



# **The Next Stage of Growth**

MANDOM Annual Report 2003

mandom corp.

## PROFILE

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

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

On the product front, July 1978 marked the launch of *Gatsby*, our flagship brand. In the ensuing 25 years, this brand has become an established name in the industry, having won strong customer support. Several years later in July 1984, we announced our arrival on the women's cosmetics scene, a step taken to expand the scope of our business.

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

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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.

# The Essence

## Legacy of leadership

### LEGACY OF LEADERSHIP

Since its inception in December 1927, Mandom Corp. has developed its business with a focus on hair care and cosmetics products, particularly for men. In an industry that has primarily catered for women, the secret of our success has been to consistently develop cosmetics for men as a key part of our core business. In a market characterized by intense competition, we take pride in our legacy of leadership, creating and developing new business models our rivals find hard to emulate. And at Mandom, we strive to preserve our "individuality," always pursuing originality with the aim of becoming the "Only One" of its kind, an unrivaled company in the industry.

# of Mandom

## LEVERAGING EXTENSIVE MARKETING EXPERIENCE

True to the maxim “everything begins and ends with the customer” our marketing strategy focuses on the frontline. Database marketing is the defining feature of our sales activities, based on the Mandom Field Navigation System (MAFINAS), which became fully operational in 1997. This system enables us to monitor and interpret data related to product sales and deliveries at retail stores. Analysis of this information, including Point-Of-Sale (POS) data gleaned from in-store purchases, enables us to more accurately devise marketing activities and draw up production plans. Data is also reflected in marketing strategy and sales activities, including the design of best-fit planogram proposals for retail-store chains handling Mandom products.

Leveraging  
extensive  
marketing  
experience

## CREATING WITH ALL THE RIGHT ELEMENTS

Our activities, which cover all of Asia, are underpinned by four production bases: the Fukusaki Factory in Hyogo, Japan; the Sunter Factory and Cibitung Factory in Jakarta and Bekasi respectively, in Indonesia; and the Zhongshan Factory in China. In particular, our Fukusaki Factory is distinguished for its quality assurance, flexible and low-cost operations. This facility is administered under a high-grade, complete-process application system. Using a bar-code system, we are able to monitor the complete production process, from production planning, purchasing and manufacturing, to finishing, shipment and inventory control.

## GATSBY: YESTERDAY, TODAY, AND TOMORROW

We have nurtured our flagship *Gatsby* brand over the last 25 years. Although we carried out full-scale makeovers in 1985, 1988, 1993, and 1996, we have remained loyal to *Gatsby*'s core product qualities and composition that are precisely attuned to the needs of customers. This is the source of *Gatsby*'s modern-day leading-brand status. In March 2001, we blazed the trail into a new product segment, using the power of the *Gatsby* name to launch the *Gatsby* Hair Color Series, the industry's first fashion hair dye for men.

GATSBY:  
yesterday, today,  
and tomorrow

Creating with  
all the right  
elements

Group synergy

## INNOVATION: SETTING THE DE FACTO STANDARD

At Mandom, we have consistently led the industry with pioneering products for men that have turned accepted wisdom on its head, such as hair styling foam, a fragrance-free line of cosmetics and fashion hair dyes. But we take more than functionality into consideration when developing products—coexisting in harmony with society and the natural environment is a key element of our business activities. In 1989, after eliminating fluorocarbons from our leading aerosol products, we received approval to label them with the ECO Mark, a certification from the Japan Environment Association. This success was followed in 1998 with an initiative to eliminate packaging containing polyvinyl chloride (PVC). This culminated in December 2000 with the complete removal of PVC packaging materials from our product line. In order to enhance its R&D capabilities, the Mandom Group is forming networks with tertiary research institutes and other external institutions, thereby bolstering the capabilities of its central laboratories and R&D facilities.

Innovation:  
setting the  
de facto  
standard

## GROUP SYNERGY

The Mandom Group comprises the parent company Mandom, 10 consolidated subsidiaries, evenly divided between domestic and overseas locations, 3 non-consolidated subsidiaries (1 in Japan and 2 overseas) and 3 affiliates. Mandom uses Group companies to operate in areas parent company networks cannot cover. Each of these companies is also given room to demonstrate its independent strengths. This approach allows us to draw on the collective strengths of the entire Mandom Group. Overseas, Mandom maintains production bases in China and Indonesia and nine marketing offices in eight countries covering the Asia region.

## A Message to Our Shareholders



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

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

# Sound Management Leads to Success

## Fiscal Year Ended March 31, 2003 in Review

### Record Sales and Earnings

The Japanese economy during the year under review remained in a prolonged slump, with weak stock prices and other factors keeping the outlook uncertain. Moreover, the cosmetics market showed no signs of improvement, as volume and total spending both remained stalled. Still, even under these conditions, Mandom again posted record consolidated net sales of ¥45,435 million, an increase of 8.0% year on year. Underpinning this record performance were healthy sales of our three leading brands in Japan, the launch of new *Lúcido L* brand products in the key hair color market, and brisk sales of *Lúcido L* and *Gatsby* hair wax products. Higher sales at all Mandom overseas subsidiaries also supported higher consolidated net sales. Operating income rose 21.3% to ¥6,323 million, the sixth straight year of record operating income. The main contributing factor was the lower cost of sales ratio, achieved through a higher ratio of in-house production, a lower product return rate, and a halt in the decline of average unit prices. Mandom also posted record net income of ¥2,988 million, a year-on-year increase of 37.3%.

During the past year, Mandom was designated for a listing on the First Section of the Tokyo Stock Exchange. And, for the first time since becoming a listed company 15 years ago, Mandom carried out a public share offering. This move increased the company's capital and strengthened its financial base. On behalf of all Mandom employees working collectively to steadily achieve our objectives, we would like to thank all our shareholders, customers, and business partners for your generous support.

## Favorable Results Both at Home and Abroad

Looking at sales by region, sales in Japan rose 5.4% year on year to ¥36,653 million, while sales overseas, meaning Asia, jumped 20.4% to 8,782 million, accounting for 19.3% of overall sales. All overseas subsidiaries, particularly those in Indonesia, recorded higher sales thanks to aggressive marketing. Moreover, cost cutting in Asia paved the way for a better-than-planned improvement in margins, and this in turn resulted in a more robust earnings structure.

## Fashion Hair Dyes and Hair Wax Products Drive Sales

Sales of the flagship *Gatsby* brand continued to expand, centered mainly on fashion hair dyes launched two years ago. The *Lúcido L* brand, which was revamped last fiscal year, continued to register brisk sales, while hair wax products also performed very well. Specifically, fashion hair dyes for women launched under the *Lúcido L* brand got off to an auspicious start in February 2003. Despite hitting the market late in the term, they had a greater-than-expected positive impact on sales and earnings.

## Progress With the Medium-Term 3-Year Plan

### Targets Largely Achieved in the First Year

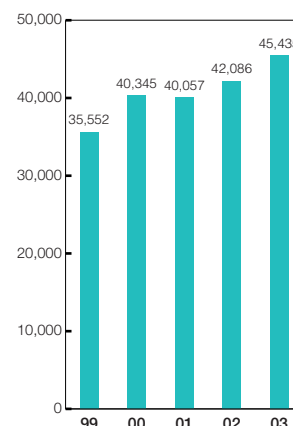
The Mandom Group is currently operating under a growth-oriented, 3-year management plan that runs from April 1, 2002 to March 31, 2005. The plan targets ROE of 10% and EPS of ¥150 in its final year. In the first year of the plan—the fiscal year under review—ROE was 9.3% and EPS was ¥128.32. These figures were achieved despite the issue of 1.65 million new shares at the time of the public share offering in March 2003. The plan's targets were therefore largely achieved in the first year despite harsh business environments both in Japan and overseas. Having forged its first real Group management strategy, Mandom has embarked on a path of strengthening its combined capabilities by setting common objectives for its portfolio of companies. In the past year, this approach included events to promote the *Gatsby* and *Lúcido L* brands in Hong Kong and Thailand.

### Promoting the Group-wide Development of Brand Marketing

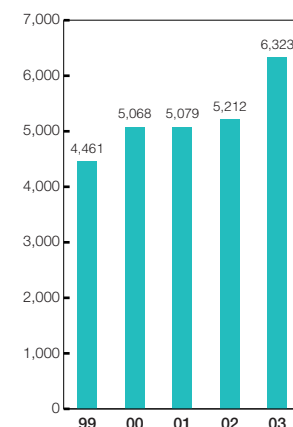
The current 3-year plan clearly identifies three key product groups: the men's cosmetic brand *Gatsby*, the women's cosmetic brand *Lúcido L*, and fashion hair dyes. Simultaneously, the plan positions the Asian market as the nucleus for business growth and expansion, and sets the objective of expanding the Mandom Group's business activities by executing sequential brand marketing across the entire region.

*Gatsby*, Mandom's flagship brand and the leading name in the men's cosmetics market, posted brisk sales, centered on fashion hair dyes launched two years ago. Styling foam, deodorant, shaving gel, and skincare products also contributed to *Gatsby*'s strong performance. Mandom carried out activities to boost brand recognition across Asia for the women's hair care brand *Lúcido L*. Fashion hair dyes introduced toward the end of the fiscal year were well received in the market, a promising sign for the next fiscal year.

**Net Sales**  
(Millions of yen)



**Operating Income**  
(Millions of yen)



## Financial Highlights

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31

MANDOM Corporation and Consolidated Subsidiaries Years ended March 31	(Millions of yen, except per share data)				
	2003	2002	2001	2000	1999
Net Sales . . . . .	45,435	42,086	40,057	40,345	35,552
Operating Income . . . . .	6,323	5,212	5,079	5,068	4,461
Net Income . . . . .	2,988	2,177	2,025	2,105	1,583
Total Assets . . . . .	43,869	38,613	39,976	42,668	41,598
Total Shareholders' Equity . . . . .	34,715	29,377	32,134	33,008	26,642
—Return on Equity (ROE) (%) . . . . .	9.3	7.1	6.2	7.1	5.9
—Earnings Per Share (EPS) (¥) . . . . .	128.32	89.66	79.19	86.51	67.31
—Cash Dividends Per Share (¥) . . . . .	50.00	40.00	34.00	30.00	20.00

Note: Earnings Per Share is calculated based on Accounting Standards Board of Japan Statement No. 2, "Accounting Standard for Earnings per Share," which was adopted on April 1, 2002.

## New Fashion Hair Dyes for Women Post Strong Sales

Mandom introduced a new line of *Lúcido L* fashion hair dyes, with well-known pop singer Namie Amuro as the new celebrity spokesperson for the brand. Mandom selected Ms. Amuro because of her pioneering role in Japan in leading the way for more young women to use fashion hair coloring products. The new line appeals to the target market's hairstyling needs for color and texture. Mandom launched the new line supported by a television advertising campaign across all 47 of Japan's prefectures, designed to quickly build brand recognition. Other related products are currently under development, leveraging the expertise of Mandom's domestic subsidiary responsible for distribution to beauty salons. Moreover, having successfully integrated its ability to develop products tailored to customer wants with its ability to market products at the time of launch, the Mandom Group is now capable of creating products born from its collective strengths.

## Focusing on Building a Stronger Management System

Mandom has strengthened its management system in several ways. More specifically, these enhancements include the rapid introduction of a framework for external directors and auditors, followed by the adoption of an executive officer system. Believing it best to strengthen our internal system of monitoring and management while earnings are strong, we have launched a help line to aid the company-wide resolution of any ethical business issues that may arise. This system was designed to complement our existing code of conduct for employees and instill a greater sense of awareness among employees about the importance of compliance with company regulations. We are also taking steps to improve employee education related to these issues on a Group-wide basis. Our current drive to enhance consolidated management makes it vital that we are able to conduct global personnel exchanges and provide highly effective staff training. For this reason, we have instituted a program under which overseas staff are trained in Japan, as well as a global personnel evaluation system.

## Further Enhancement of Our R&D Framework

We are channeling funds gained through our public offering in March 2003 into a further strengthening of our R&D framework. This framework is at the heart of our manufacturing business. Plans are on the table to upgrade our basic research and our R&D facilities in conjunction with enhancements to our production capabilities.

## Mandom's Management Philosophy

### Continuing to Nurture and Make the Most of Our Core Asset: People

The year under review marks the 75th anniversary of Mandom's establishment. Throughout our history, our core philosophy has taught us that the fundamental premise of the corporation is to continue as a profitable company; be honest in all dealings with society; and manage operations within our means. This thinking remains intact today. The Mandom Group's corporate culture is thoroughly grounded in respect for each and every individual in the organization. Although our human resources are not shown as an asset on our balance sheet, they are our most important resource. We have always envisioned a workplace of lively intellectual exchange, powered by the Mandom Group's characteristically young-minded, enthusiastic and dedicated workforce. Experienced managers and new employees alike strive to create a workplace that encourages all employees to take an active role in our operations. In this way, we always draw the best out of our personnel. All employees have individual talents to contribute and it is the Mandom corporate culture that inspires everyone to fulfill their potential, working together to produce the best possible product lineup.

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

July 2003

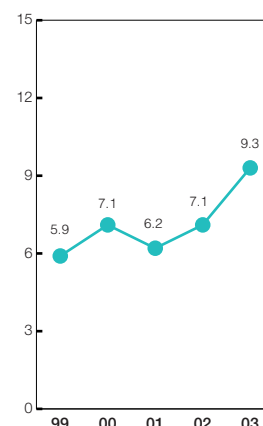


**Motonobu Nishimura**  
President and Representative Director

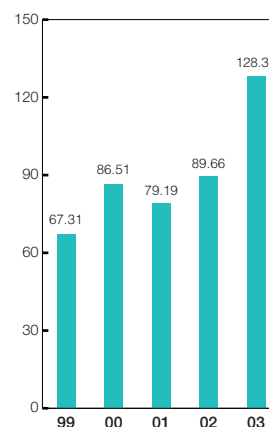


**Hiroshi Kamei**  
Executive Vice President and Representative Director

**Return on Equity (ROE)**  
(%)



**Earnings Per Share (EPS)**  
(Yen)



Note: Earnings Per Share is calculated based on Accounting Standards Board of Japan Statement No. 2, "Accounting Standard for Earnings per Share," which was adopted on April 1, 2002.

# More Than Meets the Eye



Mandom is known for its flagship *Gatsby* brand and lineup of popular fashion hair dyes for men. However, these products are only the visible results of the company's efforts. Behind these successes lie Mandom's management philosophy, business posture and strategy—internal values that make the company what it is today.





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

**Mandom has a unique management philosophy. It is based on making resolute business decisions, determining the correct management posture, and crafting the most effective strategy. These internal values, born out of 75 years of business experience, are shared by all Mandom employees, and represent the framework for all business decisions.**

# Strate

## A Forward-Looking Strategy

### Question 1

**Please provide further insight into Mandom's management philosophy born out of past experience.**

Due to changes to retailing regulations, Mandom experienced a very difficult period over two years starting in 1978. Difficult decisions had to be made, including selling off assets and asking some personnel to take early retirement. But we also took the opportunity to revamp our management system and reassess the reason for the company's existence in terms of its social mission. Consequently, we changed our orientation from "needs" to "wants," from a "selling market" to a "buying market," and from "consumers" to "customers." This shift in focus gave rise to our basic approach founded on our core philosophy "everything begins and ends with the customer." Mandom embraces this philosophy not only in word but also as a principle that permeates the entire organization. Mandom believes that this mission enables it to play a truly important role in society.

### Question 2

**What is Mandom's stance on corporate governance?**

Although Mandom has posted solid business results for the past several years, we are not resting on our laurels. It is easy to see where the problems lie when results are bad, and this forces speedy resolution. But when results are good it is easier to overlook issues that need to be addressed. In recent years, corporations have been caught out after failing to deal with risks that lay dormant within their organizations. This increased the potential for danger by taking possible problems too lightly or even overlooking them altogether.

At Mandom, we are seeking to avoid this kind of pitfall in a number of ways. One tenet of our business philosophy is making sure our managers keep their feet firmly on the ground. This means, in addition to managers not overextending themselves, taking appropriate decisions and actions based on Mandom's management principles.

Moreover, Mandom has strengthened its management system in several ways. More specifically, these enhancements include the rapid introduction of a framework for external directors and auditors, followed by the adoption of an executive officer



Using data gleaned from sidewalk questionnaires and other sources, we are constantly working to determine the true wants of our customers.



Based on the latest technologies, we are developing a whole range of new products at our central laboratories that showcase our reputation for innovation. We plan to further enhance these capabilities through new capital investment in the months ahead.

We have invested in equipment upgrades at our manufacturing center in Japan, the Fukusaki Factory, in an effort to further enhance production capabilities.



system. Believing it best to strengthen our internal system of monitoring and management while earnings are strong, we have launched a help line to aid the company-wide resolution of any ethical business issues that may arise. This system was designed to complement our existing code of conduct for employees and instill a greater sense of awareness among employees about the importance of compliance with company regulations.

### Question 3

**Given that the company only recently conducted a share buyback program, what is the purpose of the recent public offering?**

Mandom issued 1.65 million new shares through a public offering in March 2003, procuring roughly ¥3,282 million in capital. We will use these funds to increase production capacity and invest in R&D facilities. This share issue was therefore aimed at strengthening our future earnings base and not for generating short-term profits. We elected to procure funds in the capital market based on our policy of funding long-term investment with long-term capital.

Meanwhile, our recent share repurchase and retirement was aimed at ensuring a stable price for

our shares. In the belief that some financial institutions might sell their holdings in Mandom, we made the decision to preempt this and any related share price instability by acquiring Mandom shares held by banks.

### Question 4

**Please expand on your plans to invest your newly acquired funds.**

We plan to use the recently procured funds to upgrade plants and research facilities in Japan. The funds will be used to invest in new manufacturing equipment at the Fukusaki Factory, upgrade R&D centers, and strengthen basic research centers. This investment will result in an improved R&D system and a shorter product development cycle, thereby enabling us to rapidly launch products that are more accurately tailored to the latest developments in the market. We are confident that this will further enhance our competitiveness. Moreover, an upgrade of our materials development and technology development systems will enable us to introduce advanced technology from external sources. By doing so, we hope to establish a foundation that will support our global growth strategy laid out in the 3-year management plan.



In addition to our flagship *Gatsby* brand of cosmetics for men, we are promoting the diversification of other brands and product portfolios. Currently, cosmetics for women and fashion hair dyes are key product lines supporting Mandom's earnings structure.

# Streng

## Hidden Product Strengths

### Question 1

**Please describe Mandom's product composition.**

Since our establishment in 1927, hair care products and cosmetics for men have been at the heart of our growth as a company. Mandom has continually launched products in line with the times but ahead of industry rivals, leading to a number of hit products. Over the course of time and during the process of discerning the wants of customers, Mandom broadened its existing lineup of products, adding shaving cream, deodorant spray, and other items. More recently, this process culminated in the 2001 launch of the *Gatsby* Hair Color Series, the industry's first line of fashion hair dyes for men. As the leading brand in this product category, this series now has a significant share of the market.

Mandom also entered the women's cosmetics market with the *Lúcido L* brand. In 2003, Mandom extended the *Lúcido L* brand to include fashion hair dyes for women, which have been well received. This initial response has given us great hopes for this product category going forward.

In recent years, Mandom has strengthened its

lineup of hair wax products in response to the varying hairstyles of people today. And new product categories recently developed and launched by Mandom, such as fashion hair dyes and facial paper, are showing robust growth, a sign that our product ideas are helping to create new customer lifestyles.

### Question 2

**How do trends for Mandom's products compare with the overall market trends for the same product categories?**

Unfortunately, looking at overall trends, the market for cosmetics is not expanding in Japan. However, sales of Mandom's products in categories like sheet cosmetics, epitomized by facial paper, deodorant spray, and hair wax, are strong. This is the result of our efforts to continually discern the wants of customers and translate their requirements into products that sell. Such persistence is directly tied to our growing market share in saturated markets.

The hair coloring market is worth more than ¥100 billion annually in Japan, and Mandom has successfully established a solid presence in the markets for both men and women. We are work-



*Lúcido L Glossy Hair Wax*, introduced to satisfy the latest trends in young women's hairstyling



Demand for *Gatsby Deodorant Spray* is growing as more men take a greater interest in personal grooming

Right: The popular *Gatsby Facial Paper Product*, offering an invigorating freshness

Left: *Gatsby Film-Type Oil Clear Sheet* has won a growing army of both male and female fans



*Gatsby Natural Bleach & Color*

"*Lúcido L Prism Magic Hair Color*"



ing to further strengthen our position, by building on the success of our *Gatsby* line for men with the launch of the *Lúcido L* series of fashion hair dyes for women in February 2003.

### Question 3

#### What is Mandom's product policy?

Mandom commercializes products based on an accurate assessment of customer wants. Mandom discerns realistic cosmetic demands, like the dying of men's hair and the styling of eyebrows, and then proposes products that satisfy these wants. Although we conduct detailed preliminary surveys on many products in totally new or even non-existent markets, we naturally don't know how well a product will be received until actual launch. Examples of products that we have developed in this way and that have taken hold include hair foams, fashion hair dyes, deodorant sprays, oil clear sheets and facial paper. All of these represent product categories in men's cosmetics that didn't exist until Mandom took the first pioneering step.

The development of product lines that help customers to express their look in new and exciting ways has paved the way for Mandom's growth to date. By developing products in this way and leveraging our accumulated expertise in advertising and marketing, we appeal to the customer's sense of individuality by offering fun ways to develop a new look. Building product lines in this way culminates in a product portfolio that is not reliant on any one item. Consequently, even if one or more products underperform, we can hedge this risk with other products.



**The Mandom Group manufactures its products in Japan, Indonesia, and China and has nine sales bases in eight Asian countries. The Group is stepping up its production and marketing presence in Asia, as shifts in population size and social structures are likely to foster significant growth potential in the region going forward.**

# Presen

## A Presence in Asia

### Question 1

**Please give an overview of Mandom's current production system.**

The Mandom Group has production bases in three countries: Japan, Indonesia and China. Our Group management framework is ensuring these bases work in unison to enhance quality and is offering further opportunities for capitalizing on the Group's collective strengths.

#### **Fukusaki Factory**

The Fukusaki Factory in Japan features an advanced production management system that uses bar codes to control all aspects of operations management, from production schedules to purchasing, manufacturing, assembly, shipment, and inventory control. This system enables the Fukusaki Factory to produce high-quality products on flexible schedules at low cost. The factory plays a pivotal role in our manufacturing framework, and its production technology and expertise are passed on to other production locations. This facility is the driving force behind the Mandom Group's push to increase quality and reduce costs.

#### **PT Mandom Indonesia Tbk**

The Mandom Group started manufacturing products in Indonesia in 1969 at PT Tancho Indonesia Corporation, a joint venture between Mandom and local interests. The company was listed on the Jakarta Stock Exchange in 1993. PT Tancho Indonesia was renamed PT Mandom Indonesia Tbk in 2001. With two production facilities, one in Jakarta and the other in Bekasi, PT Mandom Indonesia operates across the whole manufacturing process, from container formation to cosmetic production. It has also become a key source of products for export to various countries in the region, primarily Japan. The company now exports to 80 nations worldwide, including the United States and Brazil. Exports accounts for more than 20% of this company's shipments in monetary terms.

#### **Zhongshan City Rida Fine Chemical Co., Ltd.**

Our production base in Guangdong Province, China, was set up in 1996. More than just a base for supplying products to the domestic market, the company ships products to a host of countries, primarily Japan. This latter role is becoming an increasingly important part of the company's operations. In 2002, the company was awarded ISO 9001, the international standard for quality assurance.



Indonesia (Cibitung Factory, Bekasi),  
manufacturing container molds



Indonesia (Sunter Factory, Jakarta),  
making cosmetic products



Japan (Fukusaki Factory, Hyogo Prefecture)



China (Zhongshan Factory, Guangdong Province)



## Question 2

### How is Mandom positioning its overseas business?

Our overseas business is very significant. Asia is both an important production base and a growing market for us. We see this market as the vital element for future growth of the entire Mandom Group.

We are currently exploring ways to enable overseas production bases to upgrade their R&D capabilities. With this in mind, we are pursuing more in-depth technological exchanges with our bases in Japan and are training R&D staff. In addition, we are working to put in place an infrastructure that will allow overseas staff to access a new database that we are creating at our new central research facility.

Compared with Japan, where the population of young people is declining due to a falling birth rate, Asia's young population is vast and growing rapidly. Consequently, we believe the region has significant potential for our products. Mandom is rolling out its *Gatsby* and *Lúcido L* brand products across Asian markets, and plans call for stepping up marketing activities throughout the region in the fiscal year ending March 31, 2004.

### Overseas Group Companies

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

## Topics

### Joint Development of Hair Color Simulation System (July 2002)

In conjunction with Dai Nippon Printing Co., Ltd., Mandom has developed a hair color simulation system. This system enables people to use the Internet to see what they would look like with a different hair color. It allows people to easily select a desired hair color in the comfort of their own homes, realizing a new and useful tool for choosing hair-coloring products. This unique system has been covered by a variety of media, including television, newspapers, and magazines, and has been showcased on the *Gatsby* page of the Mandom corporate website since it was launched.



## Thailand (May 2002)

### Overseas Activities Aimed at Raising Brand Recognition

A series of major promotional events were held in the Asian region to increase brand recognition for *Gatsby* and *Lúcido L*. Kicking off this tour was a *Lúcido L* Launch Event, held in May 2002 in Siam City Square, one of Thailand's premiere shopping centers. This was followed by similar events in Hong Kong, South Korea, and again in Thailand.



### Capital Increase Effected Through Public Offering (March 2003)

Mandom issued 1.65 million new shares of common stock through a public offering in March 2003. The offering yielded ¥3,282 million in new capital. The funds will be used mainly to upgrade the company's R&D framework, through the construction of basic research and R&D facilities, and to increase production capacity. These investments will shorten product development cycles and provide a market advantage in the area of product development. Moreover, an upgrade of materials development and technology development systems will enable us to establish a foundation that will support the medium- and long-term growth of the company.

## Hong Kong (July 2002)



### **Lúcido L Used as a Platform to Launch Fun Hair Color Series** (February 2003)

In February 2003, Mandom launched the Prism Magic Hair Color line, offering eight colors that allow users to create the hair color and texture of their choice. Also introduced were the line's four glossy natural tones for restoring hair to its original color. The television commercials for the Prism Magic Hair Color line featured pop star Namie Amuro, who has a popular image and high name recognition among the target market. The commercials gained attention both for showcasing the beautiful results achievable with hair color and their advertising effectiveness.



### **Mandom Designated for Listing on the First Section of the Tokyo Stock Exchange** (March 2003)

On March 3, 2003, Mandom was designated for listing on the First Section of the Tokyo Stock Exchange. We attribute this accomplishment to our steady business management amid a challenging business environment, helped by the support of our shareholders, customers and business partners. Mandom strives to commercialize concepts that serve the ever-evolving wants of people, while pursuing a management philosophy that emphasizes product quality and concern for the environment. Moreover, Mandom is committed to increasing its corporate value based on healthy expansion as a good corporate citizen trusted by society.



### **Revamp of Gatsby Hair Color Series** (March 2003)

Although the Gatsby Hair Color Series has performed well since its launch in 2001, we completely revamped the line in March 2003 to meet evolving customer wants. Among the changes were an expansion of color variations, redesigned packaging, and increased functionality. The result was an even stronger line of fashion hair dyes.





# Management's Discussion & Analysis

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31

(Millions of yen, except per share data)

	2003	2002	2001	2000	1999	1998
Net Sales	<b>45,435</b>	42,086	40,057	40,345	35,552	34,446
Japan	<b>36,653</b>	34,790	33,271	34,236	31,017	30,597
Asia	<b>8,782</b>	7,296	6,786	6,109	4,535	3,849
Selling, General and Administrative Expenses	<b>20,267</b>	18,040	17,233	17,429	15,945	16,009
Operating Income	<b>6,323</b>	5,212	5,079	5,068	4,461	3,877
Net Income	<b>2,988</b>	2,177	2,025	2,105	1,583	1,166
Research and Development	<b>1,483</b>	1,513	1,525	1,501	1,387	1,318
Total Assets	<b>43,869</b>	38,613	39,976	42,668	41,598	44,342
Total Shareholders' Equity	<b>34,715</b>	29,377	32,134	33,008	26,642	27,211
—Return on Equity (ROE) (%)	<b>9.3</b>	7.1	6.2	7.1	5.9	4.3
—Earnings Per Share (EPS) (¥)	<b>128.32</b>	89.66	79.19	86.51	67.31	46.57
—Cash Dividends Per Share (¥)	<b>50.00</b>	40.00	34.00	30.00	20.00	20.00

Note: Earnings Per Share is calculated based on Accounting Standards Board of Japan Statement No. 2, "Accounting Standard for Earnings per Share," which was adopted on April 1, 2002.

## Segment Information

The Mandom Group conduct business globally, with an emphasis on Japan and the rest of Asia. Given the significant potential of the Asia region due to its large and growing population, the Mandom Group has strengthened its overseas network by establishing sales bases in eight countries, primarily Indonesia and China. The Mandom Group comprises Mandom Corporation, 13 subsidiaries, and 3 affiliated companies. Of these, 10 are consolidated subsidiaries, of which 5 are domestic companies and 5 are overseas enterprises.

In Japan, Mandom Corporation (the "Company") focuses on cosmetics for men, while the five domestic Group companies—PIACELABO Corp., MIC Corp., M-ZA Corp., GUINOT JAPAN Corp., and BEAUCOS Corp.—focus on women's cosmetics. Overseas, in addition to manufacturing and sales companies in Indonesia and China, Mandom has sales companies in South Korea, Taiwan, China (Hong Kong), the Philippines, Thailand, Malaysia, and Singapore.

## Operating Environment

The Japanese economy in the fiscal year ended March 31, 2003 saw no end to the deflationary environment and continued to be characterized by stagnant overall business conditions and weak personal consumption. Although shipment volume in the cosmetics industry trended upward, average unit prices continued to fall, resulting in a continuing harsh operating environment.

In Asia, where the Mandom Group is expanding its overseas operations, the cosmetics market continued to expand, despite low-to-flat overall economic growth caused by the slowdown in the U.S. economy.

## Operating Results

Mandom posted record consolidated net sales of ¥45,435 million, up 8.0% year on year. Sales in Japan rose 5.4% year on year, fueled by steady sales of fashion hair dyes for men, the introduction of new fashion hair dyes for women, and healthy growth in sales of mainstay hair cosmetics.

All five consolidated subsidiaries overseas recorded double-digit sales growth on a local-currency basis, thanks primarily to marketing activities in Southeast Asia, mainly Indonesia, as part of a Group brand strategy. Overseas sales jumped 20.4% year on year.

Operating income rose 21.3% to ¥6,323 million, marking the sixth straight year of record earnings. In Japan, a higher sales composition of fashion hair dyes and hair wax (styling product) put a halt to the decline in average unit prices. This, coupled with cost cutting, resulted in a sharp improvement in margins. Overseas, manufacturing subsidiary PT Mandom Indonesia Tbk achieved a significant improvement in cost of sales by controlling costs at the product development stage.

Net income surged 37.3% to ¥2,988 million, another record high. The company recorded extraordinary gains in Japan associated with the partial discontinuance of a retirement allowance system as well as the sale of investment securities. Extraordinary gains overseas consisted of insurance claims for water-related damage in Indonesia. The company incurred extraordinary losses in Japan on the sale of investment securities and on the revaluation of land. Overseas, an extraordinary loss was booked for water damage at facilities in Indonesia.

The Company increased its capital base through a public offering of common stock in March 2003, resulting in an increase in the number of shares outstanding. Still, EPS totaled ¥128.32 and ROE was 9.3%, thanks to sharply higher net income for the year.

By geographical segment, sales in Japan rose roughly 5.4% to ¥36,653 million. Contributing to this rise was a 5.0% increase in sales of both the flagship *Gatsby* brand of cosmetics for men and the *Lúcido* brand. Another factor was the introduction of fashion hair dyes under the *Lúcido L* brand, which caused sales in this line to expand more than 42%.

In Asia, sales rose 20.4% to ¥8,782 million. This growth was underpinned by the gradual establishment of the Group brand strategy throughout the region, including at consolidated Indonesian subsidiary PT Mandom Indonesia Tbk, which now boasts a wider distribution network.

### Capital Expenditures

The Mandom Group (Mandom Corporation and its consolidated subsidiaries) principally carries out capital investment to acquire production facilities that will sustain its competitive edge. During the fiscal year ended March 31, 2003, total capital expenditures amounted to ¥1,589 million, mainly for the purchase of machinery and equipment for cosmetics manufacturing. Major investments included new equipment to enhance production capabilities at the Fukusaki Factory.

### Cash Flows

Net cash provided by operating activities amounted to ¥5,467 million, virtually unchanged from the previous fiscal year. Income before income taxes and minority interests rose ¥1,508 million to ¥5,737 million. Inventories rose ¥684 million on the back of business expansion, while income taxes paid rose ¥555 million.

Investing activities used net cash of ¥3,194 million, principally for the acquisition of ¥1,589 million in property and equipment, related to the company's capital investment program and the construction of a new office building in Nihonbashi, Tokyo. Another significant component of cash outflows was the purchase of investment securities. The main components of capital investment were the expansion and refurbishment of a factory in Japan and the acquisition of equipment to manufacture cosmetics.

In financing activities, Mandom used ¥1,005 million to pay dividends, including dividends to minority shareholders. Offsetting this was an inflow of ¥3,282 million from the issue of new common stock. Consequently, financing activities provided net cash of ¥1,845 million.

As a result, cash and cash equivalents as of March 31, 2003 totaled ¥8,659 million, up ¥4,104 million from the end of the previous fiscal year.

# Consolidated Balance Sheets

MANDOM Corporation and Consolidated Subsidiaries  
March 31, 2003 and 2002

ASSETS	Millions of Yen	
	2003	2002
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents . . . . .	¥ 8,659	¥ 4,555
Short-term investments (Note 4) . . . . .	2,081	747
Receivables:		
Trade notes and accounts . . . . .	5,335	5,346
Unconsolidated subsidiaries and associated companies . . . . .	212	118
Other . . . . .	174	164
Allowance for doubtful accounts . . . . .	(69)	(68)
Inventories (Note 5) . . . . .	5,047	4,635
Deferred tax assets (Note 10) . . . . .	500	387
Prepaid expenses and other current assets . . . . .	504	649
Total current assets . . . . .	22,443	16,533
 <b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land . . . . .	1,568	1,806
Buildings and structures . . . . .	16,145	16,004
Machinery and equipment . . . . .	9,419	8,661
Construction in progress . . . . .	233	129
Total . . . . .	27,365	26,600
Accumulated depreciation . . . . .	(14,019)	(12,739)
 Net property, plant and equipment . . . . .	13,346	13,861
 <b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities (Note 4) . . . . .	3,743	3,919
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 6) . . . . .	811	802
Long-term loans (Note 7) . . . . .	1,141	1,230
Deferred tax assets (Note 10) . . . . .	581	361
Other assets . . . . .	1,804	1,907
Total investments and other assets . . . . .	8,080	8,219
<b>TOTAL</b> . . . . .	¥43,869	¥38,613

See notes to consolidated financial statements.

		Millions of Yen	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2003</b>	2002
<b>CURRENT LIABILITIES:</b>			
Short-term bank loans (Note 8) .....			¥ 390
Payables:			
Trade notes and accounts .....	¥ 2,963		3,689
Associated companies .....	29		17
Other .....	9		9
Accrued income taxes (Note 10) .....	1,605		1,216
Accrued expenses .....	897		737
Other current liabilities .....	463		383
Total current liabilities .....	5,966		6,441
<b>LONG-TERM LIABILITIES:</b>			
Liability for retirement benefits (Note 9) .....	1,066		1,153
Deferred tax liabilities (Note 10) .....	20		19
Other long-term liabilities .....	488		308
Total long-term liabilities .....	1,574		1,480
<b>MINORITY INTERESTS</b> .....	1,614		1,315
<b>SHAREHOLDERS' EQUITY</b> (Notes 12 and 16):			
Common stock, authorized, 81,969,700 shares; issued, 24,134,606 shares			
at March 31, 2003 and 22,484,606 shares at March 31, 2002 .....	11,395		9,753
Capital surplus .....	11,235		9,595
Retained earnings .....	14,620		12,608
Unrealized gain (loss) on available-for-sale securities .....	(20)		57
Foreign currency translation adjustments .....	(2,495)		(2,634)
Total .....	34,735		29,379
Cost of treasury stock — 9,081 shares at March 31, 2003 and 1,527 shares			
at March 31, 2002 .....	(20)		(2)
Total shareholders' equity .....	34,715		29,377
<b>TOTAL</b> .....	¥43,869		¥38,613

# Consolidated Statements of Income

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

	Millions of Yen	
	2003	2002
<b>NET SALES</b> (Note 14) .....	<b>¥45,435</b>	¥42,086
<b>COST OF SALES</b> (Note 14) .....	<b>18,845</b>	18,834
Gross profit .....	<b>26,590</b>	23,252
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> .....	<b>20,267</b>	18,040
Operating income .....	<b>6,323</b>	5,212
<b>OTHER INCOME (EXPENSES):</b>		
Interest and dividend income (Note 14) .....	<b>111</b>	106
Interest expense .....	<b>(89)</b>	(107)
Purchase discounts .....	<b>202</b>	167
Loss on disposal of property and equipment .....	<b>(12)</b>	(41)
Loss on disposal of inventories .....	<b>(481)</b>	(476)
Loss on devaluation of land .....	<b>(248)</b>	
Provision for doubtful accounts .....	<b>(60)</b>	(200)
Proceeds from casualty insurance claim (Note 15) .....	<b>511</b>	
Casualty loss (Note 15) .....	<b>(471)</b>	
Other-net .....	<b>(49)</b>	(432)
Other expenses—net .....	<b>(586)</b>	(983)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b> .....	<b>5,737</b>	4,229
<b>INCOME TAXES</b> (Note 10):		
Current .....	<b>2,725</b>	2,113
Deferred .....	<b>(280)</b>	(284)
Total income taxes .....	<b>2,445</b>	1,829
<b>MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES</b> .....	<b>304</b>	223
<b>NET INCOME</b> .....	<b>¥ 2,988</b>	¥ 2,177
	Yen	
<b>PER SHARE OF COMMON STOCK</b> (Note 2.n):		
Net income .....	<b>¥128.32</b>	¥89.66
Cash dividends applicable to the year .....	<b>50.00</b>	40.00

Diluted net income per share is not presented because common stock equivalents are anti-dilutive.  
See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

	Millions of Yen						
	Number of issued shares of Common Stock (thousands)	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>BALANCE, APRIL 1, 2001</b> . . . . .	24,815	¥ 9,753	¥ 9,595	¥14,837	¥768	¥(2,819)	¥ (0)
Net income . . . . .				2,177			
Cash dividends, ¥37 per share . . .				(872)			
Bonuses to directors and corporate auditors . . . . .				(59)			
Increase in treasury stock (1,359 shares) . . . . .							(2)
Repurchase and cancellation of treasury stock (Note 12) . . . . .	(2,330)			(3,475)			
Net decrease in unrealized gain on available-for-sale securities . . . . .					(711)		
Net increase in foreign currency translation adjustments . . . . .						185	
<b>BALANCE, MARCH 31, 2002</b> . . . . .	22,485	9,753	9,595	12,608	57	(2,634)	(2)
Net income . . . . .				2,988			
Cash dividends, ¥40 per share . . .				(899)			
Bonuses to directors and corporate auditors . . . . .				(77)			
Increase in treasury stock (7,554 shares) . . . . .							(18)
Issuance of common stock (Note 2.h) . . . . .	1,650	1,642	1,640				
Net decrease in unrealized gain on available-for-sale securities . . .					(77)		
Net increase in foreign currency translation adjustments . . . . .						139	
<b>BALANCE, MARCH 31, 2003</b> . . . . .	24,135	¥11,395	¥11,235	¥14,620	¥ (20)	¥(2,495)	¥(20)

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

	Millions of Yen	
	2003	2002
<b>OPERATING ACTIVITIES:</b>		
Income before income taxes and minority interests	¥ 5,737	¥ 4,229
Adjustments for:		
Income taxes – paid	(2,341)	(1,786)
Depreciation and amortization	1,720	1,651
Provision for retirement benefits	(87)	200
Loss on disposal of property and equipment	12	41
Loss on devaluation of land	248	
Loss on sales of marketable securities	282	245
Gain on sales of marketable securities	(162)	(22)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(17)	558
(Increase) decrease in inventories	(684)	738
(Increase) decrease in prepaid expenses and other assets	229	(311)
Increase (decrease) in payables	19	(202)
Increase in accrued expenses and other liabilities	182	544
Other-net	329	158
Total adjustments	(270)	1,814
Net cash provided by operating activities	5,467	6,043
<b>INVESTING ACTIVITIES:</b>		
Payments for deposits	(33)	(39)
Acquisition of property and equipment	(1,589)	(2,310)
Proceeds from sales and redemptions of investment securities	826	746
Payments for purchases of investment securities	(1,705)	(1,529)
Net decrease in investments in and advances to unconsolidated subsidiaries and associated companies	49	85
Proceeds from sales and redemptions of marketable securities	1,100	900
Payments for purchases of marketable securities	(1,600)	(500)
Other-net	(242)	(139)
Net cash used in investing activities	(3,194)	(2,786)

(Continued on following page.)



	Millions of Yen	
	2003	2002
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term bank loans . . . . .	¥ 1,151	¥ 987
Repayments of short-term bank loans . . . . .	(1,566)	(1,065)
Proceeds from issuance of common stock . . . . .	3,282	
Repurchase of treasury stock for cancellation . . . . .		(3,475)
Payments for purchases of treasury stock-net . . . . .	(17)	(2)
Dividends paid . . . . .	(1,005)	(991)
Net cash provided by (used in) financing activities . . . . .	1,845	(4,546)
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS—(Forward) . . . . .</b>	¥ (14)	¥ 28
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .</b>	<b>4,104</b>	<b>(1,261)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR . . . . .</b>	<b>4,555</b>	<b>5,816</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR . . . . .</b>	<b>¥ 8,659</b>	<b>¥ 4,555</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

MANDOM Corporation and Consolidated Subsidiaries  
Years ended March 31, 2003 and 2002

## 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 and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing 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 2002 financial statements to conform to the classifications used in 2003.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

All significant intercompany balances and transactions have been eliminated in consolidation. All 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 at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

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

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

- d. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, 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, and the related unrealized gains and losses are included in earnings, 2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity. The Companies' securities (included in “short-term investments” and “investment securities”) are all classified as available-for-sale.

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

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

- f. Inventories**—Inventories are stated at average cost.
- g. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method. However, the straight-line method is applied to buildings acquired after April 1, 1998.
- The range of useful lives is principally from 25 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment.
- The straight-line method is principally applied to the property and equipment of consolidated foreign subsidiaries.
- h. Stock Issue Costs**—Stock issue costs were charged to income as incurred in 2002. During 2003, underwriting commissions were offset against proceeds and stock issue costs other than underwriting commissions were charged to income.
- On March 19, 2003, 1,650,000 new shares were issued and paid for through a public offering. This stock issuance was carried out under an underwriting contract in which underwriters subscribed new shares at the issue price and sold them to public investors at the subscription price exceeding the original issue price. Stock issue costs of ¥28 million were charged to income.
- Although the Company had previously issued new shares by paying underwriting commissions, no additional payment was made to the underwriters for the issuance of new shares on March 19, 2003, because the difference between the subscription price and the issue price was substantially equal to underwriting commissions.
- Had the March 19, 2003 share issuance been structured like the Company's previous share issuance, ¥142 million would have been charged to income as stock issue costs.
- i. Retirement Benefits and Pension Plans**—The Company and certain of its consolidated subsidiaries have non-contributory funded pension plans covering substantially all of their employees. The Group accounts for the liability for retirement benefits and pension plans based on the projected benefit obligations and plan assets at the balance sheet date.
- Retirement benefits to directors and corporate auditors are provided at the amount which would have been required if they retired at each balance sheet date (See Note 3).
- j. Research and Development Costs**—Research and development costs are charged to income as incurred.
- k. Leases**—Most leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.
- l. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- m. Bonuses to Directors and Corporate Auditors**—Payments of bonuses to directors and corporate auditors as approved by the shareholders are accounted for as appropriations of retained earnings.
- n. Per Share Information**—Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period. The weighted average number of common shares used in the computation was 22,538,544 shares for 2003 and 23,416,144 shares for 2002.
- Diluted net income per share is not disclosed because it is anti-dilutive. Basic net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard.
- Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

### 3. ACCOUNTING CHANGE

Prior to April 1, 2002, no provisions were recorded for retirement benefits to be paid to the domestic consolidated subsidiaries' directors and corporate auditors. Effective April 1, 2002, the domestic consolidated subsidiaries changed their method of accounting for such retirement benefits to the accrual basis. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2003 by ¥10 million, which included a cumulative effect of ¥6 million at March 31, 2002. This cumulative effect was included in selling, general and administrative expenses in the 2003 consolidated statement of income.

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

Short-term investments and investment securities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen	
	2003	2002
Short-term investments:		
Time deposits other than cash equivalents	¥ 81	¥ 53
Corporate bonds	1,000	594
Financing Bills	1,000	
Trust fund investments		100
Total	¥2,081	¥747
Investment securities:		
Marketable equity securities	¥ 490	¥1,565
Non-marketable equity securities	155	122
Corporate bonds	1,495	1,586
Bonds of deposit insurance corporation	200	
Trust fund investments	1,173	599
Trust certificates	200	
Foreign trust fund investments	30	47
Total	¥3,743	¥3,919

Information regarding the securities classified as available-for-sale at March 31, 2003 and 2002 was as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2003				
Equity securities	¥ 572	¥ 78	¥160	¥ 490
Debt securities	3,700	1	6	3,695
Others	1,384	48	29	1,403
March 31, 2002				
Equity securities	¥1,505	¥332	¥272	¥1,565
Debt securities	2,200	0	20	2,180
Others	691	67	12	746

The carrying amounts of available-for-sale securities whose fair value was not readily determinable as of March 31, 2003 and 2002, were as follows:

	Carrying amount	
	Millions of Yen	
	2003	2002
Equity securities . . . . .	<b>¥15</b>	¥15

Proceeds from sales of available-for-sale securities for the years ended March 31, 2003 and 2002 were ¥826 million and ¥746 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥162 million and ¥282 million, respectively for the year ended March 31, 2003 and ¥22 million and ¥245 million, respectively, for the year ended March 31, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2003 are as follows:

	Millions of Yen
Due in one year or less . . . . .	<b>¥2,000</b>
Due after one year through five years . . . . .	<b>1,695</b>
Total . . . . .	<b>¥3,695</b>

## 5. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen	
	2003	2002
Merchandise . . . . .	<b>¥1,310</b>	¥1,234
Finished products . . . . .	<b>2,288</b>	2,064
Work in process . . . . .	<b>109</b>	159
Raw materials and supplies . . . . .	<b>1,340</b>	1,178
Total . . . . .	<b>¥5,047</b>	¥4,635

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2003 and 2002 were as follows:

	Millions of Yen	
	2003	2002
Investments . . . . .	<b>¥758</b>	¥697
Advances . . . . .	<b>53</b>	105
Total . . . . .	<b>¥811</b>	¥802

## 7. LONG-TERM LOANS

The annual interest rates applicable to the long-term loans to employees, primarily housing loans to employees, ranged from 0% to 3.5% and 0% to 5% at March 31, 2003 and 2002, respectively.

## 8. SHORT-TERM BANK LOANS

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

## 9. RETIREMENT BENEFITS AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment and annuity payments from a trustee. Employees who satisfy the necessary conditions are entitled to larger lump-sum payments from the Company and certain consolidated subsidiaries. Effective October 1, 2002, such larger lump-sum payment plan has been discontinued.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen	
	2003	2002
Projected benefit obligation	¥ 3,206	¥ 3,319
Fair value of plan assets	(2,017)	(2,131)
Unrecognized actuarial loss	(813)	(857)
Net liability	376	331
Prepaid pension expenses		200
Liability for retirement benefits	¥ 376	¥ 531

The components of net periodic benefit costs for the year ended March 31, 2003 and 2002 are as follows:

	Millions of Yen	
	2003	2002
Service cost	¥222	¥254
Interest cost	72	86
Expected return on plan assets	(61)	(61)
Recognized actuarial loss	185	206
Subtotal	418	485
Gain on the termination of the larger lump-sum payment plan	(86)	
Contribution for the multiemployer pension plan	159	123
Net periodic benefit costs	¥491	¥608

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.0%	2.5%
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, 2003 and 2002 were approximately ¥2,385 million and ¥2,623 million, respectively.

The liability balances for retirement benefits at March 31, 2003 and 2002 included accruals for directors and corporate auditors in the amount of ¥690 million and ¥622 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of shareholders.

## 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 42% for the years ended March 31, 2003 and 2002. 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, 2003 and 2002 are as follows:

	Millions of Yen	
	2003	2002
Deferred Tax Assets :		
Accrued bonuses	¥ 245	¥ 187
Enterprise tax	130	107
Allowance for doubtful accounts	80	96
Inventories	78	61
Pension and severance costs	389	396
Unrealized loss on available-for-sale securities	82	132
Devaluation of investment securities	34	54
Devaluation of land	100	
Property and equipment	62	62
Other	180	114
Deferred tax assets	1,380	1,209
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities	68	169
Special reserve for tax-purpose depreciation	23	25
Depreciation	47	48
Liability for retirement benefits		87
Undistributed earnings of associated companies	180	149
Other	1	2
Deferred tax liabilities	319	480
Net deferred tax assets	¥1,061	¥ 729

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 42% to 40%, effective for years beginning April 1, 2004. The effect of this change was an increase in the provision for income taxes for the year ended March 31, 2003 of approximately ¥4 million.

## 11. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2003 and 2002 were ¥1,483 million and ¥1,513 million, respectively.



## 12. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥12,052 million as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

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

As of March 31, 2003, the Company is authorized to repurchase, at management's discretion, up to 2,200 thousand shares of the Company's stock for the purpose of cancelling the shares by charging such amounts to retained earnings. Such authorization is effective until the general shareholders meeting on June 25, 2003.

## 13. 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, 2003 and 2002 were ¥706 million and ¥735 million, respectively, including ¥133 million and ¥137 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, 2003 and 2002 was as follows:

	Millions of Yen	
	Machinery and equipment	Machinery and equipment
	2003	2002
Acquisition cost . . . . .	¥554	¥548
Accumulated depreciation . . . . .	298	317
Net leased property . . . . .	¥256	¥231

Obligations under finance leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen	
	2003	2002
Due within one year . . . . .	<b>¥118</b>	¥109
Due after one year . . . . .	<b>138</b>	122
Total . . . . .	<b>¥256</b>	¥231

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 ¥133 million and ¥137 million for the years ended March 31, 2003 and 2002, respectively.

#### 14. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen	
	2003	2002
Sales . . . . .	<b>¥ 932</b>	¥ 617
Purchases . . . . .	<b>702</b>	450
Interest and dividend income . . . . .	<b>17</b>	24
Other expenses-net . . . . .	<b>(294)</b>	(311)

#### 15. CASUALTY LOSS AND INSURANCE CLAIM

One of the consolidated subsidiaries was damaged by a flood in the Jakarta area in February, 2002. The Company recognized a casualty loss of ¥471 million. Proceeds from the casualty insurance claim of ¥511 million were recorded as other income.

#### 16. SUBSEQUENT EVENTS

##### (1) Appropriations of Retained Earnings

The following appropriations of retained earnings of the Company for the year ended March 31, 2003 were approved at the shareholders meeting held on June 25, 2003:

	Millions of Yen
Cash dividends, ¥30 per share . . . . .	<b>¥724</b>
Bonuses to directors and corporate auditors . . . . .	<b>92</b>
Total . . . . .	<b>¥816</b>

##### (2) Repurchase of Treasury Stock

The Company is authorized to repurchase up to 2,400 thousand shares of the Company's common stock (aggregate amount of ¥6,000 million) as treasury stock until the next general shareholders meeting.

## 17. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2003 and 2002 is as follows:

### (1) Operations in Different Industries

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

### (2) Geographical Segments

The Geographical Segments of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen			
	2003			
	Japan	Asia	Eliminations/ Corporate	Consoli- dated
Sales to customers	¥36,653	¥8,782		¥45,435
Inter-area transfer	1,657	502	¥(2,159)	
Total sales	38,310	9,284	(2,159)	45,435
Operating expenses	33,272	8,001	(2,161)	39,112
Operating income	¥ 5,038	¥1,283	¥ 2	¥ 6,323
Assets	¥33,042	¥6,124	¥ 4,703	¥43,869

Corporate assets of ¥10,479 million, included in "Eliminations/Corporate", are principally marketable and investment securities of the Company.

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

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

### (3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2003 and 2002 amounted to ¥9,593 million and ¥7,842 million, respectively.

# Independent Auditors' Report

To the Board of Directors and Shareholders of  
MANDOM CORPORATION:

**Deloitte  
Touche  
Tohmatsu**

We have audited the accompanying consolidated balance sheets of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. 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, procedures and practices generally accepted and applied 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

*Deloitte Touche Tohmatsu*

June 26, 2003

# Recent Key Product Launches in Japan

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

## Gatsby



Shower Fresh  
Cool Coconuts



Hair Color Care Water



Shaving Series



Natural Bleach & Color



X-Hard Color



Wild Styling Solid

## Lúcido



Dry Type  
Wax



Mild Aftershave  
Lotion



Moisturing Lotion



Oil Control Lotion



Oil Clear Facial Scrub



Long-Keep Styling Water

## Lúcido L



Hard Hair Wax



Hair Treatment (Effective For 3days)



Prism Magic Hair Color



Smooth Styling  
Jelly <Straight>



Soft Styling Milk  
<Straight>



# Advertising and Promotion in Japan

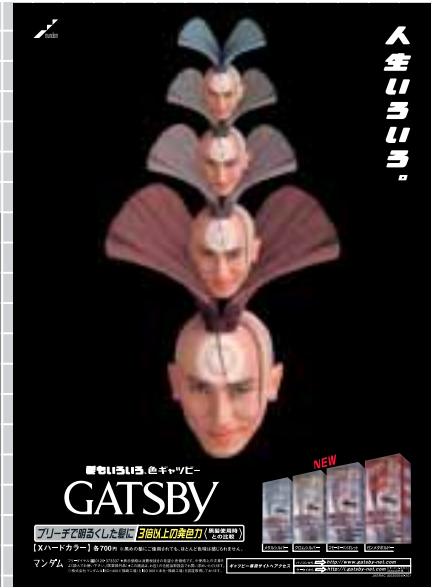
Mandom also looks to create a unique identity through its advertising and promotions. The challenge is to leave a lasting impression and to produce products in close affinity with the consumer.



Gatsby Dry Face & Body Series  
(From April 2002)



Gatsby X-Hard Color  
(From June 2002)



Gatsby Ice Deodorant  
(From June 2002)



Lúcido L Glossy Hair Wax  
(From September 2002)



Lúcido L Prism Magic Hair Color  
(From February 2003)



Lúcido  
(From October 2002)

In March 2003, Namie Amuro, a famous Japanese pop star, replaced actress Takako Tokiwa as the face of Lúcido L.

# Principal Mandom Products Sold Overseas

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

*Some of the products manufactured by our plants in Indonesia*



Gatsby Splash Cologne Deep Ocean



Gatsby Splash Cologne Great Sky



Gatsby Styling Wax Light & Natural



Gatsby Styling Wax Hard & Free



Gatsby Cologne Tissue Great Sky



Lovillea Gelly Cologne Fruity Floral



Lovillea Facial Lotion Oil Control



Pucelle Splash Cologne Chypre



Johnny Andr an Brilliant Cream Color



MIRATONE Conditioning Cream Color



Pucelle Body Lotion Whitening



Pucelle Body Lotion Nourishing



Lovillea Facial Sheet Moisture Balancing



Pixy, Excel Make-up Series

*Some of the products manufactured by our plant in China (Gatsby Series)*



Shower Fresh Cool Musk



Shower Fresh Tropical Wind



Shower Fresh Grand Marine



Aftershave Water



Facial Wash Scrub



Facial Wash Foam



Cool Facial Foam



Gel Water Super Hard



Gel Water Wet & Hard



Styling Gel Super Hard



Styling Gel Wet & Hard



Styling Wax Hard & Keep Type



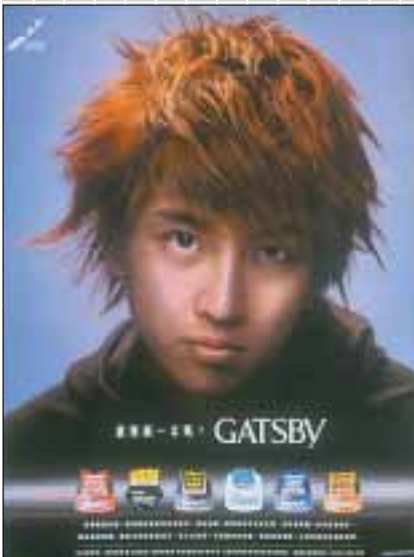
Styling Wax Mat Type



# Overseas Advertising and Promotion

Mandom has launched a range of overseas advertising campaigns. As in Japan, they are gaining attention for their individuality.

Taiwan



Thailand



Indonesia



Republic of Korea



Indonesia



Indonesia

# History

- |      |    |   |      |  |   |
|------|----|---|------|--|---|
| 1927 | 12 | Established Kintsuru Perfume Corporation  | 1981 | 12   | Mandom Corporation's management philosophy confirmed in 5-year medium-term management plan (MP Project) |
| 1933 | 4  | Launched <i>Tancho Tique</i> , a hit product which laid the foundation for future success   | 1982 | 4  | Commenced Mandom Corporation's 1 <sup>st</sup> 5-year medium-term management plan (MP Project)          |
| 1949 | 4  | Shinpachiro Nishimura (President) appointed to the chief post of Kinki Cosmetic Industry Association  | 9    | Commenced sale of <i>Pagliacci</i> through beauty salons throughout Japan          |   |
| 1958 | 4  | Established a factory in Manila, the Philippines, becoming the first Japanese cosmetics company to manufacture abroad   | 1983 | 4  | Introduced new CI system. Changed company logo  |
| 1959 | 4  | Company name was changed to Tancho Corporation  | 1984 | 7  | Introduced <i>Pucelle My Lip</i> , the company's first product into the women's cosmetics market        |
| 1961 | 5  | Mr. Hikoji Nishimura appointed President of Tancho Corporation  | 1985 | 2  | Established MIC Corporation   |
| 1966 | 11 | Chairman Shinpachiro Nishimura passed away on November 3  | 3    | Launched <i>Hi Funk Gatsby Series</i> of men's hair foam and other products        |   |
| 1967 | 2  | Tancho Corporation commenced operations in Singapore  | 5    | Established Mandom (Malaysia) Sdn. Bhd.  |   |
|      | 12 | 40 <sup>th</sup> Anniversary  | 1987 | 4  | Commenced new 3-year medium-term management plan  |
| 1969 | 11 | Established PT Tancho Indonesia Corporation (Now PT Mandom Indonesia Tbk)   | 12   | 60 <sup>th</sup> Anniversary   |   |
| 1970 | 4  | Contracted with popular U.S. actor Charles Bronson to promote new product series  | 1988 | 11   | Mandom Corporation shares traded on the over-the-counter market   |
|      | 6  | Awarded "Excellence in Export Contributions" by the Ministry of Trade and Industry in Japan. The same recognition was received in 1971 and 1972               |      |  | Issued 500,000 shares, increasing capital   |
|      | 7  | Launched the " <i>Mandom Series</i> ," announcing 10 products in 9 categories   | 1989 | 3  | Received ECO Mark certification from the Japan Environment Association                                  |
| 1971 | 4  | Company name was changed to Mandom Corporation. PT Tancho Indonesia Corporation commenced operations  | 8    | Japan Doctor Renault Cosmetics Company changed its name to PIACELABO Corporation   |   |
| 1972 | 10 | Established Japan Doctor Renault Cosmetics Company  | 9    | Introduced <i>Lúcido</i> , a line of fragrance-free products                       |   |
| 1976 | 3  | Construction of Fukusaki Factory completed. Commenced operations  | 1990 | 3  | Established Mandom Corporation (Thailand) Ltd.  |
| 1978 | 5  | Switched from wholesale sales to direct retail sales  | 4    | Commenced 3 <sup>rd</sup> 3-year medium-term management plan                       |   |
|      | 7  | Launched the new <i>Gatsby</i> and <i>Spalding</i> product lines, the first time in Japan's cosmetics industry two major lines were introduced simultaneously | 7    | Prices revised due to abolishment of sales subsidies                               |   |
| 1980 | 4  | Switched from direct retail sales to wholesale sales  | 12   | Established Costy International Co., Ltd. in Taiwan, now Mandom Taiwan Corporation |   |
|      | 5  | Mr. Hikoji Nishimura appointed Chairman of Kinki Cosmetic Industry Association  | 1992 | 2  | Established Mandom Philippines Corporation  |
|      | 8  | Mr. Ikuo Nishimura appointed President  | 6    | Construction completed of tube filling wing at Fukusaki Factory                    |   |
|      |    |   | 10   | Established M-ZA Corporation   |   |
|      |    |   | 1993 | 2  | Construction completed on the first stage of new Head Office building. Commenced operations             |
|      |    |   |      | 4  | Commenced 4 <sup>th</sup> 3-year medium-term management plan  |
|      |    |   |      |  | Mr. Hikoji Nishimura decorated with Japan's Fourth Class Order of the Rising Sun                        |
|      |    |   |      | 7  | Established Sunwa Marketing Co., Ltd. in Hong Kong  |



- |      |  |  |
|------|--|--|
|      | <ul style="list-style-type: none"> <li>9 Launched <i>Lúcido L</i> fragrance-free products for women. PT Tancho Indonesia listed on the Jakarta Stock Exchange</li> <li>10 Established GUINOT JAPAN Corporation</li> </ul>  | <ul style="list-style-type: none"> <li>5 Mr. Ikuro Nishimura, Director and Advisor of Mandom Corporation, passed away on May 23</li> <li>6 Dinner held in honor of Ikuro Nishimura at the Rihga Royal Hotel in Osaka</li> </ul>  |
| 1994 | <ul style="list-style-type: none"> <li>6 Construction completed of the new Head Office on the original site of the company's inauguration</li> </ul>   | <ul style="list-style-type: none"> <li>8 Mandom Corporation's share trading unit lowered from 1,000 shares to 100 shares</li> </ul>  |
| 1995 | <ul style="list-style-type: none"> <li>6 Mr. Motonobu Nishimura appointed President of Mandom Corporation</li> </ul>   | <ul style="list-style-type: none"> <li>11 Fukusaki Factory and logistics center certified to ISO 14001, the international standard for environmental management systems</li> </ul>   |
| 1996 | <ul style="list-style-type: none"> <li>4 Commenced 5<sup>th</sup> 3-year medium-term management plan</li> <li>Established BEAUCOS Corporation</li> <li>Launched "Mandom World," the Group's website on the Internet</li> <li>20<sup>th</sup> Anniversary of Fukusaki Factory</li> <li>8 25<sup>th</sup> Anniversary of PT Tancho Indonesia</li> <li>11 Established Zhongshan City Rida Fine Chemical Co., Ltd. in China</li> </ul>   | <ul style="list-style-type: none"> <li>2001 <ul style="list-style-type: none"> <li>1 PT Tancho Indonesia company name changed to PT Mandom Indonesia Tbk</li> <li>3 Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory.</li> <li><i>Gatsby</i> Hair Color Series launched</li> <li>8 Repurchased 2.33 million shares of Mandom common stock on the open market</li> <li>Stepped up presence in the women's cosmetics market with a full revamp of the <i>Lúcido L</i> range</li> <li>10 Began manufacture of the <i>Gatsby</i> Hair Color Series at facilities in three countries—Japan (Fukusaki, Hyogo Prefecture), Indonesia (Sunter, Jakarta; Cibitung, Bekasi) and China (Zhongshan City, Guangdong)</li> </ul> </li> </ul> |
| 1997 | <ul style="list-style-type: none"> <li>2 Launched <i>As./s</i>, a cosmetics line for men</li> <li>4 Established Konan Service Corporation (Now MANDOM BUSINESS SERVICE Corp.)</li> <li>12 70<sup>th</sup> Anniversary of Mandom Corporation</li> <li>Mandom Agency representatives meeting held in Indonesia</li> </ul>  | <ul style="list-style-type: none"> <li>2002 <ul style="list-style-type: none"> <li>1 Listed on the Second Section, Tokyo Stock Exchange</li> <li>3 Completed construction of the Mandom Group's Tokyo Nihonbashi Building.</li> <li><i>Gatsby</i> Hair Color commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area</li> <li>5 <i>Gatsby</i> and <i>Lúcido L</i> advertising and sales campaign launched throughout Thailand, Hong Kong and South Korea</li> </ul> </li> </ul>  |
| 1998 | <ul style="list-style-type: none"> <li>3 Launched <i>Michiko London</i>, a product range sold exclusively through convenience stores</li> <li>4 Construction completed of a new logistics center at Fukusaki Factory site</li> <li>8 Repurchased 1.7 million shares of own common stock</li> <li>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</li> </ul> | <ul style="list-style-type: none"> <li>2003 <ul style="list-style-type: none"> <li>1 Honorary Advisor Hikoji Nishimura passes away on January 25</li> <li>2 Dinner held in honor of Hikoji Nishimura at the Rihga Royal Hotel in Osaka</li> <li>Launch of <i>Lúcido L</i> Prism Magic Hair Color Series</li> <li>3 Mandom designated for listing on the First Section of the Tokyo Stock Exchange</li> <li>Capital increase effected through public offering of 1.65 million shares</li> </ul> </li> </ul>   |
| 1999 | <ul style="list-style-type: none"> <li>1 Launched mail-order sales of <i>System E/O</i>, a line of skin treatment for women with sensitive skin</li> <li>3 Achieved ¥10 billion sales of <i>Gatsby</i> products, a first in the Japanese cosmetics industry for men's products</li> <li>4 Commenced 6<sup>th</sup> 3-year medium-term management plan</li> <li>8 Established Mandom Korea Corporation</li> </ul>   |  |
| 2000 | <ul style="list-style-type: none"> <li>1 Received the Japan Management Association Award for Excellence-Incentive Award for the <i>Gatsby</i> product line</li> </ul>  |  |



# Corporate Data

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

## Company Name

MANDOM Corporation

## Head Office

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

## Established

December 23, 1927

## Number of Employees (As of March 31, 2003)

1,971 (Consolidated)

445 (Non-Consolidated)

## Paid-in Capital (As of March 31, 2003)

¥11,394,817,459

## Shares of Common Stock (As of March 31, 2003)

Issued and Outstanding

24,134,606 shares

## Number of Shareholders (As of March 31, 2003)

10,930

## Major Shareholders (As of March 31, 2003)

Shareholder	No. of Shares (Thousands)
The Master Trust Bank of Japan, Ltd. (trust account)	1,429
Hikoji Nishimura	1,424
The Nishimura International Scholarship Foundation	1,000
Japan Trustee Services Bank, Ltd. (trust account)	895
Teruhisa Nishimura	821
Motonobu Nishimura	760
The Bank of New York Treaty JASDAQ Account	664
Mandom Employee Shareholding	626
Nippon Life Insurance Company (special pension fund account)	584
The Chase Manhattan Bank, NA London	499

## Principal Bankers

Mizuho Bank, Ltd., Shimanouchi Branch

Sumitomo Mitsui Banking Corporation, Uemachi Branch

Resona Bank, Limited, Semba Branch

UFJ Bank Limited, Uemachi Branch

## Board of Directors and Corporate Officers

(As of June 25, 2003)

### President and Representative Director

**Motonobu Nishimura**

### Executive Vice President and Representative Director

**Hiroshi Kamei**

### Managing Director

(International Operations Div.)

**Yoshikatsu Nishiumi**

### Managing Director

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

**Kenji Saji**

### Managing Director

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

**Kenji Yamada**

### Managing Director

(Marketing & Sales, Western Japan Sales Div., Sales Planning Div.)

**Koji Nozaki**

### Managing Director

(Research & Development, Customer Relations Div., Quality & Environment Management Div., General Manager, E/O Direct Marketing Div.)

**Masayoshi Momota**

### Director and Corporate Officer

(Central Research Laboratories)

**Osamu Nakaguchi**

### Director and Corporate Officer

(Production Engineering Div., General Manager, Fukusaki Factory)

**Shunichi Oshita**

### Director and Corporate Officer

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

**Toshihito Higuchi**

### Director

**Mitsuo Goto**

### Corporate Auditors

**Yoshikazu Taniguchi**

**Kanetoyo Matsuyama**

**Kiyoshi Kobayashi**

**Kazuya Kotera**

### Corporate Officer

(General Manager, Financial Management Div.)

**Yoshiaki Saito**

### Corporate Officer

(General Manager, Marketing Div.)

**Ryuichi Terabayashi**

### Corporate Officer

(Product Planning Div., General Manager, Product Development Div.)

**Norio Fujiwara**

### Corporate Officer

(Chainstore Sales Div., General Manager, Eastern Japan Sales Div.)

**Akira Tanaka**



Mandom Group's Tokyo  
Nihonbashi Building



Head Office Building



Tokyo Building



(As of June 25, 2003)



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# Mandom Quality Philosophy

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

## Fundamental Quality Policy

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



In 1998, Mandom was the first cosmetics manufacturer in Japan to be certified to ISO 9001, the international standard of quality management systems, for its Head Office, central laboratories, Fukusaki Factory and logistics center.

# Mandom Environmental Philosophy: (Eco-Policy)

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

## Fundamental environmental policy (Eco-activity guide)

### <Production and Development>

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

### <Total Business Processes>

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

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

\*3Rs: Reduce, Reuse and Recycle



In 2000, Mandom was certified to ISO 14001, the international standard of environmental management systems, for the Fukusaki Factory and logistics center.

## Mandom Group's Management Philosophy

### 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 key words form the basis of our philosophy: Health, Cleanliness, Beauty and Enjoyment. We begin by ascertaining the needs of consumers and end by creating consumer value. Our goal is to consistently deliver value to people throughout the world.

3

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

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



mandom corp.

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