



# The Next Stage of Growth

MANDOM ANNUAL REPORT 2002



mandom corp.

## PROFILE

Established in December 1927, Mandom Corp. is the culmination of a continuous process of self-improvement. Focusing on hair care and cosmetic products, our management policy positions employees as our most precious resource, encouraging them to be actively involved in all aspects of our business.

1958 heralded the start of Mandom's drive to branch out overseas, particularly to South-east Asia, with the start of commercial operations at a plant in Manila, the Philippines. This was the first overseas plant in the Japanese cosmetics industry. In 1969, operations started at PT Mandom Indonesia Tbk, which is the nucleus of Mandom's overseas expansion drive today. Thereafter, we progressively made inroads into other Asian markets, and in November 1996 we established our second overseas production base in Zhongshan City, Guangdong Province, China, adding another element to our growing presence in Asia.

On the product front, July 1978 marked the launch of *Gatsby*, our flagship brand. In the ensuing 24 years, this brand has become an established name in the industry, having won strong customer support. Several years later, in July 1984, we announced our arrival on the women's cosmetic scene, as we sought to expand the scope of our business. Based on brand recognition cultivated over numerous years, we bring to market products, which complement the needs of the consumer.

Mandom is pursuing a unique Group strategy, whereby Group members focus on specific sales channels to tailor their efforts to the special needs of each product. Those channels include retailers, hair salons, esthetic salons and door-to-door sales. Overseas, Mandom is building a framework, comprised of Group companies operating in the Asian region, through which it can exert its collective strengths on those markets.

## CONTENTS

Mandom Group's Management Philosophy . . . . .	1
A Message to Our Shareholders . . . . .	2
The Essence of Mandom . . . . .	6
Topics . . . . .	12
Management's Discussion & Analysis . . . . .	14
Principal Mandom Products Sold in Japan . . . . .	32
Advertising and Promotion in Japan . . . . .	33
Principal Mandom Products Sold Overseas . . . . .	34
Corporate Information . . . . .	35
History . . . . .	36
Corporate Data . . . . .	38
Organization . . . . .	39
Mandom Quality Philosophy . . . . .	40
Mandom Environmental Philosophy: (Eco-Policy) . . . . .	41

### Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning Mandom's current plans, strategies, beliefs and performance. These forward-looking statements include statements other than those based on historical fact and represent the assumptions and beliefs of management based on information currently available. Mandom therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of foreseen and unforeseen risks and uncertainties.

All amounts have been rounded to the nearest whole unit.

## Aiming to provide a comfortable lifestyle supported by health and beauty

### Philosophy

The shared ideals set forth below, guide our actions toward realizing the Mandom Group's management philosophy, which above all aims to serve and benefit society.

#### (1) Active employee participation

Mandom encourages all employees to take an active role in every facet of operations, blending individual responsibility with the willingness to embrace larger roles than those prescribed by job titles, the organization and the company itself. Our workplace thrives on lively intellectual exchange, and is imbued with a spirit of cooperation, creating a dynamic and progressive organization.

#### (2) Creating lifestyle value with consumers, for consumers

At Mandom, where everything begins and ends with consumers, four key words form the basis of our philosophy: Health, Cleanliness, Beauty and Enjoyment. We begin by ascertaining the needs of consumers and end by creating consumer value. Our goal is to consistently deliver value to people throughout the world.

#### (3) Enhancement of 3 areas: Focusing on Lifestyle, Business partners, and Brands

Our fundamental goal is to serve and enhance society through the products and services we supply. To achieve this objective, we constantly strive to deepen our understanding of the changing lifestyles of consumers and the needs of our corporate clients. We also carefully monitor product and service trends, the latest information, technology and consumer preferences.

# Intangible Assets, Our Key to the Future

**Motonobu Nishimura**  
*President and  
Representative Director*

**Hiroshi Kamei**  
*Executive Vice President and  
Representative Director*



# A Message to Our Shareholders

## Results of Previous Medium-term 3-year Management Plan and the Fiscal Year Ended March 31, 2002 in Review

Mandom's previous medium-term 3-year management plan was launched on April 1, 1999 and ended on March 31, 2002. The past three years have been a period of significant accomplishment, as evidenced by increases in net sales of 18.4%, operating income of 16.8% and net income of 37.5% on a cumulative basis.

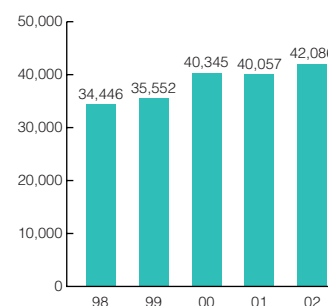
Enshrined in the medium-term management plan were a number of key themes, including returning Mandom back on a growth track and overhauling its profit structure, in addition to adhering to sound management practices at all times. During the three years covered by the plan, the Japanese cosmetics industry increased 13% in volume terms but decreased 4% in monetary terms due to deflation. In this difficult operating environment, Mandom achieved substantial growth of 33% in shipments and 14% in monetary terms. Driving growth was the vigorous pursuit of such management strategies as the full-scale makeover of the *Lúcido L* brand, the launch of a series of hair dye and summer season products, and our move to use our three production bases more efficiently.

On January 22, 2002, Mandom listed on the Second Section of the Tokyo Stock Exchange. Since registering on the over-the-counter market in November 1988, the company has seen steady growth through the concerted effort of all employees, and support from our shareholders, customers and business clients. Our sights are set on creating even more corporate value in the years ahead, by evolving in a sound manner as an exemplary corporate citizen worthy of the trust of consumers. We will remain focused on product quality and environmental conservation, and on developing sound businesses. Mandom will continue to fulfill its obligation to shareholders by promptly disclosing all relevant corporate information.

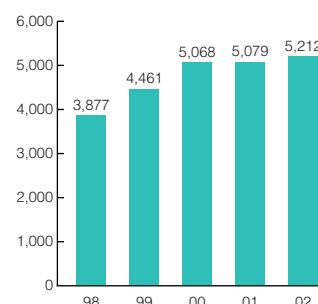
### The Fiscal Year Ended March 31, 2002 in Review: Record Sales and Earnings

Mandom posted record consolidated net sales of ¥42,086 million, an increase of 5.1% year on year. Operating income increased 2.6% to a record ¥5,212 million for the fifth straight year. Increases overseas in costs of raw materials, payroll expenses and depreciation were outweighed by lower costs and higher earnings from business in Japan. Mandom also posted record net income of ¥2,177 million, a year-on-year increase of 7.5%. By region, sales in Japan increased 4.6% to ¥34,790 million, lifted by brisk sales of our lineup of hair dyes marketed under our flagship brand *Gatsby* and a strong showing by women's cosmetic products. In Asia, overseas Group members posted favorable results, with sales increasing 7.5% to ¥7,296 million, thanks to aggressive country-specific marketing activities and the launch of new products by PT Mandom Indonesia Tbk and other companies.

Net Sales  
(Millions of yen)



Operating Income  
(Millions of yen)



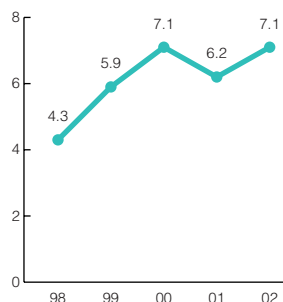
## FINANCIAL HIGHLIGHTS

MANDOM Corporation and Consolidated Subsidiaries

Years ended March 31	2002	2001	2000	1999	1998
Net Sales	42,086	40,057	40,345	35,552	34,446
Operating Income	5,212	5,079	5,068	4,461	3,877
Net Income	2,177	2,025	2,105	1,583	1,166
Total Assets	38,613	39,976	42,668	41,598	44,342
Total Shareholders' Equity	29,377	32,134	33,008	26,642	27,211
—Return on Equity (ROE) (%)	7.1	6.2	7.1	5.9	4.3
—Earnings Per Share (EPS) (¥)	92.96	81.58	89.00	69.15	48.79
—Cash Dividends Per Share (¥)	40.00	34.00	30.00	20.00	20.00

(Millions of yen, except per share data)

Return on Equity (ROE)  
(%)



In the men's cosmetics sector, the eight *Gatsby* fashion hair dyes Mandom launched in spring 2001 performed well. Including eight additional fashion hair dyes launched thereafter, shipments of *Gatsby* hair dyes totaled just over ¥4,000 million during the year under review, making a substantial contribution to overall sales of men's cosmetics. Shaving gels and facial scrubs also performed well. We focused on advertising and promoting our fashion hair dyes and shaving products, concentrating especially on a series of television commercials. As a result, we succeeded in attaining a sharp rise in sales of *Gatsby* brand products over the previous year.

In addition, Mandom expanded the market for our fragrance-free *Lúcido* brand of products. The three main *Lúcido* products launched during the year were *Long Keep Wax*, a superior product that offers long-lasting control, a super-effective shampoo that thoroughly cleans one's hair and a smooth moisture cream that creates absolutely no feeling of stickiness.

In the women's cosmetics sector, our flagship brand *Lúcido L* was fully revamped with a stylish new logo and a realigned product lineup. We enhanced our lineup of hair wax products, adding some extra properties to existing waxes and introducing a new series of products for straight-perming one's hair. As a result, sales of women's cosmetics rose 15%. We launched a cleansing cloth in our *Simplify* brand of products, which easily and effectively lifts hard-to-remove make-up like mascara. This cleansing cloth has already established itself in the market.

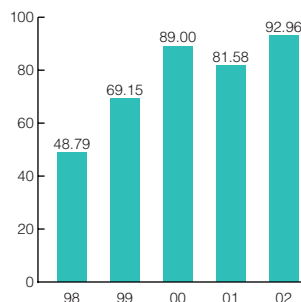
## The Mandom Group's Vision of Growth

**Mandom started its new medium-term 3-year management plan on April 1, 2002. With an emphasis on growth, this plan sets forth a dual goal of achieving return on equity (ROE) of 10% and earnings per share (EPS) of ¥150 in the plan's final fiscal year, ending March 31, 2005.**

The plan focuses on three product groups: the men's cosmetics brand *Gatsby*, the women's cosmetics brand *Lúcido L* and fashion hair dyes. The plan positions the Southeast Asian market at the heart of future growth and expansion of business. We aim to extend Group operations by raising the weight of overseas businesses relative to earnings.

In recent years, many Japanese companies have been struggling to remedy impaired balance sheets and adapt to internationally accepted accounting standards (IAAS). Against this backdrop, the Mandom Group has largely completed the crossover to IAAS and restoring its financial health as called for by the 3-year management plan ended March 31, 2002. The result is a much stronger Mandom Group. Our latest medium-term 3-year management plan builds on this foundation of strong financial health. Themed once again on growth, the current plan calls for the Group to actively invest in accomplishing the goals of key group strategies. The plan's targets for the final year ending March 31, 2005 are to achieve return on equity (ROE) of 10%, earnings per share (EPS) of ¥150 and consolidated net sales of over ¥50,000 million.

Earnings Per Share  
(EPS)  
(Yen)



### The Nucleus of the 3-year Plan: Group Strategy Focused on Southeast Asia

The new medium-term 3-year management plan calls for a Group-wide effort to build a foundation for growth. While Mandom's corporate image presently revolves around domestic operations and men's cosmetics, we will now concentrate on two key priorities—overseas business expansion and women's cosmetics.

*Gatsby* is already a top-brand in the men's cosmetics market. Leveraging this brand equity, Mandom will implement a management framework and expand the *Gatsby* product lineup and geographical sales area, with the ultimate goal of establishing it as the leading brand in Asia.

Mandom will target all of Asia for *Lúcido L* products, with the view to establishing a hair care & make-up brand for women, catering to every need in these two areas. In turn, *Lúcido L* will form the base for further growth in our women's cosmetic products.

Fashion hair dyes are positioned as core products in both men's and women's cosmetics businesses. Focusing on overall product development, including black and gray hair dyes, we will do business in all Asian countries, thereby growing Group business and increasing the scale of our operations. We will use our three production bases in Japan, Indonesia and China to preserve production levels and maintain and improve quality. We will implement efficient production processes together with bolstering our product supply chains to maintain competitiveness.

Based on these three strategic products — *Gatsby*, *Lúcido L* and fashion hair dyes — and overseas brands marketed by Group companies, we will develop our overseas businesses around the core region of Southeast Asia to attain a profit structure where the bulk of earnings are derived from overseas businesses.

## Management Philosophy

**The human resources of a company are sometimes overlooked, but they are one of the most important assets of a company.**

The fiscal year ending March 2003 heralds Mandom's 75th anniversary since its establishment. Throughout our history, our core philosophy has taught us that the fundamental premise of the corporation is to persevere as a going concern; to be honest in all dealings with society; and manage operations within our means. This thinking remains intact today.

The Mandom Group's corporate culture is thoroughly grounded on respect for each and every individual. Although our human resources are not shown as an asset on our balance sheet, they are our most important resource. We have always envisioned a workplace of lively intellectual exchange, powered by the Mandom Group's characteristically young-minded, enthusiastic and dedicated workforce. Experienced managers and new employees alike strive to create a workplace, which encourages all employees to take an active role in our operations. In this way, we always draw the best out of our personnel. All employees have individual talents to contribute and it is the Mandom corporate culture that inspires everyone to fulfil their potential, working together to produce the best possible product lineup.

Your understanding and support of the Mandom Group's management philosophy will underpin our efforts to create a dynamic and progressive organization.

July 2002



**Motonobu Nishimura**

*President and Representative Director*



**Hiroshi Kamei**

*Executive Vice President and Representative Director*



# The Essence of Mandom



## Legacy of leadership

Since its inception in December 1927, Mandom Corp. has developed its business with a focus on hair care and cosmetic products, particularly for men. Over the last three quarters of a century, we have stood at the forefront of industry development, bringing to market a continuous lineup of hit products, which capture the essence of ever-changing consumer needs. The secret of our success has been to consistently develop cosmetics for men as a key part of our core business, in an industry, which has primarily catered to women. In conjunction with the in-house production of our own range of aerosol and facial paper

products, we have created an earnings model unique in the industry. At the same time, we have established a corporate culture based on the fundamental philosophy of encouraging all employees to take an active role in our operations. In a market characterized by intense product competition, we take pride in our legacy of leadership, creating and developing new business models. At Mandom, we preserve our "individuality," always pursuing originality with the aim of becoming the "Only One" of its kind, an unrivalled company in the industry.



Mandom is catering to the needs of the modern man, expanding its lineup of products from mainstay hair care lines to body and facial products.



Mandom continues to lead the industry, bringing to market products imbued with individual identity. One such example is the hair color series for men.



Mandom's "information card system," is a prime example of encouraging employees to participate in all aspects of business. This system allows employees to raise comments and offer suggestions based on every day observations of consumer lifestyles both at work and play. Over 55,000 cards are received annually. The voice of a single employee culminated in the hit product *fragrance-free Lúcido*.



# GATSBY: yesterday, today, and tomorrow

The Mandom Group has nurtured its flagship brand *Gatsby* for 24 years. As competitors have launched new brands on the market, we have continued to market our *Gatsby* products, remaining loyal to the essence of a product that is precisely attuned to the needs of consumers. This is the source of *Gatsby*'s modern day top-brand status. During the fiscal year ended March 31, 2002, nearly 200 million units of *Gatsby* brand products were shipped in Asia and the domestic market. Japan was our main market, with 55 million units shipped, while our subsidiary in Indonesia, PT Mandom Indonesia Tbk, supplied 140 million units to a range of other Asian countries.

Full-scale makeovers of the *Gatsby* brand were com-

pleted in 1985, 1988, 1993 and 1996, ensuring the product lineup continued to evolve with the times. And in March 2001, we blazed the trail into a new product segment using the *Gatsby* brand, launching the *Gatsby* Hair Color Series, the industry's first fashion hair dye for men.

Since then, we have extended the lineup of color shades in the *Gatsby* Hair Color Series of products, giving the range an indispensable place on the shelves of retail stores. Our colored hair dyes for men have become a hit product, propelled by the power of the *Gatsby* brand. Customers have readily accepted this radically new product — men's fashion hair dye — due to the high visibility and trust associated with the *Gatsby* name.

July, 1978 – Initial launch of the *Gatsby* product series



February, 1985 – Makeover of the *Gatsby* series



February, 1993 – Makeover of the *Gatsby* series



February, 2002 – Makeover of the Shower fresh series

September, 1999 – Debut of Mandom's shaving gel



February, 1996 – Debut of facial paper product

August, 1996 – Makeover of the *Gatsby* series



September, 1998 – Launch of a film-type oil clear sheet product



Hair color series

# Innovation: setting the de facto standard

Committed to forging an original position in the market, the Mandom Group is constantly pursuing its goal of becoming the “Only One,” an unrivalled company in the industry. Based on this philosophy, we have been at the forefront of developing products that continue to evolve with the times. We were the first company in men’s cosmetics in Japan to market groundbreaking products such as a hair styling foam, a fragrance-free line of cosmetics and fashion hair dyes.

We take more than functionality into consideration when developing products—coexisting in harmony with society and the natural environment is a key element in our business activities. In 1989, after eliminating fluorocarbons from our leading aerosol products, we received

approval to label them with ECO Mark, a certification from the Japan Environment Protection Association. This success was followed in 1998, with an initiative to eliminate packaging containing polyvinyl chloride (PVC). This culminated in December 2000 with our announcement that all our packaging is completely PVC free.

The domestic cosmetics market is in a state of flux—consumer needs are diversifying, product lifecycles are becoming shorter and more international players are entering the market as the government eases regulations. To offer products in a timely manner to this new market, the Mandom Group is forming networks with tertiary research institutes and other external institutions, bolstering its central laboratories and R&D facilities.



Central laboratories take up the challenge, developing unique products with the latest in advanced technology.



Foam and spray containers comprise a metallic body and plastic discharge head for ease in dismantling and disposal.



Product refills for a majority of products are produced in paper packaging, another measure in Mandom’s environment protection activities.

# Leveraging extensive marketing experience

True to the maxim “everything begins and ends with the customer,” the Mandom Group’s marketing strategy focuses on the frontline. Database marketing is the defining feature of Mandom’s sales activities. Becoming fully operational in 1997, the Mandom Field Navigation System (MAFINAS) is a system that provides the company with a constant flow of frontline data at any stage of the retail process commencing from wholesale delivery. By gathering and analyzing this information, including Point-Of-Sale (POS) data, we are able to accurately predict

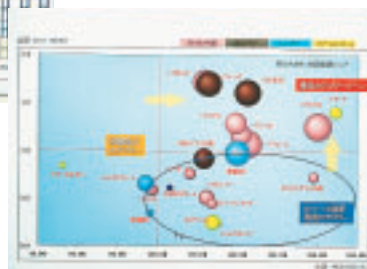
product-specific market conditions and identify retail trends by locality, geographic area and business. This helps us to better devise marketing activities and draw up production plans. Mandom also devises best-fit planogram proposals for retail-store chains handling Mandom products. As evidenced by our early entry into the convenience store market, we continue to explore the best ways to supply our products to customers. We promptly explore new sales channels as they emerge, staying in tune with changing consumer demands.



Optimal inventory planograms based on retail store data analysis.



Analysis of individual product trends, enhance efficiencies in marketing activities.



Customer surveys and a diligent eye on in-store product movements, keeps Mandom one-step ahead of market.



# Creating with all the right elements

The Mandom Group's activities, which cover all of Asia, are underpinned by three production bases: the Fukusaki Factory in Hyogo Japan, the Sunter in Jakarta and Cibitung Factories in Bekasi Indonesia, and the Zhongshan Factory in Guangdong China.

In particular, our Fukusaki Factory in Japan is distinguished for its quality assurance, flexible and low cost operations. Facilities are administered under a high-grade,

complete-process application system. Using a bar-code system, we are able to monitor the complete production process from production planning, purchasing, manufacture, assembly, to shipment and inventory control.

The Fukusaki Factory is the nucleus our of production platform. Know-how and technology are passed on to overseas bases to ensure the highest standards of quality assurance and low-cost operation.



Japan (Fukusaki Factory, Hyogo Prefecture)



A bar-code monitoring system at Mandom's Fukusaki Factory generating high-grade production management.



China (Zhongshan Factory, Guangdong Province)



Production from Mandom's Zhongshan Factory is distributed to the Chinese market and exported for sale in Japan.



The Sunter Factory has an annual production capacity exceeding 300 million units.

The Cibitung Factory was constructed to manufacture container molds in response to an expected increase in demand.



Indonesia (Sunter Factory, Jakarta)



Indonesia (Cibitung Factory, Bekasi)

# Group synergy

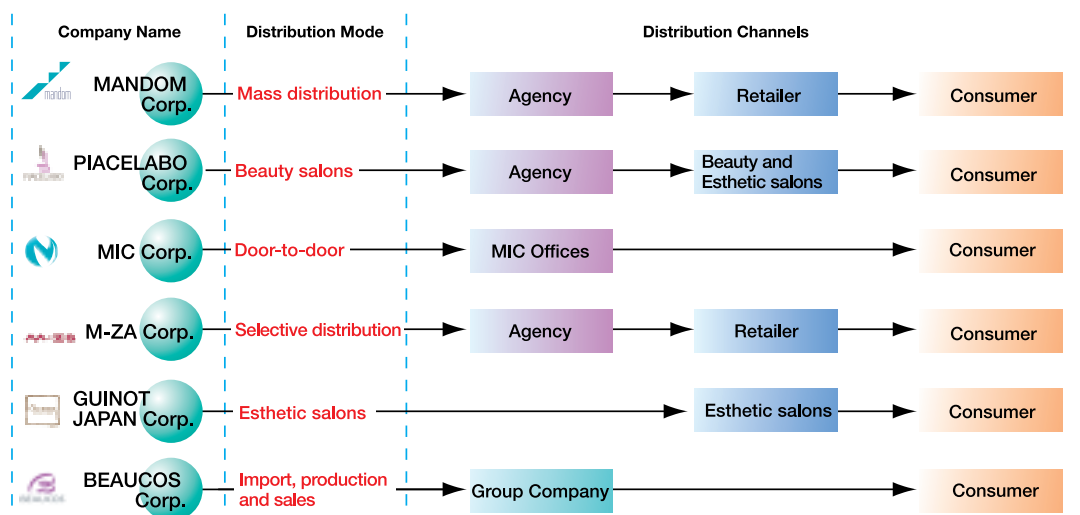
The Mandom Group comprises the parent company Mandom, 13 subsidiaries and four affiliates. Ten of the subsidiaries are consolidated – five are located in Japan and the remaining five overseas.

Our business model draws on the collective strengths of the Mandom Group, utilizing Group companies to operate in areas not suited to the retailing and distribution stance of the parent company. Each company is also given room to demonstrate its independent strengths, actively sharing management resources and information with other areas of the Group.

Overseas, Mandom maintains two production facilities in China and Indonesia and nine marketing offices in eight countries covering the Asian region.

With its large and growing population, Asia is an attractive market with considerable potential. PT Mandom Indonesia Tbk in Indonesia functions as the nucleus of Mandom's overseas expansion, supported by eight overseas Group companies carrying out retail operations in the Republic of Korea, Taiwan, China, China (Hong Kong), the Philippines, Thailand, Malaysia and Singapore.

## Domestic Group Companies



M-ZA product line



PIACELABO product line



MIC product line



GUINOT JAPAN product line

## Overseas Group Companies

Location	Company Name
1. Republic of Korea	Mandom Korea Corporation
2. Taiwan	Mandom Taiwan Corporation
3. Zhongshan, China	Zhongshan City Rida Fine Chemical Co., Ltd.
4. Hong Kong, China	Sunwa Marketing Co., Ltd.
5. Philippines	Mandom Philippines Corporation
6. Thailand	Mandom Corporation (Thailand) Ltd.
7. Malaysia	Mandom (Malaysia) Sdn. Bhd.
8. Singapore	Mandom Corporation (Singapore) Pte Ltd
9. Indonesia	PT Mandom Indonesia Tbk

## Mandom Group Overseas Network



○ Production and sales bases  
● Sales bases

# Topics

## Shares list on the Second Section of the Tokyo Stock Exchange (TSE)

On January 22, 2002, Mandom listed its shares on the Second Section of the TSE. We took this opportunity to bolster our in-house management processes and organizations, with a view to winning ever-greater trust from society and the markets. We will make every effort to responsibly disclose all relevant corporate information, put our businesses on a sound footing to increase corporate value, and fulfill our obligations as a listed company.



## Share repurchase

In August 2001, Mandom repurchased and retired 2,330,000 of its own shares. The shares, which had been held by four city banks, were repurchased on the open market as a precaution against expected share price fluctuations due to the unwinding of cross-shareholdings by financial institutions.

## Launch of Gatsby Hair Color Series

Mandom launched the *Gatsby* Hair Color Series in March 2001—the industry's first fashion hair color dye for men. Supporting the product's success was the high brand awareness and trust associated with the *Gatsby* name. The range became a major hit in the market with sales during the year in excess of 10 million units.



## Hair dye production starts at three facilities

In line with strategy being implemented by Group management, we began the manufacture of the *Gatsby* Hair Color Series at facilities in 3 countries—Japan (Fukusaki, Hyogo Prefecture), Indonesia (Jakarta, Sunter; Bekasi, Cibitung) and China (Zhongshan City, Guangdong). By manufacturing our own products we expect to substantially increase production volumes, further raise quality, enhance product development capabilities and cut costs.



Japan (Fukusaki Factory, Hyogo Prefecture)



China (Zhongshan Factory, Guangdong Province)



Indonesia (Sunter Factory, Jakarta)



Indonesia (Cibitung Factory, Bekasi)

## Complete revamp for the *Lúcido L* brand

Mandom stepped up its presence in the vast market for women's cosmetics with a full revamp of its *Lúcido L* range—the hair care brand for women. Marketed in dynamic red packaging, *Lúcido L* is a range of hair wax and straight-perm products. The *Lúcido L* collection is another hit series for Mandom.





### Strong sales of the *Gatsby* deodorant series

In March 1994, Mandom launched an odorless *Gatsby* deodorant powder spray. Since then, more young men in Japan have started using deodorants, helping to support strong sales of the product. *Gatsby* deodorants are now one of our core seasonal products.



### Mandom Group's Tokyo Nihonbashi Building completed

The Mandom Group's Tokyo Nihonbashi Building in Nihonbashi, Tokyo, was completed on March 25, 2002. Functioning in the metropolis as a strategic base for Group companies in Japan, we are aiming to further develop efficient management utilizing the collective strengths of the Group.



### Cibitung Plant comes on line

PT Mandom Indonesia Tbk runs integrated manufacturing operations that handle anything from the production of containers to the products themselves. Responding to increased demand, we constructed and brought on line a new plant for the manufacture of plastic containers in the MM2100 industrial estate (Bekasi, Cibitung) in the outskirts of Jakarta. This move has significantly enhanced our production capabilities in the country.

### *Gatsby*'s hair dye commercial takes top spot in survey

Based on a television commercial survey carried out by CM Databank in March 2002, the commercial for *Gatsby*'s Natural Bleach Color hair dye, featuring Mohican punk characters, was voted the most "likeable and interesting." The commercial was chosen from 4,021 entries in 20 different industries, and was the first time that a cosmetics commercial had taken top place since a similar survey in January 1989. Mandom itself was voted second in the category for having an overall favorable corporate image.



# Management's Discussion & Analysis

MANDOM Corporation and Consolidated Subsidiaries

(Millions of yen, except per share data)

Years ended March 31	2002	2001	2000	1999	1998	1997
Net Sales .....	<b>42,086</b>	40,057	40,345	35,552	34,446	32,904
Domestic .....	<b>34,790</b>	33,271	34,236	31,017	30,597	—
Asia .....	<b>7,296</b>	6,786	6,109	4,535	3,849	—
Selling, General and Administrative Expenses .....	<b>18,040</b>	17,233	17,429	15,945	16,009	15,367
Operating Income .....	<b>5,212</b>	5,079	5,068	4,461	3,877	3,240
Net Income .....	<b>2,177</b>	2,025	2,105	1,583	1,166	1,890
Research and Development .....	<b>1,513</b>	1,525	1,501	1,387	1,318	1,513
Total Assets .....	<b>38,613</b>	39,976	42,668	41,598	44,342	38,972
Total Shareholders' Equity .....	<b>29,377</b>	32,134	33,008	26,642	27,211	26,514
Return on Equity (ROE) (%) .....	<b>7.1</b>	6.2	7.1	5.9	4.3	7.5
Earnings Per Share (EPS) (¥) .....	<b>92.96</b>	81.58	89.00	69.15	48.79	87.87
Cash Dividends Per Share (¥) .....	<b>40.00</b>	34.00	30.00	20.00	20.00	18.00

## Segment information

The operations of Mandom Corporation (the "Company") and its subsidiaries (the "Companies") are split between two markets: Japan and the rest of Asia. The Company and five domestic Group subsidiaries—PIACELABO Corp., MIC Corp., M-ZA Corp., GUINOT JAPAN Corp. and BEAUCOS Corp.—operate in the Japanese market. Mandom focuses essentially on men's cosmetics, while Group companies concentrate on women's cosmetics.

Overseas, Mandom has established manufacturing and sales subsidiaries in Indonesia and China, and international sales subsidiaries in South Korea, Taiwan, China (Hong Kong), the Philippines, Thailand, Malaysia and Singapore. The consolidated financial statements reflect the financial results of the Company and a total of ten domestic and overseas consolidated subsidiaries. Mandom has no affiliates accounted for by the equity method.

## Operating environment

The Japanese economy in the fiscal year ended March 31, 2002 witnessed ongoing stagnation, underscored by a protracted slump in personal consumption, despite signs of a faint recovery in both exports and mining and industrial production, particularly toward the end of the period.

Against the backdrop of flagging personal consumption, the domestic cosmetics market contended with a fast-changing operating environment, shaped by diversifying consumer preferences and realignment in the distribution sector. In Asia, outside Japan, the underlying tone was one of sluggish growth, mirroring the slowdown in the U.S. economy.

## Operating results

Mandom posted record consolidated net sales of ¥42,086 million for the year, up 5.1% year on year, for the first time in two years. Despite a weak economy and generally lackluster personal consumption, sales in Japan rose 4.6% year on year, spurred by strong performances in men's hair dyes and women's cosmetics.

Overseas sales, buoyed by aggressive marketing activities in Indonesia and other Southeast Asian subsidiaries, climbed 7.5% year on year, with little change in exchange rates during the year. Noteworthy was higher sales posted by four out of five overseas subsidiaries in local currencies.

Operating income increased 2.6% to ¥5,212 million, marking the fifth consecutive year of record operating income. In Japan, strong top-line growth offset a drop in unit sales prices and higher selling expenses. Overseas, operating income was dragged down by higher costs at PT Mandom Indonesia Tbk, Mandom's Indonesian manufacturing subsidiary.

Net income climbed 7.5% to ¥2,177 million, also a record for the company. This performance was after adjustments in Japan including the write-off of non-performing assets and doubtful accounts, and a loss recorded on the sale of investment securities.

Return on equity (ROE) and earnings per share (EPS) improved to 7.1% and ¥92.96 respectively. Principal factors were the surge in net income and the repurchase and retirement of 2,330,000 Mandom shares.

By geographical segment, sales in Japan climbed 4.6% to ¥34,790 million, as both the *Gatsby* and *Lúcido L* brands posted double-digit growth.

In Asia, led by consolidated subsidiary PT Mandom Indonesia Tbk, sales surged 7.5% to ¥7,296 million on the back of aggressive marketing activities and the launch of new products.

### Capital expenditures

Fundamentally, capital expenditures are for facilities to produce products that maintain the Mandom Group's competitive edge. For the year ended March 31, 2002, Mandom purchased manufacturing machinery and equipment, completed construction of a new office building to improve efficiency and upgraded plants and facilities. As a result, capital expenditures amounted to ¥2,310 million.

The main components of capital expenditures were for the completion of an office building in Nihonbashi, a district of Tokyo, to raise the efficiency of sales activities of the parent company and domestic Group companies, for upgrading aerosol production facilities to ramp up capacity, and for manufacturing facilities for the production of hair dyes, both at the Fukusaki Factory.

### Cash flows

Net cash provided by operating activities improved significantly to ¥6,043 million, reflecting the more efficient use of capital. The principal components were an increase in depreciation and amortization of ¥121 million, a decrease in receivables and inventories of ¥1,366 million and ¥274 million respectively, a drop in income taxes—paid and an increase in non-cash provisions. These outweighed a slight fall in income before income taxes and minority interests due to a charge for the disposal of unprofitable assets and a write-off of doubtful receivables.

Investing activities used net cash of ¥2,786 million, principally for the acquisition of ¥2,310 million in property and equipment, related to the Company's capital investment program and the construction of a new office building in Nihonbashi Tokyo. Another significant component of cash outflows was investment in marketable securities. The main components of capital expenditures were the upgrade of plants in Japan and the purchase of cosmetic production facilities.

In financing activities, Mandom used ¥3,475 million in cash to repurchase and retire 2,330,000 shares of its own common stock, with the view to improving the return on equity. Cash of ¥991 million was also used for the payment of dividends, including dividends to minority shareholders.

As a result, cash and cash equivalents at the end of the year were ¥4,555 million, down ¥1,261 million from a year ago. Interest-bearing debt as of March 31, 2002 was ¥390 million, down ¥56 million from the previous fiscal year end.

# Consolidated Balance Sheets

MANDOM Corporation and Consolidated Subsidiaries  
March 31, 2002 and 2001

	Millions of Yen	
<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents . . . . .	¥ 4,555	¥ 5,816
Short-term investments (Note 3) . . . . .	747	909
Receivables:		
Trade notes and accounts . . . . .	5,346	5,868
Unconsolidated subsidiaries and associated companies . . . . .	118	91
Other . . . . .	164	184
Allowance for doubtful accounts . . . . .	(68)	(44)
Inventories (Note 4) . . . . .	4,635	5,286
Deferred tax assets (Note 9) . . . . .	387	281
Prepaid expenses and other current assets . . . . .	649	535
Total current assets . . . . .	16,533	18,926
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land . . . . .	1,806	1,791
Buildings and structures . . . . .	16,004	13,613
Machinery and equipment . . . . .	8,661	7,476
Construction in progress . . . . .	129	918
Total . . . . .	26,600	23,798
Accumulated depreciation . . . . .	(12,739)	(11,593)
Net property and equipment . . . . .	13,861	12,205
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities (Note 3) . . . . .	3,919	4,845
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 5) . . . . .	802	848
Long-term loans (Note 6) . . . . .	1,230	1,215
Deferred tax assets (Note 9) . . . . .	361	16
Other assets . . . . .	1,907	1,921
Total investments and other assets . . . . .	8,219	8,845
<b>TOTAL</b> . . . . .	<b>¥38,613</b>	<b>¥39,976</b>

See notes to consolidated financial statements.

	Millions of Yen	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2002</b>	<b>2001</b>
<b>CURRENT LIABILITIES:</b>		
Short-term bank loans (Note 7) . . . . .	¥ 390	¥ 446
Payables:		
Trade notes and accounts . . . . .	3,689	2,777
Associated companies . . . . .	17	6
Other . . . . .	9	9
Accrued income taxes (Note 9) . . . . .	1,216	881
Accrued expenses . . . . .	737	681
Other current liabilities . . . . .	383	457
Total current liabilities . . . . .	6,441	5,257
<b>LONG-TERM LIABILITIES:</b>		
Liability for retirement benefits (Note 8) . . . . .	1,153	953
Deferred tax liabilities (Note 9) . . . . .	19	365
Other long-term liabilities . . . . .	308	140
Total long-term liabilities . . . . .	1,480	1,458
<b>MINORITY INTERESTS</b> . . . . .	1,315	1,127
<b>SHAREHOLDERS' EQUITY</b> (Notes 11 and 14):		
Common stock, authorized, 84,300,000 shares; issued, 22,484,606 shares at March 31, 2002 and 24,814,906 shares at March 31, 2001 . . . . .	9,753	9,753
Additional paid-in capital . . . . .	9,595	9,595
Retained earnings . . . . .	12,608	14,837
Unrealized gain on available-for-sale securities . . . . .	57	768
Foreign currency translation adjustments . . . . .	(2,634)	(2,819)
Total . . . . .	29,379	32,134
Cost of treasury stock — 1,527 shares at March 31, 2002 and 168 shares at March 31, 2001 . . . . .	(2)	(0)
Total shareholders' equity . . . . .	29,377	32,134
<b>TOTAL</b> . . . . .	¥38,613	¥39,976

# Consolidated Statements of Income

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of Yen	
	2002	2001
<b>NET SALES</b> (Note 13) . . . . .	<b>¥42,086</b>	¥40,057
<b>COST OF SALES</b> (Note 13) . . . . .	<b>18,834</b>	17,745
Gross profit . . . . .	<b>23,252</b>	22,312
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> . . . . .	<b>18,040</b>	17,233
Operating income . . . . .	<b>5,212</b>	5,079
<b>OTHER INCOME (EXPENSES):</b>		
Interest and dividend income (Note 13) . . . . .	<b>106</b>	139
Interest expense . . . . .	<b>(107)</b>	(53)
Purchase discounts . . . . .	<b>167</b>	171
Sales discounts . . . . .	<b>(271)</b>	(782)
Loss on disposal of property and equipment . . . . .	<b>(41)</b>	(24)
Loss on disposal of inventories . . . . .	<b>(476)</b>	(247)
Loss on devaluation of securities . . . . .		(213)
Charge for full amount of transitional benefit for retirement benefit (Note 2.i) . . . . .		374
Provision for doubtful accounts . . . . .	<b>(200)</b>	(75)
Other-net . . . . .	<b>(161)</b>	(39)
Other expenses—net . . . . .	<b>(983)</b>	(749)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> . . . . .	<b>4,229</b>	4,330
<b>INCOME TAXES</b> (Note 9):		
Current . . . . .	<b>2,113</b>	1,866
Deferred . . . . .	<b>(284)</b>	138
Total income taxes . . . . .	<b>1,829</b>	2,004
<b>MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES</b> . . . . .	<b>223</b>	301
<b>NET INCOME</b> . . . . .	<b>¥ 2,177</b>	¥ 2,025
	Yen	
<b>PER SHARE OF COMMON STOCK</b> (Note 2.o):		
Net income . . . . .	<b>¥92.96</b>	¥81.58
Cash dividends applicable to the year . . . . .	<b>40.00</b>	34.00

Diluted net income per share is not presented because it is anti-dilutive.  
See notes to consolidated financial statements.



# Consolidated Statements of Shareholders' Equity

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of Yen						
	Number of issued shares of Common Stock (thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>BALANCE, APRIL 1, 2000</b> . . . . .	24,815	¥9,753	¥9,595	¥13,665			¥(5)
Net income . . . . .				2,025			
Cash dividends, ¥ 32 per share . .				(794)			
Bonuses to directors and corporate auditors . . . . .				(59)			
Decrease in treasury stock (2,826 shares) . . . . .							5
Net unrealized gain on available-for-sale securities . . . .					¥768		
Foreign currency translation adjustments . . . . .						¥(2,819)	
<b>BALANCE, MARCH 31, 2001</b> . . . .	24,815	9,753	9,595	14,837	768	(2,819)	(0)
Net income . . . . .				2,177			
Cash dividends, ¥ 37 per share . .				(872)			
Bonuses to directors and corporate auditors . . . . .				(59)			
Increase in treasury stock (1,359 shares) . . . . .							(2)
Repurchase and cancellation of treasury stocks (Note 11) . . . .	(2,330)			(3,475)			
Net decrease in unrealized gain on available-for-sale securities . . .					(711)		
Net increase in foreign currency translation adjustments . . . . .						185	
<b>BALANCE, MARCH 31, 2002</b> . . . .	22,485	¥9,753	¥9,595	¥12,608	¥57	¥(2,634)	¥(2)

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of Yen	
	2002	2001
<b>OPERATING ACTIVITIES:</b>		
Income before income taxes and minority interests . . . . .	¥ 4,229	¥ 4,330
Adjustments for:		
Income taxes—paid . . . . .	(1,786)	(2,121)
Depreciation and amortization . . . . .	1,651	1,530
Provision for retirement benefits . . . . .	200	(836)
Loss on disposal of property and equipment . . . . .	41	24
Loss on devaluation of securities . . . . .		213
Loss on sales of marketable securities . . . . .	245	106
Gain on sales of marketable securities . . . . .	(22)	(10)
Changes in assets and liabilities:		
(Increase) decrease in receivables . . . . .	558	(808)
Decrease in inventories . . . . .	738	464
(Increase) decrease in prepaid expenses and other assets . . . . .	(311)	110
Decrease in payables . . . . .	(202)	(49)
Increase in accrued expenses and other liabilities . . . . .	544	695
Other-net . . . . .	158	11
Total adjustments . . . . .	1,814	(671)
Net cash provided by operating activities . . . . .	6,043	3,659
<b>INVESTING ACTIVITIES:</b>		
Payments for deposits . . . . .	(39)	(4)
Acquisition of property and equipment . . . . .	(2,310)	(2,474)
Payment for acquisition of additional shares of associated company . . . . .		(400)
Proceeds from sales and redemptions of investment securities . . . . .	746	837
Payments for purchases of investment securities . . . . .	(1,529)	(1,219)
Net (increase) decrease in investments in and advances to subsidiaries and associated companies . . . . .	85	(50)
Proceeds from sales and redemptions of marketable securities . . . . .	900	1,331
Payments for purchases of marketable securities . . . . .	(500)	(798)
Other-net . . . . .	(139)	135
Net cash used in investing activities . . . . .	(2,786)	(2,642)

(Continued on following page.)

	Millions of Yen	
	2002	2001
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term bank loans . . . . .	987	1,533
Repayments of short-term bank loans . . . . .	(1,065)	(1,498)
Proceeds from issuance of common stock of subsidiary . . . . .		463
Repurchase of treasury stocks for cancellation . . . . .	(3,475)	
Proceeds from sales (payments for purchases) of treasury stock-net . . . . .	(2)	5
Dividends paid . . . . .	(991)	(959)
Net cash used in financing activities . . . . .	(4,546)	(456)
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS—(Forward) . . . . .</b>	<b>¥ 28</b>	<b>¥ (82)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b>(1,261)</b>	<b>479</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR . . . . .</b>	<b>5,816</b>	<b>5,337</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR . . . . .</b>	<b>¥ 4,555</b>	<b>¥ 5,816</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law (the “Law”) and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in Japan in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made in the 2001 financial statements to conform to the classifications used in 2002.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation Policy**—The consolidated financial statements include the accounts of MANDOM CORPORATION (the “Company”) and its 10 significant subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant inter-company transactions and balances have been eliminated. Significant unrealized profits included in assets were eliminated. The excess of cost over the net assets of subsidiaries acquired is amortized over a period of five years.

Investments in unconsolidated subsidiaries and associated companies are stated at cost, because the Company’s equity in earnings or losses of these companies is not significant.

- b. **Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

- c. **Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders’ equity, which is translated at the historical rate. Differences arising from such translation were shown as “Foreign currency translation adjustments” as a separate component of shareholders’ equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

- d. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds representing short-term investments, all of which mature or become due within three months of the date of acquisition.

- e. **Short-term Investments and Investment Securities**—Securities included in short-term investments and investment securities are classified and accounted for, depending on management’s intent, as follows:

1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, 2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders’ equity. The Companies’ securities (included in “short-term investments” and “investment securities”) are all classified as available-for-sale.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- f. Inventories**—Inventories are stated at average cost.
- g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method. However, the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 25 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment.

The straight-line method is principally applied to the property and equipment of consolidated foreign subsidiaries.
- h. Stock Issue Costs**—Stock issue costs are charged to income as incurred.
- i. Retirement Benefits and Pension Plans**—The Company and certain of its consolidated subsidiaries have non-contributory funded pension plans covering substantially all of their employees. Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥374 million as of April 1, 2000 was charged to income and presented as other income in the income statement for the year ended March 31, 2001.

Retirement benefits to directors and corporate auditors are provided at the amount which would have been required if they retired at each balance sheet date.
- j. Research and Development Costs**—Research and development costs are charged to income as incurred.
- k. Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.
- l. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- m. Bonuses to Directors and Corporate Auditors**—Payments of bonuses to directors and corporate auditors as approved by the shareholders are accounted for as appropriations of retained earnings.
- n. Derivatives and Hedging Activities**—Certain of the consolidated subsidiaries entered into currency coupon swap agreements to reduce the exposure to fluctuations in foreign exchange and interest rates. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: 1) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and 2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

Derivatives transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization and credit limit amount after the approval of the Director in charge.

- o. Per Share Information**—The computation of net income per share is based on the weighted average number of shares outstanding during each year. The weighted average number of common shares used in the computation was 23,416 thousands shares for 2002 and 24,815 thousands shares for 2001.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

### 3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen	
	2002	2001
Short-term investments:		
Time deposits other than cash equivalents	¥ 53	¥12
Corporate bonds	594	897
Trust fund investments	100	
Total	¥ 747	¥909
Investment securities:		
Marketable equity securities	¥1,565	¥3,026
Non-marketable equity securities	122	177
Corporate bonds	1,586	602
Trust fund investments	599	786
Unlisted foreign corporate bonds		200
Foreign trust fund investment	47	54
Total	¥3,919	¥4,845

Information regarding the securities classified as available-for-sale at March 31, 2002 and 2001 were as follows:

March 31, 2002	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥1,505	¥ 332	¥272	¥1,565
Debt securities	2,200	0	20	2,180
Others	691	67	12	746

March 31, 2001	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥1,626	¥1,468	¥68	¥3,026
Debt securities	1,100	2	3	1,099
Others	808	65	134	739



The carrying amounts of available-for-sale securities whose fair value was not readily determinable as of March 31, 2002 and 2001, were as follows:

	Carrying amount	
	Millions of Yen	
	2002	2001
Equity securities . . . . .	<b>¥15</b>	¥ 15
Debt securities . . . . .		700
Total . . . . .	<b>¥15</b>	¥715

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥746 million and ¥801 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥22 million and ¥245 million, respectively for the year ended March 31, 2002 and ¥1 million and ¥64 million, respectively, for the year ended March 31, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2002 are as follows:

	Millions of Yen
Due in one year or less . . . . .	<b>¥ 594</b>
Due after one year through five years . . . . .	<b>1,586</b>
Total . . . . .	<b>¥2,180</b>

#### 4. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen	
	2002	2001
Merchandise . . . . .	<b>¥1,234</b>	¥1,544
Finished products . . . . .	<b>2,064</b>	2,242
Work in process . . . . .	<b>159</b>	151
Raw materials and supplies . . . . .	<b>1,178</b>	1,349
Total . . . . .	<b>¥4,635</b>	¥5,286

#### 5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2002 and 2001 were as follows:

	Millions of Yen	
	2002	2001
Investments . . . . .	<b>¥697</b>	¥665
Advances . . . . .	<b>105</b>	183
Total . . . . .	<b>¥802</b>	¥848

## 6. LONG-TERM LOANS

Long-term loans to employees represent primarily housing loans to employees bearing interest at rates ranging from 0 % to 5 % annually.

## 7. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2002 and 2001 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 16 % to 18.62 % and from 7.25 % to 15.75 % at March 31, 2002 and 2001, respectively.

## 8. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company and certain consolidated subsidiaries and annuity payments from a trustee. Employees who satisfy the necessary conditions are entitled to larger payments. Employees who terminate at the mandatory retirement age with at least 20 years of service are entitled to 100% of their retirement benefits from the trustee of the fund. The Company provide all other employees with lump-sum payments upon termination of employment. Effective November 2000, the above plans have been fully transferred to the funded pension plan.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen	
	2002	2001
Projected benefit obligation . . . . .	¥3,319	¥3,008
Fair value of plan assets . . . . .	(2,131)	(2,102)
Unrecognized actuarial loss . . . . .	857	736
Net liability . . . . .	331	170
Prepaid pension expenses . . . . .	200	205
Liability for retirement benefits . . . . .	¥ 531	¥ 375

The components of net periodic benefit costs for the year ended March 31, 2002 and 2001 are as follows:

	Millions of Yen	
	2002	2001
Service Cost . . . . .	¥254	¥186
Interest Cost . . . . .	86	70
Expected return on plan assets . . . . .	(61)	(56)
Recognized actuarial loss . . . . .	206	
Subtotal . . . . .	485	200
Contribution for the multiemployer pension plan . . . . .	123	93
Net periodic benefit costs . . . . .	¥608	¥293

Assumptions used for the years ended March 31, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate . . . . .	2.5%	3.0%
Expected rate of return on plan assets . . . . .	3.0%	3.0%
Amortization period of prior service cost . . . . .	7 years	7 years
Recognition period of actuarial gain/loss . . . . .	7 years	7 years
Amortization period of transitional obligation . . . . .		1 year

In addition, the Company and certain of its consolidated subsidiaries participate in a contributory multiemployer pension plan covering substantially all of their employees. The pension fund assets available for benefits under this plan at March 31, 2002 and 2001 were approximately ¥2,623 million and ¥2,665 million, respectively.

The liability balances for retirement benefits at March 31, 2002 and 2001 included accruals for directors and corporate auditors in the amount of ¥622 million and ¥578 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of shareholders.

## 9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2002 and 2001. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen	
	2002	2001
Deferred Tax Assets:		
Accrued bonuses . . . . .	¥ 187	¥131
Enterprise tax . . . . .	107	71
Allowance for doubtful accounts . . . . .	96	38
Inventories . . . . .	61	55
Pension and severance costs . . . . .	396	342
Unrealized loss on available-for-sale securities . . . . .	132	93
Devaluation of investment securities . . . . .	54	63
Property and equipment . . . . .	62	46
Other . . . . .	114	46
Deferred tax assets . . . . .	1,209	885
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities . . . . .	169	645
Special reserve for tax-purpose depreciation . . . . .	25	26
Depreciation . . . . .	48	41
Liability for retirement benefits . . . . .	87	111
Undistributed earnings of associated companies . . . . .	149	129
Other . . . . .	2	1
Deferred tax liabilities . . . . .	480	953
Net deferred tax assets (liabilities) . . . . .	¥ 729	¥(68)

## 10. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2002 and 2001 were ¥1,513 million and ¥1,525 million, respectively.

## 11. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001. Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥563 million and ¥514 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

During the year ended March 31, 2002, the Company repurchased 2,330 thousand shares of the Company's stock (aggregate amount of ¥3,475 million) and cancelled the shares by charging such amounts to retained earnings.

As of March 31, 2002, the Company is authorized to repurchase, at management's discretion, up to 69 thousand shares of the Company's stock for the purpose of cancelling the shares by charging such amounts to retained earnings.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, retained earnings recorded on the Company's books were ¥10,526 million, of which a portion is available for future dividends subject to the approval of shareholders and legal reserve requirements.

## 12. LEASES

The Company leases office space, office equipment and certain other assets under operating leases and finance lease arrangements.

Total rental expenses for the years ended March 31, 2002 and 2001 were ¥735 million and ¥711 million, respectively, including ¥137 million and ¥139 million of lease payments under finance leases.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001 was as follows:

	Millions of Yen	
	Furniture and Fixtures	Furniture and Fixtures
	2002	2001
Acquisition cost . . . . .	¥548	¥696
Accumulated depreciation . . . . .	317	376
Net leased property . . . . .	<u>¥231</u>	<u>¥320</u>

Obligations under finance leases at March 31, 2002 and 2001 were as follows:

	Millions of Yen	
	2002	2001
Due within one year . . . . .	¥109	¥124
Due after one year . . . . .	122	196
Total . . . . .	<u>¥231</u>	<u>¥320</u>

The cost of leased property and obligations under finance leases include imputed interest expense.

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥137 million and ¥139 million for the years ended March 31, 2002 and 2001, respectively.

## 13. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen	
	2002	2001
Sales . . . . .	¥617	¥403
Purchases . . . . .	450	21
Interest and dividend income . . . . .	24	22
Other expenses-net . . . . .	(311)	(255)

## 14. SUBSEQUENT EVENTS

The following appropriations of retained earnings of the Company for the year ended March 31, 2002 were approved at the shareholders' meeting held on June 25, 2002:

	Millions of Yen	
	2002	2001
Cash dividends, ¥20 per share . . . . .	¥450	
Bonuses to directors and corporate auditors . . . . .	74	
Total . . . . .	<u>¥524</u>	

## 15. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2002 and 2001 is as follows:

### (1) Operations in Different Industries

Sales of cosmetics represent more than 90% of the Companies' operations.

### (2) Geographical Segments

The Geographical Segments of the Company and its consolidated subsidiaries for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen			
	2002			
	Japan	Asia	Eliminations/ Corporate	Consoli- dated
Sales to customers . . . . .	¥34,790	¥7,296		¥42,086
Interarea transfer . . . . .	1,430	195	¥(1,625)	
Total sales . . . . .	36,220	7,491	(1,625)	42,086
Operating Expenses . . . . .	31,891	6,630	(1,647)	36,874
Operating income . . . . .	¥ 4,329	¥ 861	¥ 22	¥ 5,212
Assets . . . . .	¥33,196	¥5,586	¥ (169)	¥38,613

Corporate assets of ¥5,695 million, included in "Eliminations/Corporate", are principally marketable and investment securities of the Company.

	Millions of Yen			
	2001			
	Japan	Asia	Eliminations/ Corporate	Consoli- dated
Sales to customers . . . . .	¥33,271	¥6,786		¥40,057
Interarea transfer . . . . .	1,691	264	¥(1,955)	
Total sales . . . . .	34,962	7,050	(1,955)	40,057
Operating Expenses . . . . .	30,962	5,975	(1,959)	34,978
Operating income . . . . .	¥ 4,000	¥1,075	¥ 4	¥ 5,079
Assets . . . . .	¥31,138	¥5,077	¥ 3,761	¥39,976

Corporate assets of ¥9,507 million, included in "Eliminations/Corporate", are principally foreign currency translation adjustments, and marketable and investment securities of the Company.

### (3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2002 and 2001 amounted to ¥7,842 million and ¥7,135 million, respectively.



# Independent Auditors' Report

To the Board of Directors and Shareholders of

MANDOM CORPORATION:

**Deloitte  
Touche  
Tohmatsu**

We have examined the consolidated balance sheets of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 2.i, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with a new accounting standard for employees' retirement benefits.

*Deloitte Touche Tohmatsu*

June 26, 2002

# Principal Mandom Products Sold in Japan

Mandom stands at the forefront of industry evolution, bringing to market a series of hit products imbued with individual identity and capturing the needs of the day.

## Gatsby



Moisture cream  
(light type)



Cool facial foam



Shower fresh



Ice-type deodorant  
body water



Natural bleach & color

## Lúcido



Long-keep  
wax



Hair grooming  
waterA®



Skin cream



Hair gloss gel

## Lúcido L



Wavy hair wax



Light hair wax



Mat dry hair wax



Hair gum



Hair styling  
water



Glossy hair wax  
(water type)



Hair pre-curl  
liquid



Hair wax  
(foam type)



Soft fringe  
perm



Volume-down  
perm



Hair foam  
(straight)



Hair foam  
(moist)

# Advertising and Promotion in Japan

Mandom also looks to create a unique identity through its advertising and promotions.

The challenge is to leave a lasting impression and to produce products in close affinity with the consumer.





# Principal Mandom Products Sold Overseas

The Mandom Group produces a broad range of products, which cater to consumer needs in a variety of countries.

## Products manufactured in China



## Products manufactured in Indonesia



# Corporate Information



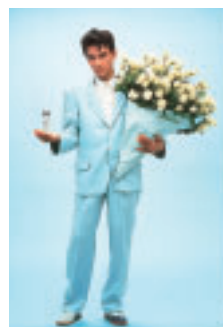
**“Mandom” derives from the words  
“Human” and “Freedom.”**

It signifies “a group of people committed to unlocking creativity in an environment that respects people and freedom.”

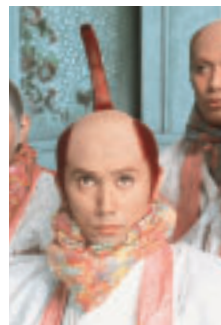
Our logo is a series of steps along a 45-degree incline that signals our commitment to making a boundless contribution to society by delivering products and services that imbue balance, refinement and originality.

# History

- |      |    |                                                                                                                                                            |      |                                                                                    |                                                                                                         |
|------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 1927 | 12 | Established Kintsuru Perfume Corporation                                                                                                                   | 1981 | 12                                                                                 | Mandom Corporation's management philosophy confirmed in 5-year medium-term management plan (MP Project) |
| 1933 | 4  | Launched <i>Tancho Tique</i> , a hit product which laid the foundation for future success                                                                  |      |                                                                                    |                                                                                                         |
| 1949 | 4  | Shinpachiro Nishimura (President) appointed to the chief post of Kinki Cosmetic Industry Association                                                       | 1982 | 4                                                                                  | Commenced Mandom Corporation's 1 <sup>st</sup> 5-year medium-term management plan (MP Project)          |
| 1958 | 4  | Established a factory in Manila, the Philippines, the first Japanese cosmetics company to manufacture abroad                                               | 9    | Commenced sale of <i>Pagliacci</i> through beauty salons throughout Japan          |                                                                                                         |
| 1959 | 4  | Company name was changed to Tancho Corporation                                                                                                             | 1983 | 4                                                                                  | Introduced new CI system. Changed company logo                                                          |
| 1961 | 5  | Mr. Hikoji Nishimura appointed President of Tancho Corporation                                                                                             | 1984 | 7                                                                                  | Introduced <i>Pucelle My Lip</i> the company's first steps into the women's cosmetics market            |
| 1966 | 11 | Chairman Shinpachiro Nishimura passed away on November 3                                                                                                   | 1985 | 2                                                                                  | Established MIC Corporation                                                                             |
| 1967 | 2  | Tancho Corporation commenced operations in Singapore                                                                                                       | 3    | Launched <i>Hi Funk Gatsby Series</i> , Japan's first styling foam for men         |                                                                                                         |
|      | 12 | 40 <sup>th</sup> Anniversary                                                                                                                               | 5    | Established Mandom (Malaysia) Sdn. Bnd.                                            |                                                                                                         |
| 1969 | 11 | Established PT Tancho Indonesia Corporation (Current PT Mandom Indonesia Tbk)                                                                              | 1987 | 4                                                                                  | Commenced new 3-year medium-term management plan                                                        |
| 1970 | 4  | Contracted with popular U.S. actor Charles Bronson to promote new product series                                                                           | 12   | 60 <sup>th</sup> Anniversary                                                       |                                                                                                         |
|      | 6  | Awarded "Excellence in Export Contributions" by the Ministry of Trade and Industry in Japan. The same recognition was received in 1971 and 1972            | 1988 | 11                                                                                 | Mandom Corporation shares traded on the over-the-counter market                                         |
|      | 7  | Launched the " <i>Mandom Series</i> ," announcing 10 products in 9 categories                                                                              | 1989 | 3                                                                                  | Received ECO Mark certification from the Japan Environment Protection Association                       |
| 1971 | 4  | Company name was changed to Mandom Corporation. PT Tancho Indonesia Corporation commenced operations                                                       | 8    | Japan Doctor Renault Cosmetics Company changed its name to PIACELABO Corporation   |                                                                                                         |
| 1972 | 10 | Established Japan Doctor Renault Cosmetics Company                                                                                                         | 9    | Introduced <i>Lúcido</i> a line of fragrance-free products                         |                                                                                                         |
| 1976 | 3  | Construction of Fukusaki Factory completed. Commenced operations                                                                                           | 1990 | 3                                                                                  | Established Mandom Corporation (Thailand) Ltd.                                                          |
| 1978 | 5  | Switched from wholesale sales to direct retail sales                                                                                                       | 4    | Commenced 3 <sup>rd</sup> 3-year medium-term management plan                       |                                                                                                         |
|      | 7  | Launched the new <i>Gatsby</i> and <i>Spalding</i> product lines, the first time in Japan's cosmetics industry to introduce two major lines simultaneously | 12   | Established Costy International Co., Ltd. in Taiwan, now Mandom Taiwan Corporation |                                                                                                         |
| 1980 | 5  | Mr. Hikoji Nishimura appointed Chairman of Kinki Cosmetic Industry Association                                                                             | 1992 | 2                                                                                  | Established Mandom Philippines Corporation                                                              |
|      | 8  | Mr. Ikuo Nishimura appointed President                                                                                                                     | 6    | Construction completed of tube filling wing at Fukusaki Factory                    |                                                                                                         |
|      |    |                                                                                                                                                            | 10   | Established M-ZA Corporation                                                       |                                                                                                         |
|      |    |                                                                                                                                                            | 1993 | 2                                                                                  | Construction completed on the first stage of new Head Office building. Commenced operations             |
|      |    |                                                                                                                                                            |      | 4                                                                                  | Commenced 4 <sup>th</sup> 3-year medium-term management plan                                            |
|      |    |                                                                                                                                                            |      |                                                                                    | Mr. Hikoji Nishimura decorated with Japan's Fourth Class Order of the Rising Sun                        |
|      |    |                                                                                                                                                            |      | 7                                                                                  | Established Sunwa Marketing Co., Ltd. in Hong Kong                                                      |



- 9 Launched *Lúcido L* fragrance-free products for women.  
PT Tancho Indonesia listed on the Jakarta Stock Exchange
- 1994 10 Established GUINOT JAPAN Corporation
- 1995 6 Construction completed of the new Head Office on the original site of the company's inauguration
- 1996 6 Mr. Motonobu Nishimura appointed President of Mandom Corporation
- 4 Commenced 5<sup>th</sup> 3-year medium-term management plan  
Established BEUCOS Corporation  
Launched "Mandom World," the Group's Home Page on the Internet
- 20<sup>th</sup> Anniversary of Fukusaki Factory
- 8 25<sup>th</sup> Anniversary of PT Tancho Indonesia Tbk
- 11 Established Zhongshan City Rida Fine Chemical Co., Ltd. in China
- 1997 2 Launched *As./s* a cosmetics line for men
- 4 Established Konan Service Corporation
- 12 70<sup>th</sup> Anniversary of Mandom Corporation  
Mandom Agency representatives meeting held in Indonesia
- 1998 3 Launched *Michiko London*, a product range sold exclusively through convenience stores
- 4 Construction completed of a new logistics center at Fukusaki Factory site
- 12 Became the first Japanese cosmetics manufacturer to receive certification of its Head Office, research laboratories, plant and logistics center to ISO9001 standards, the international standard governing product quality
- 1999 1 Launched mail-order sales of *System E/O* a line of skin treatment for women with sensitive skin
- 3 Achieved ¥10 billion sales of *Gatsby* products, a first in the Japanese cosmetics industry for men
- 4 Commenced 6<sup>th</sup> 3-year medium-term management plan
- 8 Established Mandom Korea Corporation
- 2000 1 Received the Japan Management Association Award for Excellence-Incentive Award for the *Gatsby* product line
- 5 Mr. Ikuo Nishimura Director and Advisor Mandom Corporation passed away on May 23
- 6 Appreciation Party for the late Ikuo Nishimura held at the RIHGA ROYAL HOTEL OSAKA
- 8 Mandom Corporation's share trading unit amended from 1,000 shares to 100 shares
- 11 Fukusaki Factory and logistics center certified to ISO14001, the international standard for environmental management
- 2001 1 PT Tancho Indonesia Tbk company name changed to PT Mandom Indonesia Tbk
- 3 Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory.  
Introduced 8 products in the *Gatsby* bleach coloring series, marking the company's full-scale entry into the men's hair coloring market
- 8 Repurchased and retired 2,330,000 shares of Mandom common stock held by four Japanese city banks.  
Stepped up its presence in the women's cosmetics market with a full revamp of the *Lúcido L* range
- 10 Began manufacture of the *Gatsby* Hair Color Series at facilities in three countries—Japan (Fukusaki, Hyogo Prefecture), Indonesia (Jakarta, Sunter; Bekasi, Cibitung) and China (Zhongshan City, Guangdong)
- 2002 1 Listed on the Second Section, Tokyo Stock Exchange
- 3 Completed construction of the Mandom Group's Tokyo Nihonbashi Building.  
Mandom's commercial for *Gatsby*'s Natural Bleach Color hair dye, featuring Mohican punk characters, voted the most "likeable and interesting" in a survey carried out by CM Databank





# Corporate Data

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

## Company Name

MANDOM Corporation

## Head Office

5-12, Juniken-cho, Chuo-Ku, Osaka 540-8530, Japan

## Established

December 23, 1927

## Number of Employees (As of March 31, 2002)

1,885 (Consolidated)

446 (Non-Consolidated)

## Paid-in Capital (As of March 31, 2002)

¥9,753,067,459

## Shares of Common Stock

Issued and Outstanding (As of March 31, 2002)

22,484,606 shares

## Number of Shareholders (As of March 31, 2002)

9,664

## Major Shareholders (As of March 31, 2002)

Shareholder	No. of Shares (Thousands)
The Chase Manhattan Bank, NA London	1,597
Hikoji Nishimura	1,443
The Nishimura International Scholarship Foundation	1,000
Boston Safe Deposit BSDT, Treaty Clients Omnibus	890
Teruhisa Nishimura	821
Motonobu Nishimura	770
Mandom Employee Shareholding	704
The Mitsubishi Trust and Banking Corporation (trust account)	651
Japan Trustee Services Bank, Ltd. (trust account)	479
The Bank of New York Treaty JASDAQ Account	409

## Principal Bankers

Mizuho Bank, Ltd., Shimanouchi Branch

Sumitomo Mitsui Banking Corporation, Uemachi Branch

The Daiwa Bank, Limited, Semba Branch

UFJ Bank Limited, Uemachi Branch



Head Office Building

## Board of Directors and

Corporate Officers (As of June 25, 2002)

### President and Representative Director

Motonobu Nishimura

### Executive Vice President and

Representative Director

(Management Planning Div., Human Resources Development Div.)

Hiroshi Kamei

### Senior Managing Director

(Research & Development, Customer Relations Div., Quality & Environment Management Div.)

Hiroshi Kurihara

### Managing Director

(Marketing)

Yoshikatsu Nishiumi

### Managing Director

(Resource Management, Information Systems Div., PR & Investor Relations Div., Human Resources Div.)

Kenji Saji

### Managing Director

(Manufacturing & Logistics, Purchasing Div., Logistics Center)

Kenji Yamada

### Director and Corporate Officer

(General Manager Sales Headquarters, Eastern Japan Sales Div., Western Japan Sales Div., Chainstore Sales Div., Sales Planning Div.)

Koji Nozaki

### Director and Corporate Officer

(Product Planning Div., Product Development Div., General Manager E/O Direct Marketing Div.)

Masayoshi Momota

### Director and Corporate Officer

(Central Research Laboratories)

Osamu Nakaguchi

### Director and Corporate Officer

(International Operations Div.)

Shunichi Oshita

### Director and Corporate Officer

(General Administration Div., Legal Affairs Div., Secretarial Office)

Toshimoto Higuchi

### Director

Mitsuo Goto

### Corporate Auditors

Yoshikazu Taniguchi

Kanetoyo Matsuyama

Kiyoshi Kobayashi

Kazuya Kotera

### Corporate Officer

(Production Engineering Div., Fukusaki Factory)

Hironao Suzuki

### Corporate Officer

(General Manager Financial Management Div.)

Yoshiaki Saito

### Corporate Officer

(General Manager Marketing Div.)

Ryuichi Terabayashi

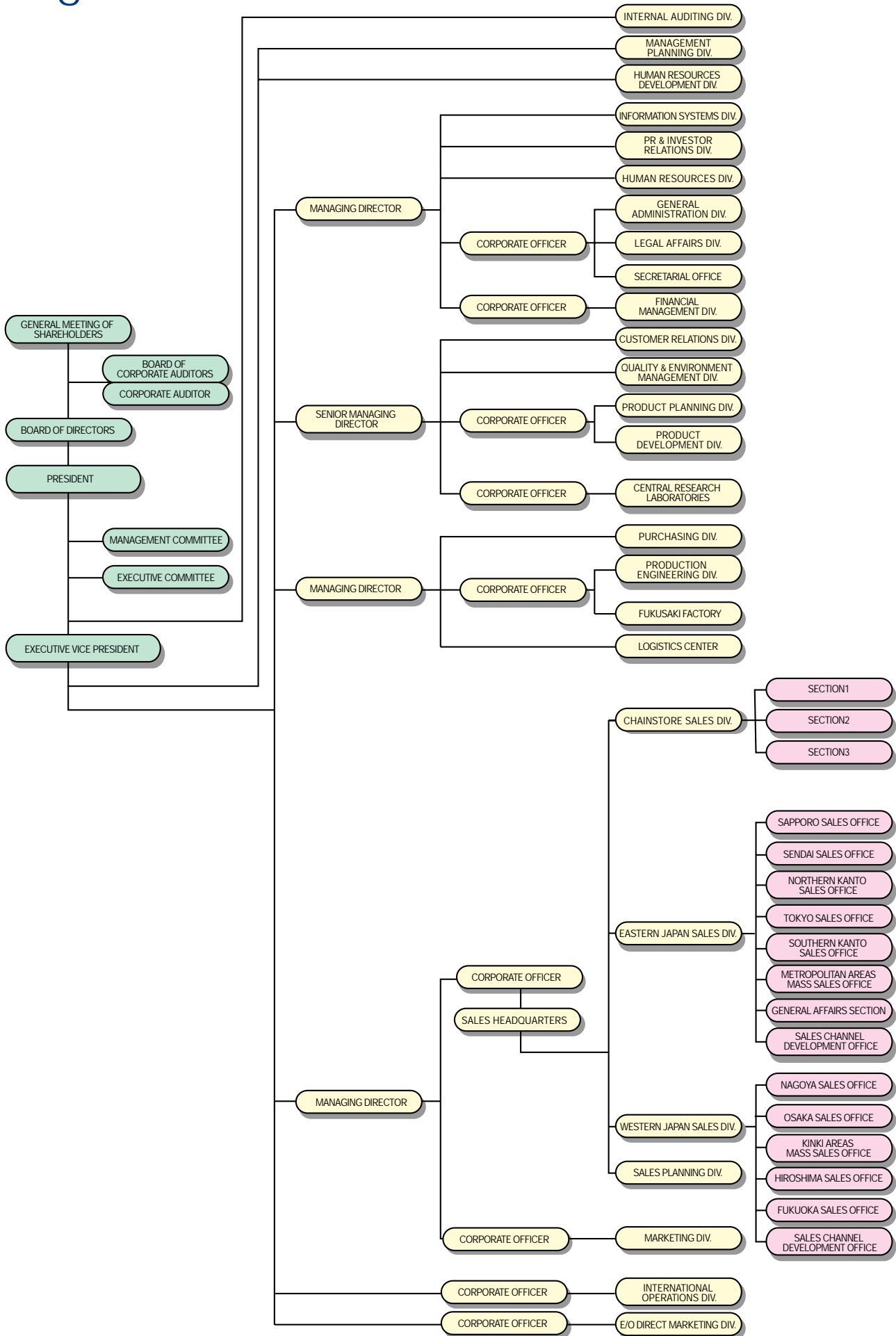


Mandom Group's Tokyo  
Nihonbashi Building



Tokyo Building

# Organization



# Mandom Quality Philosophy

Responding to real customer satisfaction by raising corporate, product and service quality through active participation by all staff.

## *Fundamental Quality Policy*

- (1) Establish effective quality management systems in Mandom group companies and continually improve effectiveness.
- (2) Comply with all related regulations and requirements, and strive to eliminate nonconformities and nonconforming products.
- (3) Adopt the challenge toward zero product quality claims.
- (4) Achieve quality objectives based on participation by all staff.
- (5) Conduct our business based entirely upon the consumer's viewpoint.
- (6) Behave in a manner, which enhances customer satisfaction by improving processing accuracy and response times.



In 1998, Mandom was the first cosmetics manufacturer in Japan to be certified to ISO9001, the international standard for product quality, for its Head Office, Central Laboratories, Fukusaki Factory and Logistics Center.

## Mandom Environmental Philosophy: (Eco-Policy)

Mandom is committed to delivering environmentally safe products and services, and protecting the Earth's precious natural environment as a responsible member of society, that contributes to health, cleanliness, beauty and enjoyment.

### *Fundamental environmental policy* (Eco-activity guide)

#### (Production and Development)

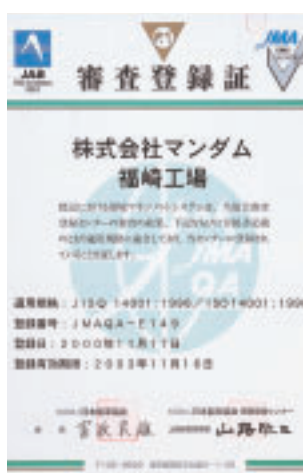
Mandom carries out the 3Rs\* in its design and production process and tries to reduce adverse environmental impact.

#### (Total Business Processes)

Mandom collectively adopts the following articles in its manufacturing, marketing, administrative and other processes:

1. Establish an environment management structure and promote active preservation of the environment.
2. Consider the protection of the environment, and use energy and resources carefully.
3. Raise awareness of the environment and contribute to society as a good corporate citizen.

\*3Rs:Reduce, Reuse and Recycle



In 2000, The Fukushima Factory and Logistics Center were certified to the international standard ISO14001 for the introduction of an environment management system.

