

Mandom Corporation

Business Results (April 1, 2004 – June 30, 2004)

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Consolidated Financial Highlights

(Note: Rounded off to millions)

	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)
Three months ended June 30, 2004	12,488	2,162	2,203
% Change YoY	4.2	9.6	8.7
Three months ended June 30, 2003	11,988	1,973	2,027
(Reference) FY ended March 31, 2004	45,364	6,680	6,304

	Net Income (¥ Million)	EPS (¥)
Three months ended June 30, 2004	881	39.12
% Change YoY	△13.2	(-)
Three months ended June 30, 2003	1,015	45.06
(Reference) FY ended March 31, 2004	3,253	130.83

Note: Percentages figures indicated for net sales, operating income, ordinary income and net income are year-on-year % changes compared with the first quarter of the previous fiscal year.

The Japanese economy in the first quarter of this term (April 1 to June 30, 2004) witnessed a clear improvement in all industrial indicators such as plant and equipment investment. However, although the economy seems to be moving smoothly, personal consumption has not picked up fully. The cosmetics industry is no exception and is still facing an uphill struggle.

Against this general picture, Mandom's performance in the first quarter of the fiscal year ending March 31, 2005, indicates a good start, with increases in sales and income. Sadly though, in net profit terms, there was a decrease in income due to a poorly performing subsidiary where doubt has now been cast in the recoverability of deferred income tax charges, which consequently were dealt with in their entirety this quarter.

In sales, continued growth has been seen in the Group's overseas operations in Asia where recovery in economic growth has become clearly defined. The trend in profits is healthy and good performance here has offset the struggling figures in Japan. Noteworthy is the core brand *Gatsby*, which grew dramatically in sales overseas mainly on the strength of wax products. In Japan, the Company's business met with a small drop in income, the reasons being that the priority area of hair coloring albeit growing did not attain target levels and the women's cosmetics (imported brand) sold by a subsidiary continued to decline.

On the production front, ongoing cost cutting efforts are reaping rewards, with profitability rising in this first quarter over the same period of the preceding year. Overseas, marketing expenditure such as A & P costs was at a modest level, pushing both operating income and ordinary income up to a high level of increase. Sunwa Marketing Co. of Hong Kong, which became subject to the equity method as of FY 2005, accrued an equity method investment profit of ¥8 million.

Also in FY 2005, Mandom Korea Corp. became a consolidated subsidiary. Its (net) contribution this quarter was roughly ¥110 million in sales and ¥20 million in net income.

Asia's share rose in sales (segment figures) and operating profit, as did the ratio of overseas sales to the whole. Overseas (Asia) operations is steadily gathering

steam as the Group's growth engine.

Financial Condition

Consolidated Basis

	Total Assets (¥ Million)	Shareholders' Equity (¥ Million)	Shareholders' Equity Ratio (%)	Assets Per Share (¥)
Three months ended June 30, 2004	46,738	36,870	78.9	1,528.34
Three months ended June 30, 2003	43,877	34,905	79.6	1,446.85
(Reference) FY Ended March 31, 2004	45,474	36,687	80.7	1,516.70

Mandom Group's total assets as of the end of this first quarter stood at ¥46,738 million, an increase of ¥1,264 million compared to FY 2004, partly due to the inclusion of Mandom Korea Corp. as a consolidated subsidiary from this term. With regard assets, inventories rose by ¥915 million, whereas with regard to liabilities, purchasing liabilities (i.e. notes payable, accounts payable) rose by ¥739 million. This is not a permanent feature, as inventory investment level on new products and others went up in the short term. Owing to the strength of overseas operations, minority interests (only occurring in overseas subsidiaries) increased ¥172 million.

In the first quarter of FY 2005, there were no significant changes that may pose any threat to the financial health of the Group.

Cash Flow

Consolidated Basis (¥ Million)

	Cash flow from operations	Cash flow from investing activities	Cash flow from financial activities	End of quarter cash and cash equivalents
Three months ended June 30, 2004	1,461	△1,237	△628	9,429
Three months ended June 30, 2003	923	162	△724	9,028
(Reference) FY Ended March 31, 2004	4,396	△1,810	△1,456	9,767

Cash flow from operations in the first quarter of FY 2005 totaled ¥1,461 million, ¥538 million more than that in the same period of the preceding year. This is due chiefly to the pre-tax net income increasing by ¥182 million compared to the first quarter of FY 2004, plus corporate tax and other payments decreasing by ¥416 million. Thus, pre-tax net income was ¥2,217 million; with depreciation cost being ¥386 million (similar to the first quarter of FY 2004).

Cash flow from investment activities (¥393 million expenditure on fixed assets and ¥885 million from acquisition, redemption and sale of marketable securities) left a negative balance of ¥1,237 million. In financial activities, ¥627 million was spent on payment of dividends to shareholders including minority shareholders. Cash and cash equivalents on hand at the end of this first quarter decreased ¥337 million over the quarter to rest at ¥9,429 million.

<Reference 1> Financial Results: Three Months Ended June 30, 2004
(¥ Million)

	Net Sales	Operating Income	Ordinary Income	Net Income
Three months ended June 30, 2004	8,900	1,429	1,729	1,086
Three months ended June 30, 2003	8,618	1,315	1,601	969

	Total Assets	Shareholders' Equity
Three months ended June 30, 2004	43,610	37,587
Three months ended June 30, 2003	41,168	35,480

Outlook for Fiscal Year, Ending March 31, 2005

Consolidated Basis

	Net Sales (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	Earnings Per Share (¥)
Interim	24,450	4,100	2,200	91.19
FY ending March 2005	46,400	6,700	3,600	149.23

The outlook for the second quarter and beyond looks bright in terms of sales, with the hot summer weather in Japan pushing up shipment of seasonal products. Nevertheless, adverse market environment is likely to persist for the core categories of hair coloring and women's cosmetics. Overseas, continued good performance is foreseen but exchange rates are weakening compared to the first quarter, prompting plans for an increase in the investment input into marketing expenditure. Cost reduction is expected to accelerate.

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

<Reference 2> Forecast for Fiscal Year, Ending March 31, 2005

Parent Company Basis (Period from April 1, 2004 to March 31, 2005)

	Net Sales (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	Dividend (Year)		
				H1 (¥)	H2 (¥)	FY (¥)
Interim	18,208	3,430	2,050	25.00		
FY ending March 2005	33,700	5,300	3,100	25.00 50.00		

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

Segment Information

1. Segment Sales Information

Three months: (Period from April 1, 2004 to June 30, 2004)

(¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	9,202	3,285	12,488	-	12,488
(2) Internal sales and transfers	680	128	808	△808	-
Total	9,883	3,413	13,296	△808	12,488
Operating expenses	8,575	2,559	11,134	△808	10,325
Operating Income	1,307	854	2,162	0	2,162

Three months: (Period from April 1, 2003 to June 30, 2003)

(¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	9,285	2,703	11,988	-	11,988
(2) Internal sales and transfers	382	127	509	△509	-
Total	9,667	2,830	12,498	△509	11,988
Operating expenses	8,324	2,200	10,525	△509	10,015
Operating Income	1,343	630	1,973	-	1,973

Previous consolidated fiscal year: (Period from April 1, 2003 to March 31, 2004)

(¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	35,711	9,652	45,364	-	45,364
(2) Internal sales and transfers	1,823	420	2,243	△2,243	-
Total	37,535	10,072	47,607	△2,243	45,364
Operating expenses	32,278	8,650	40,928	△2,245	38,683
Operating Income	5,256	1,422	6,678	1	6,680

Notes:

- 1) Calculated by country and area, according to mutual operational involvement
- 2) Major markets overseas:

Asia: Indonesia, Singapore, Malaysia, Taiwan and the Philippines

2. Overseas Sales

Three months: (Period from April 1, 2004 to June 30, 2004)

(¥ Million)

	Asia	Other	Total
I. Overseas sales	2,923	207	3,131
II. Consolidated sales			12,488
III. Overseas sales as percentage of total consolidated sales	% 23.4	% 1.7	% 25.1

Three months: (Period from April 1, 2003 to June 30, 2003)

(¥ Million)

	Asia	Other	Total
I. Overseas sales	2,667	258	2,926
II. Consolidated sales			11,988
III. Overseas sales as percentage of total consolidated sales	% 22.3	% 2.2	% 24.4

Previous consolidated accounting year: (Period from April 1, 2003 to March 31, 2004)

(¥ Million)

	Asia	Other	Total
I. Overseas sales	9,783	886	10,670
II. Consolidated sales			45,364
III. Overseas sales as percentage of total consolidated sales	% 21.6	% 2.0	% 23.5

Notes:

1) Calculated by country and area, according to mutual operational involvement

2) Major markets overseas:

Asia: East Asia and ASEAN

Other: Federation of Arab Emirates, Brazil, North America

3) Overseas sales consist of exports from Japan and sales by overseas consolidated subsidiaries (excluding sales to Japan)