

**Business Results**  
**(Consolidated Basis, April 1, 2006 to December 31, 2006)**

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Company Name: MANDOM Corporation

Stock Listing: Tokyo Stock Exchange, First Section

Code Number: 4917

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

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1. Notes on the Compilation of This Financial Report

1) Simplified methods were adopted in the accounting processing method.

Accounting criteria for corporate tax, etc: Calculations were made using predictive tax rate based on effective tax rate as laid down by law.

Accounting criteria for reserves: Simplified methods were used in some cases.

2) There was a change in accounting processing method from that used in the consolidated accounting year immediately preceding.

3) There were no changes to consolidation and equity method application.

2. Business Results for Q3 of FY Ending March 31, 2007 (April 1, 2006 to December 31, 2006)

**(1) Consolidated Financial Highlights**

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

	Net Sales		Operating Income		Ordinary Income	
	¥ million	%	¥ million	%	¥ million	%
Nine months ended December 31, 2006	39,182	( 5.5)	5,204	( Δ6.0)	5,322	( Δ5.1)
Nine months ended December 31, 2005	37,129	( 1.1)	5,533	(Δ12.4)	5,609	( Δ9.2)
Reference: FY ended March 31, 2006	47,923		6,065		6,120	

	Net Income		Earning Per Share (EPS)		EPS (diluted)	
	¥ million	%	Yen	sen	Yen	sen
Nine months ended December 31, 2006	2,754	( Δ5.1)	115.32		—	
Nine months ended December 31, 2005	2,902	( Δ5.4)	120.35		—	
Reference: FY ended March 31, 2006	3,099		124.36		—	

(NB) Percentages figures indicated for net sales, operating income, ordinary income and net income are year-on-year % changes compared with the third quarter of the previous fiscal year.

The Japanese economy at the end of the third quarter of this term (October 1 to December 31, 2006) was steady in performance fueled by improved domestic demand. The cosmetics industry's macroeconomic indicators leveled out (shipment volume and value). The falls in unit sales prices are halting. However, competition in the Japanese market is still intense. With a few exceptions, the Asian economy, wherein Mandom's overseas group business mainly takes place, continued to show healthy recovery backed by the boom in the US and Chinese economies.

Against this general picture, Mandom's performance in the third quarter of the financial year ending March 31, 2007, was that of slight increase in net sales over the same period of the previous year, as shown above. Sadly though, incomes saw decline. In

sales, the core brand *Gatsby* is expanding sales steadily on both domestic and overseas fronts. Notable is the fact that hair wax (Moving Rubber) is performing very well in Japan, compensating for the lack of growth of other lines and bringing a bigger increase in income than of the Interim Period.

Looking at profits reveal that our cost to sales ratio has remained at a high level as at the end of the Interim Period. Still, the marketing cost (A & P) in Japan necessitated by renewal of *Gatsby* brand was lower than that used at the time of the debut. With increased sales income pushing up figures, the falls in incomes were smaller than those of the Interim Period. Operating income stood at ¥5,204 million (6.0% drop year on year), ordinary income was ¥5,322 million (5.1% drop year on year) and quarterly net income was ¥2,754 million, (5.1% drop year on year).

Overseas businesses as a whole are continuing to register double-digit growth. Sales of the Asian segment and of the overseas operations continued to grow in this third quarter, witnessing massive increases over the same period last year. The result is a further increment in the ratio of overseas sales to consolidated sales reaching 31.1% at the end of this third quarter.

## (2) Changes in Financial Position (Consolidated Basis)

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Assets Per Share
	¥ million	¥ million	%	Yen sen
Nine months ended December 31, 2006	51,145	44,142	80.6	1,731.81
Nine months ended December 31, 2005	49,407	40,069	81.1	1,661.21
Reference: FY ended March 31, 2006	51,320	40,568	79.1	1,677.82

Total assets at the end of the third quarter decreased by ¥174 million compared to the end of the previous financial year and is now standing at ¥51,145 million. The main reason for this is the decrease in negotiable securities (including investment securities) arising from the need to finance the construction of the R&D facility in Japan. Shareholders' equity increased by ¥3,573 million over the end of the previous year and totals ¥44,142 million. The increase is due chiefly to the inclusion from this quarter of the minority equity (Using the same criteria as at March 31, 2006, the increase is ¥1,012 million.).

## [Consolidated Cash Flow]

	Cash flow from operations	Cash flow from investment activities	Cash flow from financial activities	End of quarter cash and cash equivalents
	¥ million	¥ million	¥ million	¥ million
Nine months ended December 31, 2006	2,384	378	Δ2,476	9,310
Nine months ended December 31, 2005	3,758	Δ2,027	Δ1,511	7,906
Reference: FY ended March 31, 2006	4,911	Δ2,444	Δ1,196	8,983

Cash flow from operations in the first three quarters of FY 2007 totaled ¥2,384 million. Despite pre-tax net income for this period being ¥5,328 million and depreciation cost being ¥1,337 million, corporate tax and other payments amounted to ¥2,371 million, account receivables increased by ¥729 million and account payables decreased by ¥533 million.

Cash flow from investment activities left a positive balance of ¥378 million thanks to the balance of purchase and redemption/sale of negotiable securities exceeding the acquisition of fixed assets (¥1,967 million).

In financial activities, the balance was a negative one of ¥2,476 million. ¥1,561 million was spent on payment of dividends to shareholders including minority shareholders. The negative balance is also explained by the expenditure of ¥914 million for the open-market purchase of treasury stock in the first half of the financial year.

Cash and cash equivalents on hand at the end of this third quarter increased ¥326 million over the quarter to rest at ¥9,310 million.

(Reference 1) Financial Results: Nine Months Ended December 31, 2006

Parent Company Basis (Period from April 1, 2006 to December 31, 2006)

	Net Sales	Operating Income	Ordinary Income	Net Income for this Period
	¥ million	¥ million	¥ million	¥ million
Nine months ended December 31, 2006	27,828	3,239	3,684	2,321
Nine months ended December 31, 2005	27,060	3,927	4,227	2,490

	Total Assets	Shareholders' Equity
	¥ million	¥ million
Nine months ended December 31, 2006	44,661	39,861
Nine months ended December 31, 2005	45,515	39,786

3. Forecast for Fiscal Year Ending March 31, 2007

Consolidated Basis (Period from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net Income	Earnings Per Share
	¥ million	¥ million	¥ million	Yen sen
FY Ending March 31, 2007	50,600	5,070	2,500	105 09

Operational activities of this period were characterized by an active input of new products in Japan that was made to ensure market competitiveness and overseas operations continuing to make strong strides, bolstered by the strength of local currencies. Backed by such good performance of the overseas businesses, the outlook is bright at present on achieving or exceeding the forecast for this financial year published on November 9, 2006. However, there will be no structural change in the fourth quarter results, that is to say, sales in Japan usually suffer from weak performance in the fourth quarter (due to the inherent nature of product and distribution in Japan) and marketing expenditure increases due to new product launches plus disposal loss of old lines. These factors lead to performance results figures that are lower than those of other quarters.

In view of these anticipated conditions, the Company at present has no reason to make any changes to the full-term performance forecasts.

(Reference 2) Forecast for Fiscal Year Ending March 31, 2007

Parent Company Basis (Period from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net Income	Dividend (Year)	
				H2	
	¥ million	¥ million	¥ million	Yen sen	Yen sen
FY Ending March 31, 2007	35,630	3,500	2,200	30.00	60.00

Forecasts are based on assumptions, outlook and planning for the future at the time of making the forecast. Based on the risks inherent in the economic environment, changes in market conditions and exchange rate, there is a possibility that actual performance may differ from the figures indicated above.