

Mandom Corporation

Business Results (April 1, 2005 – June 30, 2005)

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Consolidated Financial Highlights

(Note: Rounded off to millions)

	Net Sales (¥ Million)	Operating Income (¥ Million)	Ordinary Income (¥ Million)
Three months ended June 30, 2005	13,088	1,925	2,009
% Change YoY	4.8	△11.0	△8.8
Three months ended June 30, 2004	12,488	2,162	2,203
(Reference) FY ended March 31, 2005	47,546	6,700	6,281

	Net Income (¥ Million)	EPS (¥)
Three months ended June 30, 2005	932	38.66
% Change YoY	5.8	(-)
Three months ended June 30, 2004	881	39.12
(Reference) FY ended March 31, 2005	3,211	128.73

Note:

- 1) Percentages figures indicated for net sales, operating income, ordinary income and net income are year-on-year % changes compared with the first quarter of the previous fiscal year.
- 2) There was a change in accounting processing method from that used in the consolidated

accounting year immediately preceding.

- Accounting criteria for corporate tax, etc: Calculations were made using predictive tax rate based on effective tax rate as laid down by law.
 - Accounting criteria for reserves: Simplified methods were used in some cases.
- 3) There were no changes to consolidation and equity method application.
 - 4) There was no involvement of certified public accountant or auditing corporation.

The Japanese economy in the first quarter of this term (April 1 to June 30, 2005) saw a gentle recovery, although tensions became apparent between healthy domestic demand and persistently weak overseas demand. The cosmetics industry is seeing some signs of recovery both in volume and value, with consumers experiencing more “feel-good factor” due to improvements on the employment scene. The Asian economy has leveled out, partly owing to high oil prices; however, performance was sound in its cosmetics market.

Against this general picture, Mandom’s performance in the first quarter of the financial year ending March 31, 2006, was that of increased income over the same period of the previous year, as shown above. Sadly though, except for net profit, other profits saw decline. In sales, the core brand Gatsby managed to achieve huge increases on both domestic and overseas fronts, mainly on the strength of seasonal summer products (i.e. sheet products in Japan) and wax (i.e. styling agents, overseas). Net sales thus increased by ¥600 million over the same period of the previous year up to ¥13,088 million. The new management plan that has come into operation this fiscal year designated “Face & Body” as a new priority category. In this category, Gatsby and Pucelle (sold in Indonesia) achieved very good results, bringing a two-digit increase in sales year on year to a pleasing ¥4,000 million level.

On the production front, despite ongoing cost cutting efforts at Mandom Corporation (parent company) and PT Mandom Indonesia Tbk (subsidiary), high oil prices impacted on Indonesia, where rises in raw material prices resulted in cost to sales ratio climbing high. With stronger marketing input compared to the same period of the previous year, both operating profit and ordinary profit dropped roughly ¥200 million year on year. In this quarter, Mandom Corporation (parent company) registered an extraordinary loss due to the scrapping of the directors’ retirement lump-sum benefit system. This was offset by the completion of the processing of deferred tax charges of a Japanese subsidiary that appeared in the same period of the previous year and the decrease in

minority interests in an overseas subsidiary with a high dependency. Thus, net income for this quarter increased by ¥51 million over the same period of the previous year up to ¥932 million.

Overseas subsidiaries jointly are maintaining two-digit increases in income on local currency bases. Therefore, in spite of some diminution when converted to yen because of the foreign exchange rate weakness of the rupiah to the yen, sales in the Asian segment and overseas sales in this quarter showed continued growth and expansion, making further increases in the share of the pie of consolidated sales.

Financial Condition

Consolidated Basis

	Total Assets (¥ Million)	Shareholders' Equity (¥ Million)	Shareholders' Equity Ratio (%)	Assets Per Share (¥)
Three months ended June 30, 2005	48,316	38,391	79.5	1,591.62
Three months ended June 30, 2004	46,738	36,870	78.9	1,528.34
(Reference) FY Ended March 31, 2005	47,397	38,168	80.5	1,577.94

Mandom Group's total assets as of the end of this first quarter stood at ¥48,316 million, an increase of ¥918 million compared to the end of FY 2005. The increase overall is due to business expansion, including increases in trade receivables and inventory assets and in purchasing liabilities. Compared to the end of the first quarter of the previous fiscal year, trade receivables increased due to growth in overseas business but inventory levels are far lower. Shareholders' equity increased by ¥222 million compared to the end of FY 2005, reaching ¥38,391 million. Net income this quarter totaled ¥932 million, accounted for by external payouts such as shareholder dividend payment.

Cash Flow

Consolidated Basis (¥ Million)

	Cash flow from operations	Cash flow from investing activities	Cash flow from financial activities	End of quarter cash and cash equivalents
Three months ended June 30, 2005	1,002	△591	△648	7,436
Three months ended June 30, 2004	1,461	△1,237	△628	9,429
(Reference) FY Ended March 31, 2005	6,061	△6,919	△1,345	7,662

Cash flow from operations in the first quarter of FY 2006 totaled ¥1,002 million. This is explained chiefly by corporate tax and other payments increasing by ¥679 million and trade receivables by ¥566 million, although pre-tax net income was ¥1,884 million with depreciation cost standing at ¥390 million.

Cash flow from investment activities left a negative balance of ¥591 million (¥578 million expenditure was made on fixed assets mainly on equipment investment in Japan and Indonesia).

In financial activities, ¥646 million was spent on payment of dividends to shareholders including minority shareholders. Cash and cash equivalents on hand at the end of this first quarter decreased ¥225 million over the quarter to rest at ¥7,436 million.

<Reference 1> Financial Results: Three Months Ended June 30, 2005
(¥ Million)

	Net Sales	Operating Income	Ordinary Income	Net Income
Three months ended June 30, 2005	9,591	1,285	1,615	915
Three months ended June 30, 2004	8,900	1,429	1,729	1,086

	Total Assets	Shareholders' Equity
Three months ended June 30, 2005	44,822	38,593
Three months ended June 30, 2004	43,610	37,587

Forecast for Fiscal Year, Ending March 31, 2006

Consolidated Basis (Period from April 1, 2005 to March 31, 2006)

	Net Sales (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	Earnings Per Share (¥)
Interim	25,750	3,980	2,080	86.23
FY ending March 2006	49,000	6,540	3,330	138.05

The consolidated results for this first quarter were slightly better than expected. In the second quarter and beyond, though lowering of cost to sales ratio is not to be expected either in Japan or overseas, strong input of new products and efficient marketing activities will be pursued. As regards quarterly performance in Indonesia, which takes up a large share of the Group's results, this quarter's sales and administrative costs are moving roughly along planned lines. The preceding year's figures were exceptional, due to heavy input of marketing expenditure in the second half of the year. Though variables exist, namely raw material price increase and foreign exchange fluctuation (rupiah - yen rate), sales (local currency basis) are showing strong signs at levels outperforming targets. All in all, even though women's cosmetics in Japan looks likely to continue

suffering, the Group's overseas business is expected to grow steadily.

In view of these anticipated conditions, the Company at present has no reason to make any changes to the interim and full-term performance forecasts announced at the beginning of the term. The impact of China's reform in its foreign exchange system and Malaysia's change in its currency system are currently thought to be of minimal import to the Group's consolidated performance.

<Reference 2> Forecast for Fiscal Year, Ending March 31, 2006

Parent Company Basis (Period from April 1, 2005 to March 31, 2006)

	Net Sales (¥ Million)	Ordinary Income (¥ Million)	Net Income (¥ Million)	Dividend (Year)		
				H1 (¥)	H2 (¥)	FY (¥)
Interim	19,614	3,260	1,950	30.00	–	–
FY ending March 2006	36,180	4,900	2,850	–	30.00	60.00

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

Consolidated Balance Sheet (Excerpt)

Note: All figures given in the tables below have been rounded off to millions .)

Item	Date	End FY 2006 Q 1 (June 30, 2005)		End FY 2005 (March 31, 2005)		Increase/ Decrease		End FY 2005 Q1 (June 30, 2004)	
		¥	Ratio	¥	Ratio	¥	+/- rate	¥	Ratio
(ASSETS)		Million	%	Million	%	Million	%	Million	%
I Current Assets		24,244	50.2	23,712	50.0	531	2.2	25,826	55.3
Cash and deposits		2,939		2,761		178		5,413	
Notes receivable & accounts receivable		5,946		5,339		607		5,695	
Marketable securities		8,939		9,600		△ 660		7,599	
Inventories		5,175		4,841		333		5,785	
Other		1,264		1,188		76		1,383	
Allowance for doubtful debts		△ 20		△ 18		△ 2		△ 50	
II Fixed Assets		24,072	49.8	23,685	50.0	387	1.6	20,912	44.7
(1) Property, Plant and Equipment		12,750	26.4	12,589	26.6	160	△ 1.3	12,633	27.0
Buildings and structures		7,268		7,354		△ 86		7,818	
Machinery and transport equipment		2,852		2,796		55		2,482	
Tools and supplies		500		452		47		566	
Land		1,890		1,889		1		1,546	
Construction in progress		238		95		142		219	
(2) Intangible Fixed Assets		628	1.3	671	1.4	△ 43	△ 6.4	597	1.3
(3) Investments & Other Assets		10,693	22.1	10,424	22.0	269	2.6	7,681	16.4
Investments in securities		8,320		8,038		282		4,928	
Long-term loans		790		794		△ 3		964	
Other		1,707		1,717		△ 10		1,926	
Allowance for doubtful debts		△ 124		△ 126		1		△ 138	
Total Assets		48,316	100.0	47,397	100.0	918	1.9	46,738	100.0
(LIABILITIES)									
I Current Liabilities		6,301	13.0	5,747	12.1	553	9.6	6,322	13.5
Notes payable & accounts payable		2,168		1,436		731		2,050	
Accrued liabilities		2,021		2,235		△ 213		1,721	
Accrued corporate tax		748		714		33		940	
Other		1,362		1,360		1		1,609	
II Fixed Liabilities		1,681	3.5	1,582	3.4	99	6.3	1,674	3.6
Allowance for employee retirement benefits		468		452		15		451	
Allowance for directors' retirement benefits		14		642		△ 627		608	
Other		1,198		486		711		613	
Total Liabilities		7,983	16.5	7,329	15.5	653	8.9	7,996	17.1
(Minority Shareholders' Equity)									
Minority Shareholders' Equity		1,941	4.0	1,898	4.0	42	2.3	1,871	4.0
(SHAREHOLDERS' EQUITY)									
I Capital Stock		11,394	23.6	11,394	24.0	-	-	11,394	24.4
II Capital Surplus		11,235	23.2	11,235	23.7	0	0.0	11,235	24.0
III Earned Surplus		18,553	38.4	18,450	38.9	102	0.6	16,723	35.8
IV Gain on Revaluation of Marketable Securities		322	0.7	318	0.7	4	1.3	378	0.8
V Currency Conversion Adjustment		△ 3,083	△ 6.4	△ 3,200	△ 6.7	117	△ 3.7	△ 2,839	△ 6.1
VI Treasury Stock		△ 31	△ 0.0	△ 29	△ 0.1	△ 1	6.9	△ 22	△ 0.0
Total Shareholders' Equity		38,391	79.5	38,168	80.5	222	0.6	36,870	78.9
Total Liabilities, Minority Shareholders' Equity & Shareholders' Equity		48,316	100.0	47,397	100.0	918	1.9	46,738	100.0

PROFIT AND LOSS STATEMENT (Excerpt)

Item	Period	FY 2006 Q1 (From April 1, 2005 To June 30, 2005)		FY 2005 Q1 (From April 1, 2004 To June 30, 2004)		Increase/Decrease		FY 2005 (From April 1, 2004 To March 31, 2005)	
		¥	Ratio	¥	Ratio	¥	+/- rate	¥	Ratio
		Million	%	Million	%	Million	%	Million	%
I Net Sales		13,088	100.0	12,488	100.0	600	4.8	47,546	100.0
II Cost of Sales		5,548	42.4	5,198	41.6	350	6.7	19,447	40.9
Gross Profit		7,539	57.6	7,290	58.4	249	3.4	28,098	59.1
III Selling, General & Administrative Expenses		5,614	42.9	5,127	41.0	487	9.5	21,397	45.0
Operating Income		1,925	14.7	2,162	17.4	△ 237	△ 11.0	6,700	14.1
IV Non-operating Income		112	0.9	117	0.9	△ 5	△ 4.3	318	0.7
Interest & dividend income		24		29		△ 5		82	
Purchase discounts		-		2		△ 2		-	
Other		88		85		2		236	
V Non-operating Expenses		28	0.2	77	0.6	△ 49	△ 63.6	737	1.6
Inventory disposal loss		9		15		△ 6		550	
Other		19		61		△ 42		187	
Ordinary Income		2,009	15.4	2,203	17.7	△ 193	△ 8.8	6,281	13.2
VI Extraordinary Income		1	0.0	22	0.2	△ 20	△ 95.5	108	0.2
VII Extraordinary Loss		126	1.0	8	0.1	118	1,475.0	521	1.1
Net Income before Taxes		1,884	14.4	2,217	17.8	△ 332	△ 15.0	5,868	12.3
Provision for Taxes		793	6.1	1,106	8.8	△ 312	△ 28.3	2,234	4.6
Minority Interests		158	1.2	229	1.8	△ 71	△ 31.0	422	0.9
Net Income		932	7.1	881	7.2	51	5.8	3,211	6.8

Consolidated Cash Flow Statement (Excerpt)

Period Item	FY 2006 Q1 〔 From April 1, 2005 To June 30, 2005 〕	FY 2005 Q1 〔 From April 1, 2004 To June 30, 2004 〕	FY 2005 〔 From April 1, 2004 To March 31, 2005 〕
I Cash flow from operations	Million yen	Million yen	Million yen
Income before taxes	1,884	2,217	5,868
Depreciation cost	390	386	1,632
Trade receivables (increase: △)	△ 566	80	323
Inventory (increase: △)	△ 295	△ 782	△ 203
Purchasing liability (Decrease: △)	724	748	147
Tax payments	△ 679	△ 1,240	△ 2,658
Other	△ 454	51	951
Cash flow from operations	1,002	1,461	6,061
II Cash flow from investing activities			
Acquisition of marketable and investment securities	△ 3,453	△ 2,601	△ 13,149
Proceeds from redemption or sale of marketable and investment securities	3,443	1,716	8,118
Acquisition of tangible fixed assets	△ 578	△ 282	△ 1,666
Acquisition of intangible fixed assets	△ 40	△ 111	△ 310
Other	37	41	87
Cash flow from investing activities	△ 591	△ 1,237	△ 6,919
III Cash flow from financing activities			
Dividend payment	△ 646	△ 627	△ 1,337
Other	△ 1	△ 0	△ 8
Cash flow from financing activities	△ 648	△ 628	△ 1,345
IV Conversion loss or gain of cash & cash equivalents	11	△ 16	16
V Cash & cash equivalents (Decrease: △)	△ 225	△ 420	△ 2,187
VI Cash & cash equivalents opening balance	7,662	9,767	9,767
Increase in cash & cash equivalents due to changes in consolidation	-	82	82
VII Cash & cash equivalents ending balance	7,436	9,429	7,662

Segment Information

1. Segment Sales Information

Three months: (Period from April 1, 2005 to June 30, 2005) (¥ Million)

	Japan	Asia	Total	Internal sales/ transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	9,552	3,535	13,088	–	13,088
(2) Internal sales and transfers	553	67	620	△ 620	
Total	10,106	3,603	13,709	△ 620	13,088
Operating expenses	8,794	2,989	11,784	△ 620	11,163
Operating Income	1,311	613	1,924	0	1,925

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

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

Previous consolidated fiscal year: (Period from April 1, 2004 to March 31, 2005) (¥ Million)

	Japan	Asia	Total	Internal sales/transfers	Consolidated
Sales and operating expenses					
Sales					
(1) Sales to external customers	35,635	11,910	47,546	–	47,546
(2) Internal sales and transfers	2,638	544	3,183	△ 3,183	–
Total	38,274	12,454	50,729	△ 3,183	47,546
Operating expenses	33,338	10,692	44,030	△ 3,185	40,845
Operating Income	4,935	1,762	6,698	2	6,700

Notes:

- 1) Calculated by country and area, according to mutual operational involvement
- 2) Major markets overseas:
 - Asia: Indonesia, Korea, Singapore, Malaysia, Taiwan and the Philippines

2. Overseas Sales

Three months: (Period from April 1, 2005 to June 30, 2005) (¥ Million)

	Asia	Other	Total
I. Overseas sales	3,355	321	3,677
II. Consolidated sales			13,088
III. Overseas sales as percentage of total consolidated sales	% 25.6	% 2.5	% 28.1

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

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

Previous consolidated fiscal year: (Period from April 1, 2004 to March 31, 2005) (¥ Million)

	Asia	Other	Total
I. Overseas sales	11,595	898	12,493
II. Consolidated sales			47,546
III. Overseas sales as percentage of total consolidated sales	% 24.4	% 1.9	% 26.3

Notes:

- 1) Calculated by country and area, according to mutual operational involvement
- 2) Major markets overseas:
 - Asia: East Asia and ASEAN
 - Other: United Arab Emirates, Brazil, North America
- 3) Overseas sales consist of exports from Japan and sales by overseas consolidated subsidiaries (excluding sales to Japan)