Mandom Corporation

Business Results (April 1, 2003 – September 30, 2003)

Stock Listing:	Tokyo Stock Exchange, First Section
Code Number:	4917
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U.S. GAAP:	None **URL:** http://www.mandom.co.jp

Consolidated Financial Highlights

(¥ Million) **(Note: Rounded off to millions)**

Six months ended September 30	**2003**	2002	Change % YoY	(Reference) FY Ended March 2003
Net Sales	**24,029**	24,243	△0.9	45,434
Operating Income	**4,082**	4,039	1.1	6,322
Ordinary Income	**3,978**	3,692	7.8	5,976
Net Income	**2,024**	1,887	7.2	2,988
Total Assets	**45,872**	40,982	11.9	43,868
Shareholder's Equity	**36,246**	31,049	16.7	34,714

Six months ended September 30	Shareholders' Equity Ratio	Shareholders' Equity Per Share	Earnings Per Share (EPS)
2003	79.0%	¥1,502.42	¥83.91
2002	75.8%	¥1,381.17	¥83.96
(Reference) FY Ended March 31, 2003	79.1%	¥1,435	¥128.32

Notes.

1) Average number of shares on a consolidated basis:
   Mid-term 9/03: 24,125,417
   Full Year 3/03: 22,538,544
   Mid-term 9/02: 22,482,012
2) There was no change in the accounting methods applying to the period.

3) Number of issued shares on a consolidated basis at term end:

Mid-term: 09/03: 24,125,373

Full Year: 03/03: 24,125,525

Mid-term: 09/02: 22,480,489

Cash Flow

Consolidated Basis, (¥ Million)

Six months ended September 30	**2003**	2002	Change	Fiscal Year March 2003
Operating Activities	**3,176**	3,892	Δ 715	5,466
Investing Activities	**Δ 1,118**	Δ 891	Δ 227	Δ3,194
Financing Activities	**Δ 861**	Δ 497	Δ 364	1,845
Cash and Cash Equivalents	**9,862**	7,052	2,810	8,659

Outlook for the Fiscal Year, Ending March 31, 2004

Consolidated Basis, (¥ Million)

Fiscal Year March	**2004**	2003	Change % YoY
Net Sales	**45,800**	45,434	0.8
Ordinary Income	**6,400**	5,976	7.1
Net Income	**3,300**	2,988	10.4
Earnings Per Share (EPS) (¥)	**136.79**	128.32	6.6
Return on Equity (ROE)	**9.4%**	9.3%	2.2

1. Management Policies

1. Fundamental Management Policy

The Mission of the Mandom Group is to provide beauty products and services that capture the essence of ever-changing consumer needs. The two fundamental policies that management believes are necessary to carry out the Group Mission are: 1) the policy of active participation of every Mandom employee in all facets of the Group's operations, and 2) the creation of lifestyle values that will appeal to consumers of Mandom products and services. In regard to shareholders and stakeholders, Mandom strives to create consistent growth in corporate and shareholder value by employing sound management practices and transparent principles of corporate governance, which benefit the whole stakeholder community.

2. Earnings Distribution Policy

Returning profits to shareholders through dividend payments is a core management policy within the constraints imposed by cash flow considerations. The reinvestment of cash flow is key to the company's goal of expansion overseas, which requires investment in manufacturing facilities, the constant raising of product quality, improvement in manufacturing processes to reduce operating costs, and providing more stringent safeguards in respect of the environment. While taking into consideration the appropriate allocation of cash and free cash flow, the company's goal is to maintain a dividend payout ratio of not less than 40% of net income and to maintain a dividend payout to shareholders' equity ratio above 3%.

3. Share Trading Unit

As of the end of the period, the share-trading unit was 100 shares. At the present time, the company has no plans to change this policy.

4. Management Targets and Performance Indicators

Management places particular priority on the efficient use of capital and on improving returns to shareholders. The two performance indicators Mandom uses in this regard are: Return on Equity (ROE) and Earnings Per Share (EPS). Management's goal is to expand sales and at the same time to improve the efficiency of capital. Mandom's sales expansion plans are focused on Southeast

Asia, while capital efficiency is being promoted through cost reduction programs. Mandom's financial targets on a consolidated basis which were set in its Three-Year Mid-Term Management Plan, are indicated in the following table:

Three-Year Mid-Term Management Plan Financial Targets

Fiscal Year March	2005	2002
Return on Equity (ROE)	10.0%	7.1%
Earnings Per Share (EPS)	¥150	¥93

Notes:

ROE = Net income / Shareholders equity at the beginning of the period and end of the period divided by two.

EPS = Net income / Average number of outstanding shares

Mandom achieved its profit targets for the mid-term period ending September 2003 by successfully reducing cost of goods sold. The Company expects to achieve its full-year targets as well. For the full year the Company predicts an ROE of over 9.4%. Through raising its business performance the Company will aim to achieve the goal of 10% ROE set out in the Three-Year Mid-Term Plan which ends next fiscal year.

5. Medium- to Long-Term Business Strategy

The Mandom Group's key goal is to deliver consistently high growth while expanding its area of business activity. To achieve this, the Group has adopted a medium-to-long-term strategy that focuses on its three core product lines. They are: *Gatsby* men's cosmetics, *Lucido L* branded merchandise for women, and hair coloring products. In particular, the Company intends to increase the scale of its operations by continuing to expand its sales and manufacturing operations in Southeast Asia.

In men's cosmetics, Mandom has placed *Gatsby*, Japan's leading men's cosmetic brand, at the core of its expansion strategy. By positioning the Gatsby brand as the main engine of sales growth, and by adding hair coloring and other new product lines, the goal is to expand sales of this brand by ¥4.0 billion over the course of the Three-Year Mid-Term Plan ending March 31, 2005.

In cosmetics and other products for women, *Lucido L* is the core brand and growth product. By focusing on its hair coloring and hair care lines, Mandom is targeting a mid-term growth projection of around 70%. The engine for Mandom's expansion therefore derives from the hair-coloring segment of these two leading brands.

Mandom's strategy is to make hair coloring products, for both men and women, key components of both major brands, using hair coloring products to strengthen and increase the scale, both of core brands and brands of subsidiary companies. By following this strategy, the goal is to expand hair coloring product sales by ¥4.0 billion over the Three-Year Mid-Term Plan, which is an increase of 86%.

A slowdown in targeted sales growth of three product lines caused the Company to fall short of plan in the half-year to September 2003. This was mainly due to weaker summer sales of the *Gatsby* line, a major product category, due to the unusually cool summer weather. Nevertheless, the Company predicts that it can make up for this in the second half to reach its targeted plan. It will continue to make every possible effort to achieve the goals of the Three-Year Mid-Term Plan in the final year.

Setting aside seasonal factors, such as weather, management will continue to pursue the following strategies in order to achieve the Company's longer-term goals:

1. To improve quality assurance standards of hair coloring products at all Southeast Asian manufacturing operations; to increase production volumes; to reduce production costs; and to strengthen manufacturing processes.
2. To increase R&D expenditure on the three main product lines with the aim of developing new product categories.
3. To strengthen Advertising and Promotion activities in order to raise core brand equity in all areas, both in Japan and Southeast Asia.
4. To strengthen business operations in China, following China's accession to the WTO and easing of market regulations.
5. To continue to look for business tie-ups and M&A opportunities with the aim of increasing growth and profitability.

6. Management Issues

Mandom regards the following as core issues to be addressed:

1. Capital adequacy and efficiency
   Mandom recognizes that the improvement of capital efficiency, mainly through expansion of sales, is a core management issue. It aims to raise capital efficiency by taking account of the impact on shareholder equity of any actions it takes.

2. Environmental Protection
   In November 2000, the main Fukusaki plant received ISO 14001 Certification. The Company plans to introduce an Environment Management System (EMS) at its head office and to incorporate the "3R"s Environmental Program (Reduce, Re-Use, Recycle) when developing new products in order to ensure that it meets the standards of an environmentally responsible company

   During the period under review, Mandom prepared its "Mandom Environment Report 2003" and published it on its corporate web-site for the first time.

3. IT-related Business Process Restructuring
   The Company is continuing to update its internal management processes by investing in IT-based Business Process Re-Engineering Systems. This is enabling the Company to streamline internal decision-making and information systems, as well as to improve external collection, analysis and processing of customer information.

4. Strengthening of risk management
   The risk management system of the parent company will be extended to include affiliates, thus covering the entire Group. By establishing a comprehensive risk management system, it will be possible to strengthen further internal risk controls and provide a sounder basis for achieving continuous growth and profitability.

5. Personnel Development

Taking an overview of the entire Group, management is working toward a full-scale revision and improvement of personnel development and environmental protection policies to bring them into line with best industry practices.

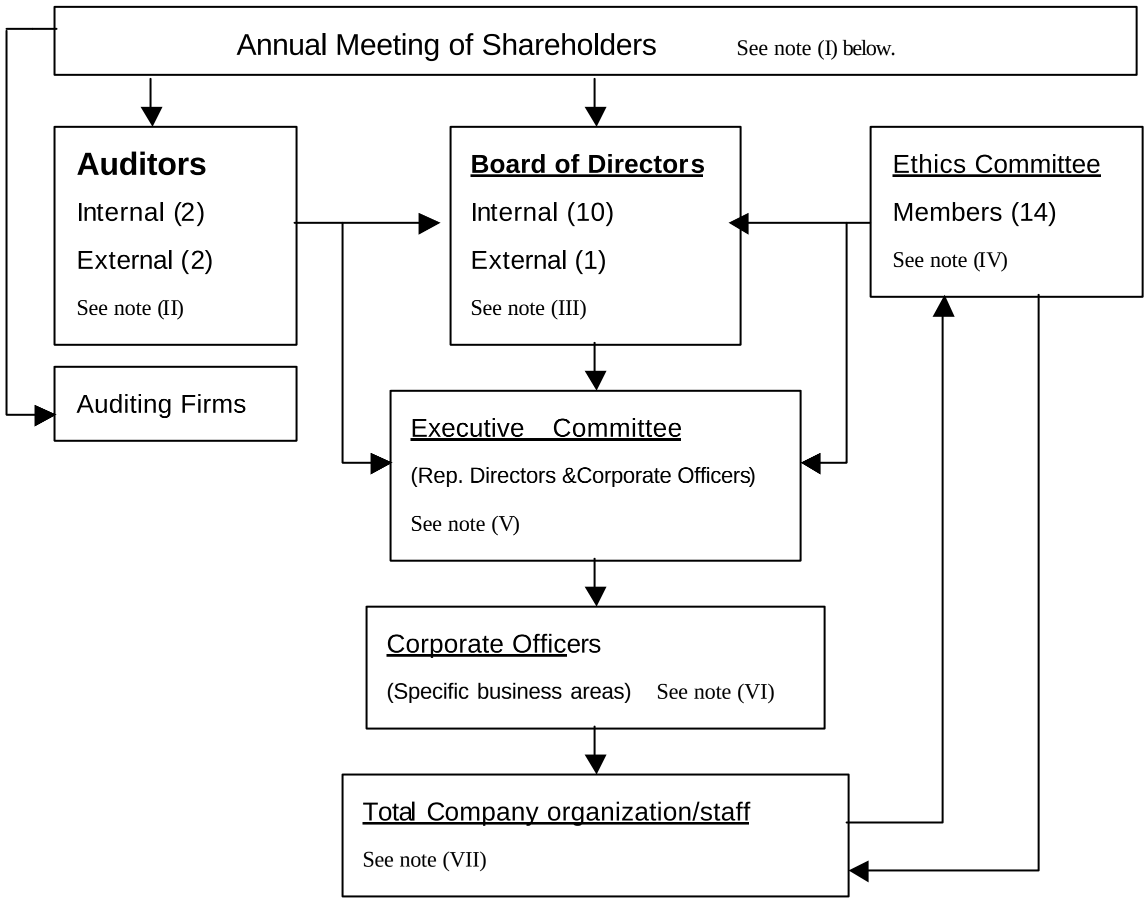
7. Management Structure and Corporate Governance

(1) Basic stance towards Corporate Governance

The Company is moving forward to develop a fully articulated system of Corporate Governance that will ensure it can carry out its business in a fair and open manner so that it will earn the trust of all of the Company's shareholders. The Company is following the principle of dividing decision-making processes from the on-going execution of the Company's business in order to build a fair and open system of corporate governance. To do this it has been seeking to recruit suitable outside Directors to assist it in these responsibilities. In addition, the Company is providing training to ensure understanding of the responsibilities of a dual supervisory management system. It has established an Ethics Committee. It is also developing further the management auditing process.

(2) Overview of the System of Corporate Governance

a) Diagram of the Company's Corporate Governance System



Notes to the diagram concerning the System of Corporate Governance

I. The Annual Meeting of Shareholders appoints and dismisses the auditors and Corporate Officers.

II. The auditors have oversight of the Company's financial reports and accounts and advise the Board of Directors and the Executive Committee.

III. The Board of Directors has responsibility for business policy and decision-making and overall supervision of the execution of Company business.

IV. The Ethics Committee receives information concerning ethical risk involving the Company and promotes good governance within the Company.

V. The Executive Committee oversees the execution of the on-going business of the Company

VI. The Corporate Officers have day-to-day responsibility for managing specific areas of the Company's business.

VII. The employees of the Company, with the guidelines of good governance in mind, provide the Ethics Committee with information concerning possible ethical risks concerning the Company.

b) To avoid conflicts of interest and to improve transparency, the Company has appointed outside auditors from Ito-Yokado and Seven-Eleven Japan. The Company has also appointed two outside auditors from an independent accounting firm and a law firm. Due however to the sudden passing away on October 28 of one of the newly appointed auditors, the number of outside auditors is currently reduced.

c) Additional Efforts to Reinforce Corporate Governance

With the aim of ensuring that basic understanding of compliance issues is understood throughout the whole group, including at overseas affiliates, an English version of the Company's "Code of Compliance" was published and distributed to affiliates overseas.

To better clarify the decision-making responsibilities of directors, six group companies, including Mandom, reduced the directors' term of office to one year (from two).

2. Results of Operations and Financial Condition

1. Review of Operations

Six months ended September 30	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	EPS (¥)	ROE (%)
2003	24,029	4,082	3,978	2,024	83.91	5.7
2002	24,243	4,039	3,692	1,887	83.96	6.2
Change % YoY	△ 0.9%	1.1%	7.8%	7.2%	△ 0.1%	△ 8.1

(1) Business Results

There were signs of improved confidence in the economy during the first half period as progress in the disposal of non-performing loans continued, the trend in falling prices seemed to improve, and the stock market recovered. However, deflation still remains a problem. In Mandom's case, sales on a unit basis rose, but unit prices fell, as competition remained strong. Meanwhile, the effect of severe acute respiratory syndrome (SARS) took a toll on sales around the Asian region, even though the effects of the virus were limited to a fairly narrow region.

Total sales in the mid-term period amounted to ¥24,029 million, which was a decrease of 0.9% over the previous term. Sales overseas continued to expand, but this was not enough to counter slower sales of the *Gatsby* product lines due to cooler summer weather and a slight shrinkage of the hair coloring market.

Operating profits rose 1.1% to ¥4,082 million during the term. This was due mainly to progress in reducing production costs by Mandom and its operating subsidiary in Indonesia (PT MANDOM INDONESIA Tbk). Costs related to aggressive marketing both in Japan and overseas, were contained to the same level as the previous year. Other Sales and General Administrative expenses were in line with forecast, leaving Mandom's sound profit structure unchanged.

Improvements in the non-operating income and expenditure category contributed to the 7.8% increase in ordinary income to ¥3,978 million. Group net profits reached ¥2,024 million, up 7.2% compared to the previous term. This was the first time for Mandom to record net income of over 2 billion yen in a six-month accounting period. As planned, management increased the mid-term dividend by ¥5 to ¥25 per share.

(2) Sales Breakdown by Region

Consolidated Basis, (¥ Million)

Regional Segment	Six months ended September 30, 2003	Six months ended September 30, 2002	Change % YoY
Japan	19,040	19,721	△3.4
Asia	4,988	4,521	10.3

Domestic sales amounted to ¥19,040 million. Intensified competition, reduced unit prices, and the unusually cool summer, all affected the domestic performance. While the parent company, secured double-digit growth for *Lucido-L* over the year-earlier period, it was not enough to make up for lower sales of *Gatsby,* which was hurt by price competition for hair color products and poorer sales of summer related lines. Sales of a subsidiary company's ladies' cosmetic products were also weaker, so that together domestic sales decreased by 3.4%. Improved plant operations at the parent company helped to improve operating margins, but weaker performance at some subsidiary companies led to a fall in operating income of 5.4% to ¥3,105 million.

In Asia, consolidated subsidiary companies, including PT MANDOM INDONESIA Tbk, conducted their own marketing activities and enjoyed strong sales growth. Asian revenues rose 10.3% to ¥4,988 million. Consequently, sales from the region accounted for 20.8% of total sales in the period. Profits also improved, rising 29% to ¥975 million as cost controls at the Indonesian subsidiary proved successful, also there was no negative impact from fluctuations in the local currency exchange market.

(3) Outlook for Fiscal Year, Ending March 31, 2004

Fiscal Year March	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	EPS (¥)	ROE (%)
2004	45,800	6,670	6,400	3,300	136.79	9.4
2003	45,434	6,322	5,976	2,988	128.32	9.3
Change % YoY	0.8	5.5	7.1	10.4	6.6	1.0

In the domestic economy there have been signs of recovery as corporate earnings improve, however it is too soon to expect a strong recovery in personal consumption so long as corporate restructuring is the main driver of corporate earnings. Thus the cosmetics industry is expected to operate in a difficult environment in the latter half of the fiscal year. The outlook for Asia remains heavily conditional still on the performance of the US economy, but growth in the cosmetics market is likely to continue.

Against such a background the Company intends to secure higher year on year sales by concentrating management resources in the following areas: further developing its leading brand categories, engaging in proactive marketing, and launching new products. The Asian market will play a very important part in helping to achieve higher sales. In particular, by strengthening and promoting the core brand, *Gatsby,* the Company expects to make up for weaker conditions in the home market. It is likely that the Company can expect double-digit year on year growth in Asia for hair color products in particular.

The further improvement in profit margins contributed to the stable profit structure during the first half of the year producing a foundation on which sharp profit swings will become less likely. The company intends to continue to strengthen its profit structure during the second half of the fiscal year, and will aim to achieve continued growth by focusing on brand development and market expansion. Meanwhile, an extraordinary loss will be recorded as a result of changing a part of the Company's retirement benefit plan into a defined contribution pension plan (401k) system.

Taking these factors into account, total sales in the fiscal year ending 31 March, 2004 are projected to reach ¥45,800 million, ordinary income ¥6,400 million and net income ¥3,300 million. If these projections are realized, the Company will announce a dividend payment of ¥50 per share for the full year period.

2. Financial Condition

(1) General Overview

Total assets during the period increased by ¥2,003 million to ¥45,872 million due largely to the effect of higher profits contributing to an increase in cash plus marketable securities. The increase in the account receivables category was due to the expansion of the Indonesian subsidiary's business operations. As such it is a special situation, and carries little risk.

(2) Cash Flow Situation

Net cash provided by operating activities stood at ¥3,176 million (a decrease of ¥715 million). Profit before tax increased ¥359 million to ¥3,979, which was helped by the improvement in the accounts receivable category. Depreciation expenses of ¥818 million remained at the same level as the previous term. Cash used for investment activity increased by ¥227 million compared to the previous term, and as a result investment activities absorbed a total of ¥1,118 million of cash. Investment was mainly for the purchase of production facilities to upgrade domestic production. Net cash from financing activities increased by ¥364 million to ¥861 million, which was mainly due to the increase in dividend payments to stockholders.

(3) Outlook for Second Half

Cash flow from operating activities in the second half period are projected to be lower than the first half as approximately 60% of profits are booked in the first half term. Cash flow from investment activities is expected to stay below the previous term level since planned investment on a domestic research and development facility has been slightly delayed. Cash flow from financing activities plans will be impacted by the higher dividend payment which is planned, as well as loans to overseas subsidiaries. However, these loans will all be repaid within the second half period.