April 22, 2005

Nippon Shikizai, Inc.

Consolidated Financial Results
for the Fiscal Year ended February 2005

Name of Company Listed:	Nippon Shikizai, Inc.
Stock Code Number:	4920
Stock Exchange listing:	JASDAQ
Company Domicile:	Tokyo
President:	Kouji Okumura
Contact:	Shinsaku Tsukamoto, Managing Director
Telephone:	+81-(0)3-3456-0561
URL:	http://www.shikizai.com
Board of meeting for approving:	April 22, 2005
Accounting principle:	Japanese GAAP

1. Financial Results (March 1, 2004 – February 28, 2005)

(1) Results of operations

(Amounts rounded down to million yen)

	Sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Fiscal year ended Feb. 2005	6,543	7.1	268	269.7	234	(21.1)
Fiscal year ended Feb. 2004	6,111	16.7	72	75.2	297	(39.7)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Fiscal year ended Feb. 2005	103	(37.5)	23.90	-
Fiscal year ended Feb. 2004	165	-	38.22	-

	Return on equity	Ordinary income to total assets	Ordinary income to sales
	%	%	%
Fiscal year ended Feb. 2005	3.8	2.8	3.6
Fiscal year ended Feb. 2004	6.4	3.6	4.9

(Notes)

1. Equity in earnings of consolidated subsidiaries
   - Fiscal year ended Feb. 2005: None
   - Fiscal year ended Feb. 2004: None

2. Average number of shares outstanding
   - Fiscal year ended Feb. 2005: 4,317,844 shares
   - Fiscal year ended Feb. 2004: 4,317,961 shares

3. Change in accounting principle during the year: None
4. “YoY change” represents relevant change in percentage compared to the same period of the previous year.

(2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity to total assets ratio	Shreholders' equity per share
	Million yen	Million yen	%	Yen
As of Feb. 2005	8,327	2,827	34.0	654.93
As of Feb. 2004	8,466	2,654	31.3	614.70

(Notes) Number of shares outstanding
As of Feb. 2005: 4,317,844 shares
As of Feb. 2004: 4,317,844 shares

(3) Cash flows position

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financial activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 2005	663	(30)	(503)	476
Fiscal year ended Feb. 2004	(309)	(73)	195	343

(4) Consolidated and equity-method affiliates:

Consolidated subsidiaries:	1
Non-consolidated equity-method affiliates:	None
Equity-method affiliates:	None

(5) Changes in consolidated and equity-method affiliates:

Consolidated subsidiaries	
Newly added:	None
Excluded:	None
Equity-method affiliates	
Newly added:	None
Excluded:	None

2. Forecasts for the fiscal year ending February 2006 (March 1, 2005 - February 28, 2006)

	Sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
First half	3,310	123	65
Full year	6,664	275	133

(Reference) Estimated net income per share (full year): 30.86 yen

(Note) Forecasts for the fiscal year ending February 2006 were made by management based on currently available data and information. Please be aware that actual results may turn out different from those forecast as our company's business is affected by many factors. Please reference pages 9 for details on the above forecasts.

1. Corporate Group

The Nippon Shikizai group (the Group) is made up of Nippon Shikizai, Inc. (the Company) and one subsidiary.

The Company is engaged manufactures and performs research and development, both under contract for client companies, for cosmetics (including quasi-drugs). Subsidiary THEPENIER PHARMA INDUSTRIE S.A. (Thepenier) is primarily manufactures under contract for client companies pharmaceuticals and cosmetics in France.

The business activities of the Group and roles of the Company/its subsidiary are as follows.

(1) Cosmetics:

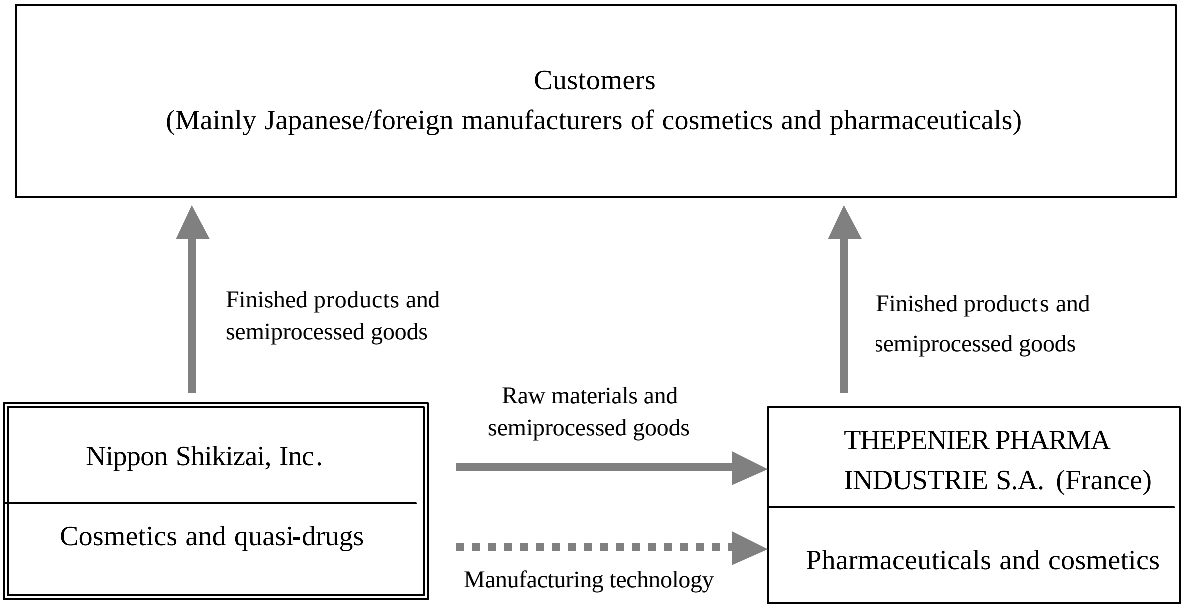
Main products are foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and sunscreen lotions; all are manufactured and sold by the Company/its subsidiary.

(2) Pharmaceuticals and other products:

Major products are econazole, medicinal toothpastes, mouthwashes, ear washes and feminine hygiene products; these products are manufactured and sold by the subsidiary.

For some cosmetics products, the Company sells raw materials and semiprocessed goods to the subsidiary, which then manufactures /sells semiprocessed goods and finished products.

Presented below is a schematic of major business activities within the Group.



2. Management Policies

(1) Fundamental Policy

The corporate philosophy is "the high technology product innovation of Nippon Shikizai is being monitored throughout the world." In line with this policy, the Company earns the trust of society as a developer and manufacturer of cosmetics while striving to increase its earnings and enterprise value for the benefit of shareholders.

Furthermore, as an organization specializing in the OEM manufacture of cosmetics and pharmaceuticals that do not bear its own brand, the Group's goal is to use highly sophisticated technology and extensive data resources to supply products that excel in terms of quality and reliability. As a partner for cosmetics manufacturers and other companies, the Group is building an infrastructure capable of performing every step from the formulation of proposals through R&D and the manufacture of finished products.

(2) Fundamental Policy Regarding Allocation of Earnings

The Company regards the return of earnings to shareholders as one of its highest priorities. The fundamental policy is to continuously pay a stable dividend, allocating earnings in a manner that takes into consideration the dividend payout ratio relative to results of operations.

Regarding the dividend applicable to the current fiscal year, the Company decided to reverse part of retained earnings to pay a dividend of 10 yen per share, an action that is consistent with the above earnings allocation policy.

Retained earnings are used to achieve growth, mainly through capital expenditures to upgrade and expand production facilities, raise productivity and develop new products.

(3) Policy Regarding Reduction in Investment Unit

The Company regards a reduction in the investment unit as an important issue with regard to increasing the number of individual shareholders and raising the trading volume of its stock. The Company plans to take suitable actions regarding the investment unit, such as by lowering the trading unit and conducting stock splits, while closely monitoring the price of its stock.

(4) Medium- and Long-term Management Strategies

Japan's cosmetics market is mature due to the country's slowing population growth. Furthermore, the operating environment has been challenging for some time as the tendency of consumers to purchase lower-priced items in recent years has continued, even though there were indications that the downturn may finally be about to end.

In response to these market conditions in Japan, measures to increase sales and cut costs are important issues for the Company. As one means of accomplishing these two goals, the Company on February 2000 acquired Thepenier, a company located in France.

The Group plans to establish an operating framework with four manufacturing and sales bases: Japan, Europe, Southeast Asia and North America. Management believes this will enable the Group to increase sales as well as become more competitive on a global scale.

"Made in France" cosmetics have an excellent reputation in Japan as well as in the U.S. and elsewhere, enabling the creation of prestigious brands. Furthermore, demand for French cosmetics is strong. For these reasons, the Group will be conducting marketing activities on a global scale.

Moreover, to become still more cost competitive, the Company plans to consider the use of production bases in Southeast Asia.

(5) Key Issues

Important Goals:

The Group currently faces a challenging operating environment. Based on its medium- and long-term management strategies, important goals are as follows.

1) Increase sales through new products that have clearly defined targets and the development of ties with new customers.
2) Build more powerful profits structure by making the organization/business operations more efficient and cutting costs.
3) Establish a competitive edge by reinforcing and enhancing the company-wide quality assurance framework in order to comply with provisions of the revised Pharmaceutical Affairs Law, which became effective on April 1, 2005.
4) Make the Nippon Shikizai Group more powerful by deepening ties with Thepenier and through other means with the aim of expanding overseas operations, particularly in Europe.

Information Concerning the Rehabilitation Plan for Thepenier:

During the past fiscal year, Thepenier completed construction of a factory exclusively for the manufacture of cosmetics and began operations at this facility. For a number of years, this company has been reporting poor results due to deteriorating profit margins and productivity. To return this company to financial soundness, the Company, which is Thepenier's parent company, has formulated a three-year management rehabilitation plan that began from the current fiscal year.

The main elements of this plan are as follows:

1) Cut costs by combining the Paris head office with the Mortagne factory and reducing the workforce.
2) Improve the profit structure by capturing orders for value-added products, cutting the cost of raw materials and boosting productivity.
3) Improve the financial position through debt forgiveness by the Company and the extension of financial support; send key employees to Thepenier extend support that includes technological assistance.

In July 2004, the Paris head office was combined with the Mortagne factory and the head office workforce was reduced by eight. To accomplish this company's business plan, many initiatives were taken at Thepenier, including the integration of operations and a focus on capturing orders for value-added products, both initiatives aimed at raising earnings. As a result, sales and ordinary income at Thepenier both exceeded the plan for the fiscal year. Due to this achievement, Nippon Shikizai Group debt forgiveness for loans to Thepenier was reduced from the initially projected 297 million yen to 68 million yen during the fiscal year.

(6) Fundamental Policy and Measures Regarding Corporate Governance

1) Fundamental Policy and Measures Regarding Corporate Governance

The Company regards as an important issue the establishment of a management framework capable of responding to changes in market conditions with speed and accuracy and a system to ensure strict compliance with laws/regulations.

The Company has adopted the corporate auditor system and has a Board of Auditors with three members, two auditors from outside the Group excluding one standing auditor.

The Board of Directors has six members. The board meets once each month and at other times as necessary. At board meetings, each director submits a report on business operations important matters are debated so that decisions can be reached. As a rule, all corporate auditors attend board meetings. The auditors state their opinions on management and other matters and monitor the performance of the directors and the management of the Group. In addition, the Executive Committee, which is made up of the directors and standing corporate auditor, meets two or three times each month to permit making rapid and accurate responses to sudden changes in the operating environment. Additionally, to address other important corporate matters, such as problems occurring due to other shifts in market conditions, the director in charge puts together project teams whenever necessary to come up with concrete action plans. Overall, the Company is able to operate with considerable speed and agility.

2) Summary of personal, financial, business and other significant relationships between our company and the external director and outside auditors

Outside auditor Tomohiro Tohyama is lawyer of TMI Legal Office, which is the advisory law office for the Company. Business transactions with this office are listed in the "related party transactions" section below. Outside auditor Yosuke Ema has no significant relationship with the Company.

3. Results of Operations and Financial Position

(1) Results of Operations

During the current fiscal year, Japan's economy staged a gradual recovery that was fueled by improving corporate earnings along with solid capital expenditures and exports. However, the Japanese economy began showing increasing signs of weakness in the fiscal year's second half as overseas economies softened and the cost of crude oil climbed. The Japanese cosmetics industry faced a difficult operating environment as total industry sales were down year on year.

The European economy continued to stage a slow recovery. In France, growth in the pharmaceuticals and cosmetics industries continued as consumer spending and housing investment grew.

In this environment, the Nippon Shikizai Group continued to work on raising sales by bolstering sales capabilities through measures such as attracting customers and supplying ideas for products within narrowly focused target markets. At the same time, the Group reviewed business operations and took other actions to cut expenses. The past fiscal year was the first year of a rebuilding plan at subsidiary Thepenier. In July 2004, the Paris head office was combined with the Mortagne factory. This integration produced a more streamlined organization through a reduction in the workforce and other actions. At the same time, with the aim or raising earnings, Thepenier reexamined terms for accepting new orders and actions concerning unprofitable business.

Moreover, Thepenier improved productivity by executing a thorough production management system.

Due to the above factors, consolidated net sales increased 7.1% to 6,543 million yen.

However, due to the posting of a gain from a partnership in the prior fiscal year, ordinary income decreased 21.1% to 234 million yen and net income decreased 37.5% to 103 million yen.

Results by business segment were as follows.

(Cosmetics)

In the cosmetics segment, there were substantial increases of sales in the core foundation category. However, there were declines in sales of basic cosmetics.

The result was a 0.2 % decrease in sales to 5,046 million yen, but a 0.9% increase in operating income to 663 million yen due to cost-cutting initiatives.

(Pharmaceuticals and other products)

There was a big increase in sales of econazole and sales of mouthwash and medicinal toothpastes continued to be strong.

As a result, sales of pharmaceuticals and other products rose 42.1% to 1,497 million yen, and an operating income of 75 million yen compared with the previous fiscal year's loss of 107 million yen due to the effect of raise productivity.

Sales by geographic region were as follows.

(Japan)

As sales in the cosmetics industry declined year over year, the Company continued to take actions targeting clearly defined market segments to develop new customers and supply new products. Due to these actions, sales in Japan increased, mainly for foundation products.

The result of current fiscal year, sales increased 2.2% to 4,887 million yen and operating income increased 8.7% to 791 million yen.

(France)

In France, conditions remained favorable in the pharmaceuticals and cosmetics markets.

Although cosmetics sales decreased due to the revision of profitability, there was a large increase in total sales, mainly the result of growth in sales of an econazole and other pharmaceuticals.

As a result, sales increased 25.9% to 1,769 million yen, and decreased operating loss of 47 million yen due to the effect of raise productivity (compared with the previous same period's loss of 178 million yen) in the current fiscal year.

(2) Financial position

1) Assets

Total assets as of February 28, 2005 were 8,327 million yen, a decrease of 138 million yen, or 1.6%.

Current assets decreased 123 million yen, or 3.7%, to 3,185 million yen. This was mainly the net result of a 183 million yen increase in cash and deposits, decreases of 150 million yen in trade notes and accounts receivable, and decrease of 125 million yen in other current assets.

Fixed assets decreased 15 million yen, or 0.3%, to 5,141 million yen. This was mainly attributable to a 58 million yen decrease in tangible fixed assets and a 43 million yen increase in investments and other assets.

2) Liabilities

Total liabilities as of February 28, 2005 were 5,499 million yen, a decrease of 312 million yen, or 5.4%.

Current liabilities decreased 146 million yen, or 4.5%, to 3,141 million yen.

This was mainly the result of a 304 million yen decrease in short-term borrowings and a 116 million yen increase in accrued income taxes.

Long-term liabilities decreased 165 million yen, or 6.6%, to 2,358 million yen, mainly the result of a 276 million yen increase in corporate bonds and a 514 million yen decrease in long-term borrowings.

3) Shareholders' equity

Shareholders' equity increased 173 million yen, or 6.5%, to 2,827 million yen, raising the equity ratio by 2.7 points to 34.0%.

4) Cash flows

In the current fiscal year, the primary sources of cash from operating activities were income before income taxes of 193 million yen, depreciation of 270 million yen, and a 159 million yen decrease in trade receivables.

As a result, net cash provided by operating activities was 663 million yen, an improvement of 972 million yen over the prior fiscal year.

Net cash used in investing activities was 30 million yen, 42 million yen increased in the prior fiscal year. There were payments of 340 million yen and proceeds of 290 million yen involving time deposits, payments of 120 million yen for purchases of tangible fixed assets, and proceeds 104 million yen for share in partnership income.

Net cash used in financing activities was 503 million yen, a difference of 698 million yen compared with net cash provided in the prior fiscal year. There was a net decrease of 299 million yen in short-term borrowings, proceeds of 450 million yen from long-term borrowings and payments of 969 million yen for the repayment of these borrowings, proceeds of 450 million yen from the corporate bonds issued, and payments of 134 million yen for the redemption of bonds.

Due to these items, there was a net increase of 133 million yen to 476 million yen in cash and cash equivalents during the fiscal year.

(3) Outlook

The outlook is for a continuation in the solid growth in Japan’s economy due to the steady rebound in the global economy.

The Group will continue to strengthen sales capabilities and upgrade its ability to conduct product development and sales activities that clear targets. These activities are aimed at raising sales including overseas. In addition, the Group is examining the scope of its business operations in order to shift to a stronger profit structure that can boost profitability and generate other benefits. Thepenier will concentrate on raising sales in the cosmetics business with the aim of quickly achieving the goals of its rebuilding plan. Furthermore, the entire Group is assisting in actions to further cut costs and in other steps to streamline operations at Thepenier.

In the fiscal year ending in February 2006, the Group is forecasting consolidated sales up 1.8% to 6,664 million yen, a 17.1% increase in ordinary income to 275 million yen, net income is expected to increase 29.1% to 133 million yen.

By business segment, cosmetics sales are expected to increase 1.6% to 5,125 million yen and pharmaceuticals and other products sales to increase 2.8% to 1,538 million yen. By geographic segment, sales in Japan are expected to increase 0.3% to 4,901 million yen and sales in France to increase 7.5% to 1,903 million yen.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Unit: thousand yen)

Item \ Period	As of February 28, 2005 Amount		%	As of February 29, 2004 Amount		%	Difference
Assets							
I. Current assets							
1. Cash and deposits		769,385			586,073		
2. Trade notes and accounts receivable		1,356,586			1,507,518		
3. Securities		-			39,996		
4. Inventories		832,418			869,728		
5. Deferred tax assets		115,232			69,576		
6. Others		112,304			237,933		
7. Allowances for doubtful accounts		-			(1,374)		
Total current assets		3,185,927	38.3		3,309,453	39.1	(123,525)
II. Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	4,659,686			4,576,842			
Accumulated depreciation	2,802,988	1,856,698		2,672,370	1,904,472		
(2) Machinery and vehicles	2,281,814			2,215,839			
Accumulated depreciation	1,945,312	336,501		1,851,975	363,864		
(3) Tools, furniture, and fixtures	586,514			577,089			
Accumulated depreciation	453,229	133,284		450,912	126,176		
(4) Land		2,191,633			2,189,277		
(5) Constriction in progress		9,155			2,111		
Total tangible fixed assets		4,527,273	54.3		4,585,903	54.1	(58,629)
2. Intangible fixed assets		183,005	2.2		183,370	2.2	(364)
3. Investments and other assets							
(1) Investment securities		209,776			168,631		
(2) Deferred tax assets		22,463			34,238		
(3) Others		202,892			188,524		
(4) Allowances for doubtful accounts		(3,703)			(3,575)		
Total investments and other assets		431,428	5.2		387,819	4.6	43,609
Total fixed assets		5,141,708	61.7		5,157,092	60.9	(15,384)
Total assets		8,327,636	100.0		8,466,546	100.0	(138,909)

(Unit: thousand yen)

Item \ Period	As of February 28, 2005		As of February 29, 2004		Difference
	Amount	%	Amount	%	
Liabilities					
I. Current liabilities					
1. Trade notes and accounts payable	766,789		762,257		
2. Short-term borrowings	1,451,036		1,756,013		
3. Current portion of corporate bonds	174,000		134,000		
4. Accrued income taxes	116,010		-		
5. Others	633,270		635,774		
Total current liabilities	3,141,106	37.7	3,288,045	38.9	(146,939)
II. Long-term liabilities					
1. Corporate bonds	610,000		334,000		
2. Long-term borrowings	1,431,004		1,945,416		
3. Deferred tax liabilities	25,356		15,727		
4. Liabilities for retirement benefits	155,962		101,272		
5. Others	136,326		127,903		
Total long-term liabilities	2,358,649	28.3	2,524,319	29.8	(165,669)
Total liabilities	5,499,756	66.0	5,812,365	68.7	(312,608)
Shareholders' equity					
I. Common stock	552,749	6.6	552,749	6.5	-
II. Capital surplus	1,052,539	12.6	1,052,539	12.5	-
III. Retained surplus	1,137,352	13.7	1,034,154	12.2	103,198
IV. Unrealized gains or losses on other securities	54,411	0.7	27,976	0.3	26,434
V. Foreign exchange translation adjustment	31,362	0.4	(12,702)	(0.2)	44,065
VI. Treasury stock	(535)	(0.0)	(535)	(0.0)	-
Total shareholders' equity	2,827,879	34.0	2,654,180	31.3	173,698
Total liabilities and shareholders' equity	8,327,636	100.0	8,466,546	100.0	(138,909)

(2) Consolidated income statements

(Unit: thousand yen)

Item \ Period	From March 1, 2004 to February 28, 2005			From March 1, 2003 to February 29, 2004			Difference
	Amount		%	Amount		%	
I. Sales		6,543,769	100.0		6,111,110	100.0	432,659
II. Cost of sales		5,364,655	82.0		5,115,810	83.7	248,845
Gross profits		1,179,113	18.0		995,299	16.3	183,814
III. SG&A expenses		910,201	13.9		922,556	15.1	(12,354)
Operating income		268,912	4.1		72,743	1.2	196,169
IV. Non-operating income							
1. Interest income	200			1,156			
2. Dividend income	5,918			5,045			
3. Partnership income	-			212,978			
4. Rent income	24,179			23,981			
5. Foreign exchange gain	17,140			81,263			
6. Others	29,245	76,685	1.2	26,267	350,693	5.7	(274,007)
V. Non-operating expenses							
1. Interest expenses	89,063			89,007			
2. Bond issue expenses	8,550			15,750			
3. Others	12,988	110,602	1.7	20,892	125,650	2.0	(15,047)
Ordinary income		234,995	3.6		297,786	4.9	(62,790)
VI. Extraordinary income							
Gains on sales of fixed assets	-	-	-	30	30	0.0	(30)
VII. Extraordinary losses							
1. Losses on sale of fixed assets	-			296			
2. Losses on disposal of fixed assets	7,058			1,827			
3. Losses on valuation of investment securities	4,303			-			
4. Difference arising from change in retirement benefit accounting	29,673			29,673			
5. Directors’ retirement benefits	-			18,610			
6. Additional retirement benefits	-	41,036	0.6	44,052	94,460	1.6	(53,423)
Income before income taxes		193,959	3.0		203,356	3.3	(9,396)
Current income taxes	133,525			54,862			
Deferred income taxes	(42,764)	90,761	1.4	(16,542)	38,319	0.6	52,441
Net income		103,198	1.6		165,036	2.7	(61,838)

(3) Consolidated surplus statements

(Unit: thousand yen)

Item / Period	From March 1, 2004 to February 28, 2005 Amount		From March 1, 2003 to February 29, 2004 Amount	
Capital surplus				
I. Capital surplus beginning of year		1,052,539		1,052,539
II. Capital surplus end of year		1,052,539		1,052,539
Retained surplus				
I. Retained surplus beginning of year		1,034,154		912,297
II. Increase in retained surplus				
Net income	103,198	103,198	165,036	165,036
III. Decrease in retained surplus				
Dividend	-	-	43,180	43,180
IV. Retained surplus end of year		1,137,352		1,034,154

(4) Consolidated cash flows statements

(Unit: thousand yen)

Item / Period	From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
	Amount	Amount
I. Cash flows from operating activities		
Income before income taxes	193,959	203,356
Depreciation	270,916	282,854
Increase in liabilities for retirement benefits	50,964	21,539
Decrease in allowance for doubtful accounts	(1,453)	(727)
Interest and dividend income	(6,119)	(6,202)
Interest expenses	89,063	89,007
Partnership income	-	(212,978)
Losses on valuation of investment securities	4,303	-
Gains on sales of tangible fixed assets	-	(30)
Losses on sales of tangible fixed assets	-	296
Losses on disposal of tangible fixed assets	7,058	1,827
Increase (decrease) in trade receivable	159,502	(511,540)
Decrease in inventories	50,389	34,688
Increase (decrease) in trade payable	(7,373)	173,645
Increase (decrease) in accrued consumption taxes	(13,606)	3,490
Increase (decrease) in other current liabilities	(32,371)	84,484
Others	(77,362)	(48,254)
Subtotal	687,870	115,457
Interests and dividends received	6,097	6,194
Interest paid	(84,550)	(77,018)
Income taxes refund (paid)	54,104	(353,741)
Net cash provided by operating activities	663,522	(309,108)
II. Cash flows from investment activities		
Outflow from placement of time deposits	(340,500)	(795,500)
Withdrawal of time deposits	290,500	856,500
Redemption of securities	40,000	30,000
Purchases of tangible fixed assets	(120,900)	(174,447)
Proceeds from sales of tangible fixed assets	-	408
Purchases of intangible fixed assets	(3,591)	(449)
Purchases of investment securities	(1,266)	(1,166)
Payments for investments in capital	-	(7,000)
Proceeds from collection of long-term loans	388	369
Proceeds from share in partnership income	104,609	17,850
Net cash used in investment activities	(30,761)	(73,435)
III. Cash flows from financial activities		
Decrease in short-term borrowing-net	(299,999)	(624,964)
Proceeds from long-term borrowings	450,000	1,413,060
Repayment of long-term borrowings	(969,935)	(767,826)
Proceeds from corporate bonds issued	450,000	300,000
Redemption of corporate bonds	(134,000)	(82,000)
Acquisition of treasury stock	-	(72)
Payment of dividends	-	(43,180)
Net cash provided by (used in) financial activities	(503,934)	195,016
IV. Effect of exchange rate changes on cash and cash equivalents	4,702	11,785
V. Increase (decrease) in cash and cash equivalents	133,528	(175,742)
VI. Cash and cash equivalents at beginning of year	343,008	518,750
VII. Cash and cash equivalents at end of year	476,536	343,008

Significant items in preparing financial statements

1. Scope of consolidation

There is a consolidated subsidiary: THEPENIER PHARMA INDUSTRIE S.A.

2. Subject to equity method

Not applicable.

3. Accounting year of consolidated subsidiary

The consolidated subsidiary's fiscal year ends on December 31. Financial statements of the consolidated subsidiary as of the consolidated subsidiary's balance sheet date are used in the preparation of consolidated financial statements. Appropriate adjustments are made for significant transactions during the periods from the balance sheet date of the consolidated subsidiary and the balance sheet date of the consolidated financial statements.

4. Accounting standards

(1) Valuation basis and valuation method of significant assets

1) Securities

Other Securities

Marketable securities:

Market value method based on market prices at the closing date. (Unrealized gain or loss is included in shareholders' equity. Cost of securities sold is determined by the moving-average method.)

Non-marketable securities:

Moving average method.

2) Derivatives

Market value method.

3) Inventories

Finished products, semi-processed goods and work in process:

Inventories are stated at cost, cost being determined by the period-average method.

Raw materials:

Inventories are stated at cost, cost being determined by the monthly-average method.

Supplies:

Inventories are stated at cost, cost being determined by the last purchase price method.

(2) Depreciation and amortization of significant assets

1) Tangible fixed assets

Depreciation at the Company is computed, except on buildings (excluding attached structures) acquired on and after April 1, 1998 by the declining-balance method. Depreciation on buildings acquired on and after April 1, 1998 is computed by the straight-line method. Overseas subsidiaries compute depreciation (straight-line or declining-balance method) in accordance with the accounting standards generally accepted in the country of their domicile.

Useful life for major items is as follows:

Buildings and structures:	10 to 47 years
Machinery and vehicles:	4 to 9 years
Tools, furniture, and fixtures:	5 to 15 years

2) Intangible fixed assets

The Company computes amortization of software intended for internal use by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method. Overseas subsidiaries computes amortization in accordance with the accounting standards generally accepted in the country of their domicile.

3) Long-term prepaid expenses

Straight-line method.

(3) Accounting for deferred assets

Bond issue expenses are amortized as accrued.

(4) Recognition standards for significant reserves

1) Allowances for doubtful accounts

To prepare for credit losses on accounts receivable, the Company provides allowances equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.

2) Liabilities for retirement benefits

Accrued employees' retirement benefits are provided at an amount calculated based on the projected benefit obligation and the fair value of pension fund assets as of the end of the current consolidated fiscal year. The unrecognized transitional obligation (148,368 thousand yen) arising from the change in accounting policy is amortized by the straight-line method over five years. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of ten years which falls within the average remaining years of service of the employees.

(5) Translation of principal foreign currency-denominated assets and liabilities

Foreign currency-denominated monetary assets and liabilities are translated into yen at the exchange rate in effect on the balance sheet date. Exchange gain or loss is accounted as income or loss. The balance sheet accounts of overseas subsidiaries are also translated at the exchange rate in effect on the balance sheet date. Translation adjustments are stated as a component of foreign exchange translation adjustment in the shareholders' equity.

(6) Accounting treatment for significant lease transactions

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary finance lease transactions.

(7) Accounting method of significant hedges

1) Hedge accounting

Deferred hedge accounting

2) Means and objects of hedging

Means of hedging: Interest rate swaps

Objects of hedging: Borrowings

3) Policy on hedging

The Company uses financial derivative transactions to reduce risk from fluctuations in interest rates. All derivative transactions the Company enters into comply with the Company's internal "Rules on Derivative Transactions and Risk Management."

4) Assessing the effectiveness of a hedge

The Company primarily assesses the effectiveness for hedging the risk of changes in cash flows resulting from fluctuations in market interest rates on borrowings by rate analysis of the sum total of price fluctuation involving hedging instrument, that is, interest rate swap transactions, and the sum total of interest rate changes on borrowings. Effectiveness is assessed at least once every six months, including the balance sheet date.

(8) Accounting treatment for consumption taxes

Revenue is recorded excluding collected consumption taxes.

5. Asset and liability valuations of consolidated subsidiaries

Asset and liability valuations of consolidated subsidiaries are based on the whole market value method.

6. Treatment of profit appropriation and other items

The consolidated surplus statements are made for profit appropriation of the consolidated companies, based on the appropriation determined during the fiscal year.

7. Definition of cash in cash flows statements

For the purpose of consolidated cash flows statements, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

Reclassifications

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
-	1. Effective the current consolidated fiscal year, "Foreign exchange gain", included in "Other" under "Non-operating income," has been reclassified and presented as a separate line item, given that it now represents more than 10/100 of non-operating income. Foreign exchange gain in the previous consolidated fiscal year was 53,677 thousand yen.
-	2. Effective the current consolidated fiscal year, "Bond issue expenses," included in "Other" under "Non-operating expenses," has been reclassified and presented as a separate line item, given that it now represents more than 10/100 of non-operating expense. Bond issue expenses in the previous fiscal year totaled 7,400 thousand yen.

Notes

Notes to consolidated balance sheets

(Unit: thousand yen)

<table>
<tr><th>As of February 28, 2005</th><th>As of February 29, 2004</th></tr>
<tr><td>1. Assets pledged as collateral
(1) Assets pledged as security are as follows:
Cash and deposits 252,500
Buildings and structures 996,409
Land 2,149,665
Investment securities 158,213
Total 3,556,788</td><td>1. Assets pledged as collateral
(1) Assets pledged as security are as follows:
Cash and deposits 212,500
Securities 39,996
Buildings and structures 1,070,078
Land 2,149,665
Investment securities 123,480
Total 3,595,720
In addition to the above, all the Company's claims (right of pledge) against the anonymous association established for engaging in leveraged lease transactions are pledged as collateral.</td></tr>
<tr><td>(2) Liabilities corresponding to assets pledged as collateral:
Short-term borrowings 1,426,362
Long-term borrowings 1,371,330
Total 2,797,692</td><td>(2) Liabilities corresponding to assets pledged as collateral:
Short-term borrowings 1,731,221
Long-term borrowings 1,861,592
Total 3,592,813</td></tr>
<tr><td>2. -</td><td>2. Accounting treatment of trade notes receivable/payable at consolidated year-end.
Trade notes receivable/payable maturing at year-end are treated as if they were settled at the clearing date of notes. Consequently, as the fiscal year-end date was a bank holiday, the following notes receivable/payable maturing at year-end were included in the ending balance of notes receivable/payable of the fiscal year.
Trade notes receivable 124,657</td></tr>
<tr><td>3. Shares issued and outstanding: 4,318,444 common shares</td><td>3. Shares issued and outstanding: 4,318,444 common shares</td></tr>
<tr><td>4. Treasury stock: 600 common shares</td><td>4. Treasury stock: 600 common shares</td></tr>
</table>

Notes to consolidated income statements

(Unit: thousand yen)

From March 1, 2004 to February 28, 2005		From March 1, 2003 to February 29, 2004	
1. Significant components and corresponding amounts of selling, general and administrative expenses		1. Significant components and corresponding amounts of selling, general and administrative expenses	
Officers' salaries and bonuses	146,926	Officers' salaries and bonuses	145,030
Employees' salaries and allowances	139,574	Employees' salaries and allowances	153,305
Employees' bonuses	57,270	Employees' bonuses	52,921
Retirement benefits	10,851	Retirement benefits	17,933
Depreciation	25,849	Depreciation	26,845
Commission paid	138,239	Commission paid	162,711
2. Total R&D expenses	383,663	2. Total R&D expenses	380,310
3. -		3. Significant components of gain on sale of fixed assets	
		Machinery and vehicles	30
4. -		4. Significant components of losses on sale of fixed assets	
		Machinery and vehicles	296
5. Significant components of losses on disposal of fixed assets		5. Significant components of losses on disposal of fixed assets	
Buildings and structures	2,176	Buildings and structures	1,116
Machinery and vehicles	1,669	Machinery and vehicles	261
Tools, furniture and fixtures	3,212	Tools, furniture and fixtures	449
Total	7,058	Total	1,827

Notes to consolidated cash flows statements

(Unit: thousand yen)

From March 1, 2004 to February 28, 2005		From March 1, 2003 to February 29, 2004	
Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flows statements:		Reconciliation of balance sheet items to cash and cash equivalents in consolidated cash flows statements:	
Cash and deposits	769,385	Cash and deposits	586,073
Cash and term deposits with maturities longer than 3 months	(290,500)	Cash and term deposits with maturities longer than 3 months	(240,500)
Special deposit	(2,348)	Special deposit	(2,565)
Cash and cash equivalents	476,536	Cash and cash equivalents	343,008

Accounting for Leases

(Unit: thousand yen)

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
Finance lease transactions other than those in which the title of the leased property is transferred to the lessee.	Finance lease transactions other than those in which the title of the leased property is transferred to the lessee.
1. Acquisition cost, accumulated depreciation and period-end balance equivalents of the leased property.	1. Acquisition cost, accumulated depreciation and period-end balance equivalents of the leased property.

	From March 1, 2004 to February 28, 2005		From March 1, 2003 to February 29, 2004
Buildings and structures:		Buildings and structures:	
Acquisition cost	103,860	Acquisition cost	98,031
Accumulated depreciation	98,667	Accumulated depreciation	86,594
Period-end balance	5,193	Period-end balance	11,436
Machinery and vehicles:		Machinery and vehicles:	
Acquisition cost	72,818	Acquisition cost	65,898
Accumulated depreciation	21,567	Accumulated depreciation	9,394
Period-end balance	51,250	Period-end balance	56,503
Tools, furniture and fixtures:		Tools, furniture and fixtures:	
Acquisition cost	75,321	Acquisition cost	74,006
Accumulated depreciation	56,477	Accumulated depreciation	51,498
Period-end balance	18,843	Period-end balance	22,507
Intangible assets etc.:		Intangible assets etc.:	
Acquisition cost	125,376	Acquisition cost	167,916
Accumulated depreciation	115,002	Accumulated depreciation	141,734
Period-end balance	10,373	Period-end balance	26,181
Total:		Total:	
Acquisition cost	377,375	Acquisition cost	405,852
Accumulated depreciation	291,714	Accumulated depreciation	289,222
Period-end balance	85,660	Period-end balance	116,630

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
Note: Acquisition cost equivalents include amounts applicable to interest since the outstanding balance of lease commitments at period-end are insignificant in the context of tangible fixed assets.	Note: Same as on the left.

	From March 1, 2004 to February 28, 2005		From March 1, 2003 to February 29, 2004
2. Outstanding lease commitments at period-end.		2. Outstanding lease commitments at period-end.	
Within one year	25,851	Within one year	42,887
Over one year	59,808	Over one year	73,743
Total	85,660	Total	116,630

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
Note: Outstanding balances of lease commitments at period-end include amounts applicable to interest since the outstanding balances of lease commitments at period-end are insignificant in the context of tangible fixed assets.	Note: Same as on the left.

	From March 1, 2004 to February 28, 2005		From March 1, 2003 to February 29, 2004
3. Lease payments and depreciation equivalents		3. Lease payments and depreciation equivalents	
Lease payments	44,776	Lease payments	60,306
Depreciation	44,776	Depreciation	60,306

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
4. Calculation of accumulated depreciation equivalents Depreciation is calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.	4. Calculation of accumulated depreciation equivalents Same as on the left.

Securities

Securities

1. Securities with market value classified as “Other Securities”

(Unit: thousand yen)

	Security	As of February 28, 2005			As of February 29, 2004		
		Acquisition cost	Carrying value	Valuation gain/loss	Acquisition cost	Carrying value	Valuation gain/loss
Securities whose carrying value exceeds their acquisition cost	(1) Equity	108,717	200,320	91,602	105,882	153,541	47,658
	(2) Other	-	-	-	-	-	-
	Subtotal	108,717	200,320	91,602	105,882	153,541	47,658
Securities whose acquisition cost exceeds their carrying value	(1) Equity	-	-	-	1,570	1,330	(240)
	(2) Other	-	-	-	-	-	-
	Subtotal	-	-	-	1,570	1,330	(240)
Total		108,717	200,320	91,602	107,453	154,871	47,418

Note:

As of February 28, 2005	As of February 29, 2004
Except for securities whose price is expected to recover, securities whose value has declined by more than 50% from the book value are written down. In the case of securities whose value has declined by 30% to 50% from the book value are written down if their price is not expected to recover.	Except for securities whose price is expected to recover, securities whose value has declined by more than 50% from the book value are written down. In the case of securities whose value has declined by 30% to 50% from the book value are written down if their price is not expected to recover.

2. Securities without market quotations classified as “Other Securities”

(Unit: thousand yen)

Security	As of February 28, 2005	As of February 29, 2004
	Carrying value	Carrying value
(1) Held to maturity securities		
Discount debentures	-	39,996
(2) Other securities		
Unlisted stock	9,456	13,760

3.The redemption schedule for securities with maturity dates classified as “Other Securities”

(Unit: thousand yen)

Security	As of February 28, 2005				As of February 29, 2004			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Debt securities								
Discount debentures	-	-	-	-	39,996	-	-	-
Total	-	-	-	-	39,996	-	-	-

Derivatives

From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
1. Financial derivative transactions (1) Description of transactions The derivative transactions the Company uses include interest rate swap transactions.	1. Financial derivative transactions (1) Description of transactions Same as on the left.
(2) Transaction policy The Company uses interest rate derivatives to reduce its exposure to market risks from fluctuations in interest rates. The Company does not hold or issue financial derivative instruments for trading purposes.	(2) Transaction policy Same as on the left.
(3) Purpose of derivative transactions The Company uses interest rate derivatives to its exposure to market risks from fluctuations in interest rates. The transactions are accounted by the hedge accounting method. 1) Hedging instrument and risk hedged Hedging instrument: Interest rate swaps Risk hedged: Borrowings 2) Policy on hedging The Company uses financial derivative transactions to reduce risk from fluctuations in interest rates. All derivative transactions the Company enters into comply with the Company's internal "Rules on Derivative Transactions and Risk Management." 3) Assessing the effectiveness of a hedge The Company primarily assesses the effectiveness for hedging the risk of changes in cash flows resulting from fluctuations in market interest rates on borrowings by rate analysis of the sum total of price fluctuation involving hedging instrument, that is, interest rate swap transactions, and the sum total of interest rate changes on borrowings. Effectiveness is assessed at least once every six months, including the balance sheet date.	(3) Purpose of derivative transactions Same as on the left.
(4) Transaction risk The Company considers that there is no significant risk arising from counter party default. The Company's counter parties are major domestic banks with high credit ratings.	(4) Transaction risk Same as on the left.
(5) Risk management All derivative transactions are executed and managed in accordance with internal rules on derivative transactions which define transaction authority and position limit. The department in charge of executing and managing derivative transactions must obtain prior approval of the executive authorized to approve such transactions.	(5) Risk management Same as on the left.
2. Information on market values Information on contract values and notional principal amounts is not presented since the Company applies the hedge accounting method to account for interest rate swap transactions.	2. Information on market values Same as on the left.

Retirement Benefits

1. Retirement benefit plans

The Company has defined-benefit plans, that is, a tax-qualified pension plan. The Company also offers an add-on retirement package to employees meeting certain requirements. In addition to the above, the Company also participates in the Tokyo Cosmetics Industry Employees' Pension Fund (a multi-employer pension plan) and the Kinki Cosmetics Industry Employees' Pension Fund (a multi-employer pension plan).
Overseas subsidiaries have defined-benefit plan, that is, lump-sum pension plans.
Regarding retirement benefit plans of overseas consolidated subsidiaries, agreements governing LEEM retirement benefit plans have been amended in the respective countries of their domicile.

2. Projected benefit obligations and its principal components

(Unit: thousand yen)

	As of February 28, 2005	As of February 29, 2004
(1) Projected benefit obligation	(569,773)	(507,337)
(2) Plan assets at fair value	312,509	275,583
(3) Unfunded retirement benefit obligation (1)+(2)	(257,263)	(231,753)
(4) Actuarial difference at transition	29,673	59,347
(5) Unrecognized actuarial gain or loss	71,626	71,133
(6) Retirement benefit obligation carried on consolidated balance sheets (3)+(4)+(5)	(155,962)	(101,272)
(7) Liabilities for retirement benefits	(155,962)	(101,272)

(As of February 28, 2005)

Note: In addition to the above pension fund assets, plan assets proportional to the Company's contribution to multi-employer pension plan totaled 650,811 thousand yen.

(As of February 29, 2004)

Note: In addition to the above pension fund assets, plan assets proportional to the Company's contribution to multi-employer pension plan totaled 632,585 thousand yen.

3. Retirement benefit expenses

(Unit: thousand yen)

	From March 1, 2004 to February 28, 2005	From March 1, 2003 to February 29, 2004
Retirement benefit expenses	151,155	127,834
(1) Service cost	80,783	40,550
(2) Interest cost	6,726	6,711
(3) Expected rate of return (for subtractions)	(16,810)	-
(4) Amortization of actuarial difference at transition	29,673	29,673
(5) Amortization of actuarial differences	8,218	7,671
(6) Contribution to multi-employer pension plan	42,564	43,226

4. Assumptions used in accounting for the above plans

	As of February 28, 2005	As of February 29, 2004
(1) Discount rate	1.4%	1.4%
(2) Expected return on assets	6.1%	0.0%
(3) Distribution of estimated retirement benefit obligations	Straight line.	Same as on the left.
(4) Amortization of actuarial differences	10 years	10 years
(5) Amortization of difference at transition	5 years	5 years

Deferred Tax Accounting

(Unit: thousand yen)

As of February 28, 2005		As of February 29, 2004	
1. Significant components of deferred tax assets and liabilities		1. Significant components of deferred tax assets and liabilities	
Deferred tax assets, current		Deferred tax assets, current	
Accrued bonuses in excess of the maximum amount allowed for inclusion in expenses	79,698	Accrued bonuses in excess of the maximum amount allowed for inclusion in expenses	65,374
Unrealized business place tax and enterprise tax payable	10,032	Unrealized business place tax	240
Unearned income	4,315	Unearned income	2,409
Accrued social insurance premiums	9,180	Accrued social insurance premiums	8,700
Deficit brought forward	12,005	Accrued unrecognized special retirement allowance	13,370
Other	1,103	Other	714
Subtotal deferred tax assets, current	116,336	Subtotal deferred tax assets, current	90,810
Valuation reserve	(1,103)	Valuation reserve	(14,084)
Total deferred tax assets, current	115,232	Total deferred tax assets, current	76,725
		Deferred tax liabilities, current	
		Enterprise tax refund-receivable	(7,134)
		Allowance for doubtful accounts-adjustment	(14)
		Total deferred tax liabilities, current	(7,148)
		Net deferred tax assets, current	69,576
Deferred tax assets, non-current		Deferred tax assets, non-current	
Unrealized valuation loss on investment securities	14,287	Unrealized valuation loss on investment securities	13,156
Unrealized valuation loss on golf club memberships	9,836	Unrealized valuation loss on golf club memberships	9,933
Liabilities for retirement benefits in excess of the maximum amount allowed for inclusion in expenses	34,513	Liabilities for retirement benefits in excess of the maximum amount allowed for inclusion in expenses	29,870
Other	1,015	Other	994
Total deferred tax assets, non-current	59,653	Total deferred tax assets, non-current	53,954
Deferred tax liabilities, non-current		Deferred tax liabilities, non-current	
Unrealized gain or loss on other securities	(37,190)	Unrealized gain or loss on other securities	(19,441)
Total deferred tax liabilities, non- current	(37,190)	Allowance for doubtful accounts-adjustment	(275)
Net deferred tax assets, non- current	22,463	Total deferred tax liabilities, non- current	(19,716)
		Net deferred tax assets, non- current	34,238
Deferred tax assets, non-current		Deferred tax assets, non-current	
Liabilities for retirement benefits in excess of the maximum amount allowed for inclusion in expenses	23,136	Liabilities for retirement benefits in excess of the maximum amount allowed for inclusion in expenses	8,958
Deficit brought forward	37,710	Deficit brought forward	47,889
Other	474	Others	478
Subtotal deferred tax assets, non-current	61,321	Subtotal deferred tax assets, non-current	57,325
Valuation reserve	(61,321)	Valuation reserve	(45,994)
Total deferred tax assets, non-current	0	Total deferred tax assets, non-current	11,331
Deferred tax liabilities, non-current		Deferred tax liabilities, non-current	
Land at fair value	(8,803)	Land at fair value	(8,309)
Buildings at fair value	(16,553)	Buildings at fair value	(18,749)
Total deferred tax liabilities, non-current	(25,356)	Total deferred tax liabilities, non-current	(27,058)
Net deferred tax liabilities, non-current	(25,356)	Net deferred tax liabilities, non-current	(15,727)

<table>
<tr><th>As of February 28, 2005</th><th>As of February 29, 2004</th></tr>
<tr><td>
2. Significant components of difference between statutory and effective tax rates.
(%)
Effective tax rate (Japan) 42.0
(Adjustments)
Entertainment expenses and other items not be included in expenses indefinitely 4.0
Dividends income and other items not to be included in income indefinitely (0.4)
Per-capita resident tax 4.0
Tax on retained funds 2.4
Special deduction on R&D expenses (9.1)
Write-down of deferred tax assets at year end due to changes in tax rates 2.1
Loss carried forward (0.5)
Valuation reserve (0.1)
Difference in tax rates of overseas consolidated subsidiaries 0.2
Other 2.2
Effective tax rate 46.8

3. -
</td><td>
2. Significant components of difference between statutory and effective tax rates.
(%)
Effective tax rate (Japan) 42.0
(Adjustments)
Entertainment expenses and other items not be included in expenses indefinitely 2.9
Dividends income and other items not to be included in income indefinitely (0.3)
Per-capita resident tax 3.8
Tax on retained funds 1.3
Special deduction on R&D expenses (3.2)
Special deduction for expropriation (0.7)
Write-down of deferred tax assets at year end due to changes in tax rates 0.6
Loss carried forward (30.2)
Valuation reserve 5.6
Difference in tax rates of overseas consolidated subsidiaries (5.7)
Other 2.7
Effective tax rate 18.8

3. Adjustment of deferred tax assets and liabilities due to changes in income and other tax rates
The statutory tax rate employed for calculating deferred tax assets and liabilities for the current consolidated fiscal year was changed from 42% applied in the previous consolidated fiscal year to 41% (only for items to be realized after March 31, 2005) in compliance with the Partial Amendment of the Local Finance Act (Law No. 9 of 2003) that became effective on March 31, 2003.
The effect of this change was to decrease deferred tax assets by 841 thousand yen, increase deferred income taxes by 1,315 yen thousand and increase unrealized gains on other securities by 474 thousand yen, compared to the amounts that would have been reported if the previous method had been applied consistently.
</td></tr>
</table>

Segment Information

1.Operating segment information

Operating segment information for the two most recent consolidated fiscal years is as follows:

Current fiscal year (March 1, 2004 – February 28, 2005)

(Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	5,046,739	1,497,029	6,543,769	-	6,543,769
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	5,046,739	1,497,029	6,543,769	-	6,543,769
Operating expenses	4,382,867	1,421,469	5,804,337	470,519	6,274,857
Operating income	663,871	75,560	739,432	(470,519)	268,912
II. Assets, depreciation and capital					
expenditures	5,101,480	911,598	6,026,245	2,314,556	8,327,636
Assets	210,175	45,096	255,271	15,644	270,916
Depreciation	95,686	58,065	153,752	4,564	158,316
Capital expenditures					

Notes:

1. Method of segmentation: Segments are based on the type of products handled.
2. Primary operations of the principal operating segments are as follows:

(1) Cosmetics: Foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and sunscreen lotions

(2) Pharmaceuticals and other products: Econazole, Medicinal toothpastes, mouthwashes, ear washes and feminine hygiene products

3. Operating expenses (470,519 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division.
4. Assets (2,314,556 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.
5. Depreciation and capital expenditures include long-term prepaid expenses and their amortization.

Previous fiscal year (March 1, 2003 – February 29, 2004)

(Unit: thousand yen)

	Cosmetics	Pharmaceuticals and other products	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	5,057,393	1,053,716	6,111,110	-	6,111,110
(2) Sales and transfers – Inter-segment	-	-	-	-	-
Total	5,057,393	1,053,716	6,111,110	-	6,111,110
Operating expenses	4,399,666	1,160,863	5,560,530	477,836	6,038,367
Operating income	657,726	(107,147)	550,579	(477,836)	72,743
II. Assets, depreciation and capital					
expenditures	5,416,759	763,726	6,180,486	2,286,059	8,466,546
Assets	226,331	39,698	266,030	16,824	282,854
Depreciation	136,591	26,575	163,167	1,348	164,515
Capital expenditures					

Notes:

1. Method of segmentation: Segments are based on the type of products handled.
2. Primary operations of the principal operating segments are as follows:

(1) Cosmetics: Foundation, eye shadow, rouge, lipsticks, lip creams, moisturizers and sunscreen lotions

(2) Pharmaceuticals and other products: Medicinal toothpastes, mouthwashes, ear washes and feminine hygiene products

3. Operating expenses (477,836 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division.
4. Assets (2,286,059 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.
5. Depreciation and capital expenditures include long-term prepaid expenses and their amortization.

2. Geographical Segment Information

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

Current fiscal year (March 1, 2004 – February 28, 2005)

(Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	4,773,833	1,769,935	6,543,769	-	6,543,769
(2) Sales and transfers – Inter-segment	113,205	-	113,205	[113,205]	-
Total	4,887,039	1,769,935	6,656,974	[113,205]	6,543,769
Operating expenses	4,096,000	1,817,416	5,913,417	361,439	6,274,857
Operating income	791,038	(47,481)	743,557	[474,644]	268,912
II. Assets	4,383,341	1,640,367	6,036,875	2,303,927	8,327,636

Notes:

1. Geographical segmentation: By locations of manufacturing facilities.
2. Operating expenses (470,519 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division.
3. Assets (2,303,927 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

Previous fiscal year (March 1, 2003 – February 29, 2004)

(Unit: thousand yen)

	Japan	France	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	4,705,749	1,405,361	6,111,110	-	6,111,110
(2) Sales and transfers – Inter-segment	77,571	-	77,571	[77,571]	-
Total	4,783,320	1,405,361	6,188,681	[77,571]	6,111,110
Operating expenses	4,055,555	1,583,685	5,639,241	399,125	6,038,367
Operating income	727,764	(178,324)	549,439	[476,696]	72,743
II. Assets	4,648,002	1,538,221	6,186,223	2,280,322	8,466,546

Notes:

1. Geographical segmentation: By locations of manufacturing facilities.
2. Operating expenses (477,836 thousand yen) included in eliminations or corporate consist primarily of expenses related to the administration divisions, including the General Affairs Division and the Accounting Division.
3. Assets (2,286,059 thousand yen) included in eliminations or corporate consist primarily of surplus funds under management (cash, deposits and securities) at the Company, land for factory and fixed assets of the administration division.

3. Overseas sales

Overseas sales for the two most recent fiscal years are as follows.

Current fiscal year (March 1, 2004 – February 28, 2005)

(Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	1,895,572	75,745	1,971,317
Consolidated sales	-	-	6,543,769
Share of overseas sales in consolidated sales	29.0%	1.2%	30.1%

Notes:

1. Method of geographical segmentation: Geographical proximity
2. Each segment consists primarily of the following countries or areas

(1) Europe: France, Italy, Britain, Greece, Germany, Belgium, Portugal, and Swiss

(2) Other areas: North America, The Philippines, Taiwan, S. Korea, and Hong Kong

3. Overseas sales include sales of the Company and its consolidated subsidiaries to customers in countries and areas outside Japan.

Previous fiscal year (March 1, 2003 – February 29, 2004)

(Unit: thousand yen)

	Europe	Other areas	Total
Overseas sales	1,429,828	66,104	1,495,932
Consolidated sales	-	-	6,111,110
Share of overseas sales in consolidated sales	23.4%	1.1%	24.5%

Notes:

1. Method of geographical segmentation: Geographical proximity
2. Each segment consists primarily of the following countries or areas

(1) Europe: France, Italy, Britain, Greece, Germany, Belgium, Portugal, and Monaco

(2) Other areas: North America, Malaysia, The Philippines, Taiwan, and S. Korea

3. Overseas sales include sales of the Company and its consolidated subsidiaries to customers in countries and areas outside Japan.

Production, Orders and Sales

(1) Production

Production by operating segment in the current fiscal year is as follows.

(Unit: thousand yen)

Operating segment	March 1, 2004 - February 28, 2005	
		YoY change (%)
Cosmetics	5,020,335	100.8
Pharmaceuticals and other products	1,492,025	139.2
Total	6,512,360	107.6

Notes:
1. Amounts are based on sales prices.
2. Amounts are exclusive of the consumption taxes.

(2) Orders

Orders by operating segment in the current fiscal year is as follows:

(Unit: thousand yen)

Operating segment	Orders		Order backlog	
		YoY change (%)		YoY change (%)
Cosmetics	5,165,139	98.8	1,036,581	94.3
Pharmaceuticals and other products	1,441,258	122.8	440,779	91.3
Total	6,606,398	103.2	1,477,360	93.4

Notes:
1. Amounts are based on sales prices.
2. Amounts are exclusive of the consumption taxes.

(3) Sales

Sales by operating segment in the current fiscal year is as follows:

(Unit: thousand yen)

Operating segment	March 1, 2004 - February 28, 2005	
		YoY change (%)
Cosmetics	5,046,739	99.8
Pharmaceuticals and other products	1,497,029	142.1
Total	6,543,769	107.1

Notes:
1. Amounts are exclusive of the consumption taxes.
2. Sales by major customer and share of sales by major customer for the two most recent fiscal years are as follows:

(Unit: thousand yen)

Customer	March 1, 2004 - February 28, 2005		March 1, 2003 - February 29, 2004	
	Amount	%	Amount	%
Shu Uemura Cosmetics Inc.	-	-	1,057,797	17.3

In current fiscal year, Shu Uemura Cosmetics Inc. is not presented since it accounted for less than 10/100 of total consolidated sales.

Related Party Transactions

Current fiscal year (March 1, 2004 - February 28, 2005)
Directors and major individual shareholders

(Unit: thousand yen)

Relationship	Name of related party	Address	Paid in capital or capital	Description of business or occupation	Voting rights (Owned)
Director and immediate relative	Kouji Okumura	-	-	Shikizai President and Representative Director	(Owned) Direct: 14.4%
Director and immediate relative	Tomohiro Tohyama	-	-	Shikizai Auditor and Lawyer of TMI Legal Office	-

Relationship	Name of related party	Relationship		Description of transactions	Transaction amount	Account	Account balance
		Joint directorship etc.	Business relationship				
Director and immediate relative	Kouji Okumura	-	-	Leasing of Osaka factory (Note 1)	6,960	-	-
Director and immediate relative	Tomohiro Tohyama	-	-	Legal fees and legal counsel fees (Note 2)	1,0663	Account-payable	1,248

(Unit: thousand yen)

Relationship	Name of related party	Address	Paid in capital or capital	Description of business or occupation	Voting rights (Owned)
Company with majority voting rights owned by director or his immediate relatives	Quatre Saison (Note 3)	Minato-ku, Tokyo	10,200	Casualty insurance agency	(Owned) Direct: 7.6%
Company with majority voting rights owned by director or his immediate relatives	Keiichi Okumura Office (Note 5)	Minato-ku, Tokyo	10,000	Construction design and construction supervision	-

Relationship	Name of related party	Relationship		Description of transactions	Transaction amount	Account	Account balance
		Joint directorship etc.	Business relationship				
Company with majority voting rights owned by director or his immediate relatives	Quatre Saison (Note 3)	Joint directors: 2	Insurance-related transactions	Payment of insurance premiums (Note 4)	7,461	Prepaid expenses	3,387
Company with majority voting rights owned by director or his immediate relatives	Keiichi Okumura Office (Note 5)	-	Outsourcing of construction design and construction supervision	Construction design outsourcing fees and advisory fees (Note 6)	9,170	Accounts-payable	53

Notes: Transaction terms or method of determining transaction terms:

1. Rent is reviewed every two years on the basis of assessment by a real estate appraiser.
2. Legal fees and legal counsel fees are based on the Rules on Compensation of Lawyers established by First Tokyo Lawyers Association and a review of services provided.
3. Quatre Saison is a company wholly and directly owned by President Kouji Okumura and his immediate family.
4. Casualty insurance premiums are based on the insurance premium table.
5. Keiichi Okumura Office is a company with majority voting rights owned by an immediate relative of Shikizai president and representative director Kouji Okumura.
6. Construction design and supervision fees are based on “codes on business responsibility and fees for an architect” established by the Japan Institute of Architects and the work outsourced.
7. The above amounts do not include consumption taxes but year-end balances include consumption taxes.

Previous fiscal year (March 1, 2003 - February 29, 2004)
Directors and major individual shareholders

(Unit: thousand yen)

Relationship	Name of related party	Address	Paid in capital or capital	Description of business or occupation	Voting rights (Owned)
Director and immediate relative	Kouji Okumura	-	-	Shikizai President and Representative Director	(Owned) Direct: 15.5%
Director and immediate relative	Tomohiro Tohyama	-	-	Shikizai Auditor and Lawyer of TMI Legal Office	-

Relationship	Name of related party	Relationship		Description of transactions	Transaction amount	Account	Account balance
		Joint directorship etc.	Business relationship				
Director and immediate relative	Kouji Okumura	-	-	Leasing of Osaka factory (Note 1)	6,960	-	-
Director and immediate relative	Tomohiro Tohyama	-	-	Legal fees and legal counsel fees (Note 2)	4,621	Account-payable	2,093

(Unit: thousand yen)

Relationship	Name of related party	Address	Paid in capital or capital	Description of business or occupation	Voting rights (Owned)
Company with majority voting rights owned by director or his immediate relatives	Quatre Saison (Note 3)	Minato-ku, Tokyo	10,200	Casualty insurance agency	(Owned) Direct: 7.6%
Company with majority voting rights owned by director or his immediate relatives	Keiichi Okumura Office (Note 5)	Minato-ku, Tokyo	10,000	Construction design and construction supervision	-

Relationship	Name of related party	Relationship		Description of transactions	Transaction amount	Account	Account balance
		Joint directorship etc.	Business relationship				
Company with majority voting rights owned by director or his immediate relatives	Quatre Saison (Note 3)	Joint directors: 2	Insurance-related transactions	Payment of insurance premiums (Note 4)	9,264	Prepaid expenses	3,239
Company with majority voting rights owned by director or his immediate relatives	Keiichi Okumura Office (Note 5)	-	Outsourcing of construction design and construction supervision	Construction design outsourcing fees and advisory fees (Note 6)	3,089	Accounts-payable	498

Notes: Transaction terms or method of determining transaction terms:
1. Rent is reviewed every two years on the basis of assessment by a real estate appraiser.
2. Legal fees and legal counsel fees are based on the Rules on Compensation of Lawyers established by First Tokyo Lawyers Association and a review of services provided.
3. Quatre Saison is a company wholly and directly owned by President Kouji Okumura and his immediate family.
4. Casualty insurance premiums are based on the insurance premium table.
5. Keiichi Okumura Office is a company with majority voting rights owned by an immediate relative of Shikizai president and representative director Kouji Okumura.
6. Construction design and supervision fees are based on “codes on business responsibility and fees for an architect” established by the Japan Institute of Architects and the work outsourced.
7. The above amounts do not include consumption taxes but year-end balances include consumption taxes.

April 22, 2005

Nippon Shikizai, Inc.

Non-consolidated Financial Results
for the Fiscal Year ended February 2005

Name of Company Listed:	Nippon Shikizai, Inc.
Stock Code Number:	4920
Stock Exchange listing:	JASDAQ
Company Domicile:	Tokyo
President:	Kouji Okumura
Contact:	Shinsaku Tsukamoto, Managing Director
Telephone:	+81-(0)3-3456-0561
URL:	http://www.shikizai.com
Board of meeting for approving:	April 22, 2005
Annual shareholders' meeting:	May 27, 2005
Interim dividend paid:	Yes
One trading unit:	1000 shares

1. Financial Results (March 1, 2004 – February 28, 2005)

(1) Results of operations

(Amounts rounded down to million yen)

	Sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Fiscal year ended Feb. 2005	4,887	2.2	320	27.6	311	(35.3)
Fiscal year ended Feb. 2004	4,783	12.9	251	25.4	482	(26.1)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Fiscal year ended Feb. 2005	52	-	12.18	-
Fiscal year ended Feb. 2004	(137)	-	(31.94)	-

	Return on equity	Ordinary income to total assets	Ordinary income to sales
	%	%	%
Fiscal year ended Feb. 2005	2.1	4.0	6.4
Fiscal year ended Feb. 2004	(5.3)	6.1	10.1

(Notes)

1. Average number of shares outstanding
   - Fiscal year ended Feb. 2005: 4,317,844 shares
   - Fiscal year ended Feb. 2004: 4,317,961 shares
2. Change in accounting principle during the year: None
3. "YoY change" represents relevant change in percentage compared to the same period of the previous year.

(2) Dividends

	Dividend per share for the year		
	Total	Interim	Year-end
	Yen	Yen	Yen
Fiscal year ended Feb. 2005	10.00	0.00	10.00
Fiscal year ended Feb. 2004	0.00	0.00	0.00

	Total dividends during the year	Payout ratio	Dividend on shareholders' equity
	Million yen	%	%
Fiscal year ended Feb. 2005	43	82.1	1.7
Fiscal year ended Feb. 2004	-	-	-

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity to total assets ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Feb. 2005	7,618	2,598	34.1	601.72
As of Feb. 2004	7,875	2,519	32.0	583.42

(Notes)
1.Number of shares outstanding
As of Feb. 2005: 4,317,844 shares
As of Feb. 2004: 4,317,844 shares
2. Treasury stock
As of Feb. 2005: 600 shares
As of Feb. 2004: 600 shares

2. Forecasts for the fiscal year ending February 2006 (March 1, 2005 - February 28, 2006)

	Sales	Ordinary income	Net income	Dividend per share for the year		
				Interim	Year-end	Total
	Million yen	Million yen	Million yen	Yen	Yen	Yen
First half	2,362	92	35	0.00	-	-
Full year	4,901	287	147	-	10.00	10.00

(Reference) Estimated net income per share (full year): 34.22 yen

(Note) Forecasts for the fiscal year ending February 2006 were made by management based on currently available data and information. Please be aware that actual results may turn out different from those forecast as our company's business is affected by many factors.