Mandom Corporation

Business Results (April 1, 2004 – March 31, 2005)

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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

(Note: Rounded off to millions)

Period	**FY2005**	Change % YoY	FY2004	Change %YoY
Net Sales	**47,546**	4.8	45,364	△0.2
Operating Income	**6,700**	0.3	6,680	5.7
Ordinary Income	**6,281**	△0.4	6,304	5.5
Net Income	**3,211**	△1.3	3,253	8.9
Total Assets	**47,397**	-	45,474	-
Shareholders' Equity	**38,168**	-	36,687	-

Fiscal Year March	Shareholders' Equity Ratio	Shareholders' Equity Per Share	Return on Equity (ROE)	Earnings Per Share (EPS)
2005	80.5%	¥1,578	8.6%	¥ 128.73
2004	80.7%	¥1,517	9.1%	¥ 130.83

Notes.

1) Investment profit on equity method
   3/05: ¥26 million
   3/04: ¥---
2) Average number of shares on a consolidated basis:
   3/05: 24,123,461

3/04: 24,125,319

3) There were no changes in the accounting methods applying to the period.
4) The percentages that follow Net Sales, Operating Income, Ordinary Income and Net Income are year-on-year increase/decrease rates.

Cash Flow

Consolidated Basis (¥ Million)

Fiscal Year March	**2005**	2004
Operating Activities	**6,061**	4,396
Investing Activities	△**6,919**	△1,810
Financing Activities	△**1,345**	△1,456
Cash and Cash Equivalents	**7,662**	9,767

Consolidation and equity method application

Number of consolidated subsidiaries: 9

Number of non-consolidated subsidiaries with equity method applied: 0

Number of affiliated companies with equity method applied: 1

Changes in consolidation and equity method application

Consolidation (new): 1 (Exclusion: 2)

Equity method (new): 1 (Exclusion: 0)

Outlook for the Fiscal Year, Ending March 31, 2006

Consolidated Basis (¥ Million)

Fiscal Year March	**2006**	Interim
Net Sales	**49,000**	25,750
Ordinary Income	**6,540**	3,980
Net Income	**3,330**	2,080
Earnings Per Share (EPS) (¥)	**138.05**	

The figures above include projections based on assumptions, forecasts and plans with respect to the future made as of the date of publication of this document. Due to risks and uncertainties arising from economic factors, market environment changes, and currency fluctuations, actual performance may differ from the figures forecast. Please refer to pages 13 and 14 in the attachment.

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 of earmarking adequate internal reserves for operational development and new business development for the medium to long term. Internal reserves are intended to be put to optimum effect in expanding the Group's existing operations through manufacturing facilities investment and in enhancing corporate value through strategic investment into areas including overseas operations and R & D.

As of this fiscal year, under stronger commitment to dividend policy, the Group will endeavor to maintain a dividend payout ratio of not less than 40% of net income and a dividend-on-equity ratio (DOE) above 3%. Dividend payout for the second half of the year will be ¥30 per share, ¥5 more than the first half. As a result, dividend payment over the whole year will increase ¥5, bringing it to ¥55 per share (improved dividend ratio of 42.7% on a consolidated basis, DOE of 3.5%).

3. Share Trading Unit

Backed by the belief that reduction in share-trading unit would be an effective method of broadening private investor base and increasing Mandom share circulation on the stock market, the company cut the share-trading unit in August 2000 from 1000 shares to 100 shares. Mandom shares are increasing in liquidity and shareholder number now totals 11,854 as of the end of this fiscal year.

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 uses these indicators to measure progress in the Group's continued growth and corporate value enhancement based on increased profits.

Mandom's financial targets on a consolidated basis which are set in its Three-Year Mid-Term Management Plan starting April 2005 are shown in the following table:

Mid-Term Management Plan Financial Targets (Consolidated Basis)

Fiscal Year March	2008	2005
Return on Equity (ROE)	10.0%	8.6%
Earnings Per Share (EPS)	¥160	¥128

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

In this new Mid-Term Management Plan, Management aims to expand the Group's business through investment, namely in manufacturing facilities investment aimed at expanding existing core businesses based on cosmetary, in R & D aimed at stronger product development and in overseas operations including continued investment on A & P into the Southeast Asian market. Supply Chain Management (SCM), which is a key project carried over from the previous Three-Year Plan, will continue to be improved in an effort to optimize the entire operational process to achieve better profitability. With these policies in place, Management is confident to achieve the final targets of the Mid-Term Management Plan.

5. Medium- to Long-Term Business Strategy

expanding its area of business activity. To achieve this, active deployment of management resources will be made to increase profits. The Three-Year Mid-Term Management Plan commencing in April 2005 incorporates not only assured business expansion but also foundation laying for new business activities in the interest of broadening Group business areas with a long-range view.

The pivotal elements of this drive for expansion are reinforcement of product strength and increase in categories, chiefly of key product lines in the core cosmetary (cosmetic & toiletry) business. The Southeast Asian market will continue to be regarded as the growth engine. The accelerated growth of overseas business activities will be the main thrust. Meanwhile, women's cosmetics business will become a new area for development as a source of income from a long-term perspective. Accordingly, relevant R & D and marketing will be strengthened in order to build the infrastructure for future business expansion.

Following on from the previous Mid-Term Management Plan, Mandom's focus in its core business is on three key product lines. They are: *Gatsby* men's cosmetics; *Lucido L* branded merchandise for women, now with a new emphasis on Face & Body lines; and hair coloring products by Area. In particular, Mandom is placing *Gatsby*, the Group's leading men's cosmetic brand, at the very heart of the expansion strategy. The *Gatsby* brand will be the main instrument of Group business growth, through improved product lineup both in Japan and overseas and through expanded marketing overseas.

Styling is the foremost of Mandom's strategic categories. In *Lucido L,* styling lines will be prioritized so as to establish the brand in the women's hair styling market with key emphasis first on Japan. Face & Body products will be groomed into becoming Mandom's second most important category. Using priority marketing suited to the Area and improved product lineup, Face & Body will be developed to meet the needs of the expanding market trends in Asia overall while capitalizing on Mandom's technological capabilities. In addition to the scale expansion of hair coloring in total, a stable profit structure will be created for hair coloring that avoids the buffets of fashion trends. Fashion hair coloring will continue to be actively introduced into Southeast Asian markets. In Japan, Mandom will endeavor to maintain market share in fashion hair color while the gray hair market will be targeted full-scale.

Women's cosmetics is a new area for foundation building. The business restructuring that has been ongoing since the previous Mid-Term Management Plan will continue. With future overseas marketing in view, branding, technology, and marketing will be integrated and R & D and production will be conducted in-house. To this end, leading investment will be made, including the acquisition of external resources.

Mandom's key Area is overseas. The core cosmetary (cosmetics & toiletry) products are central in Mandom's strategy of continued business expansion in countries where we already have a foothold. Together with horizontal marketing, new Area-developed items will be increased and marketing investment strengthened. In China, our new market, full-scale operations will commence and opening up of new Area will be initiated. In this Mid-Term Management Plan, overseas business is intended to expand more than domestic business, enlarging the size of the share of overseas operations in the Group's activities.

In the Three-Year Mid-Term Management Plan that has just ended, Mandom fulfilled the commitment to substantial cost reduction and increased profitability through the promotion of internal manufacture utilizing the Group's production facilities and the overhaul of materials purchasing. Cost reduction will remain an ongoing challenge. Third Party Logistics (3PL) will be put into full implementation and Supply Chain Management (SCM) infrastructure established, enabling Mandom to pursue further gains in profitability and management efficiency through optimization and streamlining of all operational processes.

6. Management Issues

Mandom regards the following as core issues to be addressed in view of improving Group growth and profitability:

(1) Marketing Innovation Through R & D Reinforcement

Mandom must meet the rapidly-changing and diversifying needs and demands of consumers. Vital to achieving this end is the development of research technology that breaks the mold of convention. To achieve sustained growth, this is a significant issue to be addressed. Management will review the marketing process from a research-oriented stance and create a new framework that exploits the latest information technology.

(2) Personnel Development and HR Overhaul for Individual and Corporate Growth

It is Mandom's strong belief that corporate growth cannot be realized without individual growth of the employees. Thus, Management will continue to focus on "maximizing the full potential of all staff." While pursuing the strategy of human resources development for the benefit of the Group as a whole, Management will create a framework and mechanism for staff to acquire the "capacity for change," a requisite for the new age of rapid and massive corporate environmental change.

(3) Strengthening of Risk Management

In the context of strengthening the management fabric to attain Group growth, it is a company's duty to its stakeholders to practice management that strives to constantly strengthen the risk management of business or compliance risks. In this regard, by creating a total risk management system and raising awareness throughout, Mandom will transform itself into a corporate body that can adapt well to environmental change.

(4) Greater Social Contribution through Quality Assurance and Environmental Action

Corporate social responsibility (CSR) forms an increasingly significant part of business activities today. Mandom considers CSR to be a key management issue. Improvements in quality assurance and environmental action constitute Mandom's important social responsibilities. Furthermore, Management will seek out CSR activities that the Group should undertake as a good corporate citizen and build a system whereby CSR can be properly implemented.

7. Management Structure and Corporate Governance

(1) Basic thinking concerning 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 that will earn the trust of all of the Company's shareholders.

1) Audit/supervision of decision-making and executive action

   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 managed under the supervision of auditors. A higher ratio of external auditors is being promoted to ensure decision-making and executive action that are in the shareholders' interest.

2) Executive action

   The operational execution of management should be flexible and dynamic. To strengthen the executive system of the Business Function Units, the Company is to promote checks and balances between Units, strengthening of operational management and transfer of authority to Corporate Officers.

3) Compliance

   The Ethics Committee is in place to ensure strict compliance with law.

(2) Overview of the System of Corporate Governance

1) Management organization relating to decision-making, execution and auditing/supervision

(i) Restriction on Corporate Officers concurrently serving as Directors

The only Corporate Officers allowed to serve concurrently as Directors are those that are heads of Business Function Units. This promotes transfer of authority to Corporate Officers and leaves Directors to direct their energy into making high-level decisions and adopting supervisory roles for the Group in its entirety.

(ii) Appointment of External Directors/Auditors

Total number of Directors: 9

(The number will decrease to 8 after the Annual Meeting of Shareholders to be held in June 2005.)

Total number of External Directors: 2

(The number will decrease to 1 after the Annual Meeting of Shareholders to be held in June 2005.)

Total number of Auditors: 4

Total number of External Auditors: 2

The Company intends to develop a keener objective supervisory eye for the shareholders on decision-making and execution.

(iii) Executive Structure

Reflecting respective operational responsibilities, the positions of President Executive Officer, Vice President Executive Officer, Senior Managing Director and Corporate Officer, Managing Director and Corporate Officer were created. The operational executive responsibilities of Business Function Units are thereby identified and transfer of authority to Corporate Officers is promoted. By removing other Corporate Officers from the Board of Directors, the separation of decision-making /supervisory processes and day-to-day operational processes are to be furthered, leaving Corporate Officers the freedom to dedicate themselves to operational matters and ensuring flexible and dynamic leadership. The Executive Committee is in place with the aim of assuring mutual checks between executive management and Business Function Units, yet another instrument to enhance business execution in the shareholders' interest.

(iv) Internal Regulation

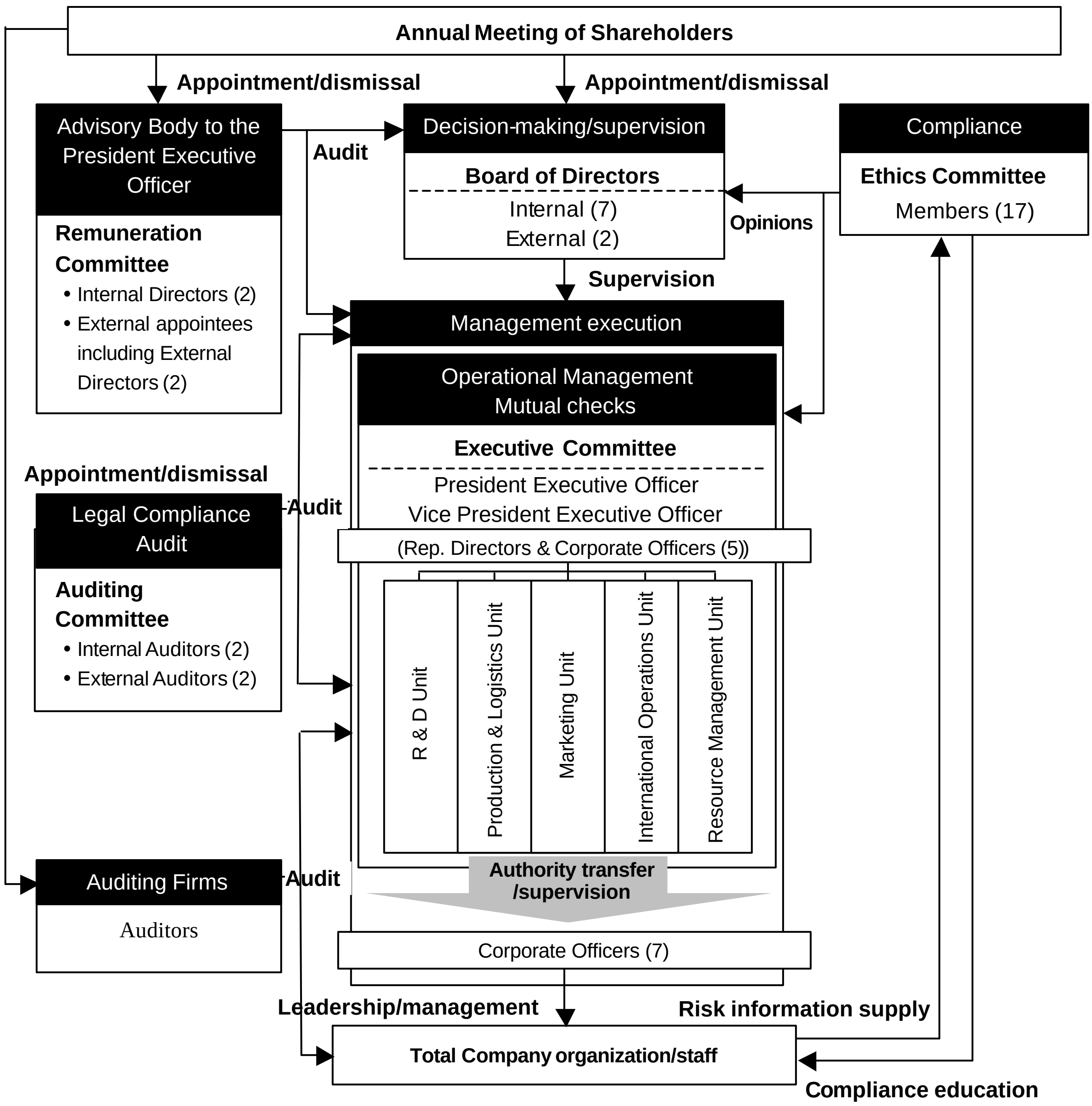
a. The linchpin of internal supervision over management is the Auditing Committee, comprising two full-time auditors and two external auditors. The ratio of external to internal auditors is maintained at 50% or above so as to enhance the effective strength of the auditing arm.
b. The Company created the Mandom Group Code of Ethics with the purpose of fully disseminating principles of legal compliance, fairness and ethical conduct in business activities throughout the Group. The Ethics Committee is the principal tool in promoting compliance.
c. The supervision of operational risks is undertaken by regulatory sections of the Company, namely the Legal Affairs Division,

General Administration Division, Quality Assurance Division and Environmental Initiatives Division. As for business management risks, the respective section conducts risk analysis and prepares countermeasures, and Management Meetings and the Board Meetings deliberate issues so as to identify risks and make suitable response. The Ethics Committee runs the Helpline System, which aids in risk prevention/early detection and risk hedging/minimization.

(v) Remuneration Committee

The process of determining executive management remuneration must be just and fair. As an advisory body to the President Executive Officer, the Remuneration Committee was set up in March 2005. The Committee is comprised of a majority of external members, including the external Directors. It puts forward recommendations on the drafting and revision of the remuneration system and Directors' performance appraisal criteria as well as recommendations on individual performance assessments, thereby ensuring the fairness and appropriateness of remuneration given.

Diagram of the Company's Corporate Governance System



2) Human, capital, business and other interests between the Company and its External Directors and Auditors

External Director Mitsuo Goto is the Auditor of Seven-Eleven Japan but Mandom Corporation and Seven-Eleven Japan have no capital affiliation and no direct relationship of interest exists with the said External Director, although Mandom and Seven-Eleven do have regular business relations.

External Director Masashi Suzuki is the Director of Japan Securities Finance I&S BBDO. Mandom Corporation and Japan Securities Finance I&S BBDO have no capital affiliation and no direct relationship of interest exists with the said External Director, although Mandom and Japan Securities Finance I&S BBDO do have regular business relations. Director Suzuki's term of office comes to an end at the close of the Annual Meeting of Shareholders to be held in June 2005 and he is due to be appointed as Advisor to the Company thereafter.

There are two External Auditors with no related interest, appointed from professionals or experts such as lawyers. The accounting auditor both in its corporate and employee capacities has no special relationship of interest with the Company. With respect to Commercial Code audit and Securities and Exchange Law audit, an auditing contract has been signed and payment is made accordingly for the auditing work.

(3) Internal Audit, Auditing Committee Audit and Accounting Audit

a) Auditing Committee

There are four Auditors, two being full-time auditors chosen from among Mandom's staff and the other two being external auditors. The Auditing Committee meets once a month as a rule. In the fiscal year ended March 2005, 12 meetings were held. The Auditors and the Auditing Committee are not served by dedicated administrative staff. Practical support comes from the Legal Affairs Division, General Administration Division and Financial Management Division.

Regular auditing activities include attendance without fail of important corporate meetings (i.e. Board Meetings, Management Meetings, Executive Committee Meetings) and airing of views as necessary, visits to principal offices and facilities in Japan as well as to overseas affiliates, quarterly report meetings to the Representative Director and the Audit Plan Report from the accounting auditor (at the start of the year) and Accounting Audit Report (for every Interim and End-of-Year Business Results).

The Auditors' Liaison Committee (comprising auditors of Japanese affiliates, Internal Auditing Division, Legal Affairs Division, Corporate Planning Division, and Financial Management Division) is held each month. As occasion demands, opinions are heard and information is exchanged among accounting auditors, affiliates' auditors, Internal Auditing Division and heads of divisions in a drive to realize efficient auditing and to achieve practical effectiveness.

b) Internal Audit

Mandom's Internal Auditing Division is under the direct line of command of the President Executive Officer. Its purpose is to audit the suitability of operational processes conducted by all of the Group companies and the efficiency of organizational management and effectiveness of internal self-regulation. The Internal Auditing Division engages in auditing the operations of all Mandom divisions as well as the Japanese and overseas affiliated companies and in auditing compliance with legal and internal regulations. After each audit, a report is submitted to the President Executive Officer. As the permanent member of the Auditors' Liaison Committee mentioned above, the Division exchanges information with auditors and coordinates with other divisions in order to verify internal self-regulation.

c) Accounting Audit

As required by the Commercial Code and the Security Exchange Law, accounting audits are conducted by the auditing company, Deloitte Touche Tohmatsu Japan. The accounting auditor both in its corporate and employee capacities has no special relationship of interest with Mandom. With respect to Commercial Code audit and Securities and Exchange Law audit, an auditing contract has been signed and payment is made accordingly for the auditing work. Tohmatsu has imposed a limit on the length of time that its staff remains engaged in auditing work with Mandom.

The names of the certified public accountants involved in auditing during the year ended March 2005 are as follows. Also given is information concerning assistants.

Certified Public Accountants

Named audit execution accountants Hirofumi Kawasaki, Hiroyuki Kobayashi

Assistants 5 certified public accountants, 4 junior accountants

(4) Directors' and Auditors' Remuneration

The bonuses of Directors and Auditors for the year ended March 2005 are as shown below. With a view to increasing fairness and transparency of the process involved in deciding Directors' remuneration, the Remuneration Committee was established in March 2005 as an advisory body to the President Executive Officer. The Directors' Retirement and Bonus System, which was strongly based on seniority and bore little relevance to the Company's performance, shareholder benefit or corporate value, was abolished by a resolution passed in the Board of Directors' Meeting of May 2005. Consequently, no further new payment will be made into the Directors' Retirement and Bonus Fund as of June 2005. A new performance-related Directors' remuneration scheme will be created to replace the old system.

Remuneration Paid:

1) Remuneration for Directors and Auditors

12 Directors	¥225,738,000
5 Auditors	¥40,000,000

2) Employees salary equivalent (including bonus) of employees serving also as Directors ¥3,766,000

3) Directors' bonus by profit allocation

11 Directors	¥85,910,000
3 Auditors	¥5,000,000

4) Retirement lump sum and bonus approved by the Annual Meeting of Shareholders

2 Directors	¥75,300,000
2 Auditors	¥51,578,000

Audit Remuneration

Remuneration relating to auditing certification ¥19,600,000

8. Matters Relating to Parent Company

There are no issues relating to this heading.

2. Results of Operations and Financial Condition

1. Review of Operations

(1) Business Results

Fiscal Year March	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	EPS (¥)	ROE (%)
2005	47,546	6,700	6,281	3,211	128.73	8.6
2004	45,364	6,680	6,304	3,253	130.83	9.1
Change % YoY	4.8	0.3	△0.4	△1.3	△1.6	△5.5

The Japanese economy at the start of this financial year showed recovery thanks to pickup in consumer spending fed by private-sector dynamism. However, the impetus of recovery weakened after the summer, dampening personal spending. The cosmetics sector faced an uphill struggle. Meanwhile, the economy in Asia, where Mandom Group conducts overseas operations, despite some slowing down of export-led growth recovery, fared better, with consumer spending stable overall due to rising living standards. Yet, the rapid rise in crude oil price cast a shadow of uncertainty over the general economic scene.

In this climate, the Group directed effort into fostering and strengthening brand power and promoting product development that responds quickly to diversifying consumer demands, thereby expanding sales.

Total consolidated sales for the year ended March 2005 reached ¥47,546 million, an increase of ¥2,181 million (4.8%) over the previous year. Although good results of profit increase were maintained in Japan due to the extremely hot summer weather leading to shipment of seasonal goods, bringing target level sales for the core brand *Gatsby*, the decrease in sales of fashion hair coloring and the poor performance of women's cosmetics meant that sales in Japan overall was 0.2% down on the previous year. Overseas, *Gatsby* improved brand recognition throughout Southeast Asia and dramatically increased sales in the hair styling category with strong-performing lines such as wax. The result was a huge and welcome increase in sales of 23.4% over last year.

Increase in sales led to the cost of sales rising from last year by ¥722 million, up to ¥19,447 million (3.9% increase over FY 2004). In Japan, unit sale price recovered and Mandom continued to drive down costs, while in Indonesia, greater mechanization and process review were implemented, which resulted in the cost to sales ratio being lowered by 0.4% compared to last year, now standing at 40.9%.

The cost of sales expenditure and general administrative costs increased ¥1,439 million from last year, reaching ¥21,397 million. This is mainly because of aggressive marketing investment input aimed at sales growth (sales promotion cost, sales performance bonus) and R & D investment.

Operating profits rose by ¥20 million, up 0.3% over the same period last year, to ¥6,700 million. Though a small increase, it still rewrote the record for the eighth consecutive year.

Non-operating loss and profit suffered a slight downturn, totaling ¥419 million, an increase of ¥42 million in net loss. This is mainly due to the abolition of purchasing discount settlement in the Japanese businesses.

Extraordinary profit and loss increased by ¥388 million from last year's net loss of ¥24 million to ¥412 million. These figures are accounted for by the loss from sales of shares in Japanese subsidiaries and the write-off and sell-off losses of unneeded fixed assets globally.

Ordinary income registered a 0.4% decrease over last year, totaling ¥6,281 million, a drop of ¥22 million. The pretax income for the year ended March 2005 was ¥411 million less than last year at ¥5,868 million (6.5% decrease year on year).

Meanwhile, the Japanese subsidiary with deferred tax payment was merged and the pro forma standard taxation became effective. This meant the tax burden in Japan was vastly curtailed. Corporate tax payment amounted to ¥2,234 million, less ¥467 million from last year (17.3% down year on year).

Minority shareholders' interest jumped up from FY 2004's ¥324 million to ¥422 million, thanks to the healthy performance of PT Mandom Indonesia Tbk and Mandom Korea Corporation, the subsidiary which came under consolidation as of this year.

The bottom line for the year ended March 2005 was that net income stood at ¥3,211 million, down 1.3% in year-on-year percentage rate from last year's ¥3,253 million.

The dividend payout at the end of the period is to be ¥30 per share, ¥5 more than previously, reflecting the basic policy of profit distribution in line with consolidated results. This demonstrates a further strengthening of commitment to dividend policy by Mandom.

(2) Sales Breakdown by Region

Consolidated Basis (¥ Million)

Regional Segment	Sales			Operating Profit		
	Fiscal Year 2005	Fiscal Year 2004	Change % YoY	Fiscal Year 2005	Fiscal Year 2004	Change % YoY
Japan	35,635	35,711	△0.2	4,935	5,256	△6.1
Asia	11,910	9,652	23.4	1,762	1,422	23.9

In the domestic market, sales did not attain the planned target despite aggressive input of new products. The market remains intensely competitive, with the cosmetics sector staying level with last year.

Gatsby, the core brand, increased sales to ¥17,600 million. The skincare category being one of the few growth areas, *Lucido* introduced skin products and achieved double-digit growth. Nonetheless, the market is still on a shrinking trend for hair coloring (fashion hair color) and *Lucido L* suffered setbacks due to sales falling short of targets. Women's cosmetics slumped also, with imported brands performing poorly, resulting in worse figures than last year. All in all, sales totaled ¥35,635 million (0.2% decrease year on year).

With respect to profit, profitability (gross profit) continued to grow. However, heavy spending was made on sales promotion and R & D, which was compounded with increases in logistics costs. These costs could not be absorbed and resulted in an operating profit of ¥4,935 million (6.1% drop on last year).

On the Asian scene, the market was stable overall for cosmetics. The *Gatsby* brand has now fully established itself on the market and the hair styling category made tremendous strides. The Indonesian consolidated subsidiary, PT Mandom Indonesia Tbk, and other Southeast Asian companies mostly achieved double-digit increases in income, bringing sales to ¥11,910 million (23.4% growth year on year).

In profit terms, PT Mandom Indonesia Tbk, the manufacturing center, played a vital role. Its cost improvement, together with the increase in overseas income led to an operating profit rise to ¥1,762 million (an increase of 23.9% year on year), even after the heavy marketing input (sales promotion cost, sales bonuses, advertising cost) was paid for.

Growth in Asia pushed up overseas sales turnover substantially, which recorded ¥12,493 million (17.1% up on last year) and the ratio of overseas sales to consolidated sales rose to 26.3%, more than a quarter of the total.

(3) Outlook for Next Fiscal Year, Ending March 31, 2006

Fiscal Year March	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	EPS (¥)	ROE (%)
2006	49,000	6,800	6,540	3,330	138.05	8.5
2005	47,546	6,700	6,281	3,211	128.73	8.6
Change % YoY	3.1	1.5	4.1	3.7	7.2	△1.2

The Japanese economy looks set to remain in a slump. Although steady investment in plant and equipment and improvement in employment figures are forecast, the cosmetics sector is expected to face a tough competitive environment with total demand not growing. The Asian economy leaves some uncertainties due to the sharp rise in crude oil prices. Still, stable growth is likely here with consumer spending remaining strong.

Against such a backdrop, Mandom aims to direct effort into the Face & Body category (skincare cosmetics). With product marketing geared towards special market demands, further bolstering of the *Gatsby* and *Lucido L* brands will be pushed. Revitalizing the Japanese market in this way to boost sales and expanding operations in Asia to achieve growth, Mandom will sustain its dynamism. In the weak women's cosmetics sector, the strategy will be to move towards development of own brand products in order to rebuild and improve our business base.

The growth plan for the year ending March 2006 will center on overseas business expansion, as priority in Japan will rest on improving existing infrastructure. Notably, Indonesia where growth has gathered momentum, increase in profit will be key, and double-digit profit increases on a local currency basis in all Asian countries are the year's targets. However, Southeast Asian currencies are weakening, and aggressive marketing expenditure input as well as new product development investment will remain central to our strategy.

To summarize, the consolidated sales for the year ending March 2006 are forecast as ¥49,000 million (3.1% up year on year), operating profit ¥6,800 million (1.5% up year on year), ordinary profit ¥6,540 million (4.1% up year on year) and net profit ¥3,330 million (3.7% up year on year).

The dividend payout for the whole year is expected to total ¥60 per share, assuming that target profits are achieved.

To deal with risks associated with the execution of the Group's business operations, Mandom adopts a variety of measures to reduce risk, including preventative measures, spreading of risks, and risk hedges such as substitution. Nevertheless, the possibility remains that significant adverse impact on the Group's business performance and financial condition may arise, due to the occurrence of events and risks such as natural disasters or political turmoil in the host country (and accompanying disruptions on the legal, economic and currency fronts).

These forecasts are based on an exchange rate of ¥108 to the US dollar and

9,550 rupiah to the US dollar.

2. Financial Condition

(¥ Million)

	Fiscal Year 2005	Fiscal Year 2004	Change % YoY
Cash & cash equivalents balance at start of period	9,767	8,659	1,107
Operating cash flow	6,061	4,396	1,664
Investment cash flow	△6,919	△1,810	△5,109
(Fixed assets investment)	(△1,976)	(△1,342)	△634
Financing cash flow	△1,345	△1,456	111
Foreign currency translation adjustment	16	△21	37
Net increase in cash and cash equivalents	△2,187	1,107	△3,295
Increase due to change in number of consolidated companies	82	-	82
Cash & cash equivalents balance at end of interim period	7,662	9,767	△2,104

* Pre-tax net income	5,868	6,279
Depreciation cost	1,632	1,694
* Fixed asset investment		
Tangible fixed assets	1,666	1,075
Intangible fixed assets	310	266

(1) General Overview

Total assets during the twelve-month period increased by ¥1,923 million to ¥47,546 million. Current assets decreased by ¥1,098 million while fixed assets increased by ¥3,021 million. This is principally because the parent company's cash and deposits on hand were diverted to longer-term bond investment in the wake of the ban being lifted on the payoff system in Japan, and also investment in facilities in excess of depreciation cost was made. Deferred tax charges, both long-term and short-term, decreased ¥153 million to ¥712 million.

Shareholders' equity increased by ¥1,481 million during this twelve-month period to ¥38,168 million. This is chiefly due to current net profit being held in reserve.

(2) Cash Flow Situation

Net cash provided by operating activities stood at ¥6,061 million, a ¥1,664 million rise over the same period of the previous year. Pre-tax net income fell by ¥411 million to ¥5,868 million. Factors involved are the losses resulting from the non-cash transaction in Japan of the sale of subsidiary shares (¥295 million), and the disposal and sale of fixed assets (¥180 million), together with the decreases in trade receivables (¥716 million) and corporate tax payment (¥467 million). Depreciation cost stood at ¥1,632 million, ¥62 million less than that of the previous twelve months.

Cash provided by investment activities increased ¥5,109 million, leaving a negative balance of ¥6,919 million. This was due largely to bond investment in fund management resulting in more acquisition of investment securities. Meanwhile, acquisition of tangible fixed assets increased by ¥590 million to ¥1,666 million, subsequent to land purchase for R & D facilities in Japan and acquisition of cosmetics manufacturing equipment in Japan and Indonesia.

Financing activities ended also in a negative cash flow of ¥1,345 million. Nearly all the outlay is accounted for by shareholder dividend including dividend payment to minority shareholders, amounting in total to ¥1,337 million.

(3) Outlook Next Term

Operating cash flow in FY 2006 is expected to reach a figure slightly below that of FY 2005. This is based on the assumption that although pretax profit is likely to rise, there will be a substantial drop in non-cash transaction loss, plus a large drop in trade receivables and inventory assets cannot be expected because of operational expansion.

Investment cash flow is expected to top the ¥3,000 million mark, due to the planned heavy investment in R & D facilities in Japan and the cosmetics manufacturing facilities in Japan and Indonesia.

There are no plans that affect financing cash flow, except for dividend payment to shareholders.

3. Cash Flow Indicators

	FY 2002	FY 2003	FY 2004	FY 2005
Shareholders' Equity Ratio (%)	76.1	79.1	80.7	80.5
Market Value Shareholders' Equity Ratio (%)	106.6	120.4	123.3	148.4
Redemption Term (Number of Years)	0.1	0.1	0.1	0.1
Instant Coverage Ratio	56.3	61.2	1,308.8	3,266.3

Notes: Shareholders' Equity Ratio = Shareholders equity / Total assets
Market Value Shareholders' Equity Ratio = Net market value / Total assets
Redemption Term = Interest-bearing liabilities / Operating cash flow
Instant Coverage Ratio = Operating cash flow / Interest paid

* All figures were calculated using financial figures on a consolidated basis.
* Net market value was calculated by multiplying closing share price at fiscal year-end and number of outstanding shares at fiscal year-end (after discounting treasury stock).
* Operating cash flow here means cash flow generated by operational activities included in the consolidated cash flow statement. Interest-bearing liabilities signify all liabilities on which interest is being paid out of the liabilities listed on the consolidated balance sheet. Interest paid is the interest payment sum shown in the consolidated cash flow statement.

4. Operational Risks

The following are issues that may have a potentially significant impact on investors' investment decisions.

1. Input of New and Renewal Products and Acceptance of Product Returns
The Japanese cosmetics market is best viewed as a mature market. All cosmetics manufacturers have no option but to introduce new products or revamp existing products in order to maintain and improve brand image.

Every spring and autumn, Mandom launches new products, conducts product renewals or adds new items to the lineup. At the same time, to establish new products swiftly onto the market, Mandom accepts returned goods from its selling agents, either regular-line withdrawal items due to retailers' in-store merchandising change or old items after product changeovers. The total amount of such returned goods may have an impact on consolidated performance figures.

In the past two years, returns amounted to ¥1,587 million in the year ended March 2004 and ¥1,521 million in the year ended March 2005. The ratios of these figures to the turnover were 4.6% and 4.2%, respectively.

2. Dependence on Business Partners

Company	Previous Consolidated FY (April 1, 2003 ~ March 31, 2004)		Current Consolidated FY (April 1, 2004 ~ March 31, 2005)	
	Total (thousand yen)	Percentage	Total (thousand yen)	Percentage
Paltac	13,868,077	30.6	14,864,293	31.3
PT Asia Paramita Indah	5,840,505	12.9	6,625,067	13.9

As can be seen from the table above, there are business partners that are purchasers of Mandom on whom the Company has a dependence of 10% or more in proportion to consolidated sales. Mandom Corporation and PT Mandom Indonesia Tbk have enjoyed a stable trading partnership with the two above-mentioned companies over a long period. Looking at the distribution market of cosmetics and similar sectors, it looks likely that the oligopoly of large wholesales both nationally and internationally will accelerate. This means that an increase may well occur in Mandom's dependence on certain agents in terms of sales.

3. Legal Regulation

The Company manufactures (imports in part) and sells quasi-medical products and cosmetics that are regulated under the Pharmaceutical Affairs Law. The manufacture and import of quasi-medical products and cosmetics require licensing and registration in compliance with the said law. The Company complies fully with the requirements of the said law and manufactures and imports products legally and properly. The Pharmaceutical Affairs Law was revised and the revised law became effective in April 2005. The Quality Assurance Division was given responsibility to deal with necessary changes in product labeling and customer enquiry in accordance with the revised law. Furthermore, the Company adheres strictly to the Pharmaceutical Affairs Law and other relevant legislation in labeling and advertising so as to engage in proper corporate conduct.

4. Currency Fluctuations

The Company is strongly committed to carrying out business in the Asian region, where market expansion is expected. There are affiliated companies in 8 countries and 1 region. The percentages of consolidated sales that overseas business generated in FY 2004 and FY 2005 were 23.5% and 26.3%, respectively. Production transfer to the Asian region will continue and there will be much greater weight of overseas business to the whole. The Group has adopted a hedge against foreign exchange risks by making balance adjustments on foreign currency denominated import and export. However, currency fluctuations may have an impact on consolidated performance.