cater to the diversifying needs of consumers. Many products were introduced that offer characteristics matching the nature of specific distribution channels. In addition, KOSÉ worked on enlarging its business domain. The year was also highlighted by actions to become more competitive by increasing the value of core brands in the marketplace. Due to these measures, KOSÉ was able to achieve steady growth in sales of high value-added cosmetics and of cosmetaries products, mainly cosmetics that consumers choose themselves.

To deal with issues involving retirement benefit liabilities, which have a significant impact on earnings, KOSÉ returned to the Ministry of Health, Labour and Welfare the substituted portion of the governmental Welfare Pension Fund. Furthermore, to reduce risks involving future pension-related liabilities, KOSÉ adopted a cash-balance corporate pension system on April 1, 2003. In conjunction with these actions, the relinquishment of the entrusted portion of the retirement benefit obligations and the related pension fund assets were recognized in the fiscal year ended March 31, 2003. The transition to the new pension system therefore resulted in an extraordinary gain of ¥7,024 million and an extraordinary loss of ¥10,093 million.

Net sales increased 5.1% to ¥154,329 million, an all-time high. Sales increased 5.6% after excluding the effect on overseas sales of the yen's appreciation. Earnings benefited from growth in the sales of high-end products. Operating income rose 21.6% to ¥15,278 million, ordinary income was up 21.2% to ¥14,995 million and net income increased 6.5% to ¥6,906 million.

Regarding concerns regarding the kojic acid issue, Japan's Ministry of Health, Labour and Welfare has issued a directive asking that the manufacture and import of all quasi-drugs* incorporating kojic acid be halted until the safety of this substance can be confirmed. KOSÉ immediately halted the manufacture of all such products. The Company resumed production using other ingredients. Every effort has been made to respond to inquiries from customers concerning this matter.

* *lyaku-bugaihin*: as defined in the Pharmaceutical Affairs Law

The reconstruction of a research facility in Tokyo's Kita Ward, Sakae-cho is to be completed during the March 2004 fiscal year. The new facility, which will be located on the site of a previous KOSÉ research facility and adjacent land that was purchased in March 2002, will give KOSÉ an even more powerful research and development infrastructure.

(2) Results by Business Segment

1. Cosmetics Business

Millions of yen, %

Item	Fiscal year ended March 2002	Fiscal year ended March 2003	Change	
			Amount	%
Sales to third parties	110,343	116,382	6,038	5.5
Intragroup sales and transfers	82	47	-	-
Total net sales	110,425	116,429	-	-
Operating income	13,167	14,849	1,681	12.8
Operating margin	11.9	12.8	-	-

Segment sales were buoyed by strong performances by high-end and high value-added brands. Sales of the finest COSME DECORTE brand were paced by the strength of the high-prestige AQ series, the INTUICE makeup series and MOISTURE LIPSOME series. Subsidiary ALBION CO., LTD., which sells premium cosmetics, increased sales due to the popularity of the EXAGE series. Also contributing to segment sales growth was the introduction of makeup products in the BEAUTÉ de KOSÉ line of cosmetics sold exclusive through department stores, and the launch of the SPA et MER series of the PRÉDIA brand of cosmetics sold exclusively through specialty cosmetics stores. Additionally, in response to consumer needs, products bearing the high-end INFINITY brand were introduced for sale at large retail stores and drug stores.

Regarding the KOSÉ brand, high-profile marketing and sales promotion campaigns were conducted mainly to support the VISÉE, RUTINA, GRANDAINE and SEKKISEI series of cosmetics.

Outside Japan, KOSÉ took aggressive actions to capture market share, mainly in Asia. Marketing activities primarily involved the high-end COSME DECORTE and AWAKE brands and the FASIO brand, which targets the so-called "middle-mass" market. Particular efforts were made to increase sales in the rapidly expanding Chinese market, where KOSÉ launched the EXNOBLE brand for products sold exclusively through department stores and WHITE ST, which is sold mainly through hypermarkets and other high-volume stores.

The result of these activities was a 5.5% increase in cosmetics sales to ¥116,382 million and a 12.8% increase in operating income to ¥14,849 million.

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

- COSME DECORTE MOISTURE LIPOSOME CREAM
- PRÉDIA SPA et MER (skin-care series)
- BEAUTÉ de KOSÉ (makeup series)
- INFINITY (skin-care series)
- VISÉE good curl mascara EX (super long)
- Medicated SEKKISEI emulsion / cream

2. Cosmetaries Business

Millions of yen, %

Item	Fiscal year ended March 2002	Fiscal year ended March 2003	Change	
			Amount	%
Sales to third parties	31,649	33,809	2,160	6.8
Intragroup sales and transfers	0	0	-	-
Total sales	31,650	33,810	-	-
Operating income	1,519	2,627	1,108	72.9
Operating margin	4.8	7.8	-	-

To increase sales of cosmetics that consumers choose themselves, KOSÉ unveiled a number of new products and reinforced its most competitive brands. Accompanying these measures were effective advertising campaigns and aggressive sales promotion activities. New products were added to FASIO, KOSÉ's leading brand in the cosmetaries category, as this brand was backed by television commercials and other high-profile advertising activities.

Targeting the growing hair care market, KOSÉ collaborated with a leading New York-based hair stylist to introduce the STEPHEN KNOLL Collection. In the SALON STYLE series of hair care products, a shampoo and rinse for colored hair was introduced, and in the SOFTYMO series of facial washing and cleansing products, the SOFTYMO WHITE series of whitening products was enlarged. Collectively, these actions contributed to higher sales in this segment.

Segment sales increased 6.8% to ¥33,809 million and operating income rose 72.9% to ¥2,627 million.

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

- SPORTS BEAUTY FASIO crystal glossy rouge
- Hair-care brand "STEPHEN KNOLL Collection"
- SALON STYLE super color care series
- SOFTYMO WHITE cleansing wash

3. Other Business

Millions of yen, %

Item	Fiscal year ended March 2002	Fiscal year ended March 2003	Change	
			Amount	%
Sales to third parties	4,837	4,137	(700)	(14.5)
Intragroup sales and transfers	1,832	2,026	-	-
Total sales	6,669	6,163	-	-
Operating income	517	523	6	1.2
Operating margin	7.8	8.5	-	-

In the amenities category, sales decreased as sales promotion activities targeting sales agents were unable to offset the impact of adverse market conditions. Furthermore, there was a decline in orders from Nihon L'Oreal K.K. for the manufacture of products. Due to these factors, segment sales decreased 14.5% to ¥4,137 million. However, there was a 1.2% increase in operating income to ¥523 million.

2. Outlook for Next Fiscal Year

The outlook is for a continuation of deflationary forces, as was shown by the drop of stock prices to a new post-bubble low, and weakness in consumer spending. It appears that more time will be required for Japan's economy to stage a broad-based rebound. In the cosmetics industry in Japan, competition for market share is likely to become even more heated, making this a time when a company's overall strength is even more critical to its ability to succeed.

The KOSÉ Group will continue to stress its distinctive brand marketing activities, the Group's greatest strength. The Group aims to become more competitive in Japan and overseas by constantly maintaining the best possible portfolio of brands. At the same time, decisive structural reforms will be enacted to improve managerial efficiency and profitability.

In the cosmetics business, efforts will focus on building a powerful organization that can develop core brands such as COSME DECORTE, BEAUTÉ de KOSÉ into brands that are successful the world over, thereby overcoming challenges posed by increasingly global markets.

In the cosmetaries business, the Group will concentrate on building competitive brands in the "self-selection" cosmetics market by introducing new products that address consumer needs and conducting mass-media advertising campaigns.

Structural reforms will continue to be forcefully implemented. Central objectives include the establishment of a supply chain management system that prevents merchandise shortages while reducing inventories and the adoption of a new accounting system that will speed up earnings announcements and enable KOSÉ to report quarterly results.

In the fiscal year ending March 31, 2004, the Company is forecasting increases of 3.2% in net sales to ¥159,300 million, 3.4% in operating income to ¥15,800 million, 4.0% in ordinary income to ¥15,600 million, and 15.8% in net income to ¥8,000 million.

Millions of yen, %

Operating segment	Fiscal Year ended March 2003		Fiscal Year ending March 2004		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Cosmetics	116,382	75.4	119,000	74.7	2,617	2.2
Cosmetaries	33,809	21.9	36,300	22.8	2,490	7.4
Other	4,137	2.7	4,000	2.5	(137)	(3.3)
Total net sales	154,329	100.0	159,300	100.0	4,970	3.2

Item	Fiscal Year ended March 2003		Fiscal Year ending March 2004		Change	
	Amount	% comp.	Amount	% comp.	Amount	% YoY
Operating income	15,278	9.9	15,800	9.9	521	3.4
Ordinary income	14,995	9.7	15,600	9.8	604	4.0
Net income	6,906	4.5	8,000	5.0	1,093	15.8

Forecasts are based on foreign exchange rates of ¥120 to the U.S. dollar, ¥3.5 to the Taiwan dollar and ¥14.5 to the Chinese yuan.

II. Financial Position

Cash Flows

Millions of yen

	Fiscal Year ended March 2002	Fiscal Year ended March 2003	Change (amount)
Net cash provided by operating activities	7,778	11,173	3,395
Net cash used in investing activities	(2,377)	(3,505)	(1,128)
Net cash used in financing activities	(2,552)	(2,730)	(177)
Increase in cash and cash equivalents (Including change due to merger and change in scope of consolidation)	2,925	4,824	1,898
Cash and cash equivalents at end of fiscal year	18,220	23,044	4,824

Net cash provided by operating activities was ¥11,173 million. The principal sources of cash from operating activities were ¥14,494 million in net income before income taxes and minority interests, an increase of ¥491 million from the previous fiscal year, and a ¥3,395 million decrease in inventory achieved through initiatives to reduce inventory levels and an increase in accrued employees' retirement benefits.

Net cash used in investing activities was ¥3,505 million. This included ¥4,708 million for the expansion of production capacity and the purchase of property, plant and equipment. Net cash provided by investing activities was ¥4,802 million from the sale of Nihon L'Oréal K.K. stock, and proceeds from the transfer of intellectual property rights of Maybelline.

Net cash used in financing activities was ¥2,730 million. This included ¥2,216 million in repayment of debt and ¥1,180 million in cash dividends.

The result of these cash flows was an increase of ¥4,824 million, or 26.5%, in cash and cash equivalents compared with the end of the beginning of the fiscal year. The balance stood at ¥23,044 million, as of March 31, 2003.

The following table illustrates the historical movements of certain cash flow indices:

Fiscal year ended March	1999	2000	2001	2002	2003
Shareholders' equity ratio (%) ¹	43.6	50.6	44.0	46.6	47.4
Shareholders equity ratio based on market prices (%) ²	-	50.8	106.9	97.0	109.0
Debt to annual cash flow ratio (year) ³	-	1.9	1.4	1.4	0.7
Interest coverage ratio ⁴	-	36.2	45.8	49.3	73.4

¹ Shareholders' equity ratio: Shareholders' equity / Total assets

² Shareholders equity ratio based on market prices: Market capitalization / Total assets

³ Debt to annual cash flow: Interest-bearing liabilities / Operating cash flow

⁴ Interest coverage ratio:

Operating cash flow (before Interests and Income taxes paid) / Interest payments

Notes:

(1) These indices are calculated on a consolidated basis.

(2) Market capitalization: Closing price of stock on the balance sheet date x Number of shares outstanding at the end of the year on the balance sheet date.

(3) Net cash provided by operating activities on the consolidated statement of cash flows is used as operating cash flow. Interest-bearing liabilities include all liabilities on the consolidated balance sheets that incur interest. Interest paid on the consolidated statement of cash flows is interest expenses.

These materials contain forward-looking statements and statements of this nature based on information current as of May 14, 2003. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Unit: Millions of yen

Account title	Period	FY 2001		FY 2002		Change
		As of March 31, 2002		As of March 31, 2003		
		Amount	%	Amount	%	
Assets						
I. Current assets						
Cash and time deposits		11,843		15,654		3,810
Notes and accounts receivable		21,251		21,719		467
Short-term investments in securities		20,927		18,921		(2,005)
Inventories		17,823		16,284		(1,538)
Deferred tax assets - current		4,269		4,322		52
Other current assets		3,703		4,833		1,130
Allowance for doubtful accounts		(285)		(362)		(77)
Total current assets		79,533	55.0	81,373	53.0	1,839
II. Fixed Assets						
Property, plant and equipment						
Buildings and structures		10,875		11,805		930
Machinery and automotive equip.		3,647		3,343		(304)
Furniture and fixtures		5,494		5,798		304
Land		18,324		18,677		353
Construction in progress		691		423		(268)
Total property, plant and equipment		39,033	27.0	40,048	26.1	1,014
Intangible assets						
Software		1,147		966		(181)
Software under development		-		714		714
Other intangible assets		329		352		23
Total intangible assets		1,477	1.0	2,033	1.3	556
Investments and Others						
Investments in securities		6,654		11,882		5,228
Long-term loans receivable		46		28		(18)
Long-term prepaid expenses		757		36		(720)
Deferred tax assets - non-current		14,385		15,933		1,548
Others		3,329		2,714		(614)
Allowance for doubtful accounts		(550)		(429)		120
Total investments and Others		24,622	17.0	30,165	19.6	5,543
Total fixed assets		65,133	45.0	72,248	47.0	7,114
Total Assets		144,667	100.0	153,621	100.0	8,954

Unit: Millions of yen

Account title	FY 2001		FY 2002		Change
	As of March 31, 2002		As of March 31, 2003		
	Amount	%	Amount	%	
Liabilities					
I. Current liabilities					
Notes and accounts payable	12,790		11,944		(846)
Short-term borrowings	4,975		4,238		(736)
Current maturities of bonds with collateral	-		1,000		1,000
Current portion of long-term debt	1,554		595		(959)
Accounts payable-other	6,018		6,440		422
Accrued expenses	6,477		6,912		434
Accrued income taxes	4,056		5,460		1,404
Accrued consumption tax	930		1,023		93
Reserve for returned goods unsold	955		924		(30)
Other current liabilities	600		515		(84)
Total current liabilities	38,356	26.5	39,054	25.4	697
II. Long-term liabilities					
Bonds with collateral	1,000		-		(1,000)
Long-term debt	3,095		2,500		(595)
Accrued employees' retirement benefits	30,129		33,641		3,511
Accrued officers' severance benefits	2,285		2,468		183
Other long-term liabilities	172		149		(23)
Total long-term liabilities	36,682	25.4	38,759	25.3	2,076
Total Liabilities	75,039	51.9	77,814	50.7	2,774
Minority interests	2,272	1.5	2,944	1.9	672
Shareholders' equity					
I. Common Stock	4,848	3.4	4,848	3.1	-
II. Capital surplus	6,390	4.4	6,390	4.2	-
III. Retained earnings	54,801	37.9	60,503	39.4	5,701
IV. Net unrealized holdings gains (losses) on other securities	(139)	(0.1)	(136)	(0.1)	3
V. Foreign currency translation adjustments	1,467	1.0	1,297	0.8	(170)
VI. Treasury stock	(12)	(0.0)	(40)	(0.0)	(27)
Total Shareholders' equity	67,355	46.6	72,862	47.4	5,507
Total Liabilities, Minority Interests and Shareholders' Equity	144,667	100.0	153,621	100.0	8,954

(2) Consolidated Statements of Income

Unit: Millions of yen

Account title	FY 2001 Apr. 1, 2001 - Mar. 31, 2002		FY 2002 Apr. 1, 2002 - Mar. 31, 2003		Change	
	Amount	Vs. sales %	Amount	Vs. sales %	Amount	YoY %
Net sales	146,829	100.0	154,329	100.0	7,499	105.1
Cost of sales	35,386	24.1	36,766	23.8	1,380	103.9
Gross profit	111,443	75.9	117,562	76.2	6,199	105.5
SG&A expenses	98,878	67.3	102,284	66.3	3,405	103.4
Operating income	12,564	8.6	15,278	9.9	2,713	121.6
Non-operating income						
Interest income	178		201		23	
Dividend income	13		12		(0)	
Rent	51		53		2	
Foreign exchange gains	37		-		(37)	
Miscellaneous revenue	197		208		11	
Total non-operating income	477	0.3	477	0.3	(0)	99.9
Non-operating expenses						
Interest expense	320		255		(64)	
Bad debts written-off	34		19		(14)	
Plant removal expense	-		100		100	
Foreign exchange losses	-		180		180	
Miscellaneous loss	314		204		(109)	
Total non-operating expenses	668	0.5	760	0.5	92	113.8
Ordinary income	12,374	8.4	14,995	9.7	2,620	121.2
Extraordinary income						
Gain on transfer of intellectual property rights	1,382		1,381		(1)	
Gain on sales of property, plant and equipment	471		3		(468)	
Gain on sale of investments in securities	3,235		3,215		(20)	

Unit: Millions of yen

Account title	FY 2001 Apr. 1, 2001 - Mar. 31, 2002		FY 2002 Apr. 1, 2002 - Mar.31, 2003		Change	
	Amount	Vs. sales %	Amount	Vs. sales %	Amount	YoY %
Gain on change in equity interest in subsidiaries	-		134		134	
Gain on relinquishment of entrusted portion of governmental Welfare Pension Fund	-		7,024		7,024	
Other extraordinary income	28		13		(15)	
Extraordinary income	5,118	3.5	11,773	7.6	6,654	230.0
Extraordinary loss						
Amortization of prior period long-term prepaid expenses	-		711		711	
Loss on disposal of property, plant and equipment	595		499		(95)	
Loss on sale of investments in securities	14		-		(14)	
Unrealized holding loss on investments in securities	1,000		411		(589)	
Provision of allowance for doubtful accounts	463		121		(341)	
Loss on disposal of inventories	1,286		390		(896)	
Officers' retirement benefits	-		17		17	
Amortization of loss on transition to new pension system	-		10,093		10,093	
Other extraordinary loss	128		28		(99)	
Total extraordinary loss	3,489	2.4	12,273	7.9	8,783	351.7
Net income before income taxes and minority interests	14,003	9.5	14,494	9.4	491	103.5
Income taxes - current	7,368	5.0	9,073	5.9	1,704	
Income taxes - deferred	(10)	(0.0)	(1,679)	(1.1)	(1,669)	
Minority interests	162	0.1	194	0.1	32	
Net income	6,482	4.4	6,906	4.5	423	106.5

(3) Consolidated Statements of Retained Earnings

Unit: Millions of yen

Period	FY 2001		FY 2002	
Account title	Apr. 1, 2001 - Mar. 31, 2002		Apr. 1, 2002 - Mar. 31, 2003	
Capital surplus				
I. Balance at beginning of year		6,390		6,390
II. Balance at end of year		6,390		6,390
Retained earnings				
I. Balance at beginning of year		49,210		54,801
II. Increase in retained earnings				
Net income	6,482	6,482	6,906	6,906
III. Decrease in retained earnings				
Cash dividends paid	827		1,117	
Bonuses for directors	64	892	87	1,204
IV. Balance at end of year		54,801		60,503

(4) Consolidated Statements of Cash Flows

Unit: Millions of yen

Period	FY 2001	FY 2002
Account title	Apr. 1, 2001 - Mar. 31, 2002	Apr. 1, 2002 - Mar. 31, 2003
I. Cash flows from operating activities		
Net income before income taxes and minority interests	14,003	14,494
Depreciation	4,030	3,547
Amortization of consolidation goodwill	-	39
Increase (decrease) in provision of allowance for doubtful accounts	(464)	(55)
Increase (decrease) in accrued employees' retirement benefits	(545)	3,511
Increase (decrease) in accrued officers' severance benefits for directors	115	183
Increase (decrease) in reserve for other allowances	247	(30)
Loss (gain) on disposal of property, plant and equipment	123	495
Interest and dividend income	(191)	(214)
Interest expense	320	255
Foreign exchange loss (gain)	8	37
Gain on change in equity interest in subsidiaries	-	(134)
Loss (gain) on sale of investments in securities	(3,220)	(3,215)
Unrealized holding loss (gain) on investments in securities	1,000	411
Decrease (increase) in notes and accounts receivable	(1,771)	(257)
Decrease (increase) in inventories	500	1,439
Increase (decrease) in accounts payable	690	(1,177)
Proceeds from transfer of intellectual property rights	(1,382)	(1,381)
Decrease (increase) in other assets	1,135	223
Increase (decrease) in other liabilities	969	790
Directors' remuneration paid	(66)	(88)
Others	97	-
Subtotal	15,600	18,876
Interest and dividends received	209	217
Interest paid	(320)	(260)
Income taxes paid	(7,711)	(7,659)
Net cash provided by operating activities	7,778	11,173
II. Cash flows from investing activities		
Payment for time deposits placed	(145)	(1,149)
Proceeds from time deposit	76	228
Payment for acquisition of short-term investments in securities	(14,943)	(23,089)
Proceeds from sale of short-term investments in securities	14,784	26,996
Payment for loans receivable	(67)	-
Proceeds from collection of loans receivable	6	23
Payment for purchase of property, plant and equipment	(4,658)	(4,708)

Proceeds from sale of property, plant and equipment	816	123
Payment for acquisition of intangible assets	(327)	(931)
Payment for acquisition of investments in securities	(1,040)	(5,732)
Proceeds from sale of investments in securities	3,331	3,325
Payment for acquisition of subsidiaries' stock resulting in change in the scope of consolidation	-	(21)
Proceeds from transfer of intellectual property rights	1,477	1,477
Decrease (increase) in other investments	(1,687)	(46)
Net cash used in investment activities	(2,377)	(3,505)
III. Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(131)	(593)
Repayment of long-term debt	(1,498)	(1,623)
Net change from purchase and sale of treasury stock	(12)	(27)
Proceeds from issuance of stock to minority interests	-	694
Cash dividends paid	(827)	(1,117)
Dividends to minority shareholders	(81)	(63)
Net cash used in financing activities	(2,552)	(2,730)
IV. Effect of exchange rate changes on cash and cash equivalents	133	(113)
V. Increase (decrease) in cash and cash equivalents	2,981	4,824
VI. Adjustment for inclusion of subsidiaries in consolidation	(56)	-
VII. Cash and cash equivalents at beginning of year	15,294	18,220
VIII. Cash and cash equivalents at end of year	18,220	23,044

This financial report is solely a translation of summary of Japanese "Kessan Tanshin (including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English Translation.