Mandom Corporation

Interim Business Results (April 1, 2004 –September 30, 2004)

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Code Number: 4917

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Consolidated Financial Highlights

(Note: Rounded off to millions)

Period	**FY2005 Interim**	Change % YoY	FY2004 Interim	Change %YoY	FY2004
Net Sales	**25,426**	5.8	24,029	Δ 0.9	45,364
Operating Income	**4,610**	12.9	4,082	1.1	6,680
Ordinary Income	**4,484**	12.7	3,978	7.8	6,304
Net Income	**2,190**	8.2	2,024	7.2	3,253
Total Assets	**47,691**	-	45,872	-	45,474
Shareholders' Equity	**37,833**	-	36,246	-	36,687

Period	Shareholders' Equity Ratio	Shareholders' Equity Per Share	Return on Equity (ROE)	Earnings Per Share (EPS)
FY2005 Interim	79.3%	¥1,568.32	5.9%	¥ 90.80
FY2004 Interim	79.0%	¥1,502.42	5.7%	¥ 83.91
FY2004	80.7%	¥1,516.70		¥ 130.83

Notes.

1) Investment profit on equity method

9/04: ¥13 million

9/03: ¥---

3/04: ¥---

2) Average number of shares on a consolidated basis:

9/04: 24,124,367

9/03: 24,125,417

3/04: 24,125,319

3) There were no changes in the accounting methods applying to the period.

4) The percentages that follow Net Sales, Operating Income, Ordinary Income and Net Income are year-on-year increase/decrease rates compared to the interim results of the previous year.

Cash Flow

Consolidated Basis (¥ Million)

Period	**FY2005 Interim**	FY2004 Interim	FY 2004
Operating Activities	**4,120**	3,176	**4,396**
Investing Activities	**Δ 1,879**	Δ 1,118	**Δ 1,810**
Financing Activities	**Δ 737**	Δ 861	**Δ 1,456**
Cash and Cash Equivalents	**11,350**	9,862	**9,767**

Consolidation and equity method application

Number of consolidated subsidiaries: 11

Number of non-consolidated subsidiaries with equity method applied: 0

Number of affiliated companies with equity method applied: 1

Changes in consolidation and equity method application

Consolidation (new): 1 (Exclusion: 0)

Equity method (new): 1 (Exclusion: 0)

Outlook for the Fiscal Year, Ending March 31, 2005

Consolidated Basis (¥ Million)

Fiscal Year March	2005
Net Sales	46,700
Ordinary Income	6,350
Net Income	3,150
Earnings Per Share (EPS) (¥)	130.57

The figures above include projections based on assumptions, forecasts and plans with respect to the future made as of the date of publication of this document. Due to risks and uncertainties arising from economic factors, market environment changes, and currency fluctuations, actual performance may differ from the figures forecast. Please refer to page 11 in the attachment.

1. Management Policies

1. Fundamental Management Policy

The Mission of the Mandom Group is to provide beauty products and services that capture the essence of ever-changing consumer needs. The two fundamental policies that management believes are necessary to carry out the Group Mission are: 1) the policy of active participation of every Mandom employee in all facets of the Group's operations, and 2) the creation of lifestyle values that will appeal to consumers of Mandom products and services. In regard to shareholders and stakeholders, Mandom strives to create consistent growth in corporate and shareholder value by employing sound management practices and transparent principles of corporate governance, which benefit the whole stakeholder community.

2. Earnings Distribution Policy

Returning profits to shareholders through dividend payments is a core management policy within the constraints imposed by cash flow considerations. Operating cash flow is divided to optimum effect into 1) shareholder dividend, 2) business investment, and 3) internal reserves. While taking into consideration the appropriate allocation of cash and free cash flow, the company's goal is to maintain a dividend payout ratio of not less than 40% of net income and to maintain a dividend-on-equity ratio (DOE) above 3%. The reinvestment of cash flow is key to the company's goal of expansion overseas, the thrust of the company's growth strategy. The medium- to long-term management vision includes heavier investment into R&D and manufacturing facilities to realize the constant raising of product quality and improvement in manufacturing processes to reduce operating costs.

3. Share Trading Unit

Backed by the belief that reduction in share-trading unit would be an effective method of broadening private investor base and increasing Mandom share circulation on the stock market, the company cut the share-trading unit in August 2000 from 1000 shares to 100 shares. Mandom shares are increasing in liquidity and shareholder number now totals 10,996 as of the end of this interim period.

4. Management Targets and Performance Indicators

Management places particular priority on the efficient use of capital and on improving returns to shareholders. The two performance indicators Mandom uses in this regard are: Return on Equity (ROE) and Earnings Per Share (EPS). Management's goal is to expand sales and at the same time to improve the efficiency of capital. Mandom's sales expansion plans are focused on Southeast Asia, while capital efficiency is being promoted through cost reduction programs. Mandom's financial targets on a consolidated basis which were set in its Three-Year Mid-Term Management Plan are indicated in the following table:

Mid-Term Management Plan Financial Targets (Consolidated Basis)

Fiscal Year March	2005	2002
Return on Equity (ROE)	10.0%	7.1%
Earnings Per Share (EPS)	¥150	¥93

Notes:

ROE = Net income / Shareholders equity at the beginning of the period and end of the period divided by two.

EPS = Net income / Average number of outstanding shares

At the end of the interim period of this final year of the Three Year Plan, Mandom is on course towards attaining its ROE and EPS targets, thanks to the sizable increase in revenue from overseas operations and holding down of cost of sales expenditure through efficient low-marketing stores. The increase in income planned for the period was achieved.

The outlook is good for target achievement in terms of net sales for the year ending March 31, 2005. However, the second half of the business year expects to see a large drop in profits that is inevitable due to increases in Third-Party Logistics and related costs, continued decline in income from women's cosmetics business in Japan, intensive input of marketing investment in overseas operations in the second half of the term and the disposal of fixed assets in some subsidiaries. Thus, the profit levels for the whole term are expected to fall short of initially planned figures, and both ROE and EPS are likely to be lower than the target values for the Three-Year Mid-Term Plan.

5. Medium- to Long-Term Business Strategy

The Mandom Group's key goal is to deliver consistently high growth while expanding its area of business activity. To achieve this, the Group has adopted a medium-to-long-term strategy that focuses on its three core product lines. They are: *Gatsby* men's cosmetics; *Lucido L* branded merchandise for women; and hair coloring products. In particular, the Company intends to increase the scale of its operations by continuing to expand its sales and manufacturing operations in Southeast Asia. Cost reduction is ongoing to enhance profitability.

In men's cosmetics, Mandom has placed *Gatsby*, Japan's leading men's cosmetic brand, at the core of its expansion strategy. By positioning the *Gatsby* brand as the main engine of sales growth, and by adding hair coloring and other new product lines, the goal is to expand sales of this brand by ¥4.0 billion over the course of the Three-Year Mid-Term Plan ending March 31, 2005.

In cosmetics and other products for women, *Lucido L* is the core brand and growth product. By focusing on its hair coloring and hair care lines, Mandom is targeting a mid-term growth projection of around 70%. The engine for Mandom's expansion therefore derives from the hair-coloring segment of these two leading brands.

Mandom's strategy is to make hair coloring products, for both men and women, key components of the two major brands, using hair coloring products to strengthen and increase the scale, both of core brands and brands of subsidiary companies. By following this strategy, the goal is to expand hair coloring product sales by ¥4.0 billion over the Three-Year Mid-Term Plan, which is an increase of 86%.

Reduction in cost to sales ratio is to be achieved through quality improvements and increased internal manufacture ratio within the Group by stepping up capital investment into the three core production sites, Japan, Indonesia and China.

Having now come to the end of the first half of the final year of the Three-Year Mid-Term Plan, the following is the progress report on the Plan and the outlook for target achievement.

1. Growth through three core product lines:
   Results in Year 2 were disappointing compared to Year 1. Two of the core product lines, *Gatsby* and hair coloring, did not achieve expected levels, although *Lucido L* had mostly met planned targets. However, at the mid-point of Year 3, improvement is being seen. *Gatsby*, the leader among core lines, is expected to turn the corner and get back on track to reach the Three Year targets, thanks to the good performance of seasonal products due to the very hot summer weather in Japan and the increased sales overseas due to the fruition of the previous two years' marketing efforts. Sadly, the same cannot be said for the other two core lines, which are not likely to achieve the targets set by the Three Year Plan. Though both *Lucido L* and hair coloring products are being actively promoted overseas, the Japanese hair coloring market has shrunk far more than envisaged.

2. Growth through strengthening/expansion of overseas operations:
   As with Year 1 and Year 2, overseas operations did well (13% growth compared to the interim figure last year), making a 0.9% increase in its ratio among the Group's total sales compared to the figure at the end of March 2004. In particular, PT Mandom Indonesia Tbk, a subsidiary with a high consolidation rate, underwent huge growth thanks to active market investment (24% growth compared to the previous year's interim report), thus contributing greatly to the expansion of overseas operations as a whole. In China, preparations are underway for full-scale operations start in the Shanghai area before the end of this business year. Concrete plans are now being considered for entry into the Beijing area. Thus, further expansion of overseas operations is steadily in progress. With reference to the Three Year Plan, overseas operations are set to achieve planned targets and to increase in weighting in the Group's business. However, compared to the foreign exchange rates current at the time of the drafting of the Plan, local currencies are expected to be much weaker this year, leading to non-achievement of target figures in the Plan, which are yen-denominated.

3. Cost reduction
   Continuing on from Year 1 and Year 2, Year 3 so far has seen production transfer to Southeast Asia in a drive to cut costs on a Group-wide scale. Cost reduction is smoothly ongoing and profitability has continued to rise in this first

half of the year. Noteworthy during this half is the big drop in sales-to-cost ratio in PT Mandom Indonesia Tbk., the major overseas production center. This had a significant impact on the entire Group. Therefore, the cost reduction of Mandom Corporation and PT Mandom Indonesia Tbk., the two largest hubs of production, are expected to exceed targets by a large margin (consolidated sales-to-cost ratio compared to Three-Year Plan = down by approx. 4%). This cost reduction drive has been a major contributor to profitability increase.

As we stand at the half-way point in the final year of the Three Year Plan, Mandom's overseas operations are fulfilling their growth potential; however, the picture is not so rosy on the Japanese front, with the two core product lines still facing tough challenges. Meanwhile, profitability increased remarkably, adding greater strength to Mandom's corporate soundness. As harsher market environments are foreseen for the future, Management's task is to give top priority to recover the Group's growth capacity and to secure even greater profitability. To these ends, the following policies are to operate:

1. To reinforce and continue capital investment aimed at a) improving quality assurance standards of hair coloring products, b) increasing production volumes; and c) reducing production costs, in the wake of production transfer of hair coloring and other products to Southeast Asia.
2. To improve profitability and streamline management through greater reliance on SCM (Supply Chain Management) through full implementation of 3PL (Third Party Logistics) – shift from partial efficiency through cost reduction to total optimization.
3. To rebuild the women's cosmetics business in Japan aimed at recovering growth capacity.
4. To increase R&D expenditure on the three main product lines with the aim of honing competitiveness and developing new product categories (construction of R & D wing).
5. To strengthen Advertising and Promotion activities in order to raise core brand equity in all areas, both in Japan and Southeast Asia.
6. To strengthen business operations in China, using the Shanghai base (new market opening in Beijing area).
7. To pinpoint growth businesses and to continue to look for business tie-ups and M&A opportunities.

6. Management Issues

Mandom regards the following as core issues to be addressed:

1. **Capital adequacy and efficiency**

   During the three year period of the Plan, continued cost cutting drives throughout the Group has resulted in increased profitability, leading to ROE in the year ended March 31, 2004, exceeding 9%, which is a good overall level for capital efficiency. On the pensions front, partial transition of the retirement benefit system to a defined contribution scheme was initiated in the previous business year so as to reduce the risk of impact on future corporate income. Management is promoting greater optimization and liquidity of assets by disposing of non-performing and unnecessary assets throughout the Group.

   Management regards capital efficiency improvement to be a longstanding agenda. Increase in period income through strategic asset allocation and swift action in dealing with assets that may impact on period profit and loss and shareholders' equity are among measures employed to achieve greater capital efficiency.

2. **Quality Assurance and Environmental Protection**

   A dedicated Quality Assurance Department has been established this financial year so as to promote ISO 9001 and strengthen quality and safety. In environmental terms, following on from the ISO 14001 Certification of the main plant in 2000, Beaucos, a Group company with manufacturing capacity, similarly acquired ISO 14001 Certification in September 2003. Zero Emission was achieved at the Fukusaki Factory in the year ended March 31, 2004. In addition, health and safety measures have been enhanced, with acquisition of OHSAS 18001 in the same period. The three priority areas of social contribution for the Company are Quality Assurance (customer satisfaction), Environmental Protection (social satisfaction), and Health and Safety (employee satisfaction). Improvement of the three will be promoted in close tandem, aiming for greater synergy of effect.

3. **IT-related Business Process Restructuring**

The Company is continuing to update its internal management processes and to improve human productivity by investing in IT-based Business Process Re-Engineering systems and Marketing Information Technology development.

4. **Strengthening of risk management**

The risk management system of the parent company will be extended to include affiliates, thus covering the entire Group. By establishing a comprehensive risk management system, it will be possible to further strengthen internal risk controls and provide a sounder basis for achieving continuous growth and profitability. The Ethics Committee was established under the Three Year Plan so as to strengthen risk management of executives and employees in this aspect. The future direction is in the creation of a total risk management system aimed at hedging risks of diverse origins and nature associated with business management.

5. **Group Personnel Development and HR Policies Overhaul**

Taking an overview of the entire Group, Management is working toward maximizing the full potential of employees through a full-scale revision and improvement of personnel development and working conditions to bring these up to date with changes in employment environment and best industry practice in human resources development, thereby achieving continued corporate growth and profitability gains.

7. Management Structure and Corporate Governance

(1) Basic thinking concerning Corporate Governance

The Company is moving forward to develop a fully articulated system of Corporate Governance that will ensure it can carry out its business in a fair and open manner that will earn the trust of all of the Company's shareholders.

1. Audit/supervision of decision-making and executive action

The Company is following the principle of dividing decision-making processes from the on-going execution of the Company's business in order to build a fair and open system of corporate governance. To do this it has been seeking to recruit suitable outside Directors to assist it in these responsibilities. In addition, the Company is managed under the supervision of auditors. A higher ratio of external auditors is being promoted to ensure decision-making and executive action that are in the shareholders' interest.

2. Executive action

The operational execution of management should be flexible and dynamic. To strengthen the executive system of the Business Function Units, the Company is to promote checks and balances between Units, strengthening of operational management and transfer of authority to Corporate Officers.

3. Compliance

The Ethics Committee is in place to ensure strict compliance with law.

(2) Overview of the System of Corporate Governance

a) Management organization relating to decision-making, execution and supervision, and Corporate Governance system

In June 2001, the Company introduced a Corporate Officer system in order to separate the decision-making/supervisory processes from everyday business executive processes and to clearly define executive responsibility. The Corporate Governance system underwent revision and operations started under a new management system after the conclusion of the 87th Annual Meeting of Shareholders held in June 2004. The thrust of the reform is the creation of an organically integrated business management system unique to Mandom. In accordance with the auditor system of corporate organization, the legal compliance-auditing role of auditors are maintained and strengthened in combination with a Business Function Unit system and Corporate Officer system. The new organizational system stands as follows:

1) Fair decision-making of Board of Directors and strengthening of supervisory role

(i) Abolition of special titled roles of Directors

In practical terms, the titles and roles of President and Representative Director, Executive Vice President and Representative Director, Senior Managing Director and Managing

Director were abolished (Chairman of the Board of Directors has been retained though the position is vacant at present.). The Directors who sit on the Board now are equal in status in conducting deliberations and decision-making.

(ii) Restrictions on Corporate Officers concurrently serving as Directors

The only Corporate Officers allowed to serve concurrently as Directors are those that are heads of Business Function Units. This promotes transfer of authority to Corporate officers and leaves Directors to direct their energy into making high-level decisions and adopting supervisory roles for the Group in its entirety.

(iii) Increase in the number of External Directors

The number of External Directors was raised from one out of eleven board members to two out of nine, in order to strengthen the objective supervisory eye for the shareholders on decision-making and execution. This brings the level of external officers to four, two External Directors and two External Auditors.

2) Flexibility of Executive Actions

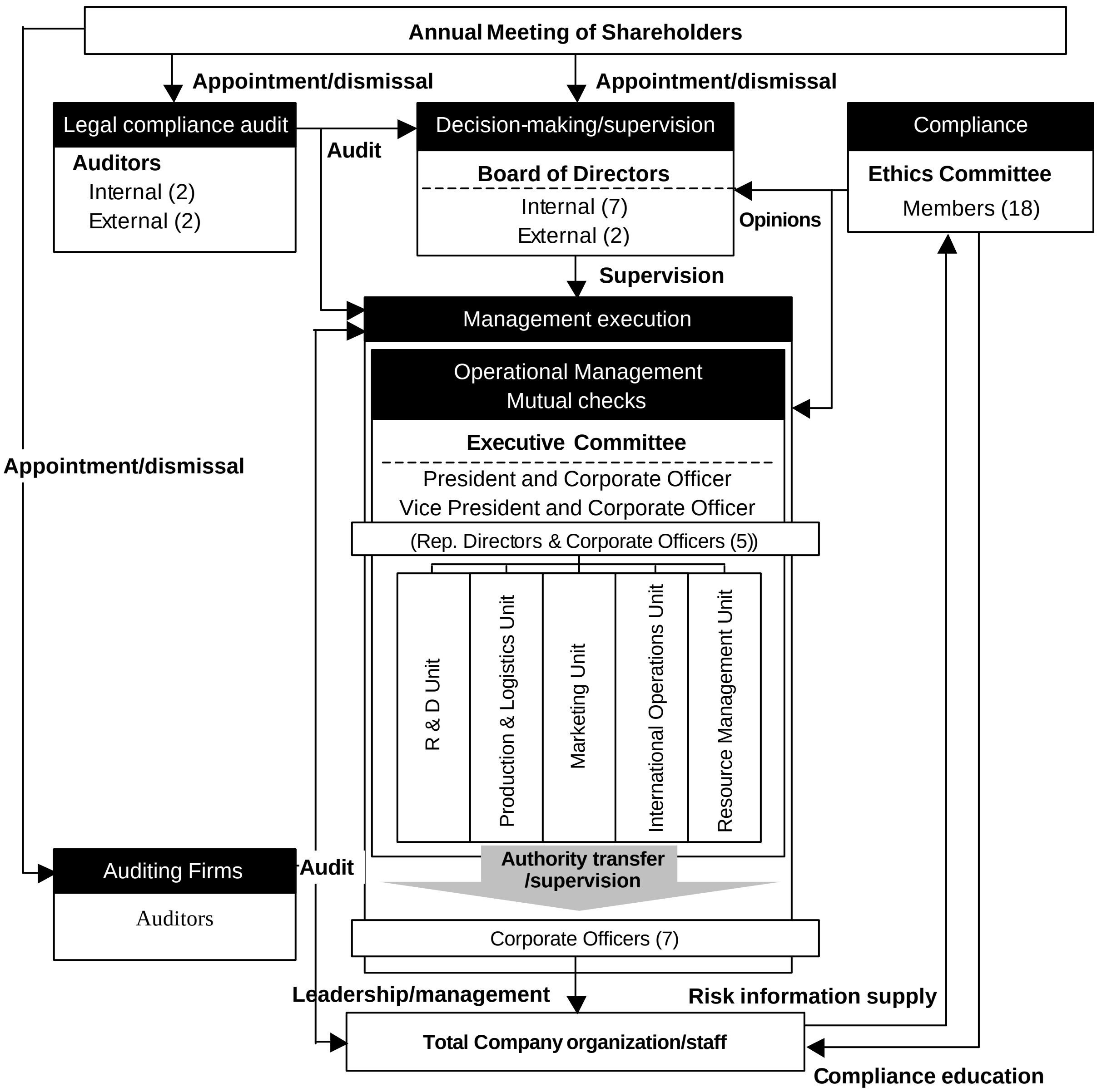
(i) Corporate Officers with Added Responsibilities

Reflecting respective operational responsibilities, the positions of President and Corporate Officer, Vice President and Corporate Officer, Senior Managing Director and Corporate Officer, Managing Director and Corporate Officer were created. The operational executive responsibilities of Business Function Units are thereby identified and transfer of authority to Corporate Officers is promoted. By removing other Corporate Officers from the Board of Directors, the separation of decision-making/supervisory processes and day-to-day operational processes are to be furthered, leaving Corporate Officers the freedom to dedicate themselves to operational matters and ensuring flexible and dynamic leadership.

(ii) Executive Committee

The Executive Committee was instituted with the aim of assuring mutual checks between executive management and Business Function Units, yet another instrument to enhance business execution in the shareholders' interest.

Diagram of the Company’s Corporate Governance System



b) Human, capital, business and other interests between the Company and its External Directors and Auditors

As of the end of March 31, 2004, the Company had an External Director from Seven-Eleven Japan. At the Annual Meeting of Shareholders held in June 2004, a resolution was passed to invite a Director from Japan Securities Finance I&S BBDO as External Director. The total number of External Directors at the time of this report is two. The Company has no capital interest in these companies and vice versa and there is no direct relationship of interest involving the External Directors. Due to the decease of one of the External Auditors on October 28, 2003, there was only one serving External Auditor at the end of March 2004. At the Annual Meeting of Shareholders held in June 2004, one External Auditor with no related interest was appointed in replacement, restoring the number of External Auditors to two. The accounting auditor both in its corporate and employee capacities has no special relationship of interest with the Company. With respect to Commercial Code audit and Securities and Exchange Law audit, an auditing contract has been signed and payment is made accordingly for the auditing work.

2. Results of Operations and Financial Condition

1.Review of Operations

Interim Ended September	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	ROE (%)	EPS (¥)
2005	25,426	4,610	4,484	2,190	5.9	90.80
2004	24,029	4,082	3,978	2,024	5.7	83.91
Change % YoY	5.8	12.9	12.7	8.2	3.5	8.2

(1) Business Results

The Japanese economy in the first half of this financial year continued to show recovery led by a healthy industrial climate of capital investment recovery and export growth. However, full recovery in personal spending still seems to hang in the balance. The cosmetics sector is undergoing further intensive competition, with price cuts ongoing amid lack of growth in the quantity of sales. Meanwhile, the economy in Asia, where Mandom Group conducts overseas operations, performed well and the cosmetics market is steadily expanding in line with the economy.

Total consolidated sales for this half of the year reached ¥25,426 million, an increase of 5.8% on the same period of the previous year. Although good results were seen in Japan due to the extremely hot summer weather leading to unexpected volumes of shipment of seasonal goods, the poor performance of women's cosmetics meant that sales in Japan overall remained level. Overseas, Group brand strategy is bearing good results and sales increased in all overseas markets, bringing a huge increase in overseas sales, in excess of 20%, and accounting for most of the Group's increase in income.

Operating profits rose 12.9% over the same period last year, up to ¥4,610 million. Added to the improved profitability thanks to cost reduction exceeding planned targets in PT Mandom Indonesia Tbk., cost of sales expenditure was cut back to produce this good result. In all the overseas companies, despite better than expected sales expansion, streamlined marketing activities made a great contribution to savings in sales spending.

Non-operating loss and profit was kept more or less along planned levels, including the ¥13 million investment profit on equity method. Ordinary income, reflecting the performance of operating loss and profit, registered a 12.7% increase over last year, reaching ¥4,484 million. Meanwhile, deferred tax assets of the sluggish Japanese subsidiary were all disposed, meaning a rise in corporate tax payment ratio. All in all, net income for this interim period stood at ¥2,190 million, up 8.2% in year-on-year percentage rate.

The exchange rate used in the calculations for the above business results for this period is 0.0125 yen to 1 Indonesian rupiah.

The dividend payout at the end of the interim period is to be ¥25 per share as planned.

(2) Sales Breakdown by Region

Consolidated Basis (¥ Million)

Regional Segment	Sales			Operating Profit		
	Fiscal Year 2005 Interim	Fiscal Year 2004 Interim	Change % YoY	Fiscal Year 2005 Interim	Fiscal Year 2004 Interim	Change % YoY
Japan	19,204	19,040	0.9	3,319	3,105	6.9
Asia	6,222	4,988	24.7	1,290	975	32.3

In the domestic market, sales totaled ¥19,204 million. The Company's operations in Japan have been affected across the board by the intensifying market competition and consequent price cuts. Sales of women's cosmetics and hair coloring products whose market is still contracting suffered an inevitable drop, although this was offset by the growth of seasonal products, which sold well due to the extremely hot weather. A 0.9% rise in sales over the same period last year was achieved, a small but still a positive figure. *Gatsby*, the core brand, underwent reinforcement of lineup, chiefly in the wax category, and the deodorants expanded in sales. It now is a ¥10 billion brand on a half-yearly basis. In terms of profit also, business performance in Japan was good. The application of Corporate Enterprise Tax System (pro forma standard taxation) has meant an increase in operation expenditure but this was counteracted by budget controls on sales and administrative costs. Thus increase in income and profitability at Mandom Corporation (parent company only) brought an operating profit of ¥3,319 million, a 6.9% rise year on year.

On the Asian scene, brand recognition has improved and the core brand of *Gatsby* hugely expanded sales in Indonesia and other areas, pushing sales up to ¥6,222 million. The rate of year-on-year increase was a massive 24.7%. This success raised the weighting of Asia in total Group sales for this interim period up to 24.5%. As for profit, the profitability increase in the Indonesian manufacturing powerhouse, PT Mandom Indonesia Tbk. (stable exchange rates improved raw materials cost, efficiency due to volume and progress in mechanization) and the streamlined marketing investments in other countries helped to record an overall operating profit of ¥1,290 million, a remarkable rise in profit of 32.3% over the same period last year.

From this financial year, the Korean subsidiary, Mandom Korea Corp., has come under consolidation. Its sales for the first half of the year totaled ¥628 million, which was a dramatic growth.

On the wings of such success in Asia, the ratio of overseas sales to consolidated sales rose to 25.4%.

(3) Outlook for Next Fiscal Year, Ending March 31, 2005

Fiscal Year March	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	ROE (%)	EPS (¥)
2005	46,700	6,690	6,350	3,150	8.4	130.57
2004	45,364	6,680	6,304	3,253	9.1	130.83
Change % YoY	2.9	0.1	0.7	Δ3.2	Δ7.7	Δ 0.2

The Japanese economic recovery looks set to slow down further and consumer spending is likely to remain sluggish. The cosmetics sector is heading for yet another six months of harsh business climate. The Asian economy is expected to suffer a slowdown in its pace of growth, due partly to the sharp rise in crude oil prices. Nevertheless, the cosmetics market is likely to continue its expansion.

Such being the context, management resources will be focused on the priority brand categories. New products will be actively input and marketing activities will be stepped up so as to ensure sales that exceed last year's performance levels.

In Japan, the profit structure has been weighted heavily on the first half of the financial year. In this financial year, this feature will be more pronounced and the profit for the second six months is expected to be lower than the first six months even by previous standards. The reasons for this is the increase in staffing aimed at bolstering the human resources infrastructure and the predicted increase in costs associated with Third Party Logistics.

In Asia, in order to nurture the core brand *Gatsby* and other chief brands in each country and to fortify their distribution mechanisms, the Company plans to make a heavy input of marketing investment in the second half-year. With profit for the first six months far surpassing plans, the Management's plan and outlook for the next six months are primarily to promote the continued growth of the overseas operations so as to achieve sales expansion in the ensuing financial year and beyond. In some of the companies, due to the disposal of fixed assets in the second half, some extraordinary loss is expected to appear on the ledger.

To summarize, the consolidated sales for the year ending March 2005 are forecast as ¥46,700 million, operating profit ¥6,690 million, ordinary profit ¥6,350 million and net profit ¥3,150 million. These forecast figures assume an exchange rate of ¥0.0123 to 1 Indonesian rupiah.

The dividend payout for the interim period is ¥25 per share as planned and the payout for the whole year is expected to total ¥50 per share.

2. Financial Condition

(¥ Million)

	Fiscal Year 2005 Interim	Fiscal Year 2004 Interim	Change % YoY
Cash & cash equivalents balance at start of period	9,767	8,659	1,107
Operating cash flow	4,120	3,176	944
Investment cash flow	△1,879	△1,118	△761
(Fixed assets investment)	(△751)	(△743)	(△8)
Financing cash flow	△737	△861	124
Foreign currency translation adjustment	△2	7	△10
Net increase in cash and cash equivalents	1,500	1,203	296
Increase due to change in number of consolidated companies	82	-	82
Cash & cash equivalents balance at end of interim period	11,350	9,862	1,487
* Pre-tax net income (interim)	4,518	3,979	
Depreciation cost	777	818	
* Fixed asset investment			
Tangible fixed assets	631	646	
Intangible fixed assets	120	96	

(1) General Overview

Total assets during the six-month period increased by ¥2,217 million to ¥47,691 million. This is principally because of the term profit increasing in the form of liquidity on hand (securities). One subsidiary was added to the consolidated companies (Mandom Korea Corp.) as of FY 2005. In addition, operational capacities continued to expand overseas, leading to a high increase rate in net assets. Although the Company has not made early application of the accounting method that requires posting of evaluation losses on fixed assets, disposal and other measures are being applied to reduce risks associated with assets to a minimum.

(2) Cash Flow Situation

Net cash provided by operating activities stood at ¥4,120 million, a ¥944 million rise over the same period of the previous year. This is thanks mainly to pre-tax net income rising by ¥538 million. Depreciation cost stood at ¥777 million.

Cash provided by investment activities increased ¥761 million, leaving a negative balance of ¥1,879 million. The acquisition of fixed assets chiefly in terms of investment in manufacturing equipment was at a similar level to last year. However, in fund management, more investment securities were acquired.

Financing activities ended also in a negative cash flow of ¥737 million. Nearly all the outlay is accounted for by shareholder dividend including dividend payment to minority shareholders.

(3) Outlook Next Term

Operating cash flow in FY 2005 is expected to reach a figure slightly above ¥5 billion. This is based on the assumption that profit levels for the second half of the year is likely to achieve less than roughly 50% of that of the first half. Depreciation cost is predicted as ¥1,652 million.

Investment cash flow is expected to rise above the first half year, due to the planned acquisition of land for the building of R & D facilities.

There are no plans that affect financing cash flow, except for interim dividend payment (distribution as stipulated by Commercial Code).

To conclude, the cash and cash equivalents at the end of March 2005 are projected to rise over March 2004 to total approximately ¥12 billion.