Business Results (April 1, 2006 – September 30, 2006)

Published November 9, 2006

Corporate Name: Mandom Corporation   Stock Listing: Tokyo Stock Exchange, First Section

Code Number: 4917   Head Office: Osaka Prefecture

(URL: http://www.mandom.co.jp)

President:	Motonobu Nishimura, Representative Director, President Executive Officer
Contact:	Katsunori Takeda, Corporate Officer
	Tel: (81)- (0) 6 6767 5001
Board of Directors meeting	Nov. 9, 2006
U.S. GAAP:	None

1. Interim Results for Fiscal 2007 (April 1, 2006 – March 31, 2006)

(Note: Rounded off to millions)

(1) Sales and Income

	Net Sales		Operating Income		Ordinary Income	
	(¥ million)	Change % YoY	(¥ million)	Change % YoY	(¥ million)	Change % YoY
FY2007 Interim	**27,287**	**4.8%**	**3,452**	**△14.0%**	**3,476**	**△14.7%**
FY2006 Interim	26,034	2.4%	4,016	△12.9%	4,074	△9.2%
FY2006	47,923		6,065		6,120	

	Net Income		Earnings Per Share (EPS)	Earnings Per Share (diluted)
	(¥ million)	Change % YoY		
FY2007 Interim	**1,778**	**△15.8%**	**¥74.31**	**¥ ---**
FY2006 Interim	2,111	△3.6%	¥87.54	¥ ---
FY2006	3,099		¥124.36	¥ ---

Notes:

1) Investment profit or loss on equity method

9/06: ¥19 million   9/05: ¥17 million   3/06: ¥32 million

2) Average number of shares on a consolidated basis

9/06: 23,936,385   3/05: 24,121,273   3/06: 24,120,912

3) There were 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 to compared to the interim results of the previous year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	(¥ million)	(¥ million)		
FY2007 Interim	**52,129**	**43,446**	**78.2%**	**¥1,712.90**
FY2006 Interim	49,920	39,871	79.9%	¥1,653.00
FY2006	51,320	40,568	79.1%	¥1,677.82

Notes: Total number of issued shares on a consolidated basis

9/06: 23,789,717 9/05: 24,120,941 3/06: 24,120,048

(3) Cash Flow

Consolidated Basis

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY2007 Interim	**3,093**	**△1,233**	**△1,839**	**8,978**
FY2006 Interim	3,979	△3,158	△869	7,630
FY2006	4,911	△2,444	△1,196	8,983

(4) 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

(5) Changes in consolidation and equity method application

Consolidation (new): 0 (Exclusion: 0)

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

2. Outlook for the Fiscal 2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(¥ million)	(¥ million)	(¥ million)
FY2007	**50,600**	**5,070**	**2,500**

Projected 12-month Earnings Per Share (EPS) ¥105.09 (for reference only)

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 19 in the attachment.

Mandom Group Companies

The Mandom Group consists of Mandom Corporation, 12 subsidiaries and 2 affiliates. The Group's main line of business is the manufacture and sales of cosmetics.
Summarized below are the roles of each of the Group companies in our business activities.

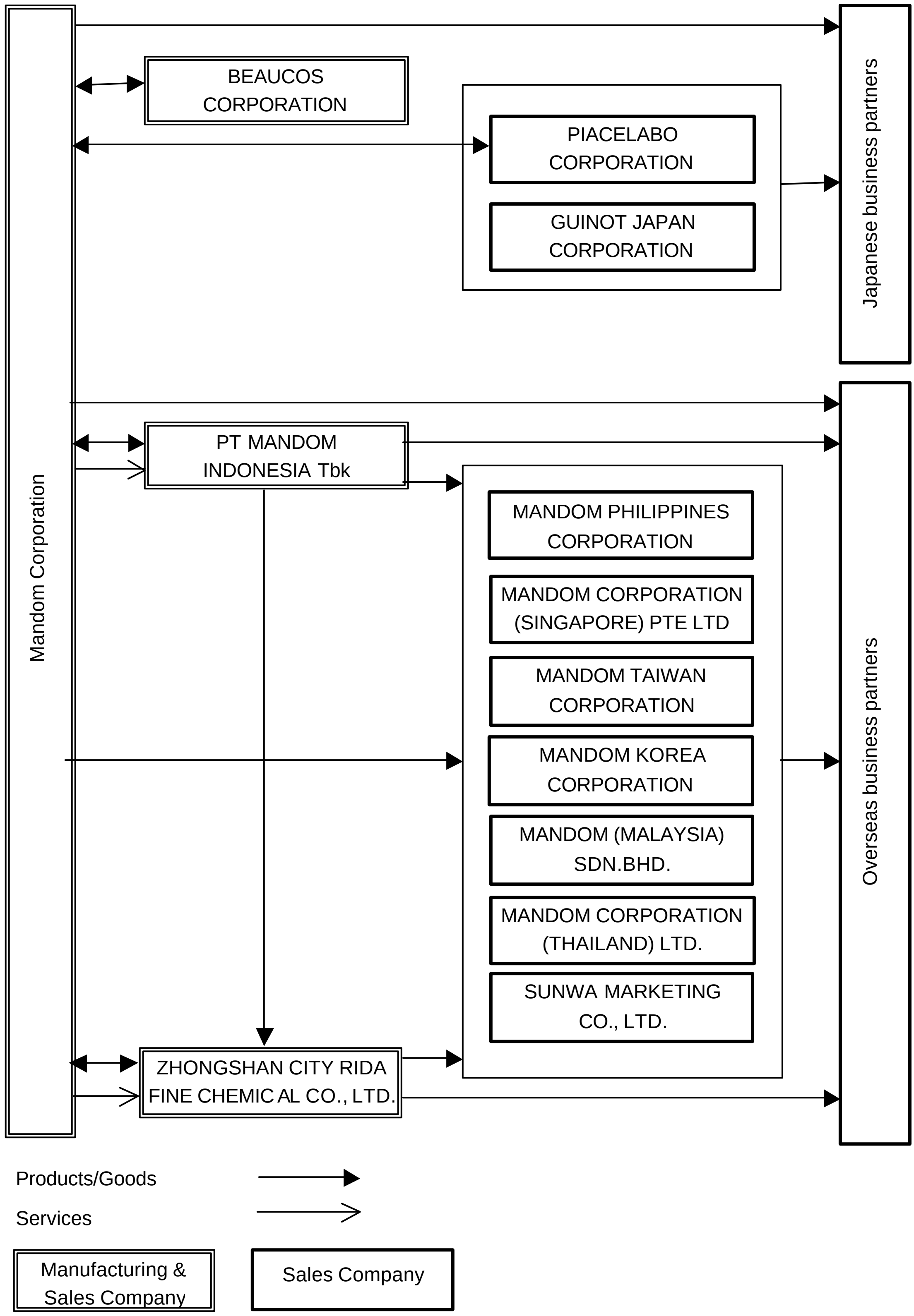
Cosmetics Business

Manufacture /Sales		1 Japanese & 2 overseas companies
	Japan	Mandom Corporation Mandom Corporation manufactures and markets cosmetics handled by the company and the consolidated Japanese subsidiaries. Mandom Corporation exports cosmetics handled by the consolidated Overseas subsidiaries.
	Overseas	1 consolidated subsidiary and 1 non-consolidated subsidiary These two subsidiaries - the consolidated subsidiary, PT MANDOM INDONESIA Tbk, and the non-consolidated subsidiary, ZHONGSHAN CITY RIDA FINE CHEMICAL CO. LTD., - manufacture and sell cosmetics that they each handle. In addition, they manufacture and export cosmetics to be sold by Mandom Corporation.
Sales		2 Japanese & 7 overseas companies
	Japan	2 consolidated subsidiaries Supplied mainly by Mandom Corporation, PIACELABO CORPORATION and GUINOT JAPAN CORPORATION market the products.
	Overseas	5 consolidated subsidiaries, 1 equity-method affiliate and 1 non-equity-method affiliate These companies mainly purchase supplies from Mandom Corporation and 2 Group's overseas manufacturing companies and sell these products. Consolidated subsidiaries: MANDOM PHILIPPINES CORPORATION, MANDOM CORPORATION (SINGAPORE) PTE LTD, MANDOM TAIWAN CORPORATION, MANDOM KOREA CORPORATION, MANDOM (MALAYSIA) SDN.BHD. Equity-method affiliate: SUNWA MARKETING CO., LTD. Non-equity-method affiliate: MANDOM CORPORATION (THAILAND) LTD.
Others		1 Japanese
	Japan	1 consolidated subsidiary BEAUCOS CORPORATION control the quality of cosmetics handled by MANDOM CORPORATION and the Japanese consolidated Japanese.

Other Business Activities

Non-consolidated subsidiaries		1 Japanese & 1 overseas company
	Japan	MANDOM BUSINESS SERVICE CORPORATION is an insurance agency and undertakes property management for Mandom Corporation's head office building.
	Overseas	MANDOM MANAGEMENT CONSULTANT SDN. BHD. undertakes consultancy.

The figure below shows the business relationship among Group companies.



Affiliated Companies

Name	Address	Capital or Invested Capital	Main Business Activities	Voting Rights	Relationship	Notes
(Consolidated Subsidiary)		(million yen)		(%)		
PIACELABO CORPORATION	Chuo-ku, Osaka	200	Sales of cosmetics	100.0	Mandom Corporation manufactures and sells its cosmetics and leases out office premises; 4 concurrent directors (employees of Mandom Corporation)	
BEAUCOS CORPORATION	Chuo-ku, Osaka	100	Manufacture and sales of cosmetics	100.0	Mandom Corporation leases out office premises; 1 concurrent directors (employee of Mandom Corporation)	
GUINOT JAPAN CORPORATION	Chuo-ku, Osaka	100	Sales of cosmetics	100.0	Mandom Corporation manufactures and sells its cosmetics, loans out business funds and leases out office premises ; 4 concurrent directors (employees of Mandom Corporation)	
MANDOM PHILIPPINES CORPORATION	Philippines	(million Philippine peso) 30	Sales of cosmetics	100.0	Mandom Corporation exports and sells products through it; 4 concurrent directors (of which 3 are employees of Mandom Corporation)	
MANDOM CORPORATION (SINGAPORE) PTE LTD	Singapore	(thousand Singapore dollars) 600	Sales of cosmetics	100.0	Mandom Corporation exports and sells products through it; 1 concurrent director (employee of Mandom Corporation)	
MANDOM TAIWAN CORPORATION	Taiwan	(million new Taiwan dollars) 50	Sales of cosmetics	100.0	Mandom Corporation exports and sells products through it; 4 concurrent directors (of which 3 are employees of Mandom Corporation)	
MANDOM KOREA CORPORATION	South Korea	(million Korean won) 2,500	Sales of cosmetics	100.0	Mandom Corporation exports and sells products through it; 3 concurrent directors (of which 2 are employees of Mandom Corporation)	
MANDOM (MALAYSIA) SDN.BHD.	Malaysia	(million ringgit) 10	Sales of cosmetics	97.6	Mandom Corporation exports and sells products through it; 1 concurrent director (employee of Mandom Corporation)	
PT MANDOM INDONESIA Tbk	Indonesia	(million rupiah) 90,480	Manufacture and sales of cosmetics	60.7	Mandom Corporation sells cosmetics materials to it and purchases cosmetics products from it; 5 concurrent directors (of which 4 are employees of Mandom Corporation)	*1 *2
(Equity-method affiliate) SUNWA MARKETING CO.,LTD.	Hong Kong	(million Hong Kong dollars) 12	Sales of cosmetics	39.0	Mandom Corporation exports and sells products through it; 2 concurrent directors (employees of Mandom Corporation)	

(Notes)

1. *1 indicates special subsidiary.
2. There are no companies that have submitted securities registration or financial statements.
3. The ratio of sales of *2 (excluding internal sales between consolidated companies) to the consolidated sales total exceeds 10%.

   Key profit and loss data:

(i)	Sales	6,261 million yen
(ii)	Ordinary Income	1,103 million yen
(iii)	Net Income	768 million yen
(iv)	Net Assets	6,998 million yen
(v)	Total Assets	8,234 million yen

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. Thus, under this 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%.

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.

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 is increasing. The total number of shareholders as of the end of this Interim Period is 14,002.

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. To attain these target performance indicators, the aim of the current Three-Year Mid-Term Management Plan is to increase profits through the expansion of existing core operations with cosmetry as the key area by investing in manufacturing equipment and R&D, and through the expansion of overseas operations by continuing investments in the Southeast Asian markets.

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

Mid-Term Management Plan Financial Targets (Consolidated Basis)

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

At this halfway point through the second year of the new Mid-Term Management Plan (year ending March 2007), Mandom's profitability showed a decline due to the increase in sales cost. This was offset by the healthy performance of the Group's overseas business, which ensured good earnings on a consolidated basis for the Interim Period. In this second year of the Management Plan, strategic investment is being made into marketing expenditure for the core Japanese operations, which will bring down profit efficiency even further. However, by the third and final year of the Management Plan, management envisages an improved profit structure for the Japanese operations and continued strengthening of overseas operations, turning the profit curve into an upward direction. In view of the investment set aside for business expansion and surplus capital, the Group's capital efficiency will improve, and in terms of offering returns to shareholders from a long-term perspective, the Group will adopt a flexible policy in the acquisition of treasury stock.

Notes:

ROE = Net income / Shareholders' equity at the beginning of the period (excluding minority shareholders' equity) and Shareholders' equity at the end of the period (excluding minority shareholders' equity) divided by two.

EPS = Net income minus directors' bonuses in profit allocation / Average number of outstanding shares

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 Three-Year Mid-Term Management Plan that commenced in April 2005 incorporates not only assured business expansion of existing core operations but also foundation laying for new business activities in the interest of broadening Group business areas with a long-range view. Not only will strengthening of internal resources be made but if a speedy and efficient means of corporate value enhancement is identified, Management will actively and flexibly engage in acquiring external resources through M & A or business partnerships.

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 cosmetry business. The Southeast Asian market will continue to be regarded as the growth engine. The assured 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 its infrastructure for future development as Mandom's in-house business area.

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, targeting the biggest expansion as a brand 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 expand the brand's share in the women's hair styling market with key emphasis first on Japan. Overseas, new effort will be directed into raising the brand profile. 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. Hair coloring products, which assumed strategic status in the previous Management Plan, will continue to be pushed forward, with fashion hair coloring items being given further market impetus in Southeast Asia. In Japan, Mandom will endeavor to maintain market share in fashion hair coloring while the large and attractive gray hair market will be targeted full-scale. Thus, 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.

Women's cosmetics is a new area for foundation building. With future overseas marketing of men's cosmetics also in view, branding, technology, and marketing will be integrated and R & D and production will be conducted in-house. To this end, this Mid-Term Management Plan will devote efforts into the review and turnaround of current profit structure and improvement of operational setups.

Mandom's key Area is overseas. The core cosmetry products "*Gatsby*" 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 to nurture brands. In China, a market that promises to reap great rewards, heavy marketing investment will be made in Mandom's three key areas (Beijing, Shanghai, Guangzhou). This will further result in enlarging the size of the share of overseas operations in the Group's activities. Besides the countries where Mandom already operates, opening up of new Areas will be initiated chiefly in Asia, aimed at the long-term expansion of overseas business.

Alongside the motivation for growth, the pursuit of profitability means continuous commitment to cost reduction. The promotion of internal manufacture to improve production lot and marketability, the effective use of the Group's production facilities and the overhaul of materials purchasing will continue. Third Party Logistics (3PL) will be in operation to step up the reduction of distribution costs and of turning them into variable costs. Supply Chain Management (SCM) will be in the pipeline, in order to enable Mandom to pursue further gains in profitability and management efficiency through optimization and streamlining of all operational processes that would also encompass our business partners.

The Interim Period saw good business results in our core brand *Gatsby* and in our overseas business, both propelling the Group's growth. The strategic input of marketing resources into *Gatsby* successfully generated a double-digit growth for the Group as a whole and improved market share within Japan.

Profitability is by and large within the forecast range. However, the ratio of sales cost to net sales is rising, which Management perceives as a risk factor that may lead to profit downturn. PT Mandom Indonesia Tbk. succeeded in containing costs thanks to its cost reduction drive and the weak yen. Mandom Corporation though suffered a huge rise, with increasing material costs compounded by a rapid change in sales composition and higher cost of outsourced processing. Despite crude oil prices falling slightly, there are continuing upward pressures on sales-cost ratio, including the above-metinoed shift in the weighting of product sales. To remedy the situation, improvement will be made in product design.

6. Management Issues

Mandom regards the following as core issues to be addressed in view of the business results and promotion status for the previous year and for this Interim Period:

(1) Responses to Changes in the Men's Cosmetics Market in Japan

Men's cosmetics constitute a core part of Mandom's business operations, with an approximately 75% share in turnover as of the end of the previous year. Competition in the business environment in the sector, however, intensified greatly as of last year. This is not a short-lived trend but a permanent state of affairs for this market, with companies from different business sectors eagerly making entry into the market. Against this backdrop, to provide our customers with more satisfaction, Management views as its priority action the delivery of marketing innovation described in (2) below and technological reinforcement (especially in skincare in tandem with the strengthening of women's cosmetics infrastructure).

(2) 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. The downturn of major brands in Japan last year and tougher competition in men's cosmetics described in (1) above mean that 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.

(3) 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.

(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.

(5) Pursuit of Capital Efficiency

The pursuit of efficiency in asset/capital management was a key issue for the Group's previous Management Plan (FY ended March 2003 - FY ended March 2005). By seeking to achieve greater profitability mainly through cost reduction and by adopting market-price accounting and posting evaluation losses of assets in the financial statements, ROE/ROA indicators improved during the three years. Despite this, profit declines in FY 2006 and in the forecast for FY 2007 signify deterioration in capital efficiency, an issue that presents a continued challenge. To increase profit, Management will seek to make manufacturing and R&D investment as well as conduct effective M & A and forge business partnerships. While keeping an eye on investment status, treasury stock acquisition will also be considered as an instrument for improvement.

Results of Operations and Financial Condition

1. Business Results

	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	ROE (%)	EPS (¥)
2007 interim	27,287	3,452	3,476	1,778	4.4	74.31
2006 interim	26,034	4,016	4,074	2,111	5.4	87.54
Change % YoY	4.8%	△14.0%	△14.7%	△15.8%	△18.5%	△15.1%

(1) Review of Operations

The Japanese economy in the first half of this financial year performed well, led by domestic demand thanks to improved private-sector profits, pickup in manufacturing investment and growth in employment. The cosmetics sector remained almost static due to the slowing down of consumer spending and adverse weather conditions. Meanwhile, the Asian economy, where the Group's overseas operations are conducted, showed good recovery backed up by the healthy state of the US economy.

Total consolidated sales for the Interim Period reached ¥27,287 million, an increase of 4.8% over the previous year. In Japan, although the sales of the Moving Rubber Series hair wax fared better than when first launched as the first wave of total renewal of the core brand *Gatsby*, the lack of growth in other products including *Lucido L,* another core brand, meant that sales in Japan overall achieved only a slight upturn.

Overseas, *Gatsby* brand recognition improved further throughout Asia, and income increased by a double-digit figure because the reinforcement in the hair styling category focusing on wax resulted in an increase in sales.

Operating income was down by a massive 14.0% over the same period last year, to ¥3,452 million. The main reasons for this are the cost of sales leaping up in Japan owing to the high materials cost resulting from the steep rise in crude oil prices and the change in accounting criteria for reserves to cover disposal loss of returned goods as well as to the heavy input of marketing investment (advertising & promotion) necessitated by the total renewal of the *Gatsby* brand. Thus, ordinary income registered a 14.7% decrease over last year, totaling ¥3,476 million. The pretax net income for the Interim Period was a huge drop from last year at ¥1,778 million (15.8% decrease year on year).

The Group as a whole, however, was able to attain sales slightly above the forecast level, thanks to the business success of the consolidated overseas subsidiaries in increasing both turnover and profits, boosted additionally by the strength of local currencies.

The dividend payout for this interim period is to be ¥30 per share as initially announced.

(2) Sales Breakdown by Region

(¥ Million)

Regional Segment	Net Sales			Operating Income		
	Fiscal Year 2007 Interim	Fiscal Year 2006 Interim	Change % YoY	Fiscal Year 2007 Interim	Fiscal Year 2006 Interim	Change % YoY
Japan	19,462	19,398	0.3%	2,170	3,074	△29.4%
Asia	7,825	6,636	17.9%	1,281	941	36.1%

Sales in Japan totaled ¥19,462 million. *Gatsby* suffered from the slump in seasonal summer goods due to poor weather. However, helped by the huge growth in sales of hair wax (Moving Rubber) that underwent total renewal, it managed to compensate for the sluggish performance of existing lines such as *Lucido L*, nudging sales up by a small margin to a 0.3% year-on-year increase. Operating income dived down by 29.4% year on year to ¥2,170 million because of rising sales-cost ratio and heavy spending on marketing to support the launch of the Moving Rubber hair wax series.

On the Asian scene, sales totaled ¥7,825 million. Although the core *Gatsby* brand failed to grow in some regions (South Korea, Singapore), sales especially in Indonesia and in other Asian nations increased and brought a 17.9% increase over the same period last year. Asia constituted 28.7% of the turnover of the entire Group in this Interim Period. In profit terms, PT Mandom Indonesia Tbk cut back costs to accommodate the sharply increasing crude oil prices and the strength of local currencies against the yen in the whole of Asia acted in our favor, resulting in an operating income of ¥1,281 million (36.1% up, year on year).

Overall, Asia is gaining in prominence in the Group's business each year. The ratio of overseas sales to consolidated sales now stands at 29.9%.

(3) Outlook for Next Fiscal Year, Ending March 31, 2007

Fiscal Year March	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	ROE (%)	EPS (¥)
2007	50,600	5,200	5,070	2,500	6.1	105.09
2006	47,923	6,065	6,120	3,099	7.9	124.36
Change % YoY	5.6	△14.3	△17.2	△19.3	△22.8	△15.5

Although the Japanese economy looks to be on a continued recovery trend led by domestic demand, the cosmetics market looks likely to remain in a state of intense competition in the second half of this financial year. The Asian economy is on a recovery course in general but some uncertainties persist due to the slowing down of economic growth in the rest of the world.

Such being the context, Mandom Group aims to direct effort into powerfully bolstering the *Gatsby* brand in Japan and Southeast Asia and reinforcing product marketing geared towards special local market demands. Through this drive, sales at the initially forecast level is expected to be achieved.

Looking at profits, sales-to-cost ratio will be high as in the first half of the year and there will be heavy marketing investment (advertising and promotions) chiefly into *Gatsby* which is being totally renewed to strengthen competitiveness. Asia will also receive marketing input to foster core brands and to reinforce distribution, as had been the policy during the previous term. Thus both operating income and ordinary income look likely to slightly underperform forecast levels. Net income, however, is expected to achieve the forecast figure because of a reduction in corporate tax due to a scaling down of taxable income in Japan.

To summarize, the revised forecast figures are as follows: the consolidated sales for the year ending March 2007 are forecast as ¥50,600 million (5.6% up year on year), operating income ¥5,200 million (14.3% down year on year), ordinary income ¥5,070 million (17.2% down year on year) and net income ¥2,500 million (19.3% down year on year). The operating and ordinary incomes have been revised downward. These forecasts are based on an exchange rate of ¥0.0127 to the Indonesian rupiah (¥0.0128 to the rupiah for the second half of the year).

The dividend payout for the Interim Period is ¥30 as initially planned, in the expectation that the forecast net income for the year will be achieved, and the dividend for the whole year is expected to total ¥60 per share.

2. Financial Condition

(Consolidated Basis)

	Fiscal Year 2007 Interim	Fiscal Year 2006	Change % YoY
Total Assets (¥ million)	52,129	51,320	809
Shareholder's Equity (¥ million)	43,446	40,568	2,877
Shareholders' Equity Ratio (%)	78.2	79.1	
Shareholders' Equity Per Share (¥)	1,712.90	1,677.82	35.08

(Cash Flow Situation)

(¥ Million)

	Fiscal Year 2007 Interim	Fiscal Year 2006 Interim	Change % YoY
Cash & cash equivalents balance at start of period	8,983	7,662	1,321
Operating cash flow	3,093	3,979	△885
Investment cash flow	△1,233	△3,158	1,925
(Fixed assets investment)	(△1,191)	(△1,443)	(252)
Financing cash flow	△1,839	△869	△969
Foreign currency translation adjustment	△26	17	△43
Net increase in cash and cash equivalents	△5	△31	26
Cash & cash equivalents balance at end of interim period	8,978	7,630	1,347
* Pre-tax net income (interim)	3,478	3,925	△447
Depreciation cost	866	790	75
* Fixed asset investment			
Tangible fixed assets	1,165	1,393	△228
Intangible fixed assets	26	49	△23

(1) General Overview

Total assets during the Interim Period increased by ¥809 million to ¥52,129 million, chiefly due to the increase in bills and accounts receivable by ¥797 million. This is principally because of the business expansion of overseas subsidiaries led by PT Mandom Indonesia Tbk. The increase in liabilities is accounted for in the main by the increase in accounts payable of ¥302 million arising from the heavy investment into advertising and promotion.

Shareholders' equity increased by ¥2,877 million during this Interim Period to ¥43,446 million. This is chiefly due to the inclusion of minority shareholders' equity in shareholders' equity as of this financial year (Comparison applying the same calculating method to the March 2006 figure yields an increase of ¥316 million).

(2) Cash Flow Situation

Net cash provided by operating activities stood at ¥3,093 million, a ¥885 million drop over the previous year. This is due to pre-tax net income decreasing by ¥447 million to ¥3,478 million and to payment of corporate tax and other items increasing by ¥559 million.

Cash provided by investment activities decreased ¥1,925 million, leaving a negative balance of ¥1,233 million. This is because the balance of acquisition, redemption and sale of securities fell by ¥1,382 over the same period last year.

Financing activities ended also in a negative cash flow of ¥1,839 million. ¥925 million was spent on shareholder dividend including dividend payment to minority shareholders and ¥913 million was spent on purchasing treasury stock on the open market.

(3) Outlook Next Term

Operating cash flow in FY 2007 is expected to be around the ¥4,000 million mark, taking into account the vast reduction in pretax net income having an impact on profits in the second half, bringing it down to about 40% of the first six months. Depreciation cost is expected to be ¥1,849 million.

Investment cash flow is expected to end at a negative level of ¥3,000 million for the whole of FY 2007. Investment into tangible fixed assets in the second half-year will far exceed that of the first, with the construction of the R & D facilities in Japan and the construction of a new plant in Indonesia.

In terms of financing cash flow, apart from dividend payments to shareholders, no special activity is foreseen for the second half of this financial year.

Cash & cash equivalents balance for the end of FY 2007 is expected to remain at a similar level to FY 2006, at around ¥8,900 million.

3. 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 ¥1,893 million in the year ended March 2006 and ¥728 million in the six-month period ended September 2006. The ratios of these figures to the turnover were 5.2% and 3.6%, respectively.

2. Dependence on Business Partners

There are two business partners that are purchasers of Mandom on whom the Company has a dependence of 10% or more in proportion to consolidated sales (Japan and Indonesia). Mandom Corporation and PT Mandom Indonesia Tbk have enjoyed a stable trading partnership with the two companies, Paltac and Pt Asia Paramita Indah, over a long period. Looking at the distribution market of cosmetics and similar sectors, it looks likely that the oligopoly of large wholesalers both nationally and internationally will accelerate. This means that a further 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 2006 and the first half of FY 2007 were 28.3% and 29.9%, respectively. The proportion of overseas business to the whole is expected to continue rising. 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.