Mandom Corporation

Interim Business Results (April 1, 2005 –September 30, 2005)

Published November 9, 2005

Stock Listing: Tokyo Stock Exchange, First Section

Code Number: 4917

Head Office: 5-12 Juniken-cho, Chuo-Ku, Osaka, 540-8530

President: Motonobu Nishimura

Contact: Kazunori Koshikawa, General Manager, Corporate Communications & Investor Relations Division

Fax: (81)- (0) 6 6767 5043

U.S. GAAP: None **URL:** http://www.mandom.co.jp

Consolidated Financial Highlights

(Note: Rounded off to millions)

Period	**FY2006 Interim**	Change % YoY	FY2005 Interim	Change %YoY	FY2005
Net Sales	**26,034**	2.4	25,426	5.8	47,546
Operating Income	**4,016**	△12.9	4,610	12.9	6,700
Ordinary Income	**4,074**	△9.2	4,484	12.7	6,281
Net Income	**2,111**	△3.6	2,190	8.2	3,211
Total Assets	**49,920**	-	47,691	-	47,397
Shareholders' Equity	**39,871**	-	37,833	-	38,168

Period	Shareholders' Equity Ratio	Shareholders' Equity Per Share	Return on Equity (ROE)	Earnings Per Share (EPS)
FY2006 Interim	79.9%	¥1,653.00	5.4%	¥ 87.54
FY2005 Interim	79.3%	¥1,568.32	5.9%	¥ 90.80
FY2005	80.5%	¥1,577.94	8.6%	¥ 128.73

Notes.

1) Investment profit on equity method

9/05: ¥17 million

9/04: ¥13 million

3/05: ¥26 million

2) Average number of shares on a consolidated basis:

9/05: 24,121,273

9/04: 24,124,367

3/05: 24,123,461

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 compared to the interim results of the previous year.

5) Number of outstanding shares on a consolidated basis

9/05: 24,120,941

9/04: 24,123,516

3/05: 24,121,835

Cash Flow

Consolidated Basis (¥ Million)

Period	**FY2006 Interim**	FY2005 Interim	FY 2005
Operating Activities	**3,979**	4,120	**6,061**
Investing Activities	**△3,158**	△1,879	**△6,919**
Financing Activities	**△869**	△737	**△1,345**
Cash and Cash Equivalents	**7,630**	11,350	**7,662**

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): 0 (Exclusion: 0)

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

Outlook for the Fiscal Year, Ending March 31, 2006

Consolidated Basis (¥ Million)

Fiscal Year March	2006
Net Sales	48,200
Ordinary Income	6,200
Net Income	3,100

Earnings Per Share (EPS) (¥)	128.52

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 page 17 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. While prioritizing the return of profits to shareholders, 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.

Under an even stronger commitment to dividend policy, the Group's goal is to maintain a dividend payout ratio of not less than 40% of consolidated net income and to maintain a dividend-on-equity ratio (DOE) above 3%.

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 12,323 as of the end of this interim period.

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 maintain Group growth and corporate value enhancement based on increased profits.

Mandom's financial targets on a consolidated basis which were set in its Middle-range Planning starting April 2005 are indicated in the following table:

Middle-range Planning 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

The Group achieved profits roughly as planned for this interim period, thanks to the healthy performance of overseas business fueled by continued market investment focused on cosmetary in Japan and on Southeast Asia as region. SCM (Supply Chain Management), which is a key project carried over from the previous year, will continue, and together with optimization of the entire operational process, greater profitability will be pursued. Making maximum use of all devices available, Mandom aims to achieve the final year targets set by this Middle-range Planning.

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, active deployment of management resources will be made to increase profits. The Middle-range Planning that went into action 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 business. The Southeast Asian market will continue to be harnessed 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 income generator from a long-term perspective. Accordingly, relevant R & D and marketing will be strengthened in order to build the infrastructure for future business expansion.

Two strategic product lines in the core business remain the same as in the previous Middle-range Planning. They are *Gatsby* men's cosmetics and *Lucido L* branded merchandise for women. These are joined by the new priority category, Face & Body. Hair coloring products remain as strategic lines by Area. *Gatsby* has been placed at the very heart of the Group's expansion strategy. The *Gatsby* brand will be the main instrument of Group business growth, through improved product lineup in Japan 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 after hair styling. The market is expanding throughout Asia and the company is well poised to exploit its technology base in developing the category. By improving lineup and implementing strategic marketing tailored to each region, Mandom aims to turn Face & Body into a key player in the Group's business.

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 making a full-scale assault on the gray hair market.

Women's cosmetics is a new area for foundation building. The business restructuring that has been ongoing since FY 2005 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 products are central in Mandom's strategy of continued business expansion in countries where we already have a foothold. Products transferred from Japan as well as locally developed products will be expanded and marketing investment reinforced. The newcomer is China, where full-fledged marketing is due to commence and efforts are beginning in the exploration of new areas. This Middle-range Planning envisages overseas operations surpass Japanese operations in scale, with overall weight shifting even further onto business outside Japan.

In the Middle-range Planning 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 through the overhaul of materials purchasing. Cost reduction will remain an ongoing challenge. 3PL (Third Party Logistics) will be put into full implementation and SCM (Supply Chain Management) 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 Human Resources 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. A case in point is the Act on the Protection of Personal Information that came into full effect in Japan in April 2005. Management has prioritized the building of the company's privacy protection system and the strengthening of its control.

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

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

1) 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.

2) Appointment of External Directors/Auditors

Total number of Directors:	8
Total number of External Directors:	1
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.

3) Executive Structure

Reflecting respective operational responsibilities, the positions of President Executive Officer, Vice President Executive Officer, Senior Managing Director and Corporate Officer, and 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.

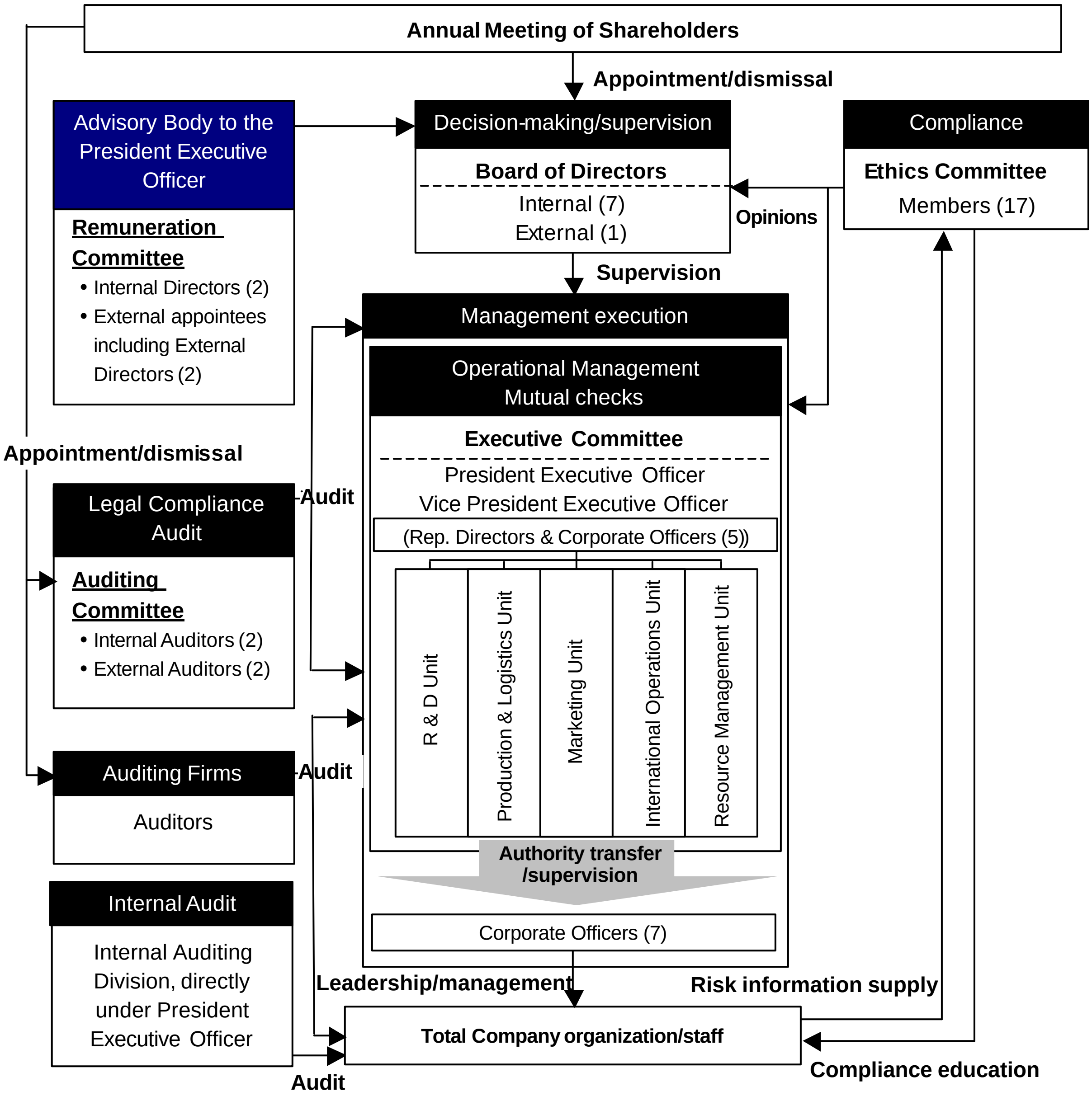
4) Internal Regulation

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 General Administration Division, the Legal Affairs Division, the Quality Assurance Division and the 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.

5) 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.

6) Diagram of the Company's Corporate Governance System



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

The Company currently has one External Director, Mitsuo Goto, who is Advisor to Seven & I Holdings Co., Ltd. Although regular business relations exist, the Company has no capital interest in this company or its wholly owned subsidiaries Ito-Yakado Co., Ltd. and Seven-Eleven Japan Co., Ltd. and vice versa and there is no direct relationship of interest involving the external directors.

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 first half of this fiscal year, 6 meetings were held. The Auditors and the Auditing Committee are not served by dedicated administrative staff. Practical support comes from the Legal Affairs Division, the General Administration Division and the 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 7-year limit on the length of time that its staff remains engaged in auditing work with Mandom.

(4) Directors' Remuneration

The Directors' Retirement and Bonus System was abolished by a resolution passed in the Board of Directors' Meeting of May 2005. Directors' remuneration is paid out within the limits approved at the Annual Meeting of Shareholders and directors' bonuses are also determined in line with profit allocation approved by the Annual Meeting of Shareholders.

2. Results of Operations and Financial Condition

1. Review of Operations

(1) Business Results

Interim Ended September	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	ROE (%)	EPS (¥)
2005	26,034	4,016	4,074	2,111	5.4	87.54
2004	25,426	4,610	4,484	2,190	5.9	90.80
Change % YoY	2.4	△12.9	△9.2	△3.6	△8.5	△3.6

The Japanese economy in the first half of this financial year continued to show recovery led by a healthy industrial climate of capital investment recovery and strong personal spending. The cosmetics sector is beginning to pick up to a level exceeding that of the same period in FY 2005 both in quantity and in yen; however, intense competition remains the order of the day, leaving market conditions as tough as ever. Meanwhile, economic growth is patchy in Asia, Mandom Group's overseas operations domain, with consumer spending sluggish overall, dampened by the impact of high oil prices.

Total consolidated sales for this half of the year reached ¥26,034 million, an increase of 2.4% on the same period of the previous year. Sales of the core brand *Gatsby*'s Face & Body category increased, boosting performance both in Japan and overseas and growing in brand size to ¥13,700 million in the first half-year. *Lucido L*, though not quite reaching target levels, is still on an upward climb. Meanwhile, women's cosmetics in Japan remains mired in a slump.

All in all, despite the steady growth of the overseas business, poor exchange rates meant that the two-digit increase in sales by the major generator of income, PT Mandom Indonesia Tbk., did not get reflected properly in consolidate sales figures.

Operating profits dipped 12.9% over the same period last year, down to ¥4,016 million. The reasons for this are the rise in sales-to-cost ratio in PT Mandom Indonesia Tbk. and the heavier input of marketing investment both in Japan and overseas compared to the same period in FY 2005. Furthermore, the dramatic decrease in inventory disposal pushed non-operating profit and loss right back into the black, resulting in an ordinary profit of ¥4,074 million, 9.2% down year on year.

Extraordinary profit and loss for this interim period include loss on impairment of assets and retirement bonus payout necessitated by the abolition of the Directors' Retirement and Bonus System. However, thanks to there no longer being deferred tax assets disposal that affected the ledger last year, the net income for this interim period stood at ¥2,111 million, 3.6% down on the same period last year.

The interim business results for FY 2006 are largely according to the plan laid out at the beginning of the fiscal year. The exchange rate used in the calculations for the above business results for this period is 0.0113 yen to 1 Indonesian rupiah.

The dividend payout at the end of the interim period is to be ¥30 per share as planned.

(2) Sales Breakdown by Region

Consolidated Basis (¥ Million)

Regional Segment	Sales			Operating Profit		
	Fiscal Year 2006 Interim	Fiscal Year 2005 Interim	Change % YoY	Fiscal Year 2006 Interim	Fiscal Year 2005 Interim	Change % YoY
Japan	19,398	19,204	1.0	3,074	3,319	△7.4
Asia	6,636	6,222	6.6	941	1,290	△27.0

In the domestic market, sales totaled ¥19,398 million. *Gatsby*, *Lucido L* and *Lucido* all benefited from the good performance of their summer lines. These three major brands thus managed to cover for the drop in sales of women's cosmetics, bringing sales to a 1.0% increase year on year. In the Face & Body category, paper products led the way in achieving a sales total of ¥5,600 million. Due to the merger and sale of subsidiaries that took place in the last quarter of FY 2005, the parent company's share of consolidated sales in this interim period has become 70%. A & P expenditure and other sales expenditures were given a generous boost compared to the same period last year, which meant that operating profit registered ¥3,074 million, a 7.4% decrease year on year.

On the Asian scene, sales were up, totaling ¥6,636 million. Although the core brand *Gatsby* was stagnant in growth in some countries (Korea, Singapore), the increase in sales in Indonesia resulted in overseas sales as a whole shooting up by a double figure. Women's cosmetics did well also. Sales for the segment thus saw a 6.6% increase year on year. This success raised the weighting of Asia in total Group sales for this interim period up to 25.5%. As for profit, oil price hikes and currency weakness led to the sales-to-cost ratio going up roughly 1% in the Indonesian manufacturing powerhouse, PT Mandom Indonesia Tbk., and compounded by marketing expenditure investment returning to normal levels (expenditure was cut back as a matter of policy in the interim period last year, resulting in this interim period showing a huge increase), operating profit for Asia overall was ¥941 million, which was 27.0% down from the same period last year.

The role of Asia is ever enlarging in Group activities: the ratio of overseas sales (powered by Asia) to consolidated sales is now 26.5%.

(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)	ROE (%)	EPS (¥)
2006	48,200	6,380	6,200	3,100	7.8	128.52
2005	47,546	6,700	6,281	3,211	8.6	128.73
Change % YoY	1.4	△4.8	△1.3	△3.5	△9.3	△ 0.2

The Japanese economy looks set to continue in its gentle recovery. Nevertheless, the cosmetics sector is heading for further harshness of business climate. The Asian economy is undergoing a period of uncertainty due to the sharp rise in crude oil prices and currency weakness.

Such being the context, management resources will be focused on the priority brand categories. New products will be actively input and marketing activities will be stepped up so as to ensure sales that exceed last year's performance levels.

In Japan, the profit structure stays weighted heavily on the first half of the financial year. Still, by reviewing some of the product lineup of women's cosmetics, the Company plans to increase expenditure in the second half. All the more so, cost-saving and marketing efficiency will be keys. By such means, Management will aim to increase year-on-year income and profits in the second half-year, focusing on *Gatsby*.

In Asia, the policy remains the same in the nurturing of the core brand *Gatsby* and other chief brands in each country and fortifying of their distribution mechanisms. However, because cost is envisaged to stay high in Indonesia, the Group's Asian powerhouse, a bigger increase in sales than was originally planned is targeted in order to compensate for the rise. Adjustments were made in performance forecasts and expected currency rates for some overseas subsidiaries.

To summarize, the outlook for the fiscal year ending March 31, 2006 was revised: consolidated sales are now forecast as ¥48,200 million, operating profit ¥6,380 million, ordinary profit ¥6,200 million and net profit ¥3,100 million. These forecast figures assume an exchange rate of ¥0.0112 to 1 Indonesian rupiah (¥0.0111 to 1 Indonesian rupiah for the second half-year).

The dividend payout for the interim period is ¥30 per share as planned and the payout for the whole year is expected to total ¥60 per share, assuming that planned profits are attained.

2. Financial Condition

(¥ Million)

	Fiscal Year 2006 Interim	Fiscal Year 2005 Interim	Change % YoY
Cash & cash equivalents balance at start of period	7,662	9,767	△2,104
Operating cash flow	3,979	4,120	△141
Investment cash flow	△3,158	△1,879	△1,278
(Fixed assets investment)	(△1,443)	(△751)	(△691)
Financing cash flow	△869	△737	△131
Foreign currency translation adjustment	17	△2	19
Net increase in cash and cash equivalents	△31	1,500	△1,532
Increase due to change in number of consolidated companies	-	82	△82
Cash & cash equivalents balance at end of interim period	7,630	11,350	3,719
* Pre-tax net income (interim)	3,925	4,518	△592
Depreciation cost	790	777	13
* Fixed asset investment			
Tangible fixed assets	1,393	631	762
Intangible fixed assets	49	120	△70

(1) General Overview

Total assets during the six-month period increased by ¥2,522 million to ¥49,920 million. The principal reason is the increase in fixed assets by ¥2,401 million. Construction started on the new R & D facility in Japan, enlarging construction suspense account by ¥744 million and the corresponding amount of the profit for the period was appropriated for fund management for more than one year, increasing investment securities by ¥1,913 million. The chief increase in liabilities is due to the increase in accrued income tax by ¥742 million. This is due to the accrued sum in Japan at the end of March 2005 decreasing considerably in comparison to normal because of the merger that took place. Liabilities at the end of this interim period therefore is well within the limits of ordinary short-term liabilities.

(2) Cash Flow Situation

Net cash provided by operating activities stood at ¥3,979 million, a ¥141 million fall over the same period of the previous year. This is due mainly to pre-tax net income decreasing by ¥592 million while corporate tax and other payments decreased by ¥546 million and non-capital transactions such as loss on impairment of assets and foreign exchange loss arising. Depreciation cost stood at roughly the same level as last year at ¥790 million.

Cash provided by investment activities increased ¥1,278 million, leaving a negative balance of ¥3,158 million. The start of construction on the R & D facility led to the increase in acquisition of tangible fixed assets by ¥762 million over last year and acquisition of investment securities increased for fund management purposes.

Financing activities ended also in a negative cash flow of ¥869 million. Nearly all the outlay is accounted for by shareholder dividend including dividend payment to minority shareholders.

(3) Outlook Next Term

Operating cash flow in FY 2006 is expected to reach a figure around ¥5,500 million. This is based on the assumption that profit levels for the second half of the year is likely to achieve less than roughly 40% of that of the first half. Depreciation cost is predicted as ¥1,614 million.

Investment cash flow is expected to be on a par with the first half year, due to the investment in cosmetics manufacturing equipment and the building of the R & D facility in Japan. The sum spent on tangible fixed assets is envisaged to be total around ¥2,700 million for the 12-month period.

There are no plans that affect financing cash flow, except for interim dividend payment (distribution as stipulated by Commercial Code).

To conclude, the cash and cash equivalents at the end of September 2005 are projected to rise slightly over March 2005 to total approximately ¥800 million.