



MANDOM CORPORATION
Annual Report 2007

Year Ended March 31, 2007



**Construct the Foundation
for Next Growth**



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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.

Mission Statement:

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 keywords 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: Lifestyle focus, Business Partner focus, and Brands focus

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.



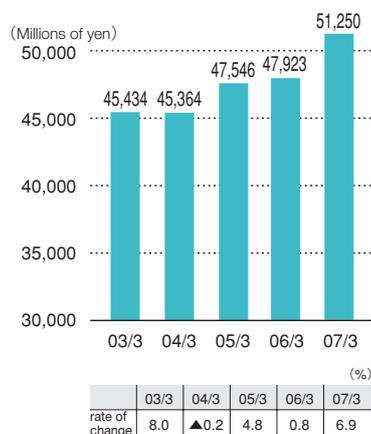
Financial Highlights

Mandom Corporation and Consolidated Subsidiaries

(Millions of yen)

	07/3	06/3	05/3	04/3	03/3
Net Sales	51,250	47,923	47,546	45,364	45,434
Operating Income	5,195	6,065	6,700	6,680	6,322
Net Income	2,488	3,099	3,211	3,253	2,988
Total Assets	51,620	51,320	47,397	45,474	43,868
Total Equity	44,182	40,568	38,168	36,687	34,714
Return on Equity (ROE) (%)	6.1	7.9	8.6	9.1	9.3
Earnings per Share (EPS) (¥)	104.28	124.36	128.73	130.83	128.32
Payout Ratio	57.5	48.2	42.7	38.2	39.0
Dividend on Equity	3.5	3.7	3.5	3.3	3.5
Cash Dividends per Share (¥)	60.00	60.00	55.00	50.00	50.00

Net Sales



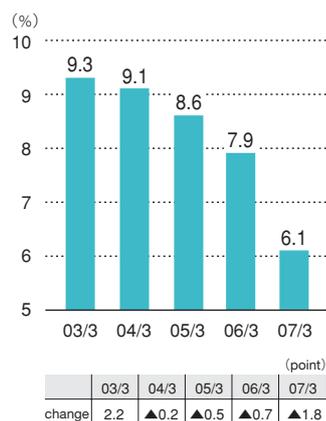
Operating Income



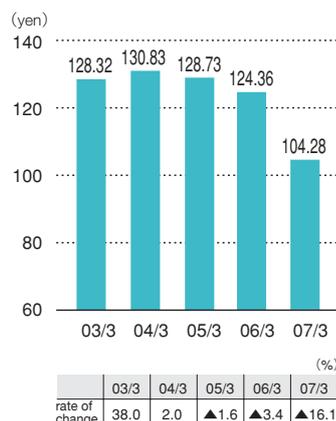
Net Income



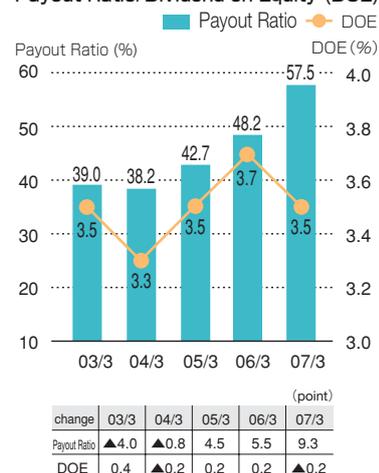
Return on Equity (ROE)



Earnings per Share (EPS)



Payout Ratio/Dividend on Equity (DOE)



A Message to Our Stakeholders

Defining the fiscal year ended March 2007 as a year of challenge and upfront investment aimed at business performance recovery and future expansion, we focused on a total renewal of our major brand *Gatsby* and Group-wide production capacity enforcement. As a result, we increased the total sales for the third consecutive year, setting a yet another record. This brilliant performance, however, did not result in a higher profitability, which fell also for the third consecutive year. All in all, the year was marked by increased sales and decreased profits. The fiscal year ending March 2008 being a particularly important year, that is, the final year of our eighth Middle-range Planning and a milestone in our corporate history, the 80th anniversary of the Company's founding, we are determined to make corporate-wide all-out effort to recover our profitability and build on our foundation for future growth.



Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer



Motonobu Nishimura
Representative Director
President Executive Officer

Results for the Fiscal Year ended March 2007

The fiscal year ended March 2007, the second year of our eighth Middle-range Planning (from the fiscal year ended March 2006 to the fiscal year ended March 2008; hereinafter referred to as the MP-8) started out in an extremely challenging situation due to fierce competition mainly in the men's cosmetic market in Japan, which was not anticipated when the MP-8 was formulated.

In this situation, the Mandom Group focused on product and marketing reinforcement, carrying out a total renewal of its major brand *Gatsby*, to further solidify our brand power in and outside Japan.

As a result, in Japan, we recorded a year-on-year sales increase of 2.9%, mainly thanks to the hair wax *Moving Rubber*, the first product launched within the framework of the total renewal of the *Gatsby* brand, which brought about steady sales and compensated for the sluggish sales of existing products including *Lúcido L*.

Overseas, we also recorded a year-on-year sales increase of 17.8%. This favorable performance was attributed to sales expansion mainly of *Gatsby* brand hair styling agents, which we vigorously promoted overseas through *Gatsby* Promotion Events and other measures, as well as *Lúcido L* and women's cosmetics, positively aided by the effect of weaker yen. As a result, the ratio of Asian sales to the consolidated net sales reached 29.7%, up 2.7 points from the previous fiscal year.

In terms of profitability, however, in Japan we registered a considerable decline in income at different levels, including consolidated operating income. This decline was caused mainly by increased costs of goods sold resulting from the use of new ingredients adopted to upgrade value added to the new products and changes in accounting standards applicable to allowances for returned goods, and by increased selling, general and administrative expenses resulting from investment in vigorous marketing for major brand reinforcement.

Consequently, our consolidated results for the fiscal year under review were 51,250 million yen in sales, up 6.9% from

the previous year; 5,195 million yen in operating income, down 14.3% from the previous year; 5,109 million yen in ordinary income, down 16.5% from the previous year; and 2,488 million yen in current net income, down 19.7% from the previous year, thus resulting in a decline in profit as in the previous fiscal year.

Mandom has declared a year-end dividend of 30 yen per share as projected at the beginning of the year, thereby setting the annual dividend per share at 60 yen, as in the previous year (with a consolidated payout ratio of 57.5% and DOE (dividend on equity) of 3.5%).

The performance of the brands and product categories on which the Mandom Group has been focusing as pillars of business growth are as follows (Group-wide sales):

■ Priority Brand: *Gatsby*

In the fiscal year under review, we actively promoted *Moving Rubber*, the first product of this brand subjected to a total renewal, based on in-depth surveys on the wants of its main target users. The product was renewed in many aspects including usability, design, fragrance and the tactile characteristics of the container in order to materialize the target users' wants, and its communication was designed and conducted to match target user lifestyles. Such active product and marketing efforts brought about overwhelmingly favorable results: *Gatsby*'s hair way sales increase of 197.1% in monetary value and 260.3% in volume, both from the previous year, a market share of some 60% and the No.1 status on the market. Thanks to this great success of *Moving Rubber*, the hair coloring agent, deodorant and face wash products launched in the second phase of renewal in February 2007 have been smoothly introduced into stores and achieving favorable results.

The success story of the above-mentioned renewal program in Japan was somewhat offset by the pre-renewal difficulty of the hair coloring and deodorant products, resulting in an income increase of 8.3% from the previous year. Overseas, the *Gatsby* Promotion Events held in various locales proved successful and brought about a sizable income increase of

26.3% from the previous year. Consequently, Group-wide sales reached 27,659 million yen, up 12.8% from the previous year.

■ Priority Brand: *Lúcido L*

In Japan, despite the steady growth of the hair coloring products, we registered an income decrease of 7.7% from the previous year, since our hair wax products had difficulty growing amid intensifying competition in the hair styling agent market. In February 2007, we started a product campaign proposing a hair styling technique that uses hair water and hair wax in combination, featuring Ms. Moe Oshikiri as its ad personality, and attract much public attention.

Overseas, we carried out promotional campaigns in China, Malaysia and Singapore for brand reinforcement. As a result, the rates of brand recognition and the numbers of stores handling the products in these countries increased remarkably, leading to a large income increase of 28.6%. However, this increase was not sufficient enough to offset the income drop in Japan, and the Group-wide sales reached 4,075 million yen, down 3.8% from the previous year.

■ Priority Category: Face and Body Products

In Japan, the face care sheets enjoyed a smooth growth. This product sells well not only during summer but throughout the year. We can say that it has been perfectly incorporated into consumer lifestyles. This product compensated for a decline in deodorant sales in summer due to low temperatures and heavy rainfalls, bringing about a small income increase of 0.1% from the previous year.

Overseas, the introduction of new fragrance-related products contributed to sales increase and resulted in a major income increase of 16.8% from the previous year. Consequently, the Group-wide sales in this category were 13,243 million yen, up 4.9% from the previous year.

■ Priority Category: Hair Coloring Products

In Japan, market competition in this product category has been further intensifying while the hair coloring agent for black hair market itself has been shrinking. As a result, the *Gatsby* brand struggled, and we registered a major income decline, despite the largest share we obtained in the men's hair coloring agent for black hair market. *Lúcido L* for women enjoyed a robust growth, but not sufficiently to offset the income decline due to *Gatsby*, thereby resulting in an income drop of 11.2% from the previous year.

Overseas, in the ASEAN region, hair coloring agents for gray hair had a favorable performance, registering a large income increase of 24.9% from the previous year. However, this positive performance was unable to compensate for the decline in Japan, and consequently the Group-wide sales were down 6.9% from the previous year at 5,505 million yen.

■ New Priority Business Domain: Women's Cosmetics

As the Mandom Group's new domain for business growth, in Japan, we have been vigorously developing the business foundation of women's cosmetics that enables us to pursue product development, manufacturing and marketing on our own. In the fiscal year ended March 2007, we reinforced the in-house-developed product line-up, marketing skin care and make-up products featuring our original preservative-free formula and winning highly positive evaluation of the market. These new products, put on selected distribution channels mainly including variety store channels, show steadily positive results at the moment. However, since their impact on our business is limited, we are planning to review their sales channels to expand sales and profits.

Overseas, our total cosmetic brand *Pixy*, which we market mainly in Indonesia, underwent a renewal, particularly in its skin care product series, and succeeded in expanding sales, thereby leading our women's cosmetic business.

As a result, our Group-wide sales in this domain were 5,176 million yen, up 7.6% from the previous year.

Hiroshi Kamei
Representative Director
Vice President Executive Officer



Plans and Forecasts for the Fiscal Year ending March 2008

In the fiscal year ending March 2008, we, the Mandom Group of the Japanese and overseas companies combined, will further focus our effort on brand power reinforcement, so as to further increase sales and rectify profitability, which has declined in the fiscal year ended March 2007, thereby increasing both income and profits.

[Consolidated Sales]

In the fiscal year ending March 2008, in Japan we will focus on reinforcing the priority brand *Gatsby* and the priority product category “face and body products” and enter into a new business domain for us, women’s hair coloring agents for gray hair. With regard to *Lúcido*, we will propose new hair styling agents for its main target, middle-aged men, with product features well focused on their aging-related concerns. In the women’s cosmetic category, we will review sales channels in the final stage of business foundation construction, while proposing appropriate products.

Overseas, we will further reinforce *Gatsby*, as well as *Pixy* (women’s cosmetic brand mainly marketed in Indonesia). From the fiscal year ending March 2008, China will be incorporated into our consolidated accounting.

In the fiscal year ending March 2008, we project to increase our consolidated sales for the fourth consecutive year, reaching 54,500 million yen (up 6.3% from the previous year).

[Consolidated Profits]

In Japan, we intend to promote in-house manufacturing of products of large-volume shipments, procure raw materials outside Japan and shift the manufacturing of some major products to overseas production centers, thereby reducing the rates of costs of goods sold. Moreover, thanks to the early success of the *Gatsby* brand renewal program, we will lower selling expenses, which have increased in the fiscal year ended March 2007, to a level closer to the pre-renewal levels, without compromising the renewal effect, thereby largely increasing profits.

Overseas, the rates of costs of goods sold are expected to increase because of capital investment in manufacturing facilities in the production centers in Indonesia entailing increased manufacturing depreciation and other expenses. In addition, marketing efforts will be continuously reinforced to maintain growth, resulting in increased expenses. Due to these factors, the ratio of overseas contribution to the consolidated profits will be smaller than usual, although overseas profits are sure to increase.

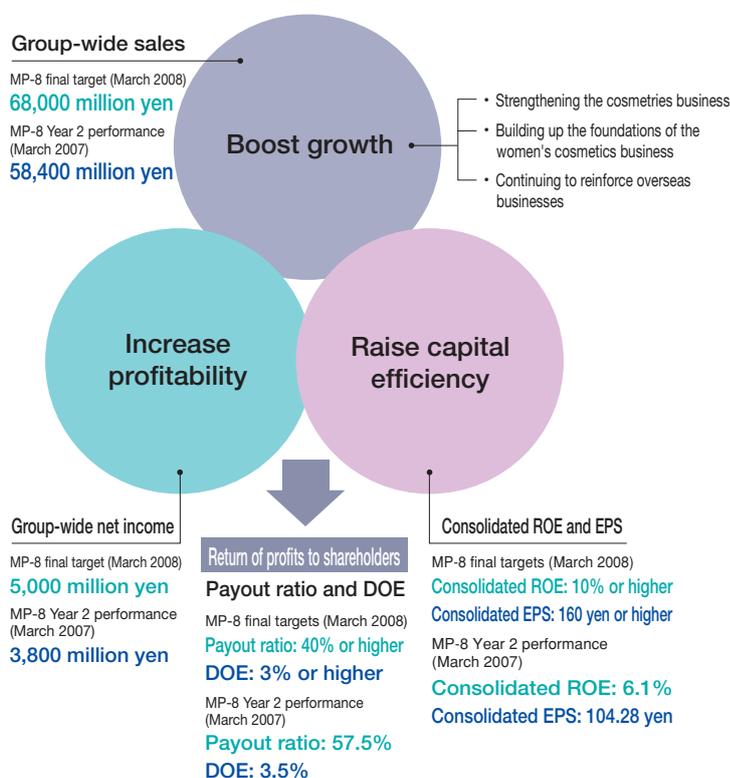
With no particular factors likely to affect non-operating and extraordinary profit and loss, we estimate the consolidated operating profit at 6,100 million yen (up 17.4% from the previous year), consolidated ordinary income at 5,900 million yen (up 15.5% from the previous year) and consolidated net income at 3,000 million yen (up 20.6% from the previous year).

MP-8: Current Status and Future Prospects

MP-8, aiming at the return of profits to shareholders with sound grows, started with the following objectives at the end of three-year plan (MP-8): Group-wide sales of 68,000 million yen as index of growth; Group-wide net income of 5,000 million yen, consolidated ROE (return on equity) of 10% or higher and consolidated EPS (earnings per share) of 160 yen or more as indices of improvement in profitability and capital efficiency; payout ratio of 40% or higher and DOE (dividend on equity) of 3% or higher as indices of returns to shareholders.

Now that the fiscal year ended March 2007 and two-thirds of the MP-8 are over, it is appropriate to examine the current status and future prospects of the MP-8.

■ MP-8 Outline and Progress



[Growth Improvement]

At present, we are behind the objective of Group-wide sales of 58,400 million yen by more than 7%.

This is mainly due to the greater than expected difficulty that the priority brands *Lúcido L* and *Lúcido* encountered in the market and the delayed entry of women’s hair coloring agents for gray hair into the market in Japan. These factors undermined the favorable performance of the priority brand *Gatsby*, whose successful total renewal in the first half of the year in Japan brought about better than projected results, as well as the priority category “face and body products” and the overseas operations which registered positive results as projected.

In the year ending March 2008, the final year of the MP-8, the situation will remain challenging toward the goal of 68,000 million yen in Group-wide sales. However, we are determined to do our utmost to minimize the gap between actual performance and the objectives, by focusing on developing the business domains that have progressed as projected or better than projected in addition to women's hair coloring agents for gray hair, to be introduced into the Japanese market in the coming autumn.

【Profitability and Capital Efficiency】

At the end of Year 2 of the MP-8, the Group-wide net income was 3,800 million yen, the consolidated ROE was 6.1%, and the consolidated EPS was 104.28 yen. The Group-wide net income, key factor for profitability and capital efficiency, is below the objective by about 17%.

This is mainly because the sales did not increase as projected. In addition, the Group-wide income was hampered by a large increase in the selling and development expenses to better cope with fierce competition in the Japanese men's cosmetic market, something unanticipated when the MP-8 first started.

In the year ending March 2008, the final year of the MP-8, achieving the objective of 5,000 million yen will be a formidable challenge. However, we are determined to get as near as possible this target by readjusting the budget by reducing the selling and development expenses, which we increased, as mentioned above, to fight the intense competition for an originally projected period of two years, to their previous levels. We are confident that this adjustment will not adversely affect the performance as the increased expenses brought about more than expected positive results within only one year.

【Return of Profits to Shareholders】

The payout ratio was 57.5% and the DOE was 3.5%, both above the target figures.

The true goal behind the objectives of payout ratio and DOE is attaining sound profits according to a plan, which should then allow us to share profits with our shareholders. In this sense, the second year's results were not reflected in the fulfilment of those target figures. However, we believe that they were achieved mainly because of the company's stable financial constitution.

In the year ending March 2008, we will aim to achieve the objectives of net income and return of profits to shareholders, on the premise that we will minimize as much as possible the differences between our Group-wide sales and net income and their target figures, as mentioned above.

In Closing

Now that two-thirds of the MP-8 is over, comparing the results of the last two years with the target figures in the final year almost puts us to shame. At the same time, it is also true that, as we struggled, adjusting to unexpected environmental changes in the last two years, we learned anew the importance of returning to Mandom's management philosophy of "creating lifestyle value with consumers, for consumers" and that our efforts for promoting the major brands and developing new ways of communicating to consumers have brought about numerous fruitful results. This precious experience is shared by all Mandom management and employees, who continue to pursue the mission of constantly focusing on how we can satisfy customers through our business activities and continue to aim at returning profits with sound growth to shareholders, as indicated in the MP-8.

We look forward to your continued support in these endeavours.



Motonobu Nishimura
Representative Director
President Executive Officer

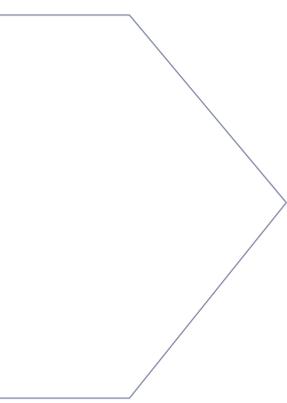


Hiroshi Kamei
Representative Director
Vice President Executive Officer

Mandom Group's Mission Statement calls for the group to be
**“aiming to provide a comfortable
lifestyle supported by health and beauty.”**

Our Mission Statement underpins all Mandom Group companies worldwide to constantly focus on how we can satisfy customers through our business activities.





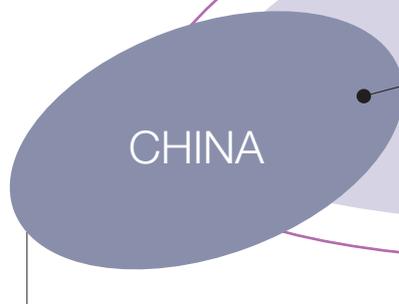
Six Mandom Ways

- ▶▶ 1 Harness Group resources
 - ▶▶ 2 Explore Mandom's uniqueness
 - ▶▶ 3 Contribute to society
- ▶▶ 4 Product development that creates lifestyle value with consumers, for consumers
- ▶▶ 5 Research activities that deliver comfort in product quality
 - ▶▶ 6 Pursuit of competitiveness through production and supply



Harness Group resources

Mandom Group Mission Statement and strategy underpin our management promotion. Mandom divides the Asian region into four strategic areas: JAPAN, ASIA NIES, ASEAN 4, and CHINA, and the Mandom Group conducts business activities in a way that is in tune with the characteristics of markets and local societies, respectively. We believe that Mandom's strengths can be harnessed by allowing Group companies to develop business with a spirit of self-reliance, while working flexibly with one another, based on the Mission Statement and the strategy.



CHINA



ASIA NIES

ZHONGSHAN CITY RIDA FINE CHEMICAL CO., LTD.

(consolidated subsidiary)

- Established in 1996
- Manufactures and sells cosmetic products
- Manufactures and supplies products to markets in China, Japan, and overseas Group companies
- Annual production volume (year ended December 31, 2006): 12,184 thousand units
- Owns sales bases in the coastal area: Beijing, Shanghai and Guangzhou
- Core products: cosmetries
- Distribution channels: distributors and direct sales



Zhongshan Factory
(Guangdong Province, China)



MANDOM CORPORATION (SINGAPORE) PTE LTD

(consolidated subsidiary)

- Started a joint venture in 1988
- Sells cosmetic products
- Core products: cosmetries, toiletries, and skin care products
- Distribution channels: distributors and direct sales



MANDOM TAIWAN CORPORATION

(consolidated subsidiary)

- Started a joint venture in 1989
- Sells cosmetic products
- Core products: cosmetries
- Distribution channels: distributors and direct sales



MANDOM KOREA CORPORATION

(consolidated subsidiary)

- Started a joint venture in 1999
- Sells cosmetic products
- Core products: cosmetries and toiletries
- Distribution channels: distributors and direct sales



SUNWA MARKETING CO., LTD.

(equity-method affiliate)

- Started a joint venture in 1993
- Sells cosmetic products
- Core products: cosmetries and toiletries
- Distribution channel: direct sales

Mandom Group Mission Statement:

“Aiming to provide a comfortable lifestyle supported by health and beauty.”

Strategy:

Middle-range Planning

JAPAN

ASEAN 4



MANDOM CORPORATION

(parent company)

- Established in 1927
- Manufactures and sells cosmetic products
- Mother factory leading the Mandom Group's manufacturing; supplies products to Group companies in and outside Japan
- Annual production volume(year ended March 31, 2007): 125,606 thousand units
- Core products: cosmetries
- Distribution channel: distributors

PIACELABO CORPORATION

(consolidated subsidiary)

- Established in 1972
- Sells cosmetic products
- Core products: cosmetics for hair and esthetic salons
- Distribution channel: distributors

GUINOT JAPAN CORPORATION

(consolidated subsidiary)

- Established in 1993
- Sells cosmetic products
- Core products: *GUINOT* cosmetics for esthetic salons
- Distribution channel: direct sales

BEUCOS CORPORATION

(consolidated subsidiary)

- Established in 1996
- Quality management of products handled by domestic Group companies

MANDOM BUSINESS SERVICE CORPORATION

(non-consolidated subsidiary)

- Established in 1997
- Provides life and non-life insurance, staffing, and general services(e.g., building maintenance and operation, back-office services, and environmental maintenance)



Sunter Factory (Jakarta, Indonesia)



Cibitung Factory (Bekasi, Indonesia)

PT MANDOM INDONESIA Tbk

(consolidated subsidiary)

- Established in 1969
- Manufactures and sells cosmetic products
- Listed on the Jakarta Stock Exchange in 1993
- Manufactures and supplies products to markets in Indonesia and the Middle East, and overseas Group companies. Owns integrated production facilities that perform throughout production procedures from the production of plastic containers to the production of contents, filling and packaging products.
- Annual production volume(year ended December 31, 2006): 631,871 thousand units
- Core products: cosmetries, make-up and skin care products
- Distribution channel: distributors

MANDOM PHILIPPINES CORPORATION

(consolidated subsidiary)

- Started a joint venture in 1992
- Sells cosmetic products
- Core products: cosmetries
- Distribution channel: distributors

MANDOM (MALAYSIA) SDN. BHD.

(consolidated subsidiary)

- Started a joint venture in 1997
- Sells cosmetic products
- Core products: cosmetries, toiletries, and skin care products
- Distribution channels: distributors and direct sales

MANDOM CORPORATION (THAILAND) LTD.

(non-consolidated subsidiary)

- Started a joint venture in 1990
- Sells cosmetic products
- Core products: cosmetries, toiletries, and skin care products
- Distribution channels: distributors and direct sales



Fukusaki Factory (Hyogo Prefecture)



Explore Mandom's uniqueness

In 2007, Mandom celebrated its 80th anniversary, a milestone that drove home to us the fact that for these 80 years the company has stayed alive and that society has made it possible for us.

On this occasion, we have renewed our awareness of the significance of this fact and committed ourselves anew to the Mandom Way, to create a Group in which employees are inspired to think and act energetically and to participate in objective and sound business management.

1. Renewed awareness of "having stayed alive" and "having been allowed to stay alive", and our business management

Our renewed awareness of "having stayed alive" and "having been allowed to stay alive" for 80 years has given us confidence to continue to stay alive in the future. We believe that to do so, we must maintain our sound and prompt business management based on a solid understanding of our strengths and weaknesses. We also believe that society has "allowed us to stay alive until now" because we have faithfully fulfilled our duties as a corporate citizen and contributed to society's well-being in a way commensurate with our capacity. We hope to continue doing so for many years to come.

One of our strengths, we believe, is the willingness to tackle problems upfront without procrastinating and make decisions and take action promptly, starting with whatever is possible. We must remember, at the same time, that in the past our rapid decision-making sometimes led us to stray away from objectivity and "check and balance" function. Essentially, the core of our business management is a decision-making system based on the stakeholders' perspective and an execution system based on that decision-making system. Now we are working to improve our decision-making system further, based on a clear understanding of our strengths and weaknesses revealed in our 80-year operation, by adding promptness and sophistication to our decision-making process, so that the uniquely-Mandom system of checks and balances can function smoothly. As for business execution, we strive to enhance its mobility, establishing an efficient system of uniquely-Mandom checks and balances here as well. In doing all this, we place at the heart of our business management our grateful awareness of "having been allowed to stay alive" by society until present. This means that we, as a corporate citizen, to maintain realize a sound business management executed from an objective perspective based on legal and ethical compliance in all we plan and do.

Decision-making and Business Execution

We separated decision-making and executive functions in order to institutionalize prompt decision-making by adopting an executive director system in 2001 and by restricting the double appointment of directors as executive officers in 2004. Consequently, with business execution delegated to executive officers, directors can concentrate on decision-making, realizing a speedy and sophisticated decision-making process. Executive officers can concentrate on business execution, ensuring mobility in management and enabling mutual supervision based on the uniquely Mandom business unit system.

Checks and Balances

Through checks and balances from an objective standpoint, Mandom ensures soundness and transparency in our business management.

In 2001, Mandom invited external directors to join the Board of Directors, to improve the Company's decision-making function. In 1986, external auditors were invited to the Board of Auditors; today, half the Board of Auditors are external members. Mandom's Board of Auditors not only conducts statutory auditing under applicable laws but also actively participates in checks and balances by making recommendations based on reviews of information collected on the Company's business execution.

Considerate Attitude as the Bedrock of the Mandom Group:

<Code of Conduct>

In 1999, as part of the Group's compliance program, a Code of Conduct was adopted for Mandom Group executives and employees, so that the corporate philosophy may be appropriately put into practice. The Code goes beyond the standard exhortation of legal compliance and ethical conduct, and recommends to the executives and employees an international perspective and an actively considerate attitude towards all stakeholders, including local communities and the global environment. In April 2007, the Code of Conduct was revised, with its applicability extended to all overseas Group companies. Since then, it has served to ensure regulatory compliance for the entire Mandom Group. To ensure that the Code of Conduct is correctly observed, the "Helpline System" has been established, to protect employees who report on actual or potential violations of the Code of Conduct. Therefore, this system commits directors and employees alike to compliance and contributes to risk management.

2. "Forum for communication", "environment conducive to work" and "framework for personnel development" inspire employees to think and act energetically

The Mandom Group, convinced that individual employee development is a prerequisite to corporate growth, has been actively promoting human resource development in line with changes in our size and environmental conditions. Drawing lessons from our past management crisis, which taught us the vital importance of maintaining "forums where Mandom's Mission Statement and management philosophy can be communicated", we have consistently pursued personnel development on the basis of communication of the Mission Statement and the management philosophy, although forms of communication have changed over time. These forums for communication help realize a solid sharing of the management philosophy and aims among all the personnel, thereby strengthening an open corporate culture and Mandom's uniqueness in its personnel.

Now that Mandom is becoming increasingly global in its business operation and multinational in its workforce, we are determined to make further effort to continuously improve our framework for human resource development and environment conducive to work.

Moreover, we hope to nurture positive relationships between Mandom as a public entity and its personnel so that Mandom may serve, not as a mere place of employment, but as a place leading to personal development in three stages: immediately following recruitment (encounter with the corporate world), during years of service (reconciling personal and corporate lives) and upon retirement (departure for a new phase in life), thereby helping our personnel in fully developing their individual potential and better serving society as a result.

Forums for Communicating the Management Philosophy

Forums that foster close communication between the Group executives and employees serve not only to ensure that all the personnel understand and share the Company's management philosophy, but also to help resolve various problems, thereby reinforcing employee solidarity and motivation. We attach great importance to these forums, places of veritable intellectual exchange and mutual stimulation, whether they are used to transmit lessons of wisdom to younger generations of employees who did not experience the Company's management crisis, to discuss approaches to personal development or to contemplate the Company's future.

Growth journal

Newly recruited employees keep a journal every day during their first three months with the Company, writing down their thoughts, questions, achievements, etc. experienced in their day-to-day work. They hand over this journal to more experienced employees, who write down in their turn to give replies, etc. So as to have a written dialogue, or have actual talks with newly recruited employees to guide and encourage them. This system enables newly recruited employees to have frank and personal talks about their questions and problems concerning their work, find solutions one by one, and quickly familiarize themselves with work. For more experienced employees, this system provides a great opportunity to confirm their knowledge and review their experience.



Framework for Human Resource Development

At Mandom, we emphasize on-the-job training that takes place in the course of day-to-day work between superiors and junior staffs and between experienced employees and younger ones. We view this type of training as a forum of all-around education that enables true encounters between fellow human beings while teaching and learning skills, knowledge and business know-how. In addition to such OJT training, employees can also receive off-the-job training, including level-specific programs, support for personal development, Group-wide conferences, and specialist training organized by individual business units and departments.

Group-wide overseas exchange training

This training involves exchange between the staffs of Mandom Group companies in Japan and overseas through joint marketing research, factory and office visits and the like, aimed at reinforcing their common sharing of the "Mandom DNA (Mission Statement, Mandom Philosophy)" and nurturing Group-wide solidarity and mutual stimulation. This training program has proven effective in drawing the best of the Mandom Group personnel as the Group becomes increasingly global in its business operation and multinational in its workforce.



Environment Conducive to Work

No matter how skilled employees become, they will not feel motivated unless their skills are appropriately mobilized, recognized and rewarded. Likewise, employees cannot feel totally comfortable at work without the company's understanding of, and support for, their individual lifestyles and life projects. Therefore, Mandom has developed a range of programs intended to make work enjoyable and challenging while showing respect for individual employees.

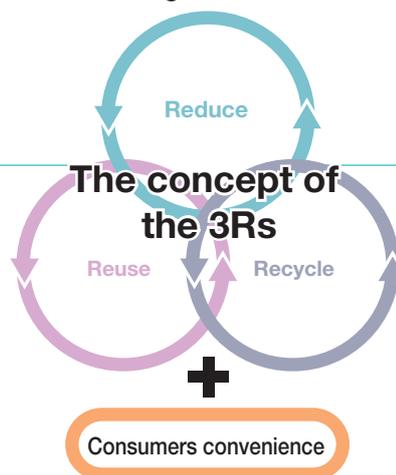
Contribute to society

The Mandom Group is one of the first Japanese cosmetic manufacturers/distributors to have expanded their business operations in Asia. As a manufacturer, we remain forever grateful to Asia for having enabled our business development, and hope to continue contributing to local society in a way commensurate to our capacity, in line with our principle of serving society through our products. At the same time, we think it our responsibility to ensure that all Mandom personnel fulfil their duties as full-fledged members of society and establish a framework for ensuring this fulfilment.

1. Social responsibility as a manufacturer

As a manufacturer producing almost 800 million units of cosmetic products annually, we of the Mandom Group recognize that environmental consideration is our most important corporate responsibility. Our measures for environmental production cover all stages of product life, from designing to manufacturing, to distribution and marketing.

The Mandom Group's environmental consideration is based on its "Environmental Philosophy" and "Fundamental Environmental Policy", which commit us, as a conscientious corporate citizen, to continuous efforts for protecting the precious global environment.



Environmental Considerations in Product Development

Mandom's environmental consideration started early, when we became the first in the industry to completely eliminate the use of chlorofluorocarbons (CFCs) in 1990. At present, we practice product design based on the 3R principle (Reduce, Reuse and Recycle), so as to minimize adverse environmental impact and enhance consumer convenience.

■ Mechanism for environment-friendly residual gas removal

In 2003, Mandom started using a proprietary gas removal mechanism for *Gatsby* deodorant sprays. This mechanism simplifies gas removal, a previously troublesome process. In April 2007, Mandom completed the adoption of this mechanism to all applicable products, well ahead of the mandatory switch dictated by the Aerosol Industry Association of Japan by the end of March 2008.



During use During gas removal

■ Refills

Mandom offers refill cartons of products that are used up quickly, such as hairwater for straightening hair in the mornings. By enabling reuse of pumps and bottles, we intend to reduce the number of containers that are discarded.



Environmental Consideration in Manufacturing

Mandom's Fukusaki Factory has been vigorously promoting environmentally responsible wastewater treatment, energy conservation and waste recycling. The ISO 14001 certification was acquired in 2000. Since October 2003, the factory has maintained its "zero emission" status, with more than 99% of resources spent there put to reuse and recycling.

Environmental Consideration in Logistics

In October 2004, Mandom adopted a third-party logistics (3PL) outsourcing contract to shift to a more efficient logistics system. We have also taken measures to shorten the transportation distance of returned goods and opted to work with industrial waste treatment service companies with higher reuse ratios. Mandom is also actively promoting environmental protection in logistics by such approaches.

We have also reduced adverse environmental impact from logistics by modal shift: switching from trucks to ships and rail as main transportation modes. This enhances transportation efficiency and reduces energy consumption at the same time.

■ Transportation of returned goods

Previously, returned goods were sent back to Fukusaki Factory from distributors located all over Japan to be disposed of. We decided to change this out of environmental consideration and switched to having returned goods collected at external logistic centers at major junctions and disposing of them near our logistic bases. As a result, we have shortened the transportation distance of returned goods and cut down on carbon dioxide emissions from transportation vehicles. We have also reduced environmental impact by contracting industrial waste treatment service companies with higher reuse ratios.

■ Green Logistics

Since May 2006, as part of its 2006 Green Logistics Partnership Dissemination Project, Mandom has been working toward a 30% reduction in its carbon dioxide emissions, by improving loading efficiency in transportation between logistic bases, shifting to more environmentally friendly modes of transportation and reducing inventory levels at the logistic bases.

Environmental Consideration in Sales Promotion

Mandom uses a variety of promotional materials to ensure good communication to consumers in stores. Because of their huge total volume, these materials can pose a serious environmental problem. Therefore, we constantly work on their volume reduction and recycling, as well as reduction of packaging materials used for their transportation, thereby minimizing environmental impact.

Product Display Trays

By changing the mold design for product display trays, Mandom has achieved an average 30% reduction in the amount of plastic used. Trays can also be reused simply by changing the price card attached to the front.



Garbage-free display tools

To display our products in stores, we use "EKODESU®", eco-display tool which can be assembled simply by turning a transportation cardboard box inside out. This original tool has completely eliminated the need for conventional cardboard boxes for transportation, contributing to waste reduction.



"EKODESU®" is a registered trademark of Dai Nippon Printing Co., Ltd.
"EKODESU®" is one of the products in DNP Original Environmental-friendly POP Series

2. Contribution to the Asia region

In 1958, Mandom started its overseas business operation in Asia ahead of the others in the industry. In our overseas business, our objectives are not just efficiency and profitability, but service to the local communities. Accordingly, we make sure that our business activities are well rooted and received locally. As we near the 50th anniversary of our overseas business, we renew our deep gratitude to local partners, related persons and organizations in the Asian region for their precious support and cooperation, which have made it possible for us to develop our activities. We sincerely hope to continue contributing to Asian local communities in a way commensurate to our capacity.

Support for Asia's future leaders

To express our gratitude to Asia, source of the Mandom Group's remarkable business expansion, we established the Nishimura International Scholarship Foundation in 1999, with personal funds offered by Ikuro Nishimura, the second President of PT MANDOM INDONESIA Tbk, who worked and lived in Indonesia. Scholarships are offered to students from across Asia. It is our hope that ties between the Scholarship recipients and Mandom will contribute to promoting their home countries' development and the friendly relations between these countries and Japan.



Gratitude for 35-year-old business operation

PT MANDOM INDONESIA Tbk, one of pivotal establishments for Mandom's overseas business, celebrated the 35th anniversary of its operation in 2006. We are aware that Mandom has managed to develop its activity in Indonesia to this extent (in 1993, the Indonesian company was listed on the local stock exchange), thanks to very warm support and generous cooperation from our local business partners and many related persons, to whom we remain grateful forever. To say a very special thank-you, in March 2007 we organized a commemorative ceremony marking the 35th anniversary and invited our local partners and related people.

We hope to continue expanding our circle of service through our business activities, cherishing our ties with local communities in Indonesia and in the rest of Asia.



3. As a Corporate Citizen

At Mandom, we believe that employees' fulfilling their civic responsibilities lead to the Company fulfilling its duties as a corporate citizen. Accordingly, we work on improving our in-house environment and employees' understanding of their responsibilities.

Participation in the citizen judge system

In anticipation of the citizen judge system, to be enforced by May 2009 concerning all eligible voters in Japan, Mandom partially revised its employment regulations as of January 1, 2007. According to the revised regulations, employees can take special paid leaves during the period which they are called to serve on a jury to be

absent from work. So the employees will be able to serve as jury members without incurring work-related inconvenience. By this early adjustment, the Company gains extra time, enabling the employees to deepen their understanding of the citizen judge system and prepare themselves for modifications smoothly.

Product development that creates lifestyle value with consumers, for consumers

Mandom’s fundamental philosophy of being a company that "creates lifestyle value with consumers, for consumers", constitutes the foundation of our business, especially in product development and marketing. We understand “creating lifestyle value with consumers, for consumers” as translating consumers’ needs and wants into attractive products and making them known to consumers through quality communication so that consumers can be satisfied with, and benefit from, our products. We believe that repeating this process leads to consumers’ confidence in, and loyalty to, our products and brands.

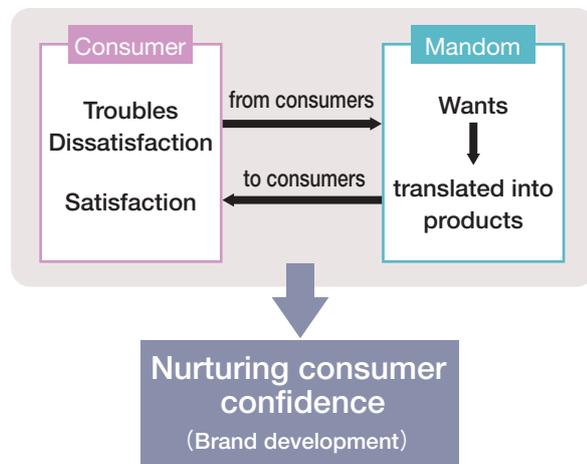
1. Mandom’s Product Development, Communication and Brand Formation

Product development and communication to "create lifestyle value with consumers, for consumers"

In Mandom’s product development and marketing, we not only translate consumers’ explicit needs into products but also transform consumers’ latent desires, troubles and dissatisfaction into wants, and wants into products. We then conduct quality communication to make our products known to consumers and use appropriate distribution channels to offer satisfaction and benefits through our products. More specifically, in product development, we repeat the cycle of "research" to extract consumers’ wants, product "design" to materialize the wants, and "verification" to measure consumers’ satisfaction with our marketed products. In marketing, we identify all kinds of possible contacts between our products and target consumers to make a multifaceted use of various media to carry out quality communication to enhance consumer understanding of our products. We also strive to expand our contacts with consumers in stores (increasing the rate of contact in stores) and elsewhere, to motivate consumers to purchase our products.

Brand development for consumer confidence

We believe that we can win consumers’ confidence in a brand, the crown on a product, by having them use our products to find satisfaction and benefits in them. By continuously having consumers’ confidence, we can also win their solid brand loyalty, which can in turn develop the brands. Based on this idea, we focus on nurturing our brands with care one by one, so that they can grow powerfully, instead of simply increasing the number of brands.



2. Mandom’s Product Development

Research

In daily life, consumers verbally express their thoughts, but they also have desires, troubles and dissatisfaction that they rarely express in words. By conducting in-depth research into consumers’ consciousness, their daily activities and market/store behavior, we can discover their unspoken wants, at the root of their hidden desires, troubles and dissatisfaction, which can signal the beginning of a major trend of future product development.



Design

We design a product based on a concept incorporating factors in consumer satisfaction and market superiority and our eight principles of product development. The emphasis at this stage is the highest possible quality in all aspects of the product, including content formula, package and price, so that consumers can obtain the maximum satisfaction and benefits from the product.

Verification

Once a new product is marketed and reaches consumers, we also conduct research to find out consumers' reaction and store/market behavior to check if there is any gap between consumers' expectation and the actual product. If a gap is detected, we plan improvement or renewal so as to realize a product that further matches consumers' wants.



3. Mandom's Communication and Promotion in Stores

Communication

We conduct communication to expand contacts between "consumers and our products" and "brands and improve consumers' product/brand recognition". We transmit information, efficiently focusing on "contact points," that is, certain facets of target consumers' lifestyles. By doing so, we aim to arouse general interest in our product or brand through not only communication from Mandom to consumers but also communication between consumers, increasing consumers' familiarity with our product or brand in stores.

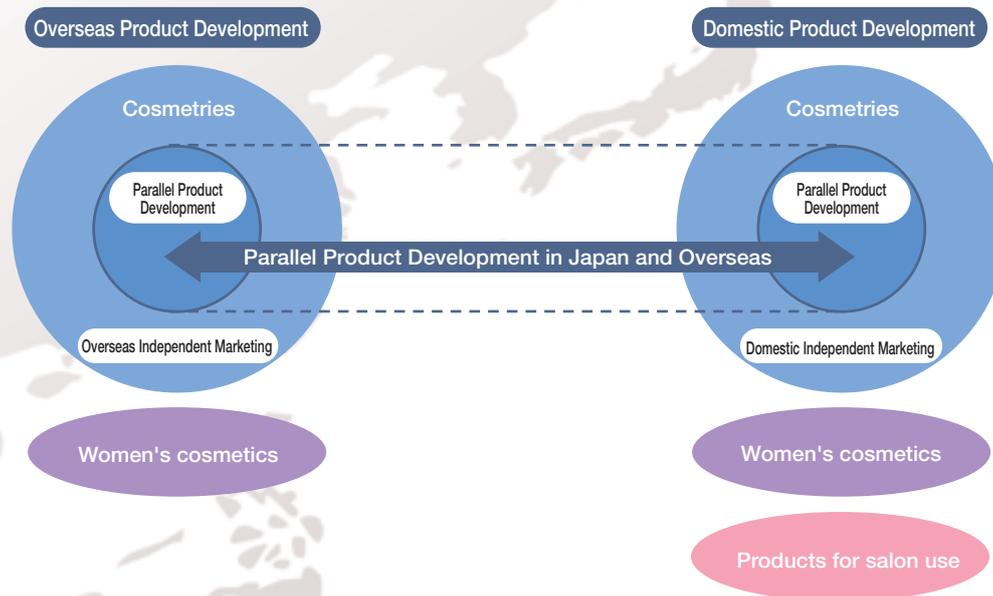
Promotion in stores

In parallel with communication, we take various approaches to expand contacts between Mandom products and consumers in stores, by, for example, increasing the number of stores handling Mandom products, obtaining predominant display locations in stores, and organizing special promotional events. Since Mandom products come into contact with consumers mainly in stores, we also plan and take action in accordance with the concept of "starting from stores." This means increasing the opportunities for consumers to find Mandom products in stores, by obtaining advantageous shelf spaces and organizing eye-catching promotions, thereby encouraging them to actually take Mandom products in their hands and buy them for satisfaction and benefits. As well, we also treasure information obtained "from stores" since it is useful in identifying sources of lifestyle value that we can create with consumers, for consumers in the future. So this feedback is incorporated into our product development, marketing and promotion in stores.



4. Product Development and Marketing Rationale

The Mandom Group conducts both product-focused and market-focused development and marketing.



Product-focused Development

●Cosmetries

Cosmetries, which include hair styling, face and body care products, are for day-to-day grooming and looking good. They constitute Mandom's core business, and utilize technology and sales expertise cultivated over many years. In Japan, they are sold through distributors to drug stores and other "self-service"-style stores. Overseas, Mandom distributes body care and fragrance products that satisfy local customers' wants through distributors and directly operated stores.

●Women's Cosmetics

In this category, we offer beauty products to enrich women's lives, mainly skin care and make-up products. To ensure this business drives future growth, we are rebuilding its operating base in terms of planning, development, research, and production.

In Japan, we are employing new technology to bolster the development of our proprietary brands that have distinctive advantages. By selling this category of products through selected distribution channels, we have accumulated development and marketing know-how. In August 2007, we will start selling these products at self-service stores such as drug stores through our distributors. Overseas, we promote sales of these products over the counter through beauty consultants.

●Products for Salon Use

Mandom develops exclusive brands at domestic hair salons and esthetic salons. In 1972, we were first in Japan to launch a French brand for esthetic salon use, and in 1982 we entered the hair salon market. We offer products, guidance on treatments and application techniques, and related services.

Market-focused Product Development

●Parallel marketing (products marketed simultaneously in Japan and overseas)

With a view to enhancing brand value in Asia, the entire Mandom Group conducts parallel product marketing in Japan and other areas of Asia, focusing mainly on the *Gatsby* and *Lúcido L* brands.

We have positioned Japan as the source of the latest products, and by subsequently adding categories and items that fulfill consumers' wants in each country, we aim to establish a firm presence in local markets. Furthermore, through continuous promotional activities that suit local characteristics, we endeavor to increase opportunities for the use of our products and enhance brand recognition.

●Independent marketing (separate product marketing for Japan and overseas)

Both in Japan and overseas, Mandom is developing and marketing brands and products that reflect the unique wants of local consumers, as well as the market trends and distribution methods particular to different countries and regions.

As our core brands, we are strengthening *Lúcido* in Japan and *Pucelle* overseas. We are endeavoring to raise brand recognition by undertaking diverse communication activities ranging from mass advertising conducted using local TV stars and media to in-store promotions.



Cosmetries(Domestic)



Cosmetries(Overseas)



Women's cosmetics(Domestic)

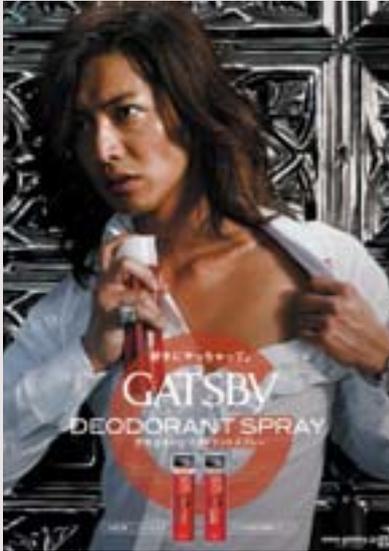


Women's cosmetics(Overseas)

6. Brand development focused on various product-market combinations

Cosmetics

GATSBY



A store in Taiwan

JAPAN

A trendsetter in Asia, the *Gatsby* series caters to all the grooming needs of young men. In August 2006, as the first wave of the total renewal of the *Gatsby* brand, we introduced the *Moving Rubber* series, which registered a phenomenal sales record. In February 2007, as the second wave of the brand renewal, we launched a hair color line and a deodorant line. In conjunction with the renewal, we overhauled our communication activities by using Mr. Takuya Kimura as our new character in TV commercials. Also, to keep pace with the growth of the online community, we established a movie website “*Gatsby TV*” and organized the *Gatsby CM Award* to create new opportunities for reaching out to our target consumers.

ASIA NIES

In the NIES region, where fashion trends spread almost simultaneously with Japan, Mandom uses the same products and advertisements as domestically. In the case of body care products and fragrances, we are also developing some products made in Indonesia to suit local preferences. In 2005 and 2006, we implemented “*Gatsby Project (promotion event)*” in Taiwan, which helped increase *Gatsby*’s recognition. Also, we launched the *Gatsby Moving Rubber* series, first in South Korea in December 2006, followed by Hong Kong in March 2007, Singapore in May, and Taiwan in June. In these markets, we have been stepping up efforts to expand sales by airing more commercials, holding publicity events and enhancing promotion activities at stores.

LÚCIDO-L

JAPAN

Lúcido L centers on hair styling and care products that aim to create style and texture. Since February 2007, we have been introducing trendy hairstyles to the public by promotion of collaboration of hair water for curled hair and hair wax. This promotion, along with TV commercials featuring Moe Oshikiri, has been drawing a lot of consumer attention.

ASIA NIES

In a tough market where international brands compete, Mandom is developing *Lúcido L* as a trendy Japanese hair styling brand. Interest in hair care is high in the region, and styling products including wax and foam, as well as hair treatments made in China, are popular. In 2006, we implemented “*Lúcido L Project*”(promotion event) in Singapore. As part of this project, we carried out various publicity events, worked in collaboration with beauty salons, established the brand’s website, and strengthened sales promotion activities at stores in a bid to further enhance brand recognition.





A large-scale display contest in Indonesia



A store in Malaysia



Sachet-type hair-styling product

ASEAN 4

In Indonesia, Mandom offers a lineup featuring product types, prices, and fragrances that are tailored to the needs of local markets and consumers' preferences. We also conduct targeted advertising and promotional activities for the region. As personal income levels vary considerably, we offer a wide range of prices by marketing the same product in different sized packaging, and hair styling products in single-use sachets are popular. Mandom mainly offers a range of Indonesian-made products, as well as some hair waxes from Japan, and all these products are very well received. In 2006, we carried out *Gatsby* Project in the Philippines and Malaysia, leading to a significant growth in brand recognition.



"Shanghai Project" store



Outdoor advertisement of "Shanghai Project"



Gatsby is written as 杰士派 in China

CHINA

In June 2006, we implemented "Shanghai Project" in Shanghai, China. As part of the project, we organized such events as a press conference and styling show, aired TV commercials, put up outdoor advertisements, and conducted promotion activities tied to the advertisements and commercials at stores, with the aim of enhancing brand recognition and reinvigorating store operation.

Meanwhile, we closed our information shops (Shanghai, March 2007; Beijing April; Guangzhou in July), which we had positioned as our advertising towers in China, because they had produced substantial results in the enhancement of brand recognition. In the years to come, we will direct our publicity efforts toward the increase of communication with the consumers through commercials and magazine advertisements, and toward the strengthening of sales promotion at stores.



Lucido L Project in Singapore

CHINA

In China also we are developing *Lucido L* as a trendy brand from Japan. With wavy hairstyles increasingly in vogue, awareness of hair care is rising, and hair treatments made in China are popular. In 2006, we strengthened communication with our target consumers by providing product information and creating opportunities to try our products at the information shops. We also carried out aggressive sales activities such as PR events at stores. These efforts have resulted in greater brand recognition and a substantial increase of shops that sell the *Lucido L* brand.



LÚCIDO

Mandom is developing this brand primarily in Japan. As the industry's first fragrance-free personal care product line for men, it comprises hair styling, hair color (dyes to conceal gray hair), and skin care products. *Lúcido* is a brand for adults focused on people aged in their thirties and above. In August 2007, we will introduce stylish hair care line for aging. By presenting new values to the fashion-conscious middle-aged customers and using a new character in TV commercials, we will enhance *Lúcido* brand.



Large-scale display contest in Indonesia



Pucelle

Mandom is developing and marketing the *Pucelle* brand in Asia, mainly in Indonesia. Fragrances have become a part of daily life in the ASEAN region, and the Mandom lineup comprises colorful, decorative items centered on fragrances and body care products that target teenage girls. Underpinned by vigorous marketing activities, including television commercials and magazine advertisements, *Pucelle* has grown into a highly popular brand in Asia.



Women's Cosmetics

Domestic Development

Mandom is bolstering the business foundations of this segment to support the Group's future growth. In addition to marketing of licensed brands such as *courrèges*, we are engaged in the development of our own brands. Where our brands are concerned, we have been drawing on our proprietary technology-based product development capabilities, as well as expertise in "self-service" store sales that we have developed for many years. Based on these experiences, we have been marketing our products through carefully selected distribution channels and accumulating our own development and marketing know-how. In August 2007, Mandom will start selling its products through such mass distribution channels as major drug stores so as to further expand the scope of its business.



Overseas Development

Mandom is marketing the Indonesian-made *Pixy* brand of products primarily within Indonesia itself as a total cosmetics brand that includes make-up, foundation, and skin care products. Since the full-scale renewal at the end of 2004, we have been marketing the *Pixy* brand through over-the-counter sales by well-trained beauty advisors. In 2006, we also renewed the *UV Whitening* series.

RoC is a series of skin care products for sensitive skin originated at a pharmacy in France. Mandom holds exclusive rights to sell these products in Singapore, Indonesia, Malaysia and Thailand.



Products for Salon Use



Dr. Renaud is a traditional French esthetic brand for salon use. In Japan it has been a pioneering brand in facial treatments, and it has gained recognition through approximately 1,000 outlet salons. The salons offer cosmetics using natural plant extracts, a selection of treatments based on advanced product-application techniques, and products for use at home.



GUINOT boasts the top market share in the French beauty industry. *GUINOT* products are designed to offer optimal facial and body treatments using proprietary esthetic equipment in combination with cosmetics. Salons offer beauty consultation and a diverse selection of advanced beauty treatment as well as products for use at home.



Hair care products

Mandom offers all the products, techniques, and services that hair salons need for hair perming, coloring, treatments and styling. Drawing on many years of research into hair science and techniques, we offer hair care products that meet the high quality hair salons demand, and cater to the latest trends at salons. Our professional-use brands include *Formulate*, for hair coloring in a wide range of colors and textures, and *ARISTIA*, for straight or wavy perms that do not damage hair. We also market various home care products.



Research activities that deliver comfort in product quality

As a result of many years' research, the Mandom Group has established its own unique realm of technical expertise in hair products, antiperspirants and other products. Mandom also continues to expand the scope of its research for its future growth. In both dimensions, we seek one universal value: comfort of customers.

We believe that our customers find our product comfortable only if it fulfills two sets of requirements, 1) that the product is safe to use and of high quality (safety and reliability) and 2) that it has high functions that make users feel a sense of benefit (comfort in use and effectiveness). We are determined to step up our endeavors to improve our infrastructure and technology to better understand and materialize "comfort" from the customers' viewpoint.

1. Upgrading existing technologies

The Mandom Group has conducted research on men's cosmetics for many years. The application of this research has created many outstanding technologies. These include polymers used for hair care products and antiperspirants, and microorganism control technologies, etc., for use in deodorants or skin care. We are enhancing these technologies to ensure more comfort for our customers.

For our customers to use our product with a sense of safety, we must place the top priority on quality. After ensuring that all quality requirements are fulfilled, we conduct "evaluation" to determine what makes customers feel comfortable or uncomfortable. Based on results obtained through high-precision evaluation method, we carry out "formula design." In this process, we enhance comfortable elements and remove uncomfortable elements that were identified through the evaluation. To deliver high-quality products with refined functions that make the customers feel a sense of benefit, we improve our "evaluation" and "formula design" techniques from the customers' viewpoint, making the most of our existing technologies.

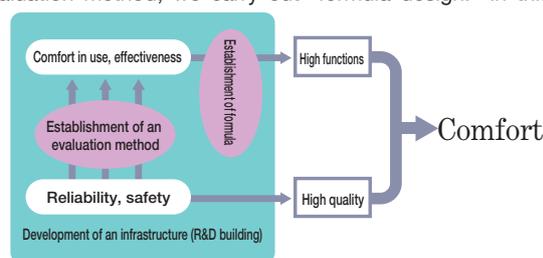
Evaluation technique that sheds light on the nature of "comfort" and "discomfort"

● Establishing a method to evaluate a "refreshing effect":

The "comfortable zone" of a refreshing effect identified
A refreshing effect, an essential factor in deodorant products, can accompany unpleasant sensations such as a burning sensation and pain, depending on the proportion of refreshing ingredients as compared to the other ingredients contained in these products. In order to achieve the quality that delivers a comfortable refreshing effect to as many customers as possible, we have established a high-precision evaluation method designed to minimize a variation in evaluation results that is attributable to differences in sensitivity among evaluators. From numerous evaluation results, we have defined the "comfortable zone," a range within which customers can comfortably enjoy the refreshing effect. We have conducted R&D on the basis of these results and rolled out, in February 2007, a deodorant product designed to retain its refreshing effect within the comfortable range for a long time. We will continue our research to develop products that can maintain a comfortable refreshing effect for longer hours.

● Reduction of uncomfortable sensations – Study results concerning the armpit odor of the contemporary Japanese men

In recent years, with fashion consciousness and orientation toward cleanliness on the rise among male population, men are becoming increasingly careful about their body odor. Mandom evaluated and analyzed the armpit odor to upgrade its products' deodorant functions. As a result, we found that the intensity and types of body odor vary depending on age groups, but that there is no direct connection between body



shapes and body odor. This research portrayed for the first time the characteristics of the armpit odor of the Japanese men, which had never been evaluated in prior research reports. Still, because much remains unknown about how body odor is generated, we will carry forward our research into this subject to develop new deodorant products that can better prevent and eliminate body odor.

Formula design technique to produce comfort

Based on its many years' research into microorganism control technique, Mandom commercialized Japan's first deodorant product containing two types of bactericides. Through ensuing research, Mandom also demonstrated that a combination of lysozyme chloride, an enzyme traditionally known as a bactericide, and IPMP with triclosan can produce even higher bactericidal effects on skin conditions with varying amounts of sweat or sebum accompanied by changing atmospheric temperature or humidity or by exercise. In February 2007, we commercialized and launched a product that applies these findings. We won high acclaim when we made a presentation on this research at "The Youth Congress of the Society of Antibacterial and Antifungal Agents, Japan" (October 2006).

With respect to hair and skin care products, Mandom paid attention to the antiseptic effect of alkanediol, an agent widely used as a moisturizer, in its research into a means of avoiding use of antiseptics in its products. By applying results of this research to the development of a formula controlling of unpleasant stimuli, Mandom has rolled out products of much safer quality than ever before.

2. Sectors to be strengthened in the future

Mandom has been engaged in hair-related research for many years. For our future growth, we are now studying new topics, one of which is the mechanism of change of hair by aging and the factors that affect the change.

The nature of hair change with age

The aging of skin and its mechanism have been widely studied and understood. Mandom, prompted by its realization of the fact that hair also changes with age, conducted a research to understand how hair changes.

Change of hair with age is represented by diminished luster and reduced hair volume. Luster fades because of damage on cuticles and, in the case of black hair, graying of hair. Causes of a decrease of hair volume vary depending on sex: men experience the thinning of hair shafts, while women, instead of the change of thickness of each hair shaft, suffer a

decrease in the number of hairs growing from each pore on the scalp. In addition to these external changes, the change of internal structure of hair was also identified. In the years to come, we plan to study relations between the change of hair internal structure and the decrease of luster and volume. By understanding the mechanism of hair change due to aging and its connections with other factors, we aim to deliver high-quality products that can fulfill our customers' wishes to maintain beautiful hair well into old age.

3. Reinforcing the research environment

Mandom built a new R&D building adjacent to its headquarters site. Designed to enhance our operating infrastructure, this new facility is furnished with equipment and human resources capable of making the most of our cutting-edge technologies.

Our equipment includes, in addition to machines and instruments for analysis purposes, a simulation system designed to ensure greater comfort in use through in-depth analyses of ways in which consumers use cosmetics. Furthermore, we plan to install a new simulation system on which we can change temperature, humidity and other conditions that affect the results of sensory evaluation. This system will enable us to conduct more precise sensory evaluation, making it possible to incorporate higher functions to our products.

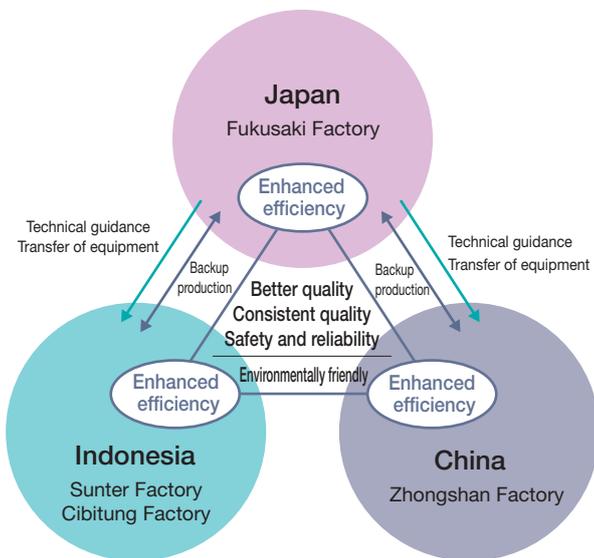
In the R&D building, we have concentrated our research and product development personnel not only to strengthen our research function itself, but also to promote cooperation between research and product development, and facilitate the development of attracting quality in which technology and concept are exquisitely combined. All these efforts are directed toward our fundamental goal: "manufacturing the products that our customers can use with a sense of satisfaction."



Pursuit of competitiveness through production and supply

To provide safe and valuable products to customers across the wider Asian region at reasonable prices, the Mandom Group is constantly working—with due consideration for the environment—to ensure safety and reliability, better quality (creation of value), and higher efficiency, in terms of both production and distribution. With our group’s annual production quantity reaching almost 800 million units, we believe it necessary, if we are to deliver our products to a much greater number of customers, to strengthen organic links among the three production sites and develop the mass-production technology and infrastructure that allow us to manufacture larger quantities of high-quality products on a stable (consistent) basis. We are determined to pursue greater competitiveness by developing production and distribution systems that enable us to supply reliable products to as many customers as possible throughout the world.

1. Measures to improve quality in production



Measures to standardize production technology and quality at the three production sites

At the Mandom Group’s three production sites, we aim to develop a system capable of producing safe and high-quality products in the wider Asian region. To this end, the Fukusaki Factory in Japan—serving as the “mother factory”—leads the facilities in Indonesia and China in efforts to standardize production technology and quality. The Fukusaki Factory also takes the lead in installing new production equipment: Mandom continually updates its Japanese facilities with state-of-the-art equipment, and transfers the replaced equipment to Indonesia and China, along with operational and technical guidance. These measures help standardize production technology and quality across the entire Mandom Group. These measures also reduce the level of Group-wide investment, supporting efforts to curtail overall manufacturing expenses. We believe that this system will allow Mandom to supply products that customers in every region can use with a sense of security, no matter which of the production sites the products came from.

Measures to improve quality as well as safety and reliability

The Mandom Group set forth its “Quality Principles” and “Quality Guidelines.” Through the establishment and implementation of a quality management system, we make sure that our customers can use our products with a sense of security. As well, we exert efforts to acquire certifications designed for quality improvement and environmental conservation: we have so far obtained OHSAS (Japan), ISO9001 (Japan/China), ISO14001 (Japan) and CPKB (Indonesia).

Measures to raise efficiency in production and distribution

To provide quality products at reasonable prices, Mandom is committed to raising efficiency in production and distribution. In production, we create market demands, and reduce manufacturing expenses of one product after another, starting with a product for which consistent, large-quantity shipment is expected. Also, based on our review of the characteristics and production volume of each product, we are striving to promote the in-house manufacturing of products most of which are currently made by outside manufacturers, procure raw materials abroad, and transfer production to our overseas production sites. For instance, we have started the in-house manufacturing of our face care sheet, approximately 13 million units of which are currently shipped to the Japanese market annually. These steps have resulted in cost reduction and prompt response to market demands. In distribution, we have been engaged in third-party logistics (3PL) since 2004. In this arrangement, we promote efficient cooperation between our third-party shipment agencies and our third-party logistics centers (by planned production and planned shipment/replenishment) in order to provide better services to our distributors. At the same time, the 3PL operation, which increases load efficiency and decreases delivery frequency, helps us reduce costs and environmental stress as well.

2. Measures to improve mass-production technology and develop an infrastructure that supports the increase of production

It is our hope to deliver our products to as many people as possible throughout the world. To this end, we are striving to establish efficient systems at our three production sites to ensure an increase of production and to develop technologies to mass-produce high-quality products on a stable (consistent) basis.

Measures to establish an efficient infrastructure for the increase of production

The three production sites, while mainly supplying products to their respective domestic markets, also supply products to the Group companies and exports bound for other countries. As our business grows, particularly in overseas markets, it is essential to develop an efficient infrastructure designed to support an increase of production in the future.

Our production site in Indonesia, which shipped over 600 million units in 2006, is expected to enjoy greater demands due to an increase in sales within Indonesia and to the Group companies in the ASEAN region, as well as an increase in exports to the Middle East. For the further growth of our Indonesian operations in the years to come, we carried out a comprehensive review of the functions of the Cibitung Factory, a plastic molding plant, and the Sunter Factory, which produces cosmetics. As a result, we transferred our logistics function to the Cibitung Factory and secured more space to allow for the increase of the production of containers. At the Sunter Factory, a space formerly used for logistics

purpose was converted into a space to house additional equipment necessary for the increase of production. Capital investment will be made in stages to raise efficiency in production and distribution and to build an infrastructure that supports the increase of production. These steps are expected to increase the annual production/shipment capacity of the Indonesian production site to over 1,000 million units.

Measures to develop mass-production technologies

The Mandom Group manufactures and ships nearly 800 million units of products every year. To deliver high-quality products on a stable (consistent) basis to each of our customers all over the world, we believe it important to direct our efforts toward the development of mass-production technologies. In April 2007, the Fukusaki Factory in Japan, which serves as Mandom Group's "mother factory", further enhance and standardize the mass-production technologies, and Mandom upgraded the Production Technology Section into a Production Technology Division. At the same time, the Factory leads the group's three production sites to step up efforts to enhance the mass-production technology, too.

3. Mandom Group's three production bases

Fukusaki Factory (Hyogo Prefecture, Japan)

The Fukusaki Factory, which began operations in 1976, is the leading production and logistics base among the Group's three manufacturing sites. Its cutting-edge production technology and management system enable the manufacture of high-quality, low-cost items. The factory is also one of the few in the industry to carry out manufacturing operations completely in-house for products such as aerosols, hair color products and paper-cosmetics, as well as refills with paper packaging. Furthermore, in 2000, the factory acquired ISO 14001 certification and achieved "zero emission" status in 2003 maintaining this status since.



Zhongshan Factory (Guangdong Province, China)

Zhongshan Factory began operations in 1997, which is strategically positioned to take advantage of the expanding Chinese market. The factory exploits its proximity to the Guangzhou area to supply Mandom products across China. In addition to hair styling products, facial care products, paper cosmetics and fragrances geared to the Chinese market, the factory also manufactures a large number of products for export to Japan and Southeast Asian countries where the Mandom Group operates. The factory acquired ISO 9001 certification in 2002.



Sunter Factory (Jakarta, Indonesia; top)

Cibitung Factory (Bekasi, Indonesia ; bottom)

The Sunter Factory began operations in 1971, following by the Cibitung Factory in 2001 as business expanded. The latter manufactures plastic containers and prints labels, while the former manufactures and fills contents. This integrated production system enables Mandom to offer superior quality products and compete on price. Both factories are fully equipped to manufacture a variety of products, including hair styling and hair care products, fragrances, skin care products, make-up and body care products. In May 2005, PT Mandom Indonesia Tbk acquired Cara Pembuatan Kosmetik yang Baik (CPKB) certification, a cosmetics production and quality management standard in Indonesia.



MANAGEMENT'S DISCUSSION & ANALYSIS

Mandom CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	2007/3	2006/3	2005/3	2004/3	2003/3	2002/3
For the Year:						
Net Sales	51,250	47,923	47,546	45,364	45,434	42,086
Japan	36,025	35,003	35,635	35,711	36,652	34,789
Asia	15,225	12,920	11,910	9,652	8,782	7,296
Selling, General and Administrative Expenses	23,820	21,742	21,397	19,958	20,267	18,040
Operating Income	5,195	6,065	6,700	6,680	6,322	5,211
Japan	3,288	4,399	4,935	5,256	5,037	4,328
Asia	1,904	1,663	1,762	1,422	1,282	860
Net Income	2,488	3,099	3,211	3,253	2,988	2,176
Research and Development	1,866	1,668	1,888	1,574	1,482	1,513
At Year-end						
Total Assets	51,620	51,320	47,397	45,474	43,868	38,613
Total Shareholders' Equity	44,182	40,568	38,168	36,687	34,714	29,376
Per Share Data (Yen):						
Total Shareholders' Equity	1,727.55	1,677.82	1,577.94	1,516.70	1,434.94	1,306.61
Earning per Share (EPS)	104.28	124.36	128.73	130.83	128.32	92.96
Cash Dividends	60.00	60.00	55.00	50.00	50.00	40.00
Ratio (%):						
Shareholders' Equity Ratio	79.6	79.1	80.5	80.7	79.1	76.1
Return on Equity (ROE)	6.1	7.9	8.6	9.1	9.3	7.1
Payout Ratio	57.5	48.2	42.7	38.2	39.0	43.0



Director Managing Executive Officer
Yoshiaki Saito

Analysis of Management Performance

General Description of Consolidated Results

During the year under review, the Japanese economy continued recovery, mainly led by private sector. The economic recovery took place in different forms, including the export increase along with the expansion of overseas economies, a rise in facility investment owing to the recovering corporate profit, and the improvement of general employment climate. While consumer consumption maintained its course toward recovery, a stagnant increase in consumers' income, unexpected climate changes and other factors encumbered the progress. This was also true with cosmetic industry, in which overall sales continued leveling off, when compared with the previous fiscal year. On the other hand, other Asian regions, one of Mandom Group's overseas operation regions, continued achieving favorable economic growth due to the export increase supported by the US economy, together with a steady rise in overall consumer consumption.

Under such circumstances, Mandom Group worked diligently to improve its product development system by constructing a research and development building adjacent to the Mandom Corporation building, so that the Group can promptly respond to the diversifying wants of people in individual Asian regions. Furthermore, Mandom Group companies both in Japan and overseas made concerted efforts on developing and improving our brand power.

Net Sales and Cost of Sales

For the fiscal year under review, the Group's consolidated net sales resulted in 51,250 million yen, an increase of 3,326 million yen (a 6.9% increase) from the previous fiscal year. In Japan, the Group released a hair wax, *Moving Rubber*, as the first product of those associated with the Group's core brand, *Gatsby*, while implementing efforts toward comprehensive renewal of the same brand. *Moving Rubber* recorded such a steady sales increase that not only made up for the sluggish sales of existing products, but also contributed to the domestic sales increase of 2.9% from the previous fiscal year. As part of overseas operations, the Group concentrated its efforts on achieving greater penetration of the *Gatsby* brand products and achieved a rise in earnings principally from hairstyling agents. In addition to the remarkable growth in the sales of women's cosmetics, advantages provided by depreciation of yen against other currencies allowed Mandom Group to achieve a 17.8% sales increase from the previous fiscal year.

The cost of sales rose to 22,233 million yen, an increase of 2,118 million yen (or 10.5%) from the previous fiscal year. In Japan, the cost of sales remarkably increased, mainly because innovative materials began to be employed for new product development aimed at improving product functions and the accounting standard and procedures were revised regarding, for example, the provision for adjustment of returned products. In overseas countries and regions, PT Mandom Indonesia Tbk, the Group's subsidiary and production site in Indonesia, succeeded in reducing production cost. In addition, appreciation of Indonesian rupiah against yen pushed down the prices applicable to the imported raw materials and merchandise procured from suppliers, subsequently contributing further to cost reduction. However, given the fact that the Group's cost of sales is principally attributable to operations in Japan, the cost of sales ratio rose to 43.4%, an increase of 1.4% from the previous fiscal year.

Consequently, the gross profit rose 1,208 million yen (or 4.3%) to 29,016 million yen, compared with the previous fiscal year.

Selling, General and Administrative Expenses and Operating Income

The selling, general and administrative expenses increased by 2,077 million yen (or 9.6%) to 23,820 million yen, compared with the previous fiscal year. This is mainly due to the fact that the Group generously spent on marketing activities (sales promotion and advertising expenses) in conjunction with Mandom Corporation's comprehensive renewal of the *Gatsby* brand products.

As a result, the Group's consolidated operating income decreased by 869 million yen (or 14.3%) to 5,195 million yen from the previous fiscal year.

Other Income/Expenses, Extraordinary Net Loss/Profit, Ordinary Income, And Income before Income Taxes

With regard to the other income/expenses, the Group posted a net loss of 86 million yen, principally because Mandom Corporation incurred an increased loss from disposal of old product-model inventory in conjunction with comprehensive renewal of the *Gatsby* brand products.

The extraordinary net loss/profit stood at 27 million yen, a sharp drop from the previous fiscal year. Although the previous fiscal year found Mandom Corporation post, together with losses on elimination, disposal, sale and impairment of fixed assets, losses on directors' retirement benefits after abolishing the directors' retirement benefit system, major losses incurred during the fiscal year under review turned out to be as extremely small as 39 million yen, arising only from elimination, disposal, sale and impairment of fixed assets.

Consequently, the ordinary income was 5,109 million yen, a decrease of 1,010 million yen (or 16.5%) from the previous fiscal year. Income before income taxes and minority interests turned out to be 5,081 million yen, a drop of 837 million yen (or 14.2%) from the previous fiscal year.

Income Taxes, Minority Interests and Net Income

While the Group's income taxes decreased by 268 million yen (or 11.3%) to 2,109 million yen from the previous fiscal year, which decrease was caused principally by Mandom Corporation's income decline, the Company's responsibility for the income taxes increased from 40.2% of the previous fiscal period to 41.5% for the year under review.

The Minority Interests increased by 41 million yen into 484 million yen. This is chiefly because the Group included the rising income mainly from PT Mandom Indonesia Tbk, a subsidiary in Indonesia, together with the advantage provided by depreciation of yen against other currencies in foreign exchange transactions.

As a result, the Group's net income decreased by 611 million yen (or 19.7%) to 2,488 million yen, compared with the previous fiscal year.

General Description of Operating Results By Region

Japan

As a result of successfully reintroducing the brand image of *Gatsby*, the Group's core brand, through comprehensive renewal of the associated products (sale of hair wax, hair coloring and other related products), the Group was able to recover the hair-wax market share having been eroded by competitors in the previous fiscal period. The total sales of Mandom's hair-wax category products in Japan rose sharply and made up for the declining sales of *Lúcida L* and other existing products, hampered by the intensified competition. Consequently, the net sales in Japan was 36,025 million yen (a 2.9% increase from the previous fiscal period).

The Group companies in Japan began employing innovative materials for new product development aimed at achieving the improved product functions, aside from adopting Mr. Takuya Kimura as the brand image character and generously spending (sales promotion and advertising expenses) on marketing activities toward recovery of the Group's market share. In addition, since revisions were made in the accounting standard and procedures regarding, for example, the provisions for adjustment of losses from returned merchandise, the cost of sales dramatically increased. Consequently, the operating income in Japan stood at 3,288 million yen (a 25.2% decrease from the previous fiscal year).

Other Asian Countries and Regions

Apart from some Asian area showing a stagnant sales increase of the *Gatsby* series products, the Group's major brand products, Indonesia and other Asian countries witnessed an increase in the sales of Mandom products, centering on hairstyling products. Coupled with depreciation of yen against some local currencies, the sales of women's cosmetics steadily increased, thus enabling the Group to remarkably increase the net sales to 15,225 million yen (a 17.8% increase from the previous fiscal year).

Other Asian Countries and Regions brought about an operating income of 1,904 million yen, a 14.5% increase from the previous fiscal year.

This is mainly due to the fact that PT Mandom Indonesia Tbk, Mandom's production site, succeeded in reducing production cost, and depreciation of yen against Indonesian rupiah helped lower the prices of imported raw materials and merchandise procured from suppliers, contributing to the entire Group's cost reduction.

Since the Company's subsidiaries in Other Asian Countries and Regions extended the scope and scale of operations, the net sales achieved overseas rose to exceed 15,000 million yen and record 15,929 million yen (a 17.5% increase from the previous fiscal period) and grew to account for 31.1% of the Group's consolidated net sales.

Analysis Results of Financial Position

Current Status of Assets, Liabilities and Total Equity

The end of the fiscal year under review found the Group's total assets to reach 51,620 million yen, a 300 million yen increase from the beginning of the same fiscal year. This is chiefly due to the fact that accounts receivable increased by 826 million yen and the value of the fixed assets fell by 738 million yen. The rise in accounts receivable indicates the scope and scale of businesses extended by Mandom Corporation and consolidated overseas subsidiaries, including PT Mandom Indonesia Tbk. The value of the fixed assets dropped, as a result of making payments related to Mandom Corporation's construction of the R&D Building and decreasing the value of Investment Securities following repurchase of treasury stock.

The liabilities as of the end of the fiscal year under review fell by 752 million yen from the figure recorded at the beginning of the same fiscal year. Apart from the rise in accounts payable by 605 million yen, trade notes payable and accrued income taxes decreased by 474 million yen and 661 million yen respectively. Accounts payable increased as a result of Mandom Corporation's generous spending on marketing activities, while the amount of trade notes decreased due to the change made in relevant settlement conditions.

At the end of the fiscal year under review, the total equity rose by 3,613 million yen to record 44,182 million yen, chiefly because the Group began including the minority interests in the net assets. (If the aforementioned value is compared with the figure recorded at the end of the previous fiscal year after applying the same accounting standard, the net assets increased by 1,052 million yen.)

Status of Cash Flows

Cash Flows from Operating Activities

The net cash amount provided by operating activities during the fiscal year under review fell by 1,500 million yen to 3,411 million yen. This is mainly due to the fact that the income before income taxes and minority interests decreased by 837 million yen to 5,081 million yen and the payment of income taxes rose by 691 million yen to 2,599 million yen. Compared with the previous fiscal period, the depreciation and amortization rose by 202 million yen to 1,856 million yen during the fiscal year under review.

Cash Flows from Investing Activities

The fiscal year under review found the net cash amount used in Investing Activities to be 1,120 million yen, a 1,323 million yen increase from the previous fiscal year. This was caused by the income and losses from purchase, redemption or sale of securities exceeded those of the previous fiscal year by 1,068 million yen.

Cash Flows from Financing Activities

The net cash amount used in financing activities during the fiscal year under review turned out to be 2,554 million yen, after the dividends payment totaling to 1,638 million yen and spending of 912 million yen on repurchase of treasury stock from the market during the first half of the same year.

As such, the outstanding balance of cash and cash equivalents as of the end of the fiscal year under review turned out to be 8,783 million yen, a 200 million yen drop from the previous fiscal year.

Current Status of Existing Middle-range Planning and Outlook of Performance for the Year Ending March 31, 2008

Current Status of Existing Middle-range Planning

The existing Middle-range Planning (applicable to the period from the fiscal year ended March 2006 to the fiscal year ending March 2008) states that Mandom Group must work very hard to increase profit for the specified period, mainly by encouraging the Group's growth and profitability, so that the Group can continue returning sufficient levels of profit to shareholders.

During the fiscal year ended on March 31, 2007 and corresponds to the second year of those specified by the Middle-range Planning, the Group worked very hard to continue extending the scope and scale of cosmetaries businesses, at the core of the Group. Furthermore, the Group made efforts to improve its R&D and marketing activities, so that overseas business, the Group's engine for growth, can achieve stable business expansion and women's cosmetics businesses, where activities are carried out toward independent development and distribution of products, can provide the basis for the Group's long-term source of income.

Cosmetaries Businesses

Comprehensive renewal of the Group's flagship brand, *Gatsby*, was successfully implemented to achieve actual sales exceeding the planned figure. In addition, the Face and Body products, the Group's essential product category, brought about actual sales almost equivalent to the relevant estimate. On the other hand, the products belonging to the *Lúcido L*, *Lúcido*, and *Hair Color* categories, the Group's major brands, turned out to sell far less than planned.

Overseas Businesses

Excluding some areas (South Korea) where actual sales failed to reach the target figure, other Asian countries generally recorded the sales as planned. This is chiefly attributable to the sales surplus recorded in these Asian countries, centering on Indonesia where the Group's largest-scale operations are underway.

Women's Cosmetics Businesses

Considering that necessary know-how has already been accumulated to a great extent regarding research and development and some aspects of marketing activities (communications), the Group is now proceeding to the final stage: review of the existing sales channels.

As a result of the aforementioned efforts, the Group has witnessed some delay in carrying out the sales plan. In addition to this delay, the Group has incurred the rising strategic marketing expenses deemed necessary to ensure the Group's survival through the intensified market competition and found the actual sales dipping well below the planned figure. The Group's return-on-equity (ROE) ratio and earning-per-share (EPS) amount, both of which were employed as indicators for business development and profitability, were found far below the ROE target figures of 10% or higher and the EPS target 160 yen or higher respectively. However, with regard to the return of profit to shareholders, sound and stable financing enabled the Group to make the dividends payment exceeding the provided targets: at least a dividend ratio of 40% and a payout ratio of 3%.

Although it appears difficult for the Group to achieve the target figures provided by the Middle-range Planning, the Group is now working diligently to improve its potential for growth and profitability toward the final year (the fiscal year ending March 2008) of the Planning as well as to minimize any discrepancy that may arise between the planned and actual performance.

Outlook of Performance for the Year Ending March 31, 2008

Toward the end of the fiscal year ended March 2007, the Group will work very hard to continue increasing sales as well as to recover profit having deteriorated during the previous fiscal year.

In Japan, the Group aims to reinforce the sale of products belonging to the

Group's flagship brand, *Gatsby*, and the Group's essential brand, Face and Body products. In addition, the Group plans to launch women's gray hair color products and enter into a new business field, which is expected to help realize a sales increase on a consolidated basis. Furthermore, the Group is also projecting a rise in overseas sales, as a result of making continued efforts to boost the sales of *Gatsby* brand products and including operations in China in the companies subject to the Group's consolidated accounting. As such, the Group is projecting sales growth for four consecutive fiscal periods, together with a historical high in the consolidated net sales.

With respect to the consolidated operating income, the Group is anticipating a remarkable increase. In Japan, the Group plans to curb the cost of sales ratio by encouraging the Group companies to independently manufacture such merchandise that requires high levels of cost of sales and is produced based on a large quantity. The Group also plans to purchase necessary raw materials from overseas, transfer the production site to overseas and take other necessary action. Aside from successfully recreating and reintroducing the *Gatsby* brand products prior to the planned schedule to maintain the market's favorable acceptance and the resulting beneficial effect on the sales, the Group plans to slash the sales promotion expenses. On the other hand, overseas operations are likely to contribute to the Group's sales less than they have done for the past years. Production facility investment in Indonesia, the Group's manufacturing center, is expected to push up production facility depreciation and amortization and other related cost and expenses, subsequently boosting the cost of sales. In addition, individual Group companies overseas are planning to increase sales promotion expenses for the purpose of achieving sustainable development. Although these factors are considered to adversely affect the sales, the Group is still optimistic about a sales increase for the fiscal year ended March 2007.

As such, the projected performance for the 91st Fiscal year, the year ending March 31, 2008, will be 54,500 million yen (an increase of 6.3% from the previous fiscal year) of the consolidated net sales, 6,100 million yen (a 17.4% increase) of the consolidated operating income, and 5,900 million yen (a 15.5% increase) of the consolidated ordinary income, and 3,000 million yen (a 20.6% increase) of the consolidated net income.

Factors Exerting an Important Impact on Management Performance

Profitability Fluctuation Factors Introducing New Products and New Product Models, and Accepting Returned Merchandise

Given the fact that the cosmetics market in Japan appears to have matured to a great extent, it is deemed essential for cosmetic manufacturers to introduce new products, new product models and other innovations for the purpose of maintaining and improving their individual brand images.

In light of this, Mandom Group launches new products and new product models both in spring and autumn every year. With a view to promoting new products to achieve penetration in the market, the Group regards any excess of standard products that retailers may find no longer necessary as a result of rearranging their merchandise display or any inventory of old model products replaced with new model products as returnable merchandise for acceptance by way of the Group's agents. For this reason, the amount of such acceptance may exert an impact on the Group's consolidated financial performance.

The acceptance of returned merchandise for the past two years turned out to be 1,893 million yen and 1,926 million yen respectively for the fiscal year ended March 31, 2006 and the fiscal year ended March 31, 2007. These figures respectively accounted for 5.2% and 5.3% of the sales recorded by Mandom Corporation.

Inventory

Since inventory relevant to the Group's continued operations is produced mainly based on the estimate of future demand and the market trend projection, this method may, depending on actual demand or unanticipated changes in the market trend, require disposal of stagnant inventory, subsequently generating inventory disposal losses in the

other income/expenses account and adversely affecting the Group's performance. It is Mandom Group's policy to follow internal rules and dispose such inventory immediately after confirming the relevant market value declining, instead of postponing such disposal. For the fiscal year under review, the inventory disposal loss turned out to be 391 million yen, an increase of 192 million yen from the previous fiscal year.

Extent of Mandom's Reliance on Specific Suppliers

Regarding the fiscal year ended March 31, 2007, Mandom Corporation discovered two specific wholesalers, Paltac Corporation and PT Asia Paramita Indah in Indonesia, whose transactions with the Company accounted for relatively large portions (29.4% and 16.0% respectively) of the Group's consolidated net sales. Theoretically true as it may be that the Group's heavy reliance on specific transacting parties involves their credit risks, such inherent risks are inescapable in view of the fact that a few large-scale wholesalers both in Japan and Indonesia are progressing to dominate the corresponding regional markets. The more control these wholesalers may hold over the markets, the further creditworthy they will be considered and confirmed. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This movement may encourage the Group to rely further on specific partners who are likely to provide earnings accounting for relatively large portions of the Group's sales.

Foreign Exchange and Resource Price Fluctuation Factors

In overseas business, the procurement cost relevant to the import of raw materials to Indonesia and China, both of which are Mandom's manufacturing sites, may vary depending on fluctuations in foreign exchange rates or any rise in the refined petroleum product material prices that may be caused by soaring oil prices. The fluctuation in the procurement cost may have an impact on the Group's competitiveness. Regarding foreign exchange-related risks, the Group adjusts the balance of foreign currency-dominated import and export transactions and employs other necessary risk-hedge methods. However, there still remain possibilities of exchange rate fluctuations, which may have impacts on the Group's consolidated financial performance and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance, when translated into yen.

Given the fact that the Group carries out the entire overseas operations within Asia, some relevant area represents Event Risks (namely, possible changes of the existing legal system and economy) arising as a result of or in connection with any dramatic and rapid change in the political system, and may have an impact on the Group's management and financial performance.

Management's Awareness of Challenges and Policy Going Forward

Mandom Corporation's management is striving to formulate optimal management policies based on the current business environment and any available data and information. Their most important theme is to sustain business development. Since it is understood that the engine for business growth consists in overseas business, efforts will be made to develop the Southeast Asian market, which is likely to show increasing demand for Mandom products, as well as to develop a new market in other Asian regions, with a view to realizing the continued business development. It is also understood that the domestic business reorganization, including subsidiaries, has entered a hiatus, and the Group will proceed to restructure women's cosmetics business operations with the aim of providing the solid basis for business development.

The Group's management is fully aware of the importance of promoting capital efficiency. The Group will aim to enhance capital efficiency by including the repurchase of treasury stock as options for strategic capital investment, and work actively to make effective use of information and communication technology in the operation processes and marketing activities for the purpose of reforming management and improving management efficiency.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2007 AND 2006

ASSETS	Millions of Yen	
	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	¥ 8,784	¥ 8,984
Short-term investments (Note 4)	2,406	2,298
Receivables:		
Trade notes and accounts	6,279	5,425
Unconsolidated subsidiaries and associated companies	89	119
Other	113	121
Allowance for doubtful accounts	(15)	(13)
Inventories (Note 5)	6,282	5,860
Deferred tax assets (Note 10)	525	530
Prepaid expenses and other current assets	451	552
Total current assets	24,914	23,876
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,877	1,855
Buildings and structures	17,951	16,083
Machinery and equipment	12,572	11,562
Construction in progress	952	1,252
Total	33,352	30,752
Accumulated depreciation	(18,071)	(16,682)
Net property, plant and equipment	15,281	14,070
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 4)	8,530	10,334
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6)	874	705
Long-term loans (Note 8)	552	642
Deferred tax assets (Note 10)	75	79
Other assets	1,394	1,614
Total investments and other assets	11,425	13,374
TOTAL	¥ 51,620	¥ 51,320

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen	
	2007	2006
CURRENT LIABILITIES:		
Payables:		
Trade notes and accounts	¥ 3,604	¥ 3,747
Unconsolidated subsidiaries and associated companies	31	55
Other	27	12
Accrued income taxes (Note 10)	488	1,149
Accrued expenses	875	862
Other current liabilities	504	554
Total current liabilities	5,529	6,379
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 9)	479	512
Deferred tax liabilities (Note 10)	306	174
Other long-term liabilities (Note 11)	1,124	1,126
Total long-term liabilities	1,909	1,812
MINORITY INTERESTS		2,560
EQUITY (Notes 13 and 16):		
Common stock, authorized, 81,969,700 shares; issued, 24,134,606 shares in 2007 and 2006	11,395	11,395
Capital Surplus	11,235	11,235
Retained earnings	20,949	19,997
Unrealized gain on available-for-sale securities	688	725
Foreign currency translation adjustments	(2,219)	(2,749)
Treasury stock-at cost 345,687 shares in 2007 and 14,558 shares in 2006	(951)	(34)
Total	41,097	40,569
Minority interests	3,085	
Total equity	44,182	40,569
TOTAL	¥ 51,620	¥ 51,320

CONSOLIDATED STATEMENTS OF INCOME

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2007 AND 2006

	Millions of Yen	
	2007	2006
NET SALES (Note 15)	¥ 51,250	¥ 47,923
COST OF SALES (Note 15)	22,233	20,114
Gross profit	29,017	27,809
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	23,821	21,743
Operating income	5,196	6,066
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 15)	227	94
Loss on disposal of property and equipment	(39)	(15)
Loss on disposal of inventories	(392)	(199)
Retirement benefits to directors		(116)
Loss on impairment of long-lived assets (Note 7)		(45)
Other-net	89	135
Other expenses - net	(115)	(146)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,081	5,920
INCOME TAXES (Note 10)		
Current	1,937	2,375
Deferred	172	3
Total income taxes	2,109	2,378
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	484	442
NET INCOME	¥ 2,488	¥ 3,100
	Yen	
PER SHARE OF COMMON STOCK (Note 2.o):		
Net income	¥ 104.28	¥ 124.36
Cash dividends applicable to the year	60.00	60.00

Diluted net income per share is not presented because no dilutive securities exist.
See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	24,122	¥11,395	¥11,235	¥18,451	¥ 318	¥ (3,201)	¥ (29)	¥38,169		¥38,169
Net income				3,100				3,100		3,100
Cash dividends, ¥60 per share				(1,448)				(1,448)		(1,448)
Bonuses to directors and corporate auditors				(106)				(106)		(106)
Increase in treasury stock	(2)						(5)	(5)		(5)
Gain on sales of treasury stock			0					0		0
Net increase in unrealized gain on available-for-sale securities					407			407		407
Net change in foreign currency translation adjustments						452		452		452
BALANCE, MARCH 31, 2006	24,120	11,395	11,235	19,997	725	(2,749)	(34)	40,569		40,569
Reclassified balance as of March 31, 2006 (Note 2.j)									¥2,560	2,560
Net income				2,488				2,488		2,488
Cash dividends, ¥60 per share				(1,436)				(1,436)		(1,436)
Bonuses to directors and corporate auditors				(100)				(100)		(100)
Purchase of treasury stock	(331)						(917)	(917)		(917)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(37)	530		493	525	1,018
BALANCE, MARCH 31, 2007	23,789	¥11,395	¥11,235	¥20,949	¥ 688	¥ (2,219)	¥ (951)	¥41,097	¥3,085	¥44,182

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2007 AND 2006

	Millions of Yen	
	2007	2006
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 5,081	¥ 5,920
Adjustments for:		
Income taxes - paid	(2,600)	(1,909)
Depreciation and amortization	1,911	1,683
Loss on impairment of long-lived assets		45
Provision for retirement benefits	(58)	(570)
Loss on disposal of property and equipment	39	15
Changes in assets and liabilities		
Increase in receivables	(620)	(21)
Increase in inventories	(180)	(822)
Decrease (increase) in prepaid expenses and other assets	77	(23)
Increase (decrease) in payables	(800)	186
Increase in accrued expenses and other liabilities	513	462
Other-net	49	(54)
Total adjustments	(1,669)	(1,008)
Net cash provided by operating activities	3,412	4,912
INVESTING ACTIVITIES:		
Payments for deposits	(11)	0
Decrease in time deposits	5	11
Acquisition of property and equipment	(2,689)	(2,800)
Proceeds from sales and redemptions of investment securities	2,459	2,099
Payments for purchases of investment securities	(1,505)	(4,310)
Proceeds from sales and redemptions of short-term investment securities	4,300	7,400
Payments for purchases of short-term investment securities	(3,599)	(4,601)
Payments for acquisition of additional shares of associated company		(471)
Other - net	(81)	228
Net cash used in investing activities	(1,121)	(2,444)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock of a subsidiary to minority shareholders		397
Payments for purchases of treasury stock-net	(916)	(5)
Dividends paid	(1,638)	(1,589)
Net cash used in financing activities	¥ (2,554)	¥ (1,197)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 63	¥ 51
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(200)	1,322
CASH AND CASH EQUIVALENTS, END OF YEAR	8,984	7,662
	¥ 8,784	¥ 8,984

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2007 AND 2006

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 and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.(also see note 2.)

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation Policy - The consolidated financial statements as of March 31, 2007 and 2006 include the accounts of MANDOM CORPORATION (the "Company") and its nine significant subsidiaries (together, the "Group"). Investments in one associated company are accounted for by the equity method. Investments in the remaining four unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies, over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of cost over the net assets of subsidiaries acquired is amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. Additionally, a material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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 existing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

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 equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of 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, certificate of deposits, 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, with the related unrealized gains and losses are included in earnings; 2) held-to-maturity debt securities which the company has 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 equity. The Group's 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.

Compound financial instruments, from which an embedded derivative cannot be separated, are reported at fair value and resulting gains or losses are recognized in the income statement (See Note 4). However, those instruments, which are low credit risk, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

The Company utilizes such compound financial instruments within specified limits on the amounts, which are purchased to invest the Company's surplus funds. The Company does not enter into derivatives for trading or speculative purposes.

Compound financial instruments are exposed to credit-related losses in the event of non-performance by counterparties, but the Company does not anticipate any losses arising from credit risk, as the counterparties are limited to major international financial institutions. Such transactions have been made in accordance with internal policies which regulate the authorization and credit limit amount. The conditions and results of such transactions are regularly communicated to the Management Committee.

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, while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 15 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. Long-lived assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Retirement Benefits and Pension Plans - The Company and certain of its consolidated subsidiaries have funded defined benefit pension plans and defined contribution pension plans covering substantially all of their employees. The Group accounts for the liability for the pension plans based on the projected benefit obligations and plan assets at the balance sheet date.

j. Presentation of Equity - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

k. Research and Development Costs - Research and development costs are charged to income as incurred.

l. 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.

m. 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.

n. Per Share Information - Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because no dilutive securities exist.

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.

o. New Accounting Pronouncements

Measurement of Inventories - Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting - On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements -

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in

accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

- (1) Amortization of goodwill
- (2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3) Capitalization of intangible assets arising from development phases
- (4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5) Retrospective application when accounting policies are changed
- (6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. CHANGE IN ACCOUNTING POLICY

Prior to April 1, 2006 allowance for sales returns was provided by the method based on past return ratios and gross profit ratio that is prescribed in corporate-tax code. The Company changed it to the method based on past return ratios without using gross profit ratio in 2007 due to the following changes in sales return process. Prior to April 1, 2006, upon receipt of returned goods, the Company used to separate them to reused goods and goods to be disposed of. In 2007, the disposal process of returned goods has been outsourced to an outside vendor, and returned goods are now principally abandoned. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥95 million. Allowance for sales return is included in other current liabilities on the 2007 and the 2006 consolidated balance sheets.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen	
	2007	2006
Short-term investments:		
Time deposits other than cash equivalents	¥ 113	¥ 99
Government, corporate and other bonds	2,293	1,799
Trust certificates		400
Total	¥2,406	¥ 2,298
Investment securities:		
Marketable equity securities	¥3,076	¥ 3,180
Non-marketable equity securities	38	20
Government and corporate bonds and other bonds	4,363	5,824
Trust fund investments and other	1,053	1,310
Total	¥8,530	¥10,334

Information regarding the securities classified as available-for-sale at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Equity securities	¥ 1,909	¥ 1,192	¥ 25	¥ 3,076
Debt securities	6,695		39	6,656
Other	1,017	38	2	1,053
March 31, 2006				
Equity securities	¥ 1,922	¥ 1,263	¥ 5	¥ 3,180
Debt securities	7,695	0	72	7,623
Other	1,673	40	3	1,710

“Debt securities” in the above table include the compound financial instruments at fair value of ¥399 million and ¥596 million at March 31, 2007 and 2006, respectively.

The loss on write-down of other securities for the year ended March 31, 2006, was ¥9 million.

The carrying amounts of available-for-sale securities, whose fair value was not readily determinable as of March 31, 2007 and 2006, were as follows:

	Carrying amount	
	Millions of Yen	
	2007	2006
Equity securities	¥ 29	¥ 12

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥1,251 million and ¥35 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥3 million and ¥1 million

respectively, for the year ended March 31, 2007 and gross realized losses were ¥1 million for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 were as follows:

	Millions of Yen
Due in one year or less	¥ 2,293
Due after one year through five years	4,363
Total	¥ 6,656

5. INVENTORIES

Inventories at March 31, 2007 and 2006 were consisted of the following:

	Millions of Yen	
	2007	2006
Merchandise	¥ 1,462	¥ 1,442
Finished products	2,663	2,647
Work in process	307	249
Raw materials and supplies	1,850	1,522
Total	¥ 6,282	¥ 5,860

6. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2007 and 2006 were as follows:

	Millions of Yen	
	2007	2006
Investments	¥ 845	¥ 671
Advances	29	34
Total	¥ 874	¥ 705

7. LONG-LIVED ASSETS

The Group reviewed their long-lived assets for impairment for the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥45 million as follows:

Location	Description	Classification
Takatsuki-shi, Osaka	Unused land	Land

To determine this impairment loss, the Group identified cash generating units according to their business classification under the management account system, which continuously monitors income and expenditures, and individual unused assets. The Group determined the recoverability of the asset based on the net selling price by adjusting an assessed value of fixed assets appropriately. No impairment loss was recognized in 2007.

8. LONG-TERM LOANS

The annual interest rates applicable to the long-term loans to employees represent primarily housing loans to employees ranged from 0% to 3.5% at March 31, 2007 and 2006, respectively.

9. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have funded defined benefit pension plans and defined contribution pension plans for employees.

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 and annuity payments from a trustee.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen	
	2007	2006
Projected benefit obligation	¥ 2,893	¥ 2,560
Fair value of plan assets	(2,395)	(2,191)
Unrecognized actuarial loss	305	526
Unrecognized prior service obligation	(324)	(386)
Prepaid pension expenses		3
Net liability	¥ 479	¥ 512

The components of net periodic retirement benefit costs for the year ended March 31, 2007 and 2006 are as follows:

	Millions of Yen	
	2007	2006
Service Cost	¥ 184	¥ 163
Interest Cost	90	79
Expected return on plan assets	(74)	(54)
Amortization of prior service cost	62	46
Recognized actuarial loss	(149)	32
Subtotal	113	266
Contribution for the multiemployer pension plan	254	249
Contribution for the defined contribution pension plan	78	76
Net periodic retirement benefit costs	¥ 445	¥ 591

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%	2.0%
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

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, 2007 and 2006 were approximately ¥3,494 million and ¥3,308 million, respectively.

10. 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 40.64% for the years ended March 31, 2007 and 2006. 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, 2007 and 2006 are as follows:

	Millions of Yen	
	2007	2006
Deferred Tax Assets :		
Accrued bonuses	¥ 280	¥ 271
Enterprise tax	50	93
Inventories	115	118
Pension and severance costs	164	188
Long-term liabilities	282	282
Allowance for sales return	39	
Devaluation of land	101	101
Property and equipment	34	62
Loss on impairment of long lived assets		18
Depreciation	110	73
Other	218	215
Deferred tax assets subtotal	1,393	1,421
Valuation allowance	(5)	(6)
Deferred tax assets	1,388	1,415
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities	499	529
Depreciation	37	41
Undistributed earnings of associated companies	536	385
Other	22	25
Deferred tax liabilities	1,094	980
Net deferred tax assets	¥ 294	¥ 435

11. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at March 31, 2007 consisted of deposits received of ¥414 million and long-term liabilities of ¥695 million which had been transferred from liabilities for retirement benefits to directors and corporate auditors.

12. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2007 and 2006 were ¥1,866 million and ¥1,668 million, respectively.

13. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

14. 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, 2007 and 2006 were ¥982 million and ¥959 million, respectively, including ¥28 million and ¥45 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, 2007 and 2006 was as follows:

	Millions of Yen	
	Machinery and equipment	Machinery and equipment
	2007	2006
Acquisition cost	¥ 132	¥ 190
Accumulated depreciation	98	131
Net leased property	¥ 34	¥ 59

Obligations under finance leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen	
	2007	2006
Due within one year	¥ 20	¥ 29
Due after one year	14	30
Total	¥ 34	¥ 59

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 ¥28 million and ¥45 million for the years ended March 31, 2007 and 2006, respectively.

15. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen	
	2007	2006
Sales	¥ 870	¥ 809
Purchases	471	730
Interest and dividend income	64	28
Other expenses-net	(270)	(284)

16. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Company for the year ended March 31, 2007 were approved at the shareholders' meeting held on June 22, 2007:

	Millions of Yen
Cash dividends, ¥ 30 per share	¥ 714

17. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Group for the years ended March 31, 2007 and 2006 is as follows:

(1) Operations in Different Industries

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

(2) Geographical Segments

The Geographical Segments of the Group for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen			
	2007			Consolidated
	Japan	Asia	Eliminations/ Corporate	
Sales to customers	¥ 36,025	¥ 15,225		¥ 51,250
Inter-area transfer	2,383	256	¥ (2,639)	
Total sales	38,408	15,481	(2,639)	51,250
Operating expenses	35,119	13,576	(2,641)	46,054
Operating income	¥ 3,289	¥ 1,905	¥ 2	¥ 5,196
Assets	¥ 23,415	¥ 11,436	¥ 16,769	¥ 51,620

Corporate assets of ¥17,271 million, included in "Eliminations / Corporate," are principally marketable and investment securities.

	Millions of Yen			
	2006			Consolidated
	Japan	Asia	Eliminations/ Corporate	
Sales to customers	¥ 35,003	¥ 12,920		¥ 47,923
Inter-area transfer	2,198	288	¥ (2,486)	
Total sales	37,201	13,208	(2,486)	47,923
Operating expenses	32,801	11,544	(2,488)	41,857
Operating income	¥ 4,400	¥ 1,664	¥ 2	¥ 6,066
Assets	¥ 23,192	¥ 9,870	¥ 18,258	¥ 51,320

Corporate assets of ¥18,841 million, included in "Eliminations / Corporate," are principally marketable and investment securities.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2007 and 2006 amounted to ¥15,929 million and ¥13,552 million, respectively.

INDEPENDENT AUDITORS' REPORT



Deloitte Touche Tohmatsu

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To the Board of Directors and Shareholders of
MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheets of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

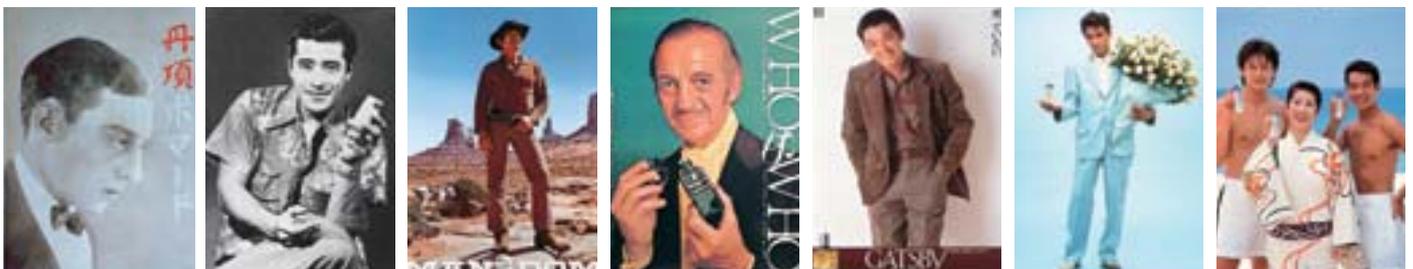
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu

June 25, 2007

History

- 1927. 12** Established KINTSURU PERFUME CORPORATION
- 1933. 4** Launched *Tancho Tique*, 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
- 1958. 4** KINTSURU PERFUME formed a technical tie-up with a local company in Manila, the Philippines, and began operations. This marked the first step in overseas expansion.
- 1959. 4** Company name was changed to TANCHO CORPORATION
- 1961. 5** Mr. Hikoji Nishimura appointed president of Tancho Corporation
- 1966. 11** Chairman Shinpachiro Nishimura passed away on November 3
- 1969. 11** Started a joint venture P.T. TANCHO INDONESIA in Jakarta, Indonesia (now consolidated subsidiary PT MANDOM INDONESIA Tbk)
- 1970. 6** Awarded "Excellence in Export Contributions" by the Ministry of Trade and Industry in Japan. The same recognition was received in 1971 and 1972
 - 7** Launched the "*Mandom series*," announcing 10 products in 9 categories
Featured a Hollywood star (Mr. Charles Bronson) for the first time in Japanese advertisement
- 1971. 4** Company name was changed to MANDOM CORPORATION
- 1972. 10** Established Japan Doctor Renault Cosmetics Company (now consolidated subsidiary PIACELABO CORPORATION)
- 1976. 3** Construction of Fukusaki Factory completed. Commenced operations
- 1978. 5** Switched from distributors to direct sales
 - 7** Launched the new *Gatsby* and *Spalding* product lines, the first time in Japan's cosmetics industry two major lines were introduced simultaneously
- 1980. 4** Switched from direct sales to distributors
 - 5** Mr. Hikoji Nishimura appointed chairman of Kinki Cosmetic Industry Association
 - 8** Mr. Ikuo Nishimura appointed president
- 1982. 4** Commenced MANDOM CORPORATION's 1st 5-year Middle-range Planning (MP Project)
 - 9** Commenced sale of *Pagliariacci* lineup through beauty salons throughout Japan
- 1983. 4** Introduced new CI system. Changed company logo
- 1984. 7** Introduced *Pucelle My Lip*, the company's first product geared to the women's cosmetics market
- 1985. 2** Established MIC CORPORATION
 - 3** Launched *Hi Funk Gatsby* series of men's hair foam and other products
- 1986. 9** Completed construction of a factory specializing in aerosol products at the Fukusaki Factory
- 1987. 4** Commenced 2nd 3-year Middle-range Planning
 - 12** 60th Anniversary
- 1988. 2** Started a joint venture in Singapore (now consolidated subsidiary MANDOM CORPORATION (SINGAPORE) PTE LTD)
 - 11** MANDOM CORPORATION shares traded on the over-the-counter market
Issued 500,000 shares, increasing capital
- 1989. 3** Received ECO Mark certification to foam products from the Japan Environment Association
 - 9** Introduced *Lucido*, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry
 - 12** Started a joint venture in Taiwan (now consolidated subsidiary MANDOM TAIWAN CORPORATION)
- 1990. 3** Started a joint venture in Thailand (MANDOM CORPORATION (THAILAND) LTD.)
 - 4** Commenced 3rd 3-year Middle-range Planning
 - 7** Prices revised due to abolishment of sales subsidies
- 1992. 2** Started a joint venture in the Philippines (now consolidated subsidiary MANDOM PHILIPPINES CORPORATION)
 - 6** Construction completed of tube filling wing at Fukusaki Factory
 - 10** Established M-ZA CORPORATION, a company with cosmetics procured through selective distribution
- 1993. 2** Construction completed on the first stage of new Head Office building. Commenced operations in the new building
 - 4** Commenced 4th 3-year Middle-range Planning Mr. Hikoji Nishimura decorated with Japan's Fourth Class Order of the Rising Sun
 - 7** Started a joint venture in Hong Kong (now an equity-method affiliate SUNWA MARKETING CO., LTD.)
 - 9** Launched *Lucido L*, a lineup of fragrance-free products for women
P.T. Tancho Indonesia listed on the Jakarta Stock Exchange
 - 10** Established GUINOT JAPAN CORPORATION (consolidated subsidiary), a sales company that distributes French cosmetics for esthetic salons
- 1994. 6** The second phase of the construction of a new Head Office ended, completing the construction of the building
- 1995. 6** Mr. Motonobu Nishimura appointed president of MANDOM CORPORATION
- 1996. 4** Commenced 5th 3-year Middle-range Planning Established BEAUCOS CORPORATION (consolidated subsidiary), that imports and processes cosmetics for group companies
Launched "Mandom World", the Group's website on the Internet
 - 11** Established ZHONGSHAN CITY RIDA FINE CHEMICAL CO., LTD., a joint venture in China



- 1997.** 1 Started a joint venture in Malaysia (now consolidated subsidiary MANDOM (MALAYSIA) SDN. BHD.)
4 Established KONAN SERVICE CORPORATION (now MANDOM BUSINESS SERVICE CORPORATION)
- 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
8 Repurchased 1.7 million shares of MANDOM common stock
12 Became the first Japanese cosmetics manufacturer to receive certification of its Head Office, research laboratories, plant and Logistics Center to ISO 9001 standards, the international standard governing quality assurance
- 1999.** 1 Launched *System E/O*, a line of skin treatment for women with sensitive skin through mail-order sales
3 Achieved ¥10 billion sales of *Gatsby* products, a first in the Japanese cosmetics industry for men's products
4 Commenced 6th 3-year Middle-range Planning
8 Started a joint venture in Korea (now consolidated subsidiary MANDOM KOREA CORPORATION)
- 2000.** 5 Mr. Ikuo Nishimura, Director and Corporate Advisor of MANDOM CORPORATION, passed away on May 23
8 MANDOM CORPORATION's share trading unit lowered from 1,000 shares to 100 shares
11 Fukusaki Factory and Logistics Center certified to ISO 14001, the international standard for environmental management systems
- 2001.** 3 Commenced operations at PT MANDOM INDONESIA Tbk's Cibitung Factory
Launched *Gatsby Hair Color* series, developing a market for men's hair color products
8 Repurchased 2.33 million shares of MANDOM common stock on the open market
A full revamp of the *Lūcido L* range
10 Began manufacture of hair color products at facilities in three countries—Japan (Fukusaki, Hyogo Prefecture), Indonesia (Sunter, Jakarta; Cibitung, Bekasi) and China (Zhongshan City, Guangdong)
- 2002.** 1 Listed on the Second Section of the Tokyo Stock Exchange
3 Completed construction of the MANDOM Group's Tokyo Nihonbashi Building
Gatsby Hair Color commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area
4 Commenced 7th 3-year Middle-range Planning
5 Started marketing *Gatsby* and *Lūcido L* simultaneously overseas
- 2003.** 1 Honorary Advisor Hikoji Nishimura passed away on January 25
- 2 Launched *Lūcido L Prism Magic Hair Color* series, entering the market for women's hair color products
3 Designated for listing on the First Section of the Tokyo Stock Exchange
Capital increase effected through public offering of 1.65 million shares
9 Launched men's hair color for gray hair in the *Lūcido* brand
10 Achieved "zero emission" status at the Fukusaki Factory
PT MANDOM INDONESIA Tbk won the Economic Value Added (EVA) Award in Indonesia
11 MANDOM partially reformed its retirement benefit plans, introducing the defined-contribution pension plan
- 2004.** 1 MANDOM Shanghai Representative Office opened
2 Recalled *Gatsby Ex Hi-Bleach*, a MANDOM product, due to a burn injury accident (a first recall in the Company's history)
3 Acquired Occupational Health and Safety Management System (OHSAS 18001) certification at the Fukusaki Factory, Logistics Center, and Production Engineering Division
10 Outsourced logistics operations to NIPPON EXPRESS CO., LTD.
- 2005.** 2 Acquired M-ZA CORPORATION, a wholly owned subsidiary
3 Transferred all the stocks of MIC CORPORATION, a wholly owned subsidiary, to BHL SA.
4 Commenced 8th 3-year Middle-range Planning
6 Terminated retirement benefits for directors and corporate auditors
11 Developed an preservative-free product incorporating "alkanediol"
Launched *Perfect Assist 24*, Mandom's first proprietary cosmetic product for women
- 2006.** 2 PT MANDOM INDONESIA Tbk conducted capital increase through shareholder allocation (24,960,000 new shares issued)
3 Received authorization to use the Privacy Mark from the Japan Information Processing Development Corporation (JIPDEC)
8 Launched *Gatsby Moving Rubber*. Commenced the 6th round of full-scale renewal of the *Gatsby* brand.
Repurchased 330,000 shares of Mandom common stock on the open market
11 R&D building completed on Mandom headquarters site
12 PT MANDOM INDONESIA Tbk won the Economic Value Added(EVA) Award in Indonesia for the 4th consecutive year
- 2007.** 1 Revised work rules in response to the introduction of the citizen judge system
2 Received a 12th (2006) Best Disclosure Award from the Tokyo Stock Exchange



Outline of the Company (As of March 31, 2007)

Company Name MANDOM CORPORATION

Head Office 5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan

Established December 23, 1927

Paid-in Capital ¥11,394,817,459

Number of Employees 2,039 (Consolidated)
501 (Non-consolidated)

Fiscal Year-end March 31

General Meeting of Shareholders Ordinary General Meeting of Shareholders
Every June

Independent Auditor Deloitte Touche Tomatsu

Key Domestic Business Locations

Head Office 5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan

Tokyo Building 2-6-3, Shibazono, Narashino-shi, Chiba 275-0023, Japan

Mandom Group's Tokyo Nihonbashi Building 2-16-6, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan

Fukusaki Factory 290-28, Takahashi, Fukusaki-cho, Kanzaki-gun, Hyogo 679-2216, Japan

Logistics Center (NIPPON EXPRESS CO., LTD.), 1714-14, Saiji Fukusaki-cho, Kanzaki-gun, Hyogo 679-2216, Japan

Sales Bases

Sapporo, Sendai, North Kanto, Tokyo, South Kanto, Nagoya, Osaka, Hiroshima, Fukuoka

Board of Directors & Executive Officers

(As of June 22, 2007)

Representative Director	President Executive Officer	Motonobu Nisimura
Representative Director	Vice President Executive Officer	Hiroshi Kamei
Director	Senior Managing Executive Officer	Yoshikatsu Nishiumi
Director	Managing Executive Officer	Kenji Yamada
Director	Managing Executive Officer	Koji Nozaki
Director	Managing Executive Officer	Masayoshi Momota
Director	Managing Executive Officer	Yoshiaki Saito
External Director		Tsutomu Tsukada
Corporate Auditor		Toshihito Higuchi
Corporate Auditor		Kazuo Tomita
External Corporate Auditor		Kazuya Kotera
External Corporate Auditor		Susumu Takagi



Group Companies

(As of March 31, 2007)

Japan	Company Names	Main Businesses	Voting Rights	
	Piacelabo Corporation	Sales of cosmetic products	100%	consolidated subsidiary
	Guinot Japan Corporation	Sales of cosmetic products	100%	consolidated subsidiary
	Beaucos Corporation	Quality management of products handled by domestic Group companies	100%	consolidated subsidiary
	Mandom Business Service Corporation	Provides life and non-life insurance, staffing, and general services	100%	non-consolidated subsidiary

(As of March 31, 2007)

Overseas	Company Names	Location	Main Businesses	Voting Rights	
	PT Mandom Indonesia Tbk	Indonesia	Manufacture and sales of cosmetic products	60.7%	consolidated subsidiary
	Mandom Corporation (Singapore) Pte Ltd	Singapore	Sales of cosmetic products	100.0%	consolidated subsidiary
	Mandom Taiwan Corporation	Taiwan	Sales of cosmetic products	100.0%	consolidated subsidiary
	Mandom Corporation (Thailand) Ltd.	Thailand	Sales of cosmetic products	67.5%	non-consolidated subsidiary
	Mandom Philippines Corporation	The Philippines	Sales of cosmetic products	100.0%	consolidated subsidiary
	Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sales of cosmetic products	39.0%	equity-method affiliate
	Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sales of cosmetic products	58.4%	consolidated subsidiary
	Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sales of cosmetic products	97.6%	consolidated subsidiary
	Mandom Korea Corporation	Korea	Sales of cosmetic products	100.0%	consolidated subsidiary

Contact to: Corporate Communications & Investor Relations Division Address/5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan Tel/06-6767-5020 Fax/06-6767-5043 URL/http://www.mandom.co.jp/

Stock Information (As of March 31, 2007)

Number of shares authorized for issue 81,969,700 shares

Shares of Common Stock Issued and Outstanding 24,134,606 shares

Number of Shareholders 15,247

Stock listing First Section, Tokyo Stock Exchange

Securities code 4917

Transfer agent The Sumitomo Trust and Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

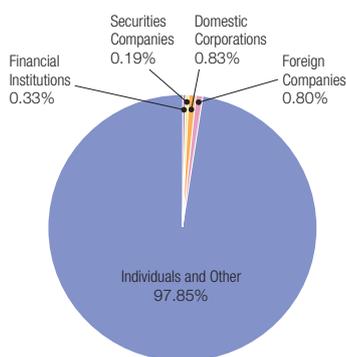
Major Shareholders

Shareholder	No. of Shares (Thousands)	Holding (%)
The Master Trust Bank of Japan, Ltd. (trust account)	2,024	8.39
Nishimura International Scholarship Foundation	1,800	7.46
State Street Bank and Trust Company	1,088	4.51
Motonobu Nishimura	1,005	4.16
Teruhisa Nishimura	801	3.32
Japan Trustee Services Bank, Ltd. (trust account)	777	3.22
Mandom Employee Shareholding Association	619	2.57
Trust & Custody Services Bank, Ltd. (securities investment trust account)	560	2.32
BNP Paribas Sec Service London Jas Aberdeen Asset Management PLC Agency Lending	537	2.23
The Chase Manhattan Bank 385036	520	2.16

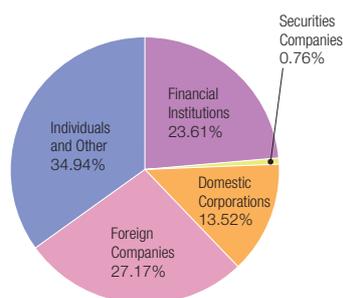
Note: Figures less than 1,000 shares have been omitted. Holding percentage is calculated based on the number of shares issued and outstanding.

Common Stock Holdings

Shareholders by Type



Shareholders by Holding



Stock Price and Transaction Volume

(Years ended March 31)



mandom corp.



Mandom Corporation has acquired ISO 14001 certification for Fukusaki Factory and ISO 9001 certification for Head Office and Fukusaki Factory.



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