

Mandom Corporation

Business Results (April 1, 2004 – December 31, 2004)

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Notes on the Compilation of the Business Results for the Third Quarter of FY 2005

- (1) Changes in accounting method and difference with methods employed in the most recent consolidated accounting year
 - Corporate tax: Calculated using predicted tax rate based on legal effective corporate tax rate
 - Reserves: Calculated in part using simplified method
- (2) Changes in consolidation and equity method application
 - Consolidation: 1 additional company
 - Equity method: 1 additional company
- (3) No certified public accountants or auditing corporation was involved.

Consolidated Financial Highlights

(Note: Rounded off to millions)

	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)
Nine months ended December 31, 2004	36,740	6,319	6,178
% Change YoY	5.0	11.4	9.7
Nine months ended December 31, 2003	34,980	5,671	5,632
(Reference) FY ended March 31, 2004	45,364	6,680	6,304

	Net Income (¥ Million)	EPS (¥)
Nine months ended December 31, 2004	3,069	127.25
% Change YoY	7.9	(-)
Nine months ended December 31, 2003	2,843	126.18
(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 third quarter of the previous fiscal year.

The Japanese economy at the end of the third quarter of this term has hit a slowdown in recovery. With fears growing of a recurring recession, the cosmetics industry continued to face sluggishness in both quantity and sum of turnovers. Although the Asian economy in general showed signs of a tailing off in the increasing strength of economic recovery, the cosmetics sector remains strong and growing.

Against this general picture, Mandom's performance in the third quarter of the fiscal year ending March 31, 2005, as shown above, was an increase in both sales and income over the same period of the previous year. In sales terms, the Japanese business did not quite reach the planned target but remained level with last year due to the continuing weakness of the women's cosmetics sector. However, the overseas business far exceeded target figures, with a 5% increase over the same period year on year as a whole. The core overseas brand, *Gatsby*, was the major contributor, thanks to its huge increase in sales chiefly in the hair styling category. Mandom Korea Corp., which came under consolidation starting

this term, has contributed just short of ¥400 million to the increases in consolidated sales.

On the production front, ongoing cost cutting efforts in Japan (parent company) and in Indonesia (PT Mandom Indonesia Tbk.) yielded results. Compounded with effective marketing drives and sales cost reduction (compared to plan) in the overseas business, both operating income and ordinary income saw double figure increases. Sunwa Marketing Co. of Hong Kong, which became subject to the equity method as of FY 2005, accrued an equity method investment profit of ¥21 million. There was no extraordinary profit or loss requiring special note. However, because of a large increase in minority shareholders' profit in overseas subsidiaries with high contribution ratio, the net income for this period came to total ¥3,069 million, a 7.9% increase over last year.

The foreign exchange rates of local currencies against the yen tended to be weaker across the board compared to the previous year. Still, our six consolidated overseas companies all achieved increases in sales, with no halt seen in this period to the expansion and growth of Asia in sales (segment figures) and in the ratio of overseas sales to the whole.

Financial Condition

Consolidated Basis

	Total Assets (¥ Million)	Shareholders' Equity (¥ Million)	Shareholders' Equity Ratio (%)	Assets Per Share (¥)
Nine months ended December 31, 2004	47,547	38,312	80.6	1,588.27
Nine months ended December 31, 2003	44,720	36,192	81.0	1,500.18
(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 third quarter stood at ¥47,547 million, an increase of ¥2,073 million compared to FY 2004, partly due to the inclusion of Mandom Korea Corp. as a consolidated subsidiary from this term. Overall, the increase was derived from the expansion of business activities but the principal growth was seen in reserved profit, which increased as

consolidated surplus and investment securities (investment management). Owing to the strength of overseas operations, minority interests (only occurring in overseas subsidiaries) increased ¥406 million.

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
Nine months ended December 31, 2004	4,460	△3,702	△1,277	9,348
Nine months ended December 31, 2003	3,057	△2,012	△1,325	8,365
(Reference) FY Ended March 31, 2004	4,396	△1,810	△1,456	9,767

Cash flow from operations up till the end of the third quarter of FY 2005 totaled ¥4,460 million, ¥1,403 million higher than that in the same period of the preceding year. This is due chiefly to the pre-tax net income increasing by ¥627 million compared to the third quarter of FY 2004, plus corporate tax and other payments decreasing by ¥513 million. Thus, pre-tax net income was ¥6,201 million; with depreciation cost being ¥1,196 million (down by ¥50 million compared to the third quarter of FY 2004).

Cash flow from investment activities (¥1,222 million expenditure on fixed assets and ¥2,612 million from acquisition, redemption and sale of marketable securities, increases in expenditure of ¥217 million and ¥1,087 million respectively) left a negative balance of ¥3,702 million, ¥1,689 million more in spending than the same period of the previous financial year. In financial activities, ¥1,270 million was spent on payment of dividends to shareholders including minority shareholders. Cash and cash equivalents on hand at the end of this third quarter decreased ¥418 million over the three quarters to rest at ¥9,348 million.

<Reference 1> Financial Results: Nine Months Ended December 31, 2004

(¥ Million)

	Net Sales	Operating Income	Ordinary Income	Net Income
Nine months ended December 31, 2004	26,435	4,543	4,791	2,736
Nine months ended December 31, 2003	25,260	4,068	4,344	2,477

	Total Assets	Shareholders' Equity
Nine months ended December 31, 2004	43,701	38,537
Nine months ended December 31, 2003	41,400	36,579

Outlook for Fiscal Year, Ending March 31, 2005

Consolidated Basis

	Net Sales (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	Earnings Per Share (¥)
FY ending March 2005	46,700	6,350	3,150	130.58

In the fourth quarter of this fiscal year, Mandom Corporation (parent company) will absorb one of its Japanese subsidiaries engaged exclusively in female cosmetics. Since the middle of the year, exchange rates against the yen have weakened in countries where Mandom is operating, but the basic performance trend that has continued up till the third quarter is unlikely to change. The fourth quarter will see the disposal of old or unsold products due to new product marketing in Japan and a heavy investment input into marketing expenditure in overseas operations (product renewal, logistics, etc.), bringing down the quarterly (three months) profit to an extremely low level.

For these reasons, the consolidated-basis business forecast made by the Company for the year ending March 31, 2005 will remain unchanged from the

figures published with the interim results.

<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)	
				H2 (¥)	FY (¥)
FY ending March 2005	33,850	5,213	2,950	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

Nine months: (Period from April 1, 2004 to December 31, 2004)

(¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	27,437	9,302	36,740	-	36,740
(2) Internal sales and transfers	2,096	408	2,504	△2,504	-
Total	29,533	9,711	39,245	△2,504	36,740
Operating expenses	25,021	7,905	32,926	△2,506	30,420
Operating Income	4,512	1,805	6,318	1	6,319

Nine months: (Period from April 1, 2003 to December 31, 2003)

(¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	27,343	7,636	34,980	-	34,980
(2) Internal sales and transfers	1,299	344	1,644	△1,644	-
Total	28,642	7,981	36,624	△1,644	34,980
Operating expenses	24,423	6,531	30,954	△1,646	29,308
Operating Income	4,219	1,450	5,669	1	5,671

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

Nine months: (Period from April 1, 2004 to December 31, 2004)

(¥ Million)

	Asia	Other	Total
I. Overseas sales	9,051	642	9,693
II. Consolidated sales			36,740
III. Overseas sales as percentage of total consolidated sales	% 24.6	% 1.7	% 26.4

Nine months: (Period from April 1, 2003 to December 31, 2003)

(¥ Million)

	Asia	Other	Total
I. Overseas sales	7,638	677	8,316
II. Consolidated sales			34,980
III. Overseas sales as percentage of total consolidated sales	% 21.8	% 1.9	% 23.8

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	% 1.9	% 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)