mandom／Human & Freedom

Annual Report 2010

Year ended March 31, 2010

For the Sustainable Growth

Contents

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.

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

Experiencing beauty and the feeling of excitement and gratification beauty produces, has a positive impact on the human body and mind, resulting in a healthy condition. This is why we adhere to the words, “health and beauty”.

In our opinion, contributions to a comfortable life can be achieved by creating valuable and attractive products or services that appeal to the consumers' sense of beauty, and by acquiring as many customers as possible. We aim, above all, to maximize consumer satisfaction.

Our Values

We believe that a company will continue to grow and be respected in the society if it can successfully balance of the satisfaction of its consumers, employees and other stakeholders, while at the same time, embodying its corporate philosophy.

Creating Lifestyle Value With Consumers, For Consumers

The words “beauty”, “health”, “cleanliness” and “fun” summarize our business. We will do our best to listen to our consumers' needs and wants and turn them into attractive products and services, and to bring those “values” to as many consumers as possible.

Active Employee Participation

The corporate name “Mandom”, deriving from “Human” and “Freedom”, represents the respect for human dignity and a liberal atmosphere. At the core of the Mandom Group is an environment where employees can freely demonstrate their creativity through open and lively discussions. The continuous growth of both the individuals and the entire organization will enhance our value.

Social Responsibility and Sustainability

We will try to establish mutual communication with our stakeholders in order to build and sustain favorable relationships with them. We aim to respond quickly to their demands on our economic and social responsibilities. We will also be “a good corporate citizen” and dedicate ourselves to society's development.

Our Principles

The following principles are the standards of our daily operations. When conducting our operations, we always keep in mind that the society is developing day-by-day. To catch up with the latest trends, we are determined to exercise ingenuity by thinking and working simultaneously, and this resolution is represented by our coined word “KohDoh”, which literally means, “thinking and working”. Daily efforts of “KohDoh” are the key to the realization of the “Only One” company.

1 “KohDoh” for Value Maximization

We herald a formula “Function divided by Cost gives Value (of products and services)” and try to create the framework for maximizing the value itself and the number of consumers benefiting from it.

2 “KohDoh” for Self-actualization

A company should provide the platform for self-actualization as well as for the performance of one's duty. Our working environment is ideal for everyone to demonstrate his/her own ability, which will encourage successful self-actualization of each employee and eventually lead to the realization of our corporate mission.

3 “KohDoh” for Profitability Enhancement

Since profitability is a critical matter for a company bearing economic responsibility, we try to implement methods for efficient management and increased profits.

4 “KohDoh” for Good Ethics

Our management philosophy values honesty to the society, as such, we comply with laws, regulations and social norms. We always think and work ethically, having a clear sense of duty to the society.

5 “KohDoh” for Successful Business Partnerships

We share our mission“ OYAKUDACHI for consumers” with our partners, and establish partnerships that promote long-term mutual prosperity.

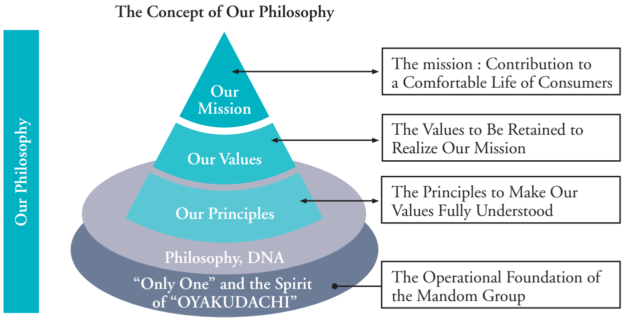
6 “KohDoh” for Environmental Preservation

Taking a serious approach to environmental issues is one of the essentials for a thriving company. We devote ourselves to preservation of global environment.

7 “KohDoh” for Philanthropy

We value philanthropic activities, which make long-term contributions to the development of our society.

The Concept of Our Philosophy



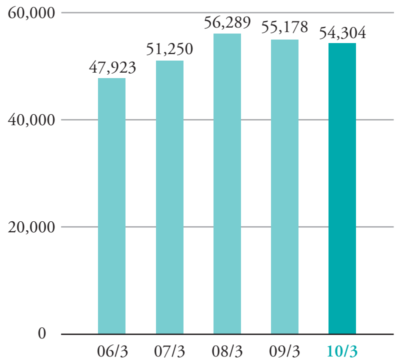
MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	10/3	09/3	08/3	07/3	06/3
Net Sales	54,304	55,178	56,289	51,250	47,923
Operating Income	5,368	4,926	6,837	5,195	6,065
Net Income	2,802	3,011	3,499	2,488	3,099
Total Assets	54,182	49,078	54,218	51,620	51,320
Total Equity	45,058	42,379	45,868	44,182	40,568
Return on Equity (ROE) (%)	6.9	7.4	8.4	6.1	7.9
Earnings per Share (EPS) (¥)	119.40	126.60	147.13	104.28	124.36
Payout Ratio (%)	50.3	47.4	54.4	57.5	48.2
Cash Dividends per Share (¥)	60.00	60.00	80.00	60.00	60.00

Net Sales

(Millions of yen)

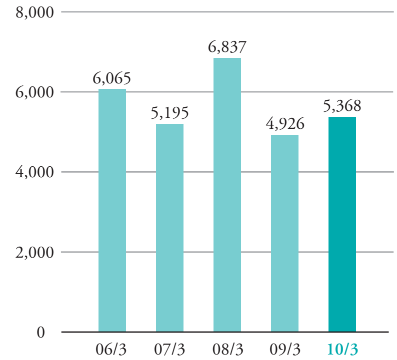


(%)

	06/3	07/3	08/3	09/3	10/3
rate of change	0.8	6.9	9.8	▲2.0	▲1.6

Operating Income

(Millions of yen)

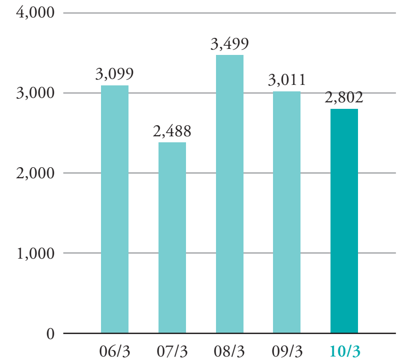


(%)

	06/3	07/3	08/3	09/3	10/3
rate of change	▲9.5	▲14.3	31.6	▲28.0	9.0

Net Income

(Millions of yen)

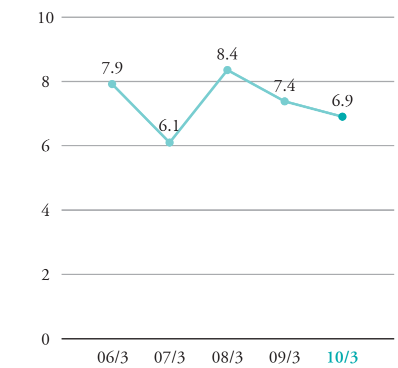


(%)

	06/3	07/3	08/3	09/3	10/3
rate of change	▲3.5	▲19.7	40.6	▲14.0	▲6.9

Return on Equity (ROE)

(%)

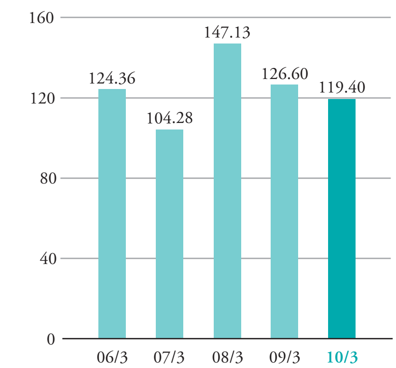


(point)

	06/3	07/3	08/3	09/3	10/3
change	▲0.7	▲1.8	2.3	▲1.0	▲0.5

Earnings per Share (EPS)

(yen)

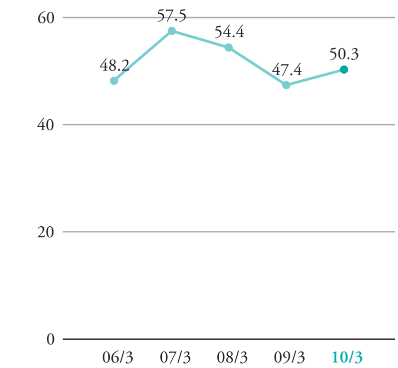


(%)

	06/3	07/3	08/3	09/3	10/3
rate of change	▲3.4	▲16.1	41.1	▲14.0	▲5.7

Payout Ratio

(%)



(point)

	06/3	07/3	08/3	09/3	10/3
change	5.5	9.3	▲3.1	▲7.0	2.9

In fiscal 2010, ended March 31, 2010, we transformed our growth structure and carried out a sweeping review of costs aimed at ensuring sustained future growth and restoring profitability. As a result, both sales and profits declined, but net sales and all profit levels exceeded our initial targets.

Fiscal 2011, ending March 31, 2011, is the final year of the ninth three-year Middle-Range Planning (MP-9). During this year, our goal is to return to the growth track and restore profitability in order to get on a path to sustainable growth. The entire Mandom Group will pursue this goal while focusing on the tenth three-year Middle-Range Planning (MP-10).

Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer

Review of Operations for Fiscal 2010

The market environment was challenging in fiscal 2010, ended March 31, 2010, the second year of the ninth three-year Middle-Range Planning (MP-9). In Japan's cosmetics industry, the earnings environment became severe, reflecting the impact of deflationary economic conditions. Even in Asian countries, which recorded a phase of economic recovery, Mandom was harshly influenced by the depreciation of local currencies.

Against this backdrop, the Mandom Group bolstered business segments that performed favorably or strongly by implementing product and marketing initiatives, and endeavored to restore profitability.

On the sales front, both in Japan and overseas, we boosted sales mainly in the core *Gatsby* brand and in women's cosmetics, which performed well. Nevertheless, sales at overseas subsidiaries were down after conversion to yen due to local currency depreciation in Asian countries. Net sales decreased, as higher sales were unable to offset the currency-related decline.

Profits were negatively influenced by an increase in costs, namely, (1) higher cost of sales stemming from a steep rise in raw material prices and the impact of local currency depreciation at the time of raw material procurement and (2) marketing investment directed at strong-performing segments. To counter these factors, we undertook a radical cost review that focused on reducing cost of sales by using alternative raw materials, shifting to overseas procurement, and raising the ratio of in-house manufacturing; enhancing the efficiency of marketing expenditure; and reducing selling, general and administrative expenses. Thanks to these measures, profits grew substantially at the operating income and ordinary income levels.

As a result of these developments, consolidated net sales for fiscal 2010 declined 1.6% year on year, to 54,304 million yen, while operating income rose 9.0% to 5,368 million yen and ordinary income grew 10.4% to 5,715 million yen. Net income was 2,802 million yen, 6.9% lower than the previous fiscal year. Consequently, sales and profits declined, but both net sales and all profit levels surpassed our initial targets.

MP-9 Progress and Direction Going Forward

Progress on MP-9

MP-9 is a medium-term management plan targeting Group sales of 100 billion yen that aims to create new stable growth domains in order to put the Group on a sustainable growth track.

The plan has three strategic aims: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain; and (3) continue expanding overseas operations, which are again positioned as a key growth driver under MP-9.

Furthermore, in our attempt to enhance profitability and capital efficiency, although we are making marketing investments aimed at sustainable growth, we aim to raise capital efficiency progressively over the long term through initiatives to secure profitability based on an increase in the amount of profit and expand the scale of operations. We also advocate steadily returning a high level of profits to shareholders.

In fiscal 2009, the inaugural year of the plan, we felt the impact of the global economic deterioration triggered by the U.S. financial crisis. With no prospects for a recovery or positive upturn in the global economic climate expected in the short term, we revised down our medium-term management targets.

In fiscal 2010, the second year of MP-9, Group net sales exceeded the revised medium-term target, but Group net income fell below target.

Group sales exceeded our revised medium-term target by 0.7%, even though they did not reach the initial target. This was the result of our efforts to strengthen initiatives targeting segments that have performed favorably or strongly in the midst of a continued adverse external environment.

Progress with each of the strategic aims of MP-9 is as follows.

• Achieve Stable Growth in the Men's Grooming Business

As we endeavored to bolster the *Gatsby* brand, which has performed strongly throughout the Asian region, the overall men's grooming business outperformed expectations. *Gatsby* exceeded targets in Japan even though competition intensified, and overseas operations were also roughly in line with targets. In contrast, sales of existing products, including the key domestic *Lúcido* brand, fell slightly short of their targets.

• Establish a New Growth Path in Operations Targeting Women (Cosmetries and Cosmetics)

The women's cosmetries business failed to meet its targets due to sluggish sales of the key domestic *Lúcido-L* brand. The women's cosmetics business, however, roughly achieved targets both in Japan and overseas.

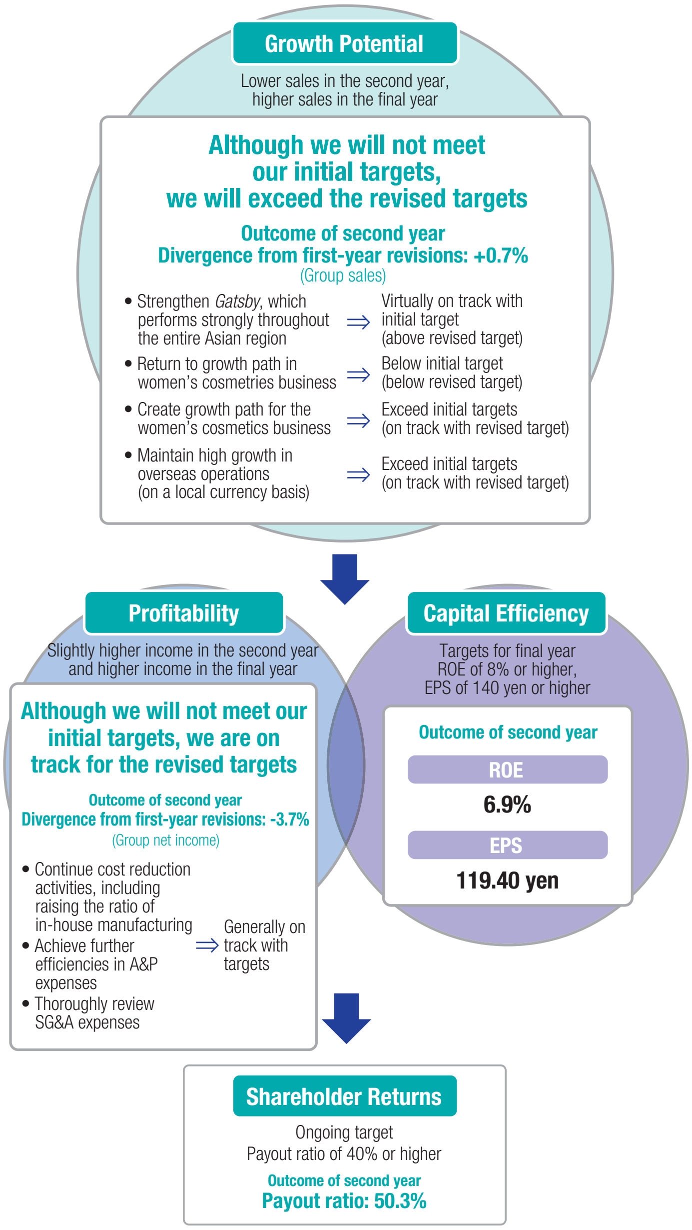
• Continue Expanding Overseas Operations

Although some regions recorded shortfalls, overseas operations as a whole were generally in line with targets.

Group net income failed to reach the revised medium-term management target. However, we exceeded our targets as a result of continued activities to reduce cost of sales, mainly through the promotion of in-house manufacturing, efforts to improve the efficiency of marketing expenditure, and a thorough review of selling, general and administrative expenses.

Consequently, with regard to capital efficiency, consolidated ROE was 6.9% and consolidated EPS was 119.4 yen, marking shortfalls against targets for the final year of the plan. Nevertheless, with regard to shareholder returns, as the payout ratio was 50.3%, we continued to achieve our target

Progress in the Second Year of the Plan



Direction Going Forward

As results in fiscal 2010, were generally in line with revised targets, we will continue to aim to achieve targets in fiscal 2011, the final year of MP-9.

• Growth

Although net sales will not reach the level of the initial target of MP-9, we will aim for a recovery to a level exceeding record-high consolidated net sales (in fiscal 2008). We intend to continue to bolster mainly overseas operations, which have maintained a growth trend on a local currency basis, the core *Gatsby* brand, which has performed strongly throughout Asia even in a challenging market environment, and the women's cosmetics business, which has exceeded its targets as a new growth domain.

• Profitability and Capital Efficiency

We aim to achieve profit growth. As operating income and ordinary income have exceeded targets, the Asian economy is recovering, and Asian currencies are in a recovery phase after declining sharply, we will maintain activities to reduce cost of sales while continuing to invest in sustainable growth. We will also continue to boost the efficiency of marketing expenditure and conduct a review of selling, general and administrative expenses among other costs.

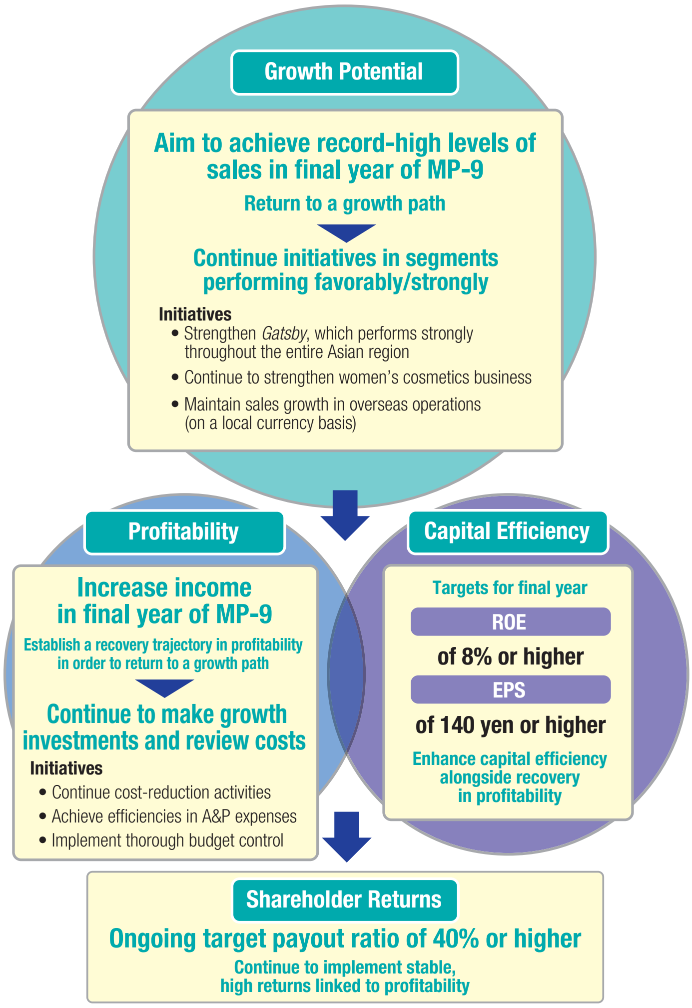
With regard to capital efficiency, as net sales, operating income and ordinary income have shown a favorable performance by exceeding targets, we will aim to achieve the targets in the revised Middle-Range Planning.

• Returning Profits to Shareholders

As a numerical target, we will continue to aim for a payout ratio of 40% or more. The Company views the return of profits to shareholders as a priority management issue. Our basic policy is to prioritize the return of profits to shareholders via the payment of cash dividends, while maintaining the internal reserves necessary to support medium- to long-term business expansion, the development of new businesses, and the mitigation of business risks.

As a shareholder return measure and a measure to improve capital efficiency, we will also consider repurchasing the Company's own shares as a potential option.

Future Direction



Outlook for Fiscal 2011

In the fiscal year ending March 31, 2011, the Japanese economy is likely to continue to expand gently, in line with the recovery of the world economy, while in Asian economies, both domestic and external demand are expected to recover moderately. In addition, Asian currencies are likely to stabilize following depreciation.

In this context, the Mandom Group will continue to bolster business segments that are performing favorably or strongly by implementing product and marketing initiatives, as in the previous fiscal year, while endeavoring to restore profitability.

With respect to net sales, the Company will aim for steady growth in the core *Gatsby* brand, further growth in the women's cosmetics business, which is performing well, and continued growth on a local currency basis in overseas operations. Where profit is concerned, we will continue to undertake a review of costs, including activities to reduce cost of sales as well as measures to enhance the efficiency of marketing expenditure and cut selling, general and administrative expenses.

As a result of these initiatives, we are projecting growth in consolidated sales and income growth in fiscal 2011:

net sales are expected to rise 6.4% year on year, to 57,800 million yen; operating income to grow 10.8% to 5,950 million yen; ordinary income to increase 5.0% to 6,000 million yen; and net income to grow 14.2% to 3,200 million yen.

In Closing

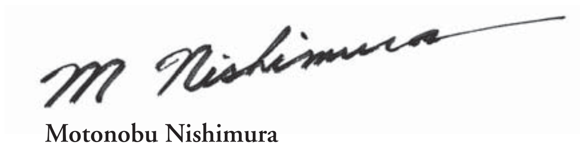
The second year of MP-9 has ended, but the Group's results have ended up diverging from initial targets, mainly due to a financial crisis that is said to occur once every 100 years and the impact of a stronger yen. We do not believe that only external factors are responsible, but that internal factors have also had a substantial impact. Despite a gap relative to market trends, including in the women's cosmetries business, and a mismatch with consumers, we were slow to take steps to address the gap from the growth scenario we initially outlined.

There are also segments where we have achieved good results. These include the *Gatsby* brand, which has performed strongly throughout Asia, the women's cosmetics business, which has exceeded its targets, and overseas operations, which have maintained growth on a local currency basis.

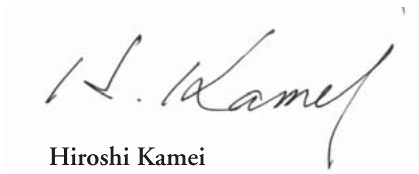
We will have to fill the gap between our growth scenario and our earnings results by analyzing the performance of these businesses, and we recognize the need to address the issue of our inability to apply the know-how we have accumulated in the past.

Fiscal 2011, the final year of MP-9, is a year of preparation for the tenth Middle-Range Planning (MP-10). During this year, we will devote maximum efforts to "KohDoh reform" and "consciousness reform" while maintaining a sense of urgency and enthusiasm as we attempt to reinforce our corporate strength for the next growth stage

We look forward to the further support and guidance of our stakeholders in these endeavors.



Motonobu Nishimura
Representative Director
President Executive Officer



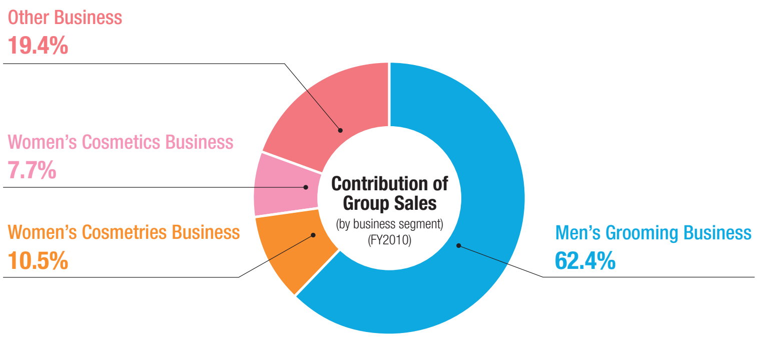
Hiroshi Kamei
Representative Director
Vice President Executive Officer

In the ninth three-year Middle-range Planning (MP-9), the Mandom Group is aiming for sustained growth while targeting Group sales of 100 billion yen. The plan comprises three strategic aims that are designed to put the Group on a growth track: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain; and (3) continue expanding overseas operations, which are positioned as a key growth driver under MP-9.

To achieve these aims, we have established strategic business domains in terms of both products and areas, and we are carrying out business activities with domestic Group business strategies and overseas group business strategies as the starting point.

Product Expansion

In product development, we have established and are promoting activities in six strategic business units centering around the men's grooming business, the women's cosmetries business, and the women's cosmetics business.

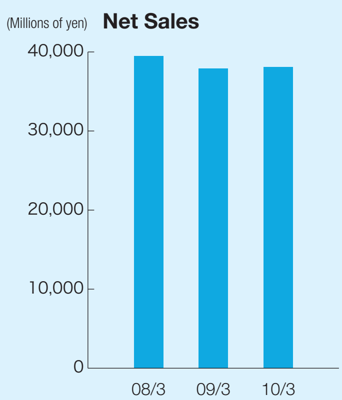


Men's Grooming Business

This business handles a product range that includes men's daily grooming and styling products. Through this core business for the Mandom Group, we are targeting stable growth while aiming to build a solid business foundation.

In Japan, we are maintaining and improving *Gatsby*'s share of the styling market while strengthening the brand by expanding our lineup of facial and body care products. For the *Lúcido* brand, meanwhile, we are proposing high-value-added products aimed at the middle-aged demographic. Overseas, we are expanding and more deeply developing the styling market for *Gatsby* as well as making our lineup of facial and body care products more widely available.

In fiscal 2010, Group sales for the men's grooming business increased 0.4% year on year to 38,076 million yen. Although overseas sales decreased when converted to yen, reflecting the impact of local currency depreciation, domestic sales increased on the back of a favorable performance by *Gatsby* and facial and body care products, while overseas sales also grew strongly on a local currency basis.

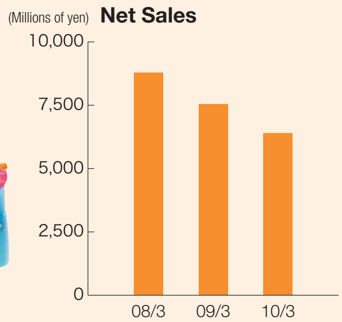


Women's Cosmetries Business

This business comprises a range of products that includes styling and facial and body care items that lend variety to women's beauty routines. We are working to transform the structure of this business, seeking to build a growth path for it as a new field for development by bolstering the foundation of existing categories and developing new categories.

In Japan, we are endeavoring to revamp the *Lúcido-L* brand and offer new products over the medium to long term targeting middle-aged women. Overseas, we are making the *Pucelle* line more widely available, primarily in Indonesia.

In fiscal 2010, Group sales for the women's cosmetries business decreased by 15.3% year on year to 6,394 million yen. In Japan, sales of *Lúcido-L* declined in reaction to the renewal of styling products implemented in March 2009. Overseas, *Pucelle* recorded a good performance mainly in the new series, but overall sales declined due to the impact of exchange rates.

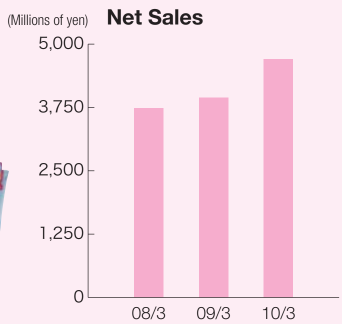


Women's Cosmetics Business

This business handles a range of make-up and skin care products that lend variety to women's beauty routines. We aim to build a growth path in this new growth area and transform the growth structure by developing mainly proprietary brands.

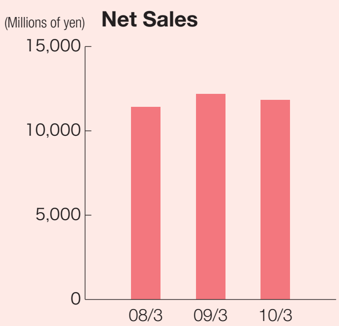
In Japan, we intend to propose original value-added products, increase the number of items, and make products more widely available. Overseas, we are working to strengthen the skincare area of the *Pixy* brand, with particular focus on the Indonesian market.

In fiscal 2010, Group sales for the women's cosmetics business rose 19.4% year on year to 4,706 million yen. In Japan, sales of skin care products grew substantially while, overseas, *Pixy* also performed strongly.



Other Business

Professional Use Business
Other Business
International Trading Business



Area Development

Mandom has divided its regional operations into a total of five strategic areas, comprising one domestic Group business area and four overseas Group business areas. The Group is carrying out finely-tailored marketing activities while becoming part of each society in which it conducts business.

Domestic Operations

In Mandom's domestic operations, competition among companies is likely to intensify further, as the birth rate is declining, society is aging and markets are maturing. Through MP-9, Mandom aims to achieve stable growth while enhancing its competitive edge as a leader in the men's grooming sector and building a stable business foundation based on sustainable growth. The Group also aims to reinforce the women's business segments as future growth drivers.

JAPAN

Japan is Asia's trendsetter and primary source of information. Japanese consumers are very aware of cosmetics and have strong preferences, with a myriad of different requirements, and Mandom supplies highly functional, high-quality products that reflect trends. Most products Mandom sells in this market are produced domestically.

Overseas Operations

In overseas operations, competition with global companies is expected to intensify in tandem with the advance of economic growth. Under MP-9, we are aiming for continued growth in overseas operations as the Group's growth engine. We are also striving to establish a solid business foundation by bolstering the men's grooming segment, mainly in the *Gatsby* brand, and to strengthen the women's segments. Furthermore, in order to achieve global expansion in Asia, we will start to aggressively develop in regions that we have not entered yet. Based on these measures, we aim to achieve average annual growth in Group overseas sales to at least 10.6%, and an overseas sales to consolidated net sales ratio of at least 40%.

INDONESIA

Awareness of personal style and cosmetics is on the rise in Indonesia. Due to disparities in consumers' purchasing power as well as a wide range of lifestyles and preferences, in this area Mandom focuses on supplying products with sizes and prices adapted to different lifestyles. Most products are manufactured in Indonesia.

ASEAN 3

This is an area where awareness of personal style and cosmetics is increasing. Like Indonesia, there are disparities in consumers' purchasing power as well as a wide range of lifestyles and preferences, so Mandom supplies products with sizes and prices that suit the lifestyles of consumers in each country, lifestyle and income group. The Company mainly handles Indonesian-manufactured products, as well as some Japanese-manufactured products, adapted to different countries' characteristics.

NIES 4

This is an area where awareness of individual style and cosmetics is increasing, and it lags only slightly behind Japan in terms of trends. As receptivity to new products and purchasing power are relatively high, Mandom provides highly functional, high-quality products that reflect trends. Most products Mandom sells here are made in Japan, with some Indonesian-made products catering to the characteristics of specific countries.

CHINA

The time lag in trends compared to Japan is relatively short. Receptivity to new products and purchasing power are relatively high in some areas, but as the market for men's cosmetics and hair styling products has not yet matured, this market offers ample potential for growth going forward. In China, Mandom supplies mainly locally manufactured products.

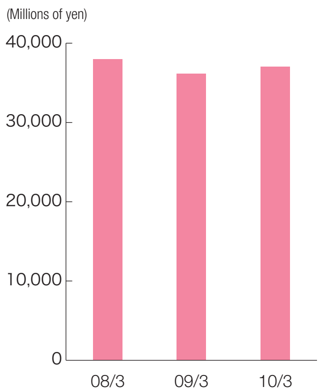
Overview of Domestic Operations

Overview of Fiscal 2010

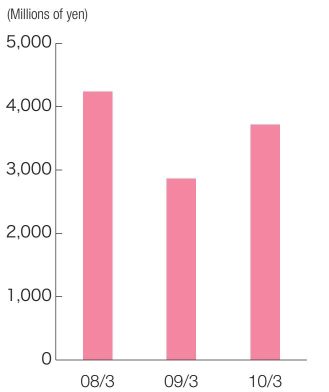
Consolidated net sales rose 2.6% year on year to 37,070 million yen. This mainly reflects the fact that the core *Gatsby* brand performed strongly, driven by the facial and body care category, while the women's cosmetics business recorded substantial growth, thereby offsetting a sluggish performance by other existing products.

Operating income grew 29.8% year on year to 3,714 million yen. This growth is mainly attributable to a decline in returned merchandise as well as (1) a reduction in cost of sales achieved by using alternative raw materials and raising the ratio of in-house manufacturing; and (2) a review of costs that included enhancing the efficiency of marketing expenditure and cutting selling, general and administrative expenses.

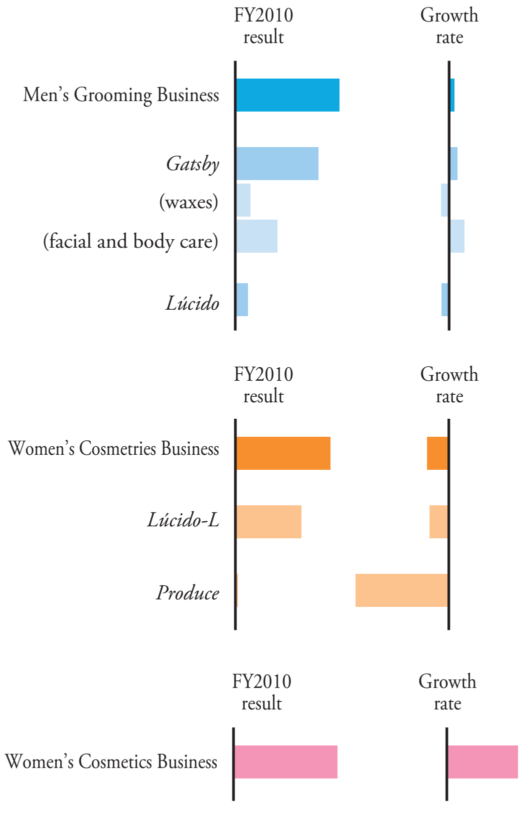
Consolidated Net Sales (Domestic)



Consolidated Operating Income (Domestic)



Sales and Change in Sales for Major Domestic SBUs, Brands, and Categories



Men's Grooming Business

The *Gatsby* brand performed strongly and recorded higher sales, as we offered new products in the hair styling category and the facial and body care category. In the hair styling category, we launched *Quick Moving Mist* as part of *Moving Style* proposals with the aim of meeting diversifying consumer wants and needs. In the facial and body care category, we endeavored to boost our share in this category by launching a facial care series that includes a face wash. For the *Lúcido* brand, we offered a solution to concerns about aging mainly by using advertising in magazines, on the Internet and in trains regarding aging care products for the middle-aged demographic.

Women's Cosmetries Business

Lúcido-L recorded a sluggish performance and lower sales in reaction to the renewal of the styling series and hair color series that we carried out last fiscal year. Under the *Lúcido-L* brand, we launched products in the growing outbath treatment market in an effort to propose products for a new category to follow hair styling and hair color.

Women's Cosmetics Business

The women's cosmetics business performed well and posted higher sales in response to the renewal of the skin care category and extending the number of categories. We expanded the range of existing brand products by adding new products to *Barrier Repair*, a high moisturizing skin care series, and the *cleansing express* range. In addition, we expanded product items and bolstered the lineup by launching the cleansing oil aroma breeze.

Fiscal 2011 Plans

We are projecting an increase in sales. In the *Gatsby* business, we will aim for steady growth by firmly establishing a market for new styling proposals that meet diversifying consumer needs and wants and making the facial and body care category more widely available. In the women's cosmetics business, we aim to expand the scale of operations by increasing the number of items offered.

We are also targeting an increase in operating income. In addition to the effect of higher sales, we will continue to reduce cost of sales by promoting in-house manufacturing and using alternative raw materials, further enhance the efficiency of marketing, and review selling, general and administrative expenses.

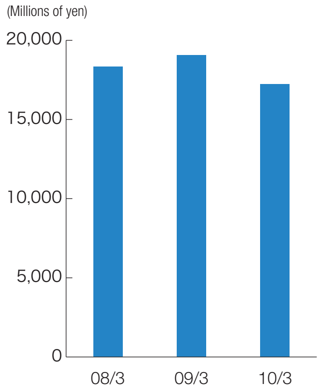
Overview of Overseas Operations

Overview of Fiscal 2010

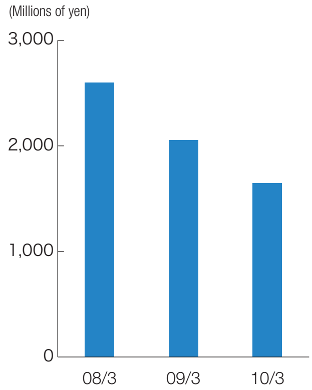
Consolidated net sales fell 9.5% year on year to 17,233 million yen. The men's grooming business and the women's cosmetics business led solid performance, and sales generally expanded in each country. However, owing to the impact of local currency depreciation over the full year, net sales declined substantially upon conversion to yen.

Operating income declined 19.9% year on year to 1,645 million yen. This decline mainly resulted from the impact of exchange rates as well as the fact that we made aggressive marketing investments in overseas operations, which we regard as a key growth driver.

Consolidated Net Sales (Overseas)

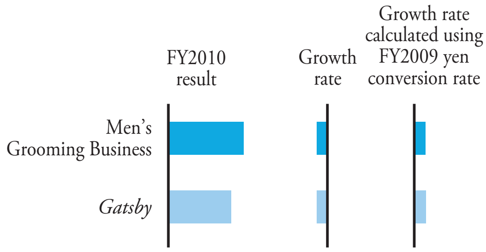


Consolidated Operating Income (Overseas)



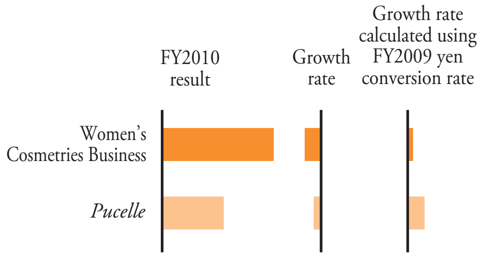
Men's Grooming Business

In existing countries of operation, this segment performed strongly mainly in the *Gatsby* business and achieved double-digit growth on a local currency basis. However, sales declined when converted to yen due to the impact of exchange rates. In the *Gatsby* business, we endeavored to expand the range of products by launching roll-on type deodorants following the renewal of the hair wax series and face wash series in Indonesia. We also introduced initiatives to increase brand recognition and enhance product image by producing a new commercial and conducting related in-store marketing.



Women's Cosmetries Business

Pucelle achieved a steady performance supported mainly by the launch of a fragrance series, but sales decreased because of the impact of exchange rates. We also took various steps to bolster the product lineup. For example, under the *Pucelle* brand, which Mandom is marketing in Indonesia and the ASEAN region, we launched the *Japanese Seasons* series of fragrances based on the image of Japan's seasons and we renewed a series of roll-on deodorants in the body care category.



Women's Cosmetics Business

The skin care and make-up brand *Pixy* posted sales growth on the back of a solid performance by an updated skin care line. In the *Pixy* brand, we have been putting particular emphasis on the Indonesian market and focusing on boosting its recognition through such initiatives as continued commercial campaigns and events in various locations.

Outlook for Fiscal 2011

We are projecting an increase in sales. We expect positive impacts from growth in the core *Gatsby* brand throughout Asia, wider availability of the *Pixy* brand as a result of product expansion in existing categories, and stable exchange rates.

We are also targeting an increase in operating income. We will continue to allocate marketing investments to overseas operations, which we regard as a key growth driver, but profits should be boosted by the effect of higher sales and the impact of a stronger local currency in Indonesia on the procurement of raw materials.

GATSBY

Since the launch of the brand in 1978, *Gatsby* has been a favorite among many men in Asian countries, including Japan, as the standard men's cosmetics brand. *Gatsby* is continuing to expand even further and is driving the Group's growth as Mandom's core brand.

This feature offers an introduction to the still growing *Gatsby* brand.

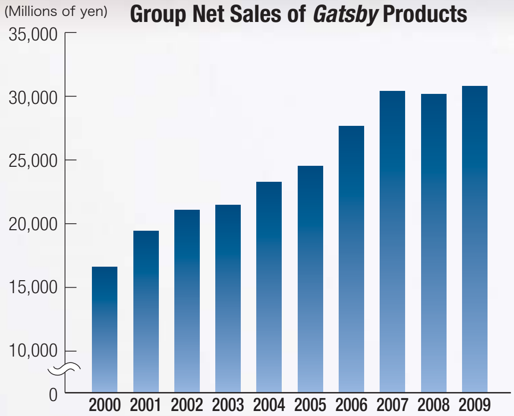
A Top Brand in Men's Cosmetics Products

Gatsby has continued to evolve constantly in tandem with changes among consumers while offering value that focuses on the wants and needs of young men of the time. For example, as a "men's cosmetics brand that sets the standard for style even as times change," it has proposed new formulations and ways of using grooming products.

Gatsby has expanded its presence not only in Japan but also in Indonesia and other Asian countries. It has now established a solid position as a top men's cosmetics brand in Asia, with total Group sales of more than ¥30 billion and annual shipments of more than 500 million units.

During this time, the *Gatsby* brand has developed a broad range of categories and products that satisfy the grooming needs of young people in those countries while offering high quality at a reasonable price, and has continued to expand its presence in Asian countries as the most familiar standard men's cosmetics brand.

Group Net Sales of *Gatsby* Products



For Many Men, *Gatsby* Cosmetics Are Familiar, Standard Products

Gatsby has expanded its presence as the most familiar standard men's cosmetics brand that is favored by young men for day to day use.

To this end, the Group has endeavored to develop products through proposals, marketing, and research, based on the viewpoint of "creating lifestyle value with consumers, for consumers." Our aim is to satisfy the needs and wants of as many men as possible and offer them new value. Supported by these endeavors, *Gatsby* has developed as a brand by creating a unique strength that is not found among other men's cosmetics brands.

A Broad Product Lineup That Fulfills Men's Fashion Sense

To fulfill men's fashion sense, we have developed a broad range of categories and products that cater for all kinds of grooming situations in daily life.

Creating categories corresponding to consumers' needs and wants

Under the *Gatsby* brand, Mandom has proposed new products that directly address consumers' needs and wants and are not enclosed by the boundaries of existing men's cosmetics.

Ahead of our competitors, we have created new categories by proposing such products as hair color for black hair, antiperspirant deodorants, and sheet-type facial washes. As a result, we have broadened *Gatsby*'s categories while expanding the market domain of men's cosmetics.

Mandom has now developed products in six categories that cater to all kinds of grooming situations relating to personal appearance and styling: hair styling, hair color, face care, shaving, body care, and fragrances.

Deeply developing categories and maintaining brand freshness

In the case of existing categories as well, we are working to develop categories more deeply in order to provide consumers with a higher level of satisfaction. We achieve this by expanding lineups based on proposals involving both products that are finely tailored to consumers' needs and wants and also new, evolved products, as well as by renewing, modifying, and eliminating products.

In addition, consumer lifestyles and trends are changing daily, and consumers' needs and wants with regard to cosmetics and grooming products are changing apace. By constantly monitoring consumer trends that are continually changing and making new proposals that respond to these small changes and signs, we are continuing to maintain brand freshness.

The Gatsby brand has changed with the times and trends, constantly maintaining brand freshness.

Traditional 1978~ → Light 1981~ → High-function 1985~ → High-fit 1988~ → High-value 1993~ → Simple and casual 1996~ → Grooming fantasista 2006~

Providing High Quality Products

By utilizing accumulated research on men's cosmetics over many years, Mandom is providing high-quality products that men can feel a sense of satisfaction in using.

Advancing proprietary technologies and providing high-quality products

Over the years, alongside proposing cosmetics products, the Mandom Group has undertaken research in various areas. As a result of that research, we now possess many outstanding technologies and have displayed dominance in the market while developing technologies more deeply.

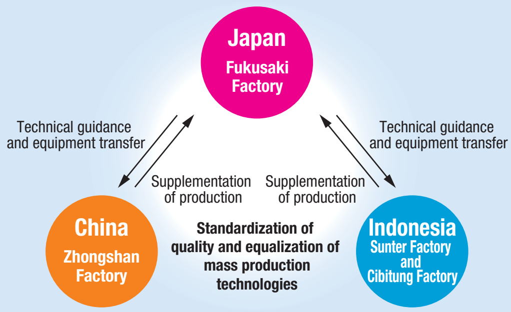
We have been especially dominant in establishing technologies for evaluating "comfort and discomfort" with a high degree of precision. This entails clarifying what makes men feel comfortable and what makes them feel uncomfortable so that they can feel more satisfaction in using cosmetics. In addition, we have various kinds of formulation technologies and expertise that reflect the results of this evaluation and play a role in making consumers feel satisfied, and we are using them to develop products.

Manufacturing Network That Mass Produces High-Quality Products

Groupwide production of *Gatsby* brand products amounts to 580 million units a year. Steadily supplying high-quality products and providing them at prices consumers are happy to pay requires the standardization of quality and initiatives to establish mass-production technologies.

Mandom uses Japan as a base for standardizing quality and equalizing mass production technologies. It provides technical guidance and transfers equipment to Indonesia and China. As a result, we have developed a network that reinforces the overall Group's mass production technologies and enables us to increase production capacity efficiently and steadily. Based on this network, we have realized the supply of safe, high-quality products that are consistent all over the world.

Mandom's manufacturing network



Cosmetics That Men Can Relate To

To enable as many men as possible to feel connected to cosmetics, Mandom supplies products that are reasonably priced and connected to people's day-to-day lives through various channels.

Providing products supported by prices and familiar channels that facilitate buying

To enable more men to use Mandom products, we provide them at prices that are not high, but rather reasonable and affordable, based on research on the purchasing behavior of ordinary men while considering a balance with product price.

Furthermore, we are developing their presence as familiar cosmetics that can be bought and used when needed through close-at-hand channels such as convenience stores and drugstores.

Creating "Buying Opportunities" at Stores

At retail stores, the one place where consumers and products meet, we are creating "buying opportunities" to increase the rate of store contact between consumers and products through cooperation with agents and stores.

Through category management and shelving allocation proposals, based mainly on consumer behavior and POS data, we are pursuing "buying opportunities" that enable consumers to see, choose, and handle products easily, while through store activities such as sales promotions, we are working to stimulate consumers' motivation to purchase.

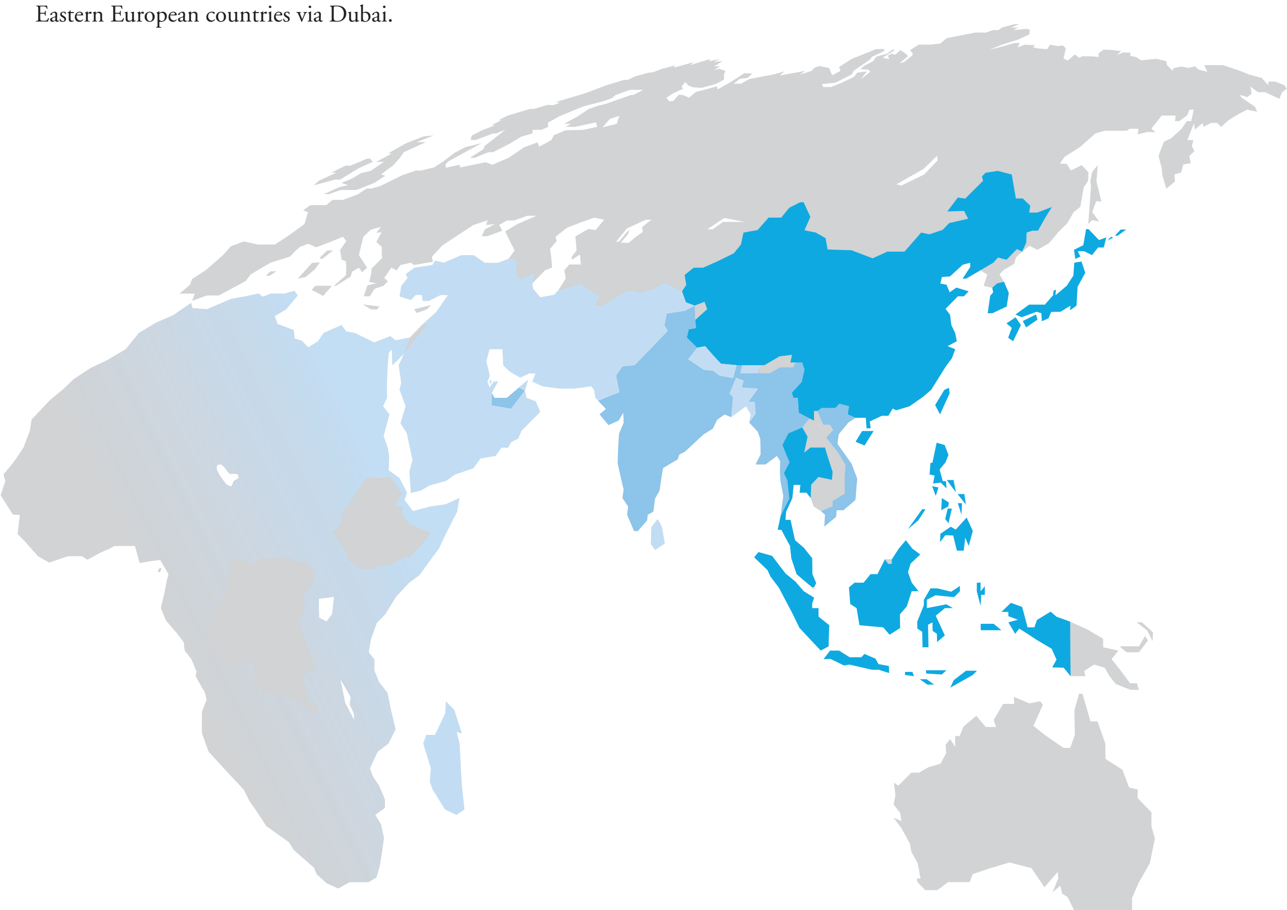
Gatsby Is Currently Widening Our Existing Area

Gatsby is sold at eleven companies in nine countries in Asia, including Japan, and has already established a position as Asia's No. 1 men's cosmetics brand.

Shipment volume amounts to 580 million units on a Groupwide basis, clearly demonstrating that Gatsby has become useful to consumers while earning high brand recognition in every country where it is sold.

However, there are still countries and regions even in Asia where *Gatsby* products are not marketed. Going forward, expanding into new countries and areas such as India and Southeast Asia is an important theme in our quest to grow *Gatsby* into an Asian megabrand.

To that end, we are currently widening our existing area of operations beyond Asia to Africa, the Middle East and Eastern European countries via Dubai.



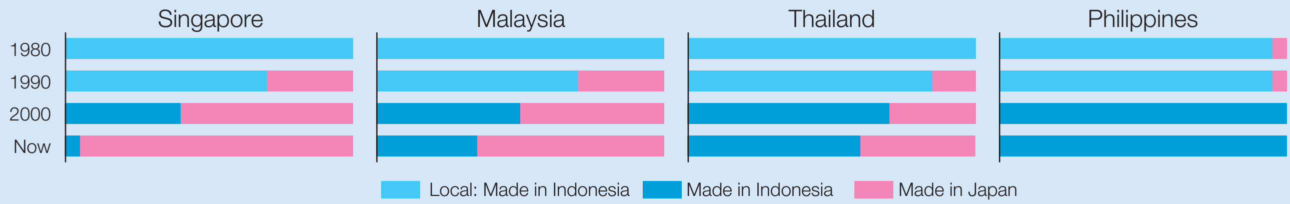
A Flexible Supply Network That Suits Needs and Wants

To expand sales of *Gatsby* products that suit the purchasing power, preferences and lifestyles of each country of operation, we have established manufacturing bases in Japan, Indonesia and China, thereby developing a flexible supply network.

In Japan, the Fukusaki Factory produces high-quality products that are tailored to the latest Japanese trends and consumer requirements. In Indonesia, the Sunter Factory and the Cibitung Factory have established an integrated production system encompassing the entire manufacturing system from containers to the finished product, and they manufacture products in Indonesia with a competitive edge in terms of quality and price. In China, the Zhongshan Factory supplements production for the entire Group while maintaining a competitive advantage within China in terms of quality.

By combining the diverse *Gatsby* products that are manufactured at these three bases, we are able to supply products that meet needs and wants that vary in each country where *Gatsby* has entered the market.

Product supply structure in each country



Developing Products That Reflect Regional Characteristics

Expanding existing products to suit local ways of using cosmetics

The core target for *Gatsby* products in all existing areas is typical men aged roughly in their twenties. Therefore, even when we develop business in new areas, we select products from the abundant categories and product variations in the *Gatsby* brand that suit the use patterns, purchasing power, preferences, and lifestyle of young people in the region concerned.

In particular, the styling category has been supported in each country of operation because we provide a wide range of formulations and abundant size variations. In Japan, Indonesia, Hong Kong and Singapore especially, this category has acquired the leading share by brand, and has become a strong category in new areas as well.

Made in Japan　　Made in Indonesia　　Made in China

Preferences, purchasing power and lifestyles differ according to the country, even within the Asian region itself. Therefore, Mandom creates different products to suit the characteristics of each area. For example, hair waxes broadly consist of three types: products made in Japan, those made in China, and those made in Indonesia.

Developing locally originated products for an area's new wants and needs

In some cases, when we find there are no existing products that meet local wants and needs after researching young men's preferences, purchasing power, and lifestyles in existing areas, we develop new, specialized products for that area.

Specialized products for each region

Sizing

Variations aimed at consumers with varying levels of purchasing power

Variations aimed at different ways of using products

Variations that consider cost-performance

Aggressive Marketing Tailored to Local Circumstances

Expanding the range by developing and establishing distribution networks in tune with each area

In every country, the core target of *Gatsby* is young men. To enable as many consumers as possible to use these products, we are ceaselessly striving to broaden the range of useful products by developing and establishing distribution networks, even though we use different distribution networks such as agency distribution or directly managed distribution, based on the circumstances of the country where products are sold.

Aggressive sales promotion tailored to local customer "wants"

When developing business in new areas or in areas under development, it is very important to establish *Gatsby* as a men's cosmetics brand. To raise the degree of recognition and increase opportunities for contact with target consumers, we endeavor to expand sales of products by carrying out aggressive sales promotion activities tailored to the circumstances in each country and implementing awareness-raising activities. For example, we conduct outdoor advertising and competitions and events for in-store product presentation and also carry out promotions where consumers can try out products.

Diverse activities to promote *Gatsby* in various countries

Storefront decoration contest in Indonesia

Storefront development in the Philippines

Event in Malaysia

Event in India

Cross-media development in each country

At present, in Japan and other Asian countries where *Gatsby* is sold, we are promoting "cross-media operations" aimed at producing greater recognition among consumers and raising brand awareness. We are developing original television and magazine advertising for each country, as well as creating and utilizing web pages, and developing promotions that link the various media. In every country, the *Gatsby* website contains information on how to use products, in order to deepen consumer understanding. In this way, we are developing *Gatsby* as a familiar brand that can meet customers' needs and wants.

Japan

China

Indonesia

TV commercials produced in various countries
We seek to meet the wants and needs of consumers in each country

Aiming for Further Evolution

Gatsby seeks not only to propose new value to consumers through products, but also to further evolve by maximizing customer contact and deepening connections with consumers.

As part of this initiative, we are developing activities to create and deepen a sense of connection with young people in Japan and other countries, such as the *Gatsby* Student CM Award and the *Gatsby* Styling Dance Contest.

Going forward, *Gatsby* will continue to evolve as the enduring standard brand for young people. We will not only increase the number of products and categories, but also expand into new countries and regions while responding to a broad range of customers "wants," playing a role in more areas of consumers' lives as we develop *Gatsby* into an Asian men's cosmetics megabrand.

Gatsby Student CM Award

Gatsby Styling Dance Contest

Gatsby Music Contest

Gatsby events in various countries

Human Resources

The Mandom Group believes that a company will not grow unless its employees grow. We therefore emphasize management that makes full use of human resources.

Mandom's corporate culture encourages all employees to participate in management while taking initiative to contribute their intelligence. Through this culture, we are realizing corporate growth in tandem with the growth of our employees by developing the skills and abilities of the employees who put our shared philosophy into practice.

A Corporate Culture and Framework that Support Employees' Growth

In its more than 80-year history, Mandom experienced two management crises. We were able to overcome these crises thanks to the efforts of all employees, from executives to regular employees, who contributed their intelligence and leveraged their ideas and hard work to promote business.

The experience of these management crises has given rise to a corporate culture in which all employees take the initiative to participate in management while displaying their creativity and contributing their knowledge and ideas, as well as a framework for sharing information that supports that culture. This corporate culture and this framework have now taken deep root in the Company, developing into a platform that enables employees to grow and harness their abilities.

A Sense of Participation in Management Encourages Employee Growth

In the Mandom Group, every single employee, from new hires to the management team, actively contributes their intelligence and proposals thanks to a sense of "participation." The intelligence and proposals that they contribute are not uni-directional. Rather, opinions are exchanged that go beyond departments and job positions depending on the content, and they are actively used in areas ranging from management policy and strategy to product development and the business process.

Within this organizational climate, feeling free to express their opinions about business has fostered an awareness among all employees that they are participating in management, and has led to each employee's "KohDoh" (thinking and working).

Information Sharing Framework Fosters a Sense of Participation in Management

By creating a framework for sharing information, the Mandom Group fosters a sense of participation in management among all employees. This framework consists of the "information card system," which enables employees to submit cards with their comments and proposals to departments, as well as "MP News," where all employees are able to share information in the Company, from the intentions of top management to trends among employees. These frameworks facilitate proposals by employees.

Sharing and Perpetuating the Corporate Philosophy and DNA

Mandom's corporate philosophy and DNA have been carefully passed down since the time of the Company's foundation, and are the foundation for thought and work for the entire Group, including overseas operations. Our corporate philosophy and DNA are values shared by all employees that serve as the basis for judgment in the performance of work, and they also define the correct direction for employees while increasing their cohesiveness as an organization.

Mandom believes that to turn its corporate philosophy into concrete action, it is essential that every employee understands the corporate philosophy and DNA and uses them as the basis for their thought and work. To that end, through training and the creation of opportunities to share and pass on the corporate philosophy and DNA, we strive to ensure their penetration.

Corporate Philosophy Education for Any Situation

To ensure an understanding of our corporate philosophy and DNA, we have incorporated the Mandom philosophy as a basic curriculum item in the training programs for young employees in their first to third years of employment. In this way, we aim to ensure penetration of management participation from an early stage.

To promote sharing, understanding and penetration of Mandom's corporate philosophy and DNA among older employees as well, executives conduct training targeting domestic and overseas employees of the Mandom Group. In this training, executives give seminars regarding the history and background of the corporate philosophy and DNA while passing on this shared value based on their own actual experiences in an attempt to create a more realistic foundation for work and thought.

Skills Development to Encourage Employee Growth

In order to fully realize the corporate philosophy and DNA, it is crucial for employees to learn not only how to think, but also the individual skills needed to put ideas into action. Mandom believes that education based on individual initiative is the most effective tool for promoting employee growth. Therefore, in the case of mandatory educational programs as well, we are developing skills by allowing employees to select and take part in programs based on their own self-direction and recognition.

Quality Control Initiatives

As a company operating in the manufacturing sector, the Mandom Group always considers how it can be of use to consumers through its products. To this end, we are striving to supply safe, high-quality products that consumers everywhere can use with peace of mind and complete satisfaction from the time products are purchased until they are used up.

In 1998, we established the Mandom Quality Philosophy and the Fundamental Quality Policy. In accordance with these policies, we take steps throughout the product creation process, namely, in planning, design, production, and quality control, to ensure the supply of safe, high-quality products and to further improve their safety and quality so that they adequately meet the level of quality that consumers demand.

In addition, we strive for continuous quality improvement by introducing frameworks and external management systems designed to reflect opinions from outside and provide checks. We also make effective use of consumers' opinions and desires in product manufacturing.

Mandom Quality Philosophy

We respond to real customer satisfaction by raising corporate, products, and service quality through active participation by all of our staff.

Fundamental Quality Policy

1. We establish effective quality management systems in the Mandom group companies and continually improve effectiveness.
2. We enhance the individual capabilities of staff and meet customer needs, in an effort to pursue our challenge towards a zero product quality defect and/or complaint.
3. We improve accuracy in all entities, reinforce interface between different arms of the company, and ensure reliable output.
4. We enhance three areas: lifestyle, business partner, and brand, and fully commit ourselves to the thoughts and actions that achieve quality assurance, without failing to spot the slightest changes or signs of change.
5. We attain quality targets through the participation of all staff and by adopting the consumer's viewpoint, creating lifestyle values of our consumers, for our consumers.

Product Planning and Design

In the processes of planning and design, Mandom strives to create high-quality, safe products while constantly paying attention to newness and comfort from the viewpoint of consumers.

We seek quality improvements in every aspect of product design. This effort starts with thorough research into customer requirements and encompasses the pursuit of functionality, effectiveness, and usability through the application of our unique, advanced technologies as well as the establishment of quality assessment methods, and design for ease of use. In addition, when designing products we envisage all kinds of situations where consumers will use them to ensure that they can use them safely and with peace of mind.

Production

In the area of production, we are adopting initiatives to create a production network that is able to supply consumers with high-quality products on a stable basis.

In order to stably produce products in volume with quality that is consistent with the planning and design stages, we have established proprietary mass production techniques. In the area of process controls as well, we are working to make recommendations on eliminating human errors and improve productivity by promoting automation involving raw materials control using barcodes and an inspection system that uses sensor cameras, as well as conducting thorough process controls performed by humans. Furthermore, as part of our quality control system, we monitor the quality of manufactured products through content checks, impurities inspections, contamination checks, and appearance checks.

The Fukusaki Factory, which uses advanced production technologies and production control systems to satisfy increasingly sophisticated and diversified consumer requirements, provides technical guidance and assistance with the transfer of equipment to the plants in Indonesia and China. By sharing technology, the plants seek to enhance quality throughout the Group as a whole.

Collecting Feedback

To better satisfy consumers, Mandom is working to improve quality by establishing a framework that brings consumer opinions to bear in our business activities.

We have set up a dedicated department to collect the opinions and desires of consumers. This department provides prompt feedback on these opinions and desires to the relevant division, and the feedback is then incorporated into business activities.

Ensuring Objective Control

We have introduced external quality management systems to supplement our internal quality control systems and ensure objective supervision.

The Fukusaki Factory obtained certification in the ISO 9001 international standard for quality management systems in 1998, and the factory in China obtained certification in 2002. The factory in Indonesia obtained certification in the Indonesian CPKB standard concerning cosmetics manufacture and quality control in 2005.

Environmental Initiatives

The Mandom Group recognizes that concern for the environment is an important social responsibility, and is promoting environmental protection activities through its business activities.

In August 1999, we formulated the Environmental Philosophy (Eco-Policy) and Fundamental Environmental Policy (Eco-Activity Guide), and as a business operating in the manufacturing sector, we are endeavoring to reduce environmental impact in every aspect of our business operations, from product design and production to distribution to consumers, until they reach the end of the product lifecycle and are ready for disposal.

We are working to improve our environmental protection activities by introducing external environmental management systems to ensure objective assessment of our efforts.

Mandom Environmental Philosophy "Eco-Policy"

Mandom is committed to delivering environmentally safe products and services, and protecting the Earth's precious natural resources 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 (reduce, reuse, and recycle) in its design and production process, and tries to reduce an adverse impact on the environment.

Total Business Processes

Mandom collectively adopts the following articles in its manufacturing, marketing, administrative, as well as in other divisions within Mandom.

1. We establish an environment management structure and promote an active preservation of the environment.
2. We consider factors that protect the environment, and use energy and resources carefully and effectively.
3. We raise awareness of the environment and contribute to society as a positive corporate influence.

Product Design

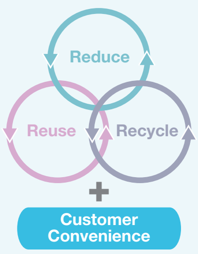
In product design, we consider environmental protection from the viewpoint of the 3Rs—reduce, reuse, and recycle. We check all products against an "Eco checklist" and our design activities ensure that at least one of the R's is applied to every product. In addition, we strive to design products that reduce environmental impact while also taking into consideration consumer convenience in terms of quality, function, and design.

Reduce:

Mandom strives to conserve resources through such measures as reducing the use of shrink film and using thinner aluminum for aerosol cans.

Reuse:

Mandom reduces unnecessary waste by increasing the number of products available in refill packs, thus enabling product containers to be reused.



Recycle:

Mandom promotes the recycling of used cans by adopting easily removable plastic button covers for aerosol cans.

Production

Production uses the most resources and energy and creates the greatest amount of waste. We therefore take steps to purify wastewater from factories as well as reduce and recycle industrial waste, by adopting environmental impact reduction activities as a priority theme. Thanks to such initiatives, we have continuously achieved zero emissions (defined as a recycling rate of 99% or higher) since October 2003.

Furthermore, in order to reduce power consumption, we have introduced an energy monitoring system to survey and improve levels of power consumption on each manufacturing line.

Distribution

We work to increase the efficiency of our distribution systems and are reducing CO_2 emissions by increasing transportation efficiency.

We are increasing the load efficiency of our distribution system by outsourcing operations such as raw materials procurement, product delivery, and collection of returned products and implementing joint distribution and "milk runs" (rounds in which we collect materials from multiple different suppliers in a single truckload). To reduce CO_2 emissions, we are continuing to promote a modal shift (conversion to high-capacity railroad and ship cargo transport). In addition, we are participating in the Green Logistics Partnership Dissemination Project and expanding voluntary initiatives to cut CO_2 emissions in the area of distribution.

当社は、環境にやさしい鉄道貨物輸送を推進している企業です。
エコレールマーク

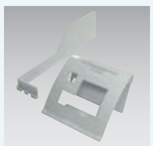
In 2008, Mandom obtained certification as an Eco-Rail Mark company for promoting a modal shift.

Initiatives in Sales Promotion

We use large quantities of sales promotion materials for in-store communication with consumers, and we are seeking to reduce environmental impact by reviewing the format of these materials.

Promotional Trays:

We are reducing the amount of plastic used through shape modifications, and reducing waste by shifting to reusable trays that can be adapted to a variety of store settings.




Objective Assessment

In order to improve environmental protection activities, we believe it is necessary to introduce external environmental management systems to balance our internal quality control efforts with objective assessment.

As part of these efforts to introduce external perspectives, in 2000 the Fukusaki Factory, our production site in Japan, obtained ISO 14001 certification, the international standard for environmental management systems.

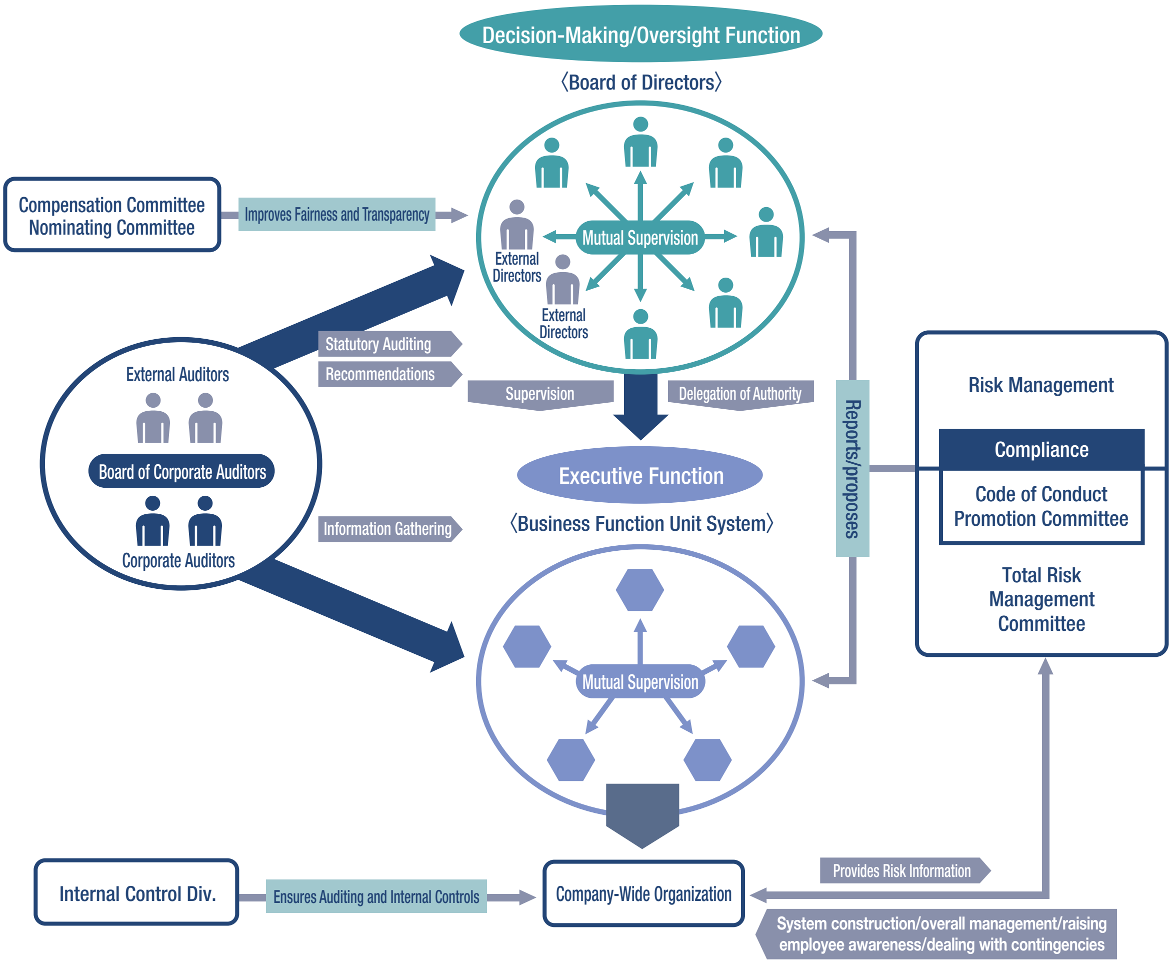
Corporate Governance

The Mandom Group believes the mission expected of it by society is to generate high-quality profits and to achieve sustainable, sound growth together with its stakeholders, including society, by pursuing efficiency (performance), based on the principle of ensuring soundness (compliance) in management.

Improving corporate governance is indispensable to the fulfillment of this mission.

Mandom employs the board of auditors system of corporate governance, and rigorous legal audits by the corporate auditors form the foundation of the Company's corporate governance. We ensure fairness and transparency in management by separating the decision-making and oversight functions from the business execution function. To this end, we combined the appointment of external directors with an executive officer system and the business function unit system to form a single integrated framework.

The Corporate Governance System



Rigorous Legal Audits

Mandom is strengthening its rigorous legal auditing function based on an independent standpoint by appointing a lawyer that is an expert on corporate legal affairs and personnel with abundant corporate auditing experience as external auditors. In addition, the Company has ensured effectiveness in auditing by the corporate auditors by establishing the Regulations to Ensure Effective Statutory Audits, putting in place a reporting system for the corporate auditors, and clearly defining statutory audit obligations and methods.

Separation of the Decision-Making and Oversight Functions From the Business Execution Function

After introducing an executive officer system in June 2001, Mandom abolished the system of executive directors with special titles in June 2004 and shifted to a system of executive officers with special titles, whereby authority for business execution is delegated to executive officers.

In this way, the Company makes it possible for directors with equal standing on the Board of Directors to delegate authority to the executive officers and devote themselves to mutual supervision, oversight of business execution, and decision-making optimal for the Group as a whole. This has enabled us to clearly define the responsibility of executive officers, including executive officers with special titles, and ensure flexibility in business execution through the adoption of a system of executive officers with special titles and the delegation of authority.

Furthermore, in June 2003, Mandom shortened the term of office of directors to one year, clarified their management responsibility, and developed a framework to enable the creation of a flexible management structure catering for changes in the management environment.

Appointment of External Officers

Mandom recognized from an early stage that appointing external officers contributes to the reinforcement of corporate governance. Accordingly, we appointed an external auditor from 1986, in advance of legislation providing for such appointments, and we appointed an external director from 2001. Mandom currently has two external directors and two external auditors.

Mandom's external officers are independent from the Company's management team and adequately fulfill their duties from the standpoint of protecting the interests of general shareholders.

Establishment of the Compensation Committee and Nominating Committee

Mandom has established the Compensation Committee (a consultative body to the president) and the Nominating Committee (a consultative body to the Board of Directors), both of which have external corporate officers comprising at least half their members. The Compensation Committee helps to ensure fairness and transparency in the executive compensation system by making recommendations to the president from an objective shareholder perspective concerning the establishment of the executive compensation system, the formulation of executive performance evaluation standards, and the decision process relating to amounts of executive compensation. The Nominating Committee helps to ensure fairness and transparency in the executive selection process by making recommendations to the Board of Directors from an objective shareholder perspective concerning director and corporate auditor candidate decisions and the selection of representative directors and executive officers with titles.

Development and Operation of Internal Controls Related to Financial Reporting

Mandom considers ensuring the reliability and appropriateness of financial reports to be an important management duty, and has established a basic policy of developing fair internal control systems on a Company-wide basis under the leadership of the president. To implement this policy, we have established an organization that reports directly to the president and put in place a structure to develop appropriate internal control systems, verify the systems' operation, report appropriately to the Board of Directors and Board of Auditors, and enable continuous monitoring of the systems by the Board of Directors and Board of Auditors.

Risk Management

Mandom is managing risks throughout the Company through the establishment of a total risk management system. This system is designed to avoid and minimize risks that impede the enhancement of corporate value and the achievement of sustainable, sound growth in tandem with stakeholders.

To that end, based on the Total Risk Management Promotion Regulations, we have established the Total Risk Management Committee, which is chaired by the President Executive Officer, as the nucleus. It performs supervision and management of the development and operation of our risk management systems.

This Committee regards the management of risks that have a severe impact on business continuity and risks that hinder the reliability and appropriateness of financial reporting as an important issue. It is therefore putting priority on performing risk management related to this important issue by promoting the creation of manuals for the implementation of risk management.

Compliance

The starting point for compliance in the Mandom Group is a management philosophy that has been handed down in the Group for many years. The Mandom Group maintains rigorous legal compliance to ensure that the Company survives and, most importantly, acts in good faith toward society. The Mandom Group established the Mandom Group Code of Conduct in 2002 (revised in 2007) to ensure that corporate officers and employees comply with laws, regulations, and social norms and at all times think and act ethically in accordance with social standards. The Company introduced the Helpline System in December 2002 as a system to address the risk of compliance violations, and expanded the coverage of the system to business partners in September 2007. The system completely protects legitimate whistleblowers and strictly prohibits retaliation against them.

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	10/3	09/3	08/3	07/3	06/3	05/3
For the Year:						
Net Sales	54,304	55,178	56,289	51,250	47,923	47,546
Japan	37,070	36,126	37,957	36,025	35,003	35,635
Asia	17,233	19,052	18,331	15,225	12,920	11,910
Selling, General and Administrative Expenses	24,381	25,331	25,521	23,820	21,742	21,397
Operating Income	5,368	4,926	6,837	5,195	6,065	6,700
Japan	3,714	2,861	4,235	3,288	4,399	4,935
Asia	1,645	2,053	2,599	1,904	1,663	1,762
Net Income	2,802	3,011	3,499	2,488	3,099	3,211
Research and Development	1,846	2,037	2,024	1,866	1,668	1,888
At Year-end						
Total Assets	54,182	49,078	54,218	51,620	51,320	47,397
Total Shareholders' Equity	45,058	42,379	45,868	44,182	40,568	38,168
Per Share Data (Yen):						
Total Shareholders' Equity	1,774.64	1,661.94	1,779.67	1,727.55	1,677.82	1,577.94
Earning per Share (EPS)	119.40	126.60	147.13	104.28	124.36	128.73
Cash Dividends	60.00	60.00	80.00	60.00	60.0	55.00
Ratio (%):						
Shareholders' Equity Ratio	76.6	80.5	78.1	79.6	79.1	80.5
Return on Equity (ROE)	6.9	7.4	8.4	6.1	7.9	8.6
Payout Ratio	50.3	47.4	54.4	57.5	48.2	42.7

Notes: 1. Figures for years prior to the fiscal year ended March 2007 have not been adjusted to reflect current accounting standards.
2. Amounts less than 1 million yen are rounded down. Income per share amounts less than one unit are rounded to the nearest unit.

Director Managing Executive Officer

Yoshiaki Saito

Overview of Operating Results

1. Results

During the fiscal year ended March 31, 2010, the Japanese economy generally performed weakly. Although signs of economic recovery emerged in the second half of the fiscal year based on an increase in exports to Asia and a pickup in production, corporate earnings related to domestic demand declined and employment conditions deteriorated throughout the year. In the cosmetics industry as well, macro indicators (volume and value) were lower than in the previous fiscal year, and the severe earnings environment caused by a phase of deflation continued. In contrast, in the Asian economy, the area where the Mandom Group conducts its overseas operations, a recovery in response to economic stimulus measures in China became apparent, and economic conditions generally showed a recovery trend in other countries and regions as well.

In such an economic climate, the Mandom Group endeavored to make products more widely available in Japan and overseas under the core *Gatsby* brand, as well as in the strong-performing women's cosmetics business and in overseas operations, which have continued to record high growth.

Consolidated net sales declined by 874 million yen or 1.6% year on year to 54,304 million yen. Although the Company boosted sales mainly in the core *Gatsby* brand in Japan and overseas, this was insufficient to offset the decline in overseas sales upon conversion to yen caused by the depreciation of local currencies throughout the Asian region. Consolidated gross profit was 507 million yen, or 1.7% lower at 29,750 million yen. This decline was mainly attributable to the decrease in net sales at Mandom. Consolidated operating income, however, increased 442 million yen, or 9.0%, to 5,368 million yen, mainly reflecting a reduction in domestic selling expenses resulting from greater efficiency in marketing expenditure and a decline in selling, general and administrative expenses stemming from a decrease in overseas selling, general and administrative expenses upon conversion to yen. Consolidated ordinary income rose 540 million yen, or 10.4%, to 5,715 million yen, mainly because of a decrease in foreign currency translation losses. Consolidated net income declined 208 million yen, or 6.9%, to 2,802 million yen. This was primarily attributable to an increase in income taxes resulting from the impact of increased profits at Mandom and the reversal of deferred tax liabilities associated with the revision of the tax system posted in the previous fiscal year.

As a result of the foregoing, the Company's revenues and profits for the year were both lower than in the previous fiscal year.

2. Current Status of Assets, Liabilities and Total Equity

(1) Assets

The Group's total assets increased by 5,103 million yen from the end of the previous fiscal year, to 54,182 million yen. This was mainly attributable to a 2,281 million yen increase in available-for-sale and investment securities and a 1,475 million yen increase in net property, plant and equipment due to capital investment by Mandom and an Indonesian subsidiary.

(2) Liabilities

Liabilities increased by 2,424 million yen from the end of the previous fiscal year, to 9,123 million yen. This was mainly due to a 1,035 million yen increase in accrued income taxes.

(3) Total Equity

Total equity increased 2,678 million yen from the end of the previous fiscal year to 45,058 million yen. This mainly reflected a 1,597 million yen increase in retained earnings and a 1,254 million yen increase in valuation and translation adjustments.

3. Status of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year under review increased by 507 million yen year on year, to 9,742 million yen. This increase reflected cash outflow due to the purchase of property, plant and equipment and securities. However, this was offset by an increase in income before income taxes, a decrease in inventories, and a decrease in payment of income taxes.

Cash flows for the year under review and contributory factors are detailed below.

(1) Cash Flows From Operating Activities

The net cash amount provided by operating activities increased by 4,308 million yen, to 7,766 million yen. This primarily reflected a 638 million yen increase in income before income taxes to 5,474 million yen and a 1,193 million yen increase in inventories resulting in a positive balance of 510 million yen, which was partly offset by a 1,628 million yen decrease in payment of income taxes resulting in a negative balance of 1,325 million yen. In addition, depreciation and amortization decreased by 228 million yen compared with the previous fiscal year, to 2,125 million yen.

(2) Cash Flows From Investing Activities

The net cash amount used in investing activities decreased by 3,906 million yen to 5,111 million yen. This mainly reflected an 872 million yen increase in the net balance of payments for the purchase of property, plant and equipment, resulting in 2,861 million yen in cash outflow, as well as a 1,459 million yen decrease in the net balance of payments for purchases of securities and proceeds from sales and redemptions of securities, resulting in a 1,657 million yen cash outflow.

(3) Cash Flows From Financing Activities

The net cash amount used in financing activities declined by 245 million yen, to 2,291 million yen. This primarily reflected a 973 million yen decrease in the payment of shareholder dividends, including dividends to minority shareholders, to only 1,390 million yen, which was offset by 891 million yen used for the purchase of treasury stock and 333 million yen in income due to payments from minority shareholders accompanying a capital increase at an Indonesian subsidiary during the last year. Cash and cash equivalents declined by 41 million yen as a result of changes in the scope of consolidation.

Issues to be Addressed

The Mandom Group recognizes the following as issues that need to be addressed.

(1) Response to Changes in the Market Environment for Men's Cosmetics in Japan

The men's grooming business is the Company's (unconsolidated) core business, and accounted for more than 70% of net sales for the fiscal year under review. The competitive environment in this field has become increasingly severe in recent years, and Mandom recognizes that this is not just a transient phenomenon. These tough market conditions will persist in the future, and will include new entrants from outside the industry. To cope with this situation, the Group will continue its efforts to uncover needs and wants, develop technology based products, and innovate in marketing.

(2) Response to Dependence on Indonesian Subsidiary (PT Mandom Indonesia Tbk) for Overseas Business Results

Results of the Mandom Group's overseas business are highly dependent on the Group's Indonesian subsidiary. In light of the current scale of the market, as well as potential expansion in market scale going forward, the Company has a growth strategy for raising the results of overseas subsidiaries in five other countries to exceed those of Mandom's Indonesian subsidiary. The five other countries comprise the three ASEAN nations of Thailand, The Philippines, and Malaysia, as well as South Korea and China.

(3) Creation of a Framework for Human Resource Development to Achieve Corporate Growth Based on Personal Growth

In the Mandom Group, it is well understood that corporate growth is impossible without the growth of individual employees, and management has been consistently based on getting the most out of people. The Group will continue to develop human resources from the perspective of Group management, and work to create a framework where employees can learn the adaptation and innovation skills needed to cope with the major, rapid changes in conditions facing the Company.

(4) Strengthening Efforts to Contribute to Society Through Quality Assurance and Environmental Protection

Corporate social responsibility is becoming increasingly important, and CSR efforts are one of the Group's key management issues.

(5) Improvement of Capital Efficiency

During its previous Middle-Range Planning, implemented from April 2005 to March 2008, Mandom was keenly aware that improvement of capital efficiency is an important management issue, and that continues to be the case. However, Japanese markets are contracting due to an unpredictable economic outlook in addition to the falling birthrate, the aging of society and the declining population, and as a result competition among companies is intensifying. Competition among firms is also heating up overseas in the rapidly growing markets of Southeast Asia, so competition is becoming increasingly fierce both inside and outside Japan. The situation is compounded by the fact that costs have risen due to weaker local currencies in the countries of Asia, and thus the Company finds itself in a situation where it is difficult to use cost reductions to achieve short-term improvements in capital efficiency. Therefore Mandom's approach is to prioritize growth in the scale of the Group's business, while taking a long-term view toward achieving greater capital efficiency in stages, possibly by repurchasing the Company's own shares.

Risks to Business, etc.

The following items relating to the business and accounting situation described in the Annual Securities Report may have an important impact on investor judgment. Forward looking statements are based on the judgment of the Mandom Group as of the end of the fiscal year under review.

(1) Introducing New Products and New Product Models, and Accepting Returned Merchandise

Since the cosmetics market in Japan is considered to have matured to a great extent, it is essential for cosmetic manufacturers to introduce new products, new product models and other innovations in order to maintain and improve their individual brand images.

In recognition of this, Mandom Group launches new products, new product models and additional items in both spring and fall every year. As a result, retailers sometimes find that they have an excess of standard products rendered unnecessary as a result of rearranging merchandise displays, or inventory of old model products that have been replaced with new model products. In order to enable new products to penetrate the market more rapidly, the Group accepts returns of such excess inventory from agents, and the value of merchandise thus returned may exert an impact on the Group's consolidated financial performance.

The value of returned merchandise for the past two years amounted to 1,915 million yen and 1,233 million yen respectively for the fiscal years ended March 31, 2009 and March 31, 2010.

These figures respectively accounted for 5.1% and 3.2% of the sales recorded by Mandom Corporation.

(2) Extent of Mandom's Reliance on Specific Partners

During the fiscal years ended March 31, 2009 and March 31, 2010, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (30.0%), and PT Asia Paramita Indah in Indonesia (14.9%). The Mandom Corporation and PT Mandom Indonesia Tbk have had long-term, stable and continuous business relationships with the above two companies. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This may lead to a further increase in dependence on specific distributors who are likely to provide earnings accounting for relatively large portions of the Group's sales.

(3) Legal Regulations

The Mandom Group manufactures (imports, in some cases) and markets quasi-drugs and cosmetics regulated by the Pharmaceutical Affairs Law. This Law mandates the various approvals and filings required for the manufacture/import of quasi-drugs and cosmetics.

(4) Foreign Exchange Rate Fluctuations

The Mandom Group is focused on business in Asia, where solid market growth is expected in the future, and has affiliated companies in eight countries and one region. Overseas net sales accounted for 35.3% and 32.5%, respectively, of consolidated net sales in the fiscal years ended March 31, 2009 and March 31, 2010, and the importance of overseas business is expected to increase in the future. Regarding foreign exchange-related risks, the Group adjusts the balance of foreign currency-denominated import and export transactions and employs other necessary risk-hedge methods. However, there is still a risk of exchange rate fluctuations, which could exert an impact on the Group's consolidated financial performance and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance when translated into yen.

Analysis of Financial Position and Operating Results

1. Factors Exerting a Significant Influence on Operating Results

(1) Factors causing fluctuation in profitability

The business environment surrounding the Group is marked by intense competition, and although there are signs that deflation is ending in Japan, there are inherent factors which drive down profit margins, such as falling sales prices and upward pressure on cost of sales due to competition in a mature market. Moreover, since the life cycle of Mandom's key product lines is short, the success or failure of new products is a major factor underlying fluctuating results. Mandom always carries out brand renewal before the end of the product life cycle, and develops and markets new products based on consumers' latent preferences. The impact on operating results of merchandise returned as a result of this approach is another significant cause of fluctuations in profitability.

In addition, since the inventory on which the Group's continued operations depend is produced mainly based on estimates of future demand and market trend projections, this method may, depending on actual demand or unanticipated changes in market trends, require disposal of stagnant inventory, adversely affecting the Group's performance in the form of a loss due to inventory disposal, recorded under cost of sales. It is the Mandom Group's policy to follow internal rules and dispose of such inventory immediately after confirming impairment of market value, rather than postponing such disposal.

In Japan and Indonesia, Mandom is highly reliant on certain business partners and is therefore subject to credit risk related to such partners. However, in both countries there is an increasing tendency toward domination of the market by a few major wholesalers, and the Company therefore recognizes that its partners' credit worthiness is in fact increasing. Consequently the impact of credit risk on the Company's operating results is currently negligible.

(2) Foreign exchange and resource price fluctuations

In overseas operations, the costs of procuring imported raw materials at production sites in Indonesia and China may have an effect on Group competitiveness due to the rise in prices of materials refined from oil caused by foreign exchange fluctuations or rising crude oil prices. The Group's overseas operations are conducted entirely in Asia, and some regions are subject to event risk in the form of possible legal or economic changes accompanying a sudden political event. Such developments could have an impact on the Group's management and financial performance.

2. Current Business Strategy and Outlook

During the current Middle-Range Planning, which lasts from April 2008 to March 2011, Mandom's policy is to focus its business strategy on sustainable growth for all the Group's operations, and to systematically invest management resources to expand Group operational scale in stages, thereby increasing profits sustainably. In line with this policy, the Company has been pursuing three key strategic aims: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain; and (3) continue expanding overseas operations, which are again positioned as a key growth driver under the current Middle-Range Planning.

(1) Achieve stable growth in the men's grooming business

We will promote further reinforcement of *Gatsby*, which we are steadily cultivating into an Asian global brand that is common to Japan and overseas countries. In Japan, we aim to further grow the *Gatsby* brand by maintaining and then improving its share of the styling market, expanding the lineup of facial and body care products and bolstering our marketing activities. For the *Lúcido* brand, which we have positioned as a priority brand in Japan, we will propose high-value-added products that mainly target the middle-aged demographic.

Overseas, we regard styling products as a priority product group, and we aim to develop the market for basic styling products more deeply while expanding market share through the introduction of a stronger lineup of hair wax products. In addition, we will strive to supply facial and body care products more widely while raising the recognition of the *Gatsby* brand.

(2) Establish a growth path in operations targeting women (cosmetries and cosmetics)

We will reinforce marketing activities in the women's cosmetries business by positioning mainly hair products as priority products in the domestic market and primarily facial and body care products as priority products in overseas markets. In Japan, we have positioned the *Lúcido-L* brand, which mainly targets young women, as the priority product group for intensive development, and we therefore aim to concentrate the allocation of management resources here. Overseas, we intend to bolster the *Pucelle* brand in the ASEAN region. Furthermore, we will embark on the development of original products in respective countries, and we will promote the expansion of products horizontally developed by the Group and products selected from original products in respective countries.

From the previous Middle-Range Planning (April 2005 to March 2008), we started to adopt the strategy of establishing a growth path in the women's cosmetic business by strengthening its capacity to develop its own brands. Mandom (parent company) and an Indonesian subsidiary (PT MANDOM INDONESIA Tbk) will act as the pioneers in establishing a marketing model for this strategy.

(3) Continue expanding overseas operations

In the previous Middle-Range Planning, Mandom divided its regions of operation into three strategic areas: ASEAN 4 (Indonesia, Thailand, the Philippines, and Malaysia), Asia NIES (Singapore, Taiwan, Hong Kong, and South Korea), and China (China). However, under the current Middle-Range Planning, we have analyzed common points and differences in a matrix that includes the categories of major cities, regional cities, and regional areas along with those three strategic areas. With regard to common points, we will enhance management efficiency by carrying out horizontal development that transcends strategic areas, and with regard to differences, we will open up markets by adopting more finely tailored product development and marketing activities. Moreover, by aggressively cultivating new areas in Asia and expanding distribution networks to regions outside Asia, we will further increase the weight of overseas operations.

Furthermore, the Mandom Group has adopted targets for the management indicators of return on investment (ROE) and EPS, based on the perspective of the efficient use of shareholders' equity and **growth potential per unit of shareholders' equity**. While aiming to raise corporate value through the sustained growth of Group operations, we will continue to adopt these as appropriate management indicators. The targets under the current Medium-Range Planning are ROE of 8% or more and EPS of 140 yen or more in the final fiscal year (fiscal 2011).

3. Analysis of Capital Sources and Liquidity

The Mandom Group's financial policies entail maintaining a sound balance sheet and the liquid assets necessary to pursue its business. Capital is used primarily to fund operations and for capital investment, and is derived from internal reserves. If any domestic subsidiary lacks necessary funds, the shortfall is covered by a loan from the parent company, while demand for short-term funds by overseas subsidiaries is met by a local-currency based short-term loan acquired by Mandom's main representative office in the region. The Company regards any additional funds in hand as cash reserves for business investment, and places the utmost priority on ensuring their liquidity and security.

Mandom's management believes that the Company can procure the funds necessary to ensure dramatic growth based on its sound finances and capacity to generate cash flows through operating activities, even if the need should arise for investment funds exceeding the liquid funds currently available.

4. Management's Awareness of Challenges and Policy Going Forward

Mandom Corporation's management strives to formulate optimal management policies in light of the current business environment and any available data and information. Their key concern is to sustain business development. Recognizing that the engine for business expansion lies in overseas business, management will strive to achieve further business growth by developing the Southeast Asian market—which is likely to show increasing demand for Mandom products—as well as new markets in other Asian regions. Going forward, the Group will position its women's cosmetics business as a new growth area to make progress in forging a path for further expansion.

The Group's management is always aware of the importance of promoting capital efficiency, and regards the return of profits to shareholders in the form of dividends as an important capital policy. The Group will repurchase its own shares as required in order to return more profits to shareholders, and curb increases in equity (retained earnings), thereby improving capital efficiency.

Consolidated Balance Sheets

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2010 and 2009

	Millions of Yen	
ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents (Note 15)	¥ 9,743	¥ 9,235
Short-term investments (Notes 3 and 15)	9,404	7,024
Receivables (Note 15):		
Trade notes and accounts	5,955	5,341
Unconsolidated subsidiaries and associated companies	32	90
Other	82	88
Allowance for doubtful accounts	(22)	(21)
Inventories (Note 4)	6,302	6,458
Deferred tax assets (Note 11)	773	583
Prepaid expenses and other current assets	650	522
Total current assets	32,919	29,320
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	518
Buildings and structures	17,113	16,138
Machinery and equipment	11,313	9,105
Furniture and fixtures	4,028	3,607
Leased assets	36	38
Construction in progress	217	391
Total	33,218	29,797
Accumulated depreciation	(20,257)	(18,312)
Net property, plant and equipment	12,961	11,485
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 15)	4,534	4,244
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 5)	234	207
Goodwill	229	366
Deferred tax assets (Note 11)	902	1,206
Other assets (Note 6)	2,403	2,250
Total investments and other assets	8,302	8,273
TOTAL	¥ 54,182	¥ 49,078

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2010	2009
CURRENT LIABILITIES:		
Short-term bank loans (Note 7)	¥ –	¥ 1
Payables (Note 15):		
Trade notes and accounts	4,149	3,361
Unconsolidated subsidiaries and associated companies	1	1
Other	61	124
Accrued income taxes (Notes 11 and 15)	1,302	267
Accrued expenses	1,202	1,085
Other current liabilities	512	309
Total current liabilities	7,227	5,148
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 8)	849	502
Deferred tax liabilities (Note 11)	3	3
Other long-term liabilities (Note 9)	1,044	1,045
Total long-term liabilities	1,896	1,550
COMMITMENTS (Note 14)		
EQUITY (Notes 10 and 17):		
Common stock, authorized, 81,969,700 shares; issued, 24,134,606 shares in 2010 and 2009	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	25,464	23,866
Unrealized loss on available-for-sale securities	(273)	(628)
Foreign currency translation adjustments	(4,480)	(5,379)
Treasury stock-at cost; 753,410 shares in 2010 and 347,860 shares in 2009	(1,848)	(957)
Total	41,493	39,532
Minority interests	3,566	2,848
Total equity	45,059	42,380
TOTAL	¥54,182	¥49,078

Consolidated Statements of Income

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2010 and 2009

	Millions of Yen	
	2010	2009
NET SALES (Note 16)	¥54,304	¥55,178
COST OF SALES	24,554	24,920
Gross profit	29,750	30,258
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 13)	24,381	25,332
Operating income	5,369	4,926
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 16)	180	234
Foreign exchange loss	(54)	(103)
Loss on devaluation of investment securities	–	(270)
Loss on disposal of property, plant and equipment	(249)	(59)
Other-net	229	108
Other income (expenses) – net	106	(90)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,475	4,836
INCOME TAXES (Note 11):		
Current	2,350	1,811
Deferred	(113)	(473)
Total income taxes	2,237	1,338
MINORITY INTERESTS IN NET INCOME	436	487
NET INCOME	¥2,802	¥3,011
	yen	
PER SHARE OF COMMON STOCK (Note 2.n):		
Net income	¥119.40	¥126.60
Cash dividends applicable to the year	60.00	60.00

Diluted net income per share is not presented because no dilutive securities exist.
See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2008	23,788	¥11,395	¥11,235	¥23,129	¥156	¥(2,627)	¥(953)	¥42,335	¥3,534	¥45,869
Adjustment of retained earnings due to adoption of PITF 18 (Note 2.b)				(34)				(34)		(34)
Adjustment of retained earnings for newly-consolidated subsidiaries				(99)				(99)		(99)
Net income				3,011				3,011		3,011
Cash dividends, ¥90 per share				(2,141)				(2,141)		(2,141)
Purchase of treasury stock	(1)						(4)	(4)		(4)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(784)	(2,752)		(3,536)	(686)	(4,222)
BALANCE, MARCH 31, 2009	23,787	11,395	11,235	23,866	(628)	(5,379)	(957)	39,532	2,848	42,380
Adjustment of retained earnings for exclusion of consolidated subsidiaries				(27)				(27)		(27)
Net income				2,802				2,802		2,802
Cash dividends, ¥50 per share				(1,177)				(1,177)		(1,177)
Purchase of treasury stock	(406)						(891)	(891)		(891)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					355	899		1,254	718	1,972
BALANCE, MARCH 31, 2010	23,381	¥11,395	¥11,235	¥25,464	¥(273)	¥(4,480)	¥(1,848)	¥41,493	¥3,566	¥45,059

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

	Millions of Yen	
	2010	2009
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥5,475	¥ 4,836
Adjustments for:		
Income taxes paid	(1,326)	(2,955)
Depreciation and amortization	2,263	2,501
Provision for retirement benefits	298	152
Loss on disposal of property, plant and equipment	248	57
Changes in assets and liabilities:		
Decrease (increase) in receivables	(238)	(476)
Decrease (increase) in inventories	510	(683)
Increase (decrease) in payables	383	(1)
Other – net	154	28
Total adjustments	2,292	(1,377)
Net cash provided by operating activities	7,767	3,459
INVESTING ACTIVITIES:		
Payments for deposits	(957)	(830)
Decrease in time deposits	486	537
Acquisition of property, plant and equipment	(2,862)	(1,990)
Proceeds from sales and redemptions of investment securities	1,652	5,353
Payments for purchases of investment securities	(118)	(563)
Proceeds from sales and redemptions of short-term investment securities	24,400	9,400
Payments for purchases of short-term investment securities	(27,591)	(14,389)
Other – net	(121)	1,277
Net cash used in investing activities	(5,111)	(1,205)
FINANCING ACTIVITIES:		
Payments for purchases of treasury stock-net	(891)	(4)
Dividends paid	(1,391)	(2,364)
Other – net	(9)	323
Net cash used in financing activities	(2,291)	(2,045)
FORWARD	¥ 365	¥ 209
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	¥ 184	¥ (835)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	549	(626)
CASH AND CASH EQUIVALENTS OF NEWLY-CONSOLIDATED AND EXCLUDED SUBSIDIARIES, BEGINNING OF YEAR	(41)	70
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,235	9,791
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,743	¥ 9,235

See notes to consolidated financial statements.

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2009

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 Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

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 the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which MANDOM CORPORATION (the "Company") is incorporated and operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its eleven (twelve in 2009) significant subsidiaries (collectively, the "Group"). Investments in one (one in 2009) associated company are accounted for by the equity method. Investments in the remaining two unconsolidated subsidiaries (two in 2009) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of five years.

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. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements – In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this accounting standard effective April 1, 2008. In addition, the Group adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. 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, certificates of deposit, 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.

d. 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, with the related unrealized gains and losses 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 equity. The Group's 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.

Compound financial instruments, from which an embedded derivative cannot be separated, are reported at fair value and resulting gains or losses are recognized in the income statement (See Notes 3 and 15). However, those instruments, which are low credit risk, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

e. Inventories – Inventories are stated at the lower of cost, determined by the average method or net selling value.

f. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings of the Company acquired after April 1, 1998 and lease assets of the Company and its consolidated domestic subsidiaries. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 4 to 5 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

g. Long-lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Retirement Benefits and Pension Plans – The Company and certain consolidated subsidiaries have funded defined benefit pension plans and defined contribution pension plans which cover substantially all of their employees. The Group accounts for the liability for the pension plans based on the projected benefit obligations and plan assets at the balance sheet date.

i. Research and Development Costs – Research and development costs are charged to income as incurred.

j. Leases – In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were 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. The revised accounting standard requires that all finance lease transactions are capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date. There was no impact resulting from this change on income before income taxes and minority interests.

All other leases are accounted for as operating leases.

k. 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.

l. 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.

m. 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 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 equity.

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

n. Per Share Information – Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed because no dilutive securities exist.

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.

o. New Accounting Pronouncements

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method – The current accounting standard requires the unification of accounting policies within the consolidation group. However, the current guidance allows for the application of the equity method for the financial statements of its foreign associated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In December 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

This standard is applicable to the equity method of accounting for investments effective on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations – In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations", and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections", and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures – In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures", and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Short–term investments:		
Time deposits other than cash equivalents	¥ 806	¥ 388
Short–term treasury securities	7,998	4,998
Government, corporate and other bonds	600	1,638
Total	¥9,404	¥7,024
Investment securities:		
Marketable equity securities	¥4,394	¥3,699
Non-marketable equity securities	11	12
Government, corporate and other bonds	102	494
Trust fund investments and other	27	39
Total	¥4,534	¥4,244

Information regarding the securities classified as available-for-sale at March 31, 2010 and 2009 were as follows:

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥4,859	¥291	¥756	¥4,394
Debt securities	8,698	2	0	8,700
Other	22	5	–	27

	Millions of yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥4,740	¥109	¥1,150	¥3,699
Debt securities	7,147	2	19	7,130
Other	37	2	0	39

Compound financial instruments at fair value included in the above "Debt securities" were nil and ¥187 million at March 31, 2010 and 2009, respectively.

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2010 and 2009, were as follows:

	Carrying Amount Millions of Yen	
	2010	2009
Equity securities	¥11	¥12

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2009 were ¥2 million and ¥2,859 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1 million and nil, respectively, for the year ended March 31, 2010, and ¥9 million and ¥4 million, respectively, for the year ended March 31, 2009.

4. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen	
	2010	2009
Merchandise	¥1,438	¥1,440
Finished products	2,930	3,068
Work in process	375	300
Raw materials and supplies	1,559	1,650
Total	¥6,302	¥6,458

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2010 and 2009 were as follows:

	Millions of Yen	
	2010	2009
Investments	¥234	¥207

6. OTHER ASSETS

Other assets at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen	
	2010	2009
Long-term prepaid expenses	¥ 880	¥ 777
Guarantee deposits	555	538
Long-term loans	298	364
Software	258	352
Other	412	219
Total	¥2,403	¥2,250

Long-term loans are primarily housing loans to employees bearing interest at annual rates which ranged from 0% to 3.0% and from 0% to 3.5% at March 31, 2010 and 2009, respectively.

7. SHORT-TERM BANK LOANS

The annual interest rate applicable to short-term loans at March 31, 2009 was 7.5%.

8. RETIREMENT BENEFITS AND PENSION PLANS

The Group and certain consolidated subsidiaries have funded defined benefit pension plans and defined contribution pension plans for employees.

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.

The liability for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen	
	2010	2009
Projected benefit obligation	¥ 3,328	¥ 3,003
Fair value of plan assets	(1,952)	(1,593)
Unrecognized actuarial loss	(233)	(200)
Unrecognized prior service cost	(294)	(708)
Net liability	¥ 849	¥ 502

The components of net periodic retirement benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen	
	2010	2009
Service cost	¥192	¥193
Interest cost	101	102
Expected return on plan assets	(52)	(70)
Amortization of prior service cost	62	62
Recognized actuarial loss	190	37
Subtotal	493	324
Contribution for the multi-employer pension plan	264	259
Contribution for the defined contribution pension plan	84	81
Net periodic retirement benefit costs	¥841	¥664

Assumptions used for the years ended March 31, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	1.9%	2.0%
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

The Company and certain of its consolidated subsidiaries participate in a contributory multi-employer pension plan (the "Plan") covering substantially all of their employees. The pension fund assets available for benefits under this plan at March 31, 2010 and 2009 were approximately ¥3,854 million and ¥3,053 million, respectively.

Contribution for the Plan is expensed as retirement benefit costs. Based on the Group's salary expense in comparison to the total salary expense of all employers which participate in the plan, the Group's share of the plan is 12%, at March 31, 2010; however, the share is not equal to the actual contribution percentage of the Group.

The financial statements of the Plan at March 31, 2009 is as follows:

	Millions of Yen
Fair value of plan assets	¥ 25,882
Projected benefit obligation	(46,098)
Net	¥(20,216)

<Note>

The main reason for the difference between the fair value of plan assets and the projected benefit obligation represented the prior service obligation of ¥9,905 million. The prior service obligation is evenly amortized over 11 years and 9 months. The Company and certain consolidated subsidiaries recognized ¥121 million of special contribution expense for the year ended March 31, 2010.

9. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen	
	2010	2009
Deposits received	¥ 362	¥ 353
Liabilities for retirement benefits to directors and corporate auditors	668	671
Other	14	21
Total	¥ 1,044	¥ 1,045

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, for companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the group has prescribed so in its articles of incorporation. The Group meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the group so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. 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 40.63% and 40.64% for the years ended March 31, 2010 and 2009, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 are as follows:

	Millions of Yen	
	2010	2009
Deferred Tax Assets:		
Accrued bonuses	¥ 306	¥ 276
Enterprise tax	104	38
Inventories	123	127
Retirement benefit costs	291	162
Long-term liabilities	262	267
Allowance for sales returns	101	24
Impairment loss on land	101	101
Property, plant and equipment	34	34
Depreciation	61	88
Devaluation of investment securities	113	113
Unrealized loss on available-for-sale securities	307	475
Other	246	238
Less valuation allowance	(146)	(1)
Total	1,903	1,942
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities	120	45
Depreciation	7	14
Undistributed earnings of overseas subsidiaries and associated companies	96	87
Other	8	10
Total	231	156
Net deferred tax assets	¥1,672	¥1,786

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 is as follows:

	2009
Normal effective statutory tax rate	40.64%
Expenses not deductible for income tax purposes	2.62
Adjustment of undistributed earnings of overseas subsidiaries and associated companies	(11.47)
Tax credit for research and development costs and others	(5.92)
Other – net	1.80
Actual effective tax rate	27.67%

There is no significant difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2010.

12. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2010 and 2009 were ¥1,847 million and ¥2,038 million, respectively.

13. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2010 and 2009 were ¥3,075 million and ¥3,760 million, respectively.

14. LEASES

The Group leases office space, office equipment and certain other assets.

Total rental expense for the years ended March 31, 2010 and 2009 was ¥1,262 million and ¥1,072 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen			
	2010		2009	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 8	¥ 145	¥ 9	¥ 145
Due after one year	14	1,155	22	1,300
Total assets	¥22	¥1,300	¥31	¥1,445

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, “Accounting Standard for Financial Instruments”, and issued ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments to utilize cash surpluses in low risk and highly liquid financial instruments. Derivatives are used, not for speculative purposes, but to achieve higher yields within specified limits on the amounts.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. In addition, approximately 40% of trade notes and accounts receivables are from specific dealers for the year ended March 31, 2010. Short-term investments and investments securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than three months. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

Derivatives are used to utilize compound financial instruments with embedded derivatives, which are exposed to credit-related losses in the event of non-performance by counterparties.

(3) Risk management for financial instruments

Credit risk management

The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring on a regular basis of payment terms and balances of major customers by the Sales planning division to identify the default risk of customers in the early stages.

With respect to held-to-maturity financial investments, since the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines, the credit risk associated with this investment is not considered to be significant.

Any losses arising from credit risk of compound financial instruments with embedded derivatives are not anticipated since the counterparties are limited to major international financial institutions.

Market risk management
With respect to foreign currency trade receivables and payables, the Group monitors on a regular basis foreign exchange risk recognized monthly in each currency.

Short-term investments and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis, and the securities, except for government bonds, are managed by reviewing the condition continuously in view of the market trend and relationship of the business partners.

Derivatives have been utilized in accordance with internal policies which regulate the authorization and credit limit amount. The conditions and results of such transactions are regularly communicated to the Management Committee.

Liquidity risk management
The Group manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning prepared by the Financial management division based on each department's report.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets.

(a) Fair value of financial instruments

March 31, 2010	Millions of Yen Carrying Amount	Fair Value
Cash and cash equivalents	¥ 9,743	¥ 9,743
Short-term investments and investment securities	13,927	13,927
Receivables	6,069	6,069
Total	¥29,739	¥29,739
Payables	¥ 4,211	¥ 4,211
Accrued income taxes	1,302	1,302
Total	¥ 5,513	¥ 5,513

Cash and cash equivalents
The carrying amounts of cash and cash equivalents approximate fair value because of their short maturities.

Short-term investment and investment securities
The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The carrying amounts of short-term investment and investment securities are equal to the fair values. The information of the fair value for short-term investments and investment securities by classification is included in Note 3.

Receivables, payables and accrued income taxes
The carrying amounts of receivables, payables and accrued income taxes approximate fair value because of their short maturities.

Derivatives
Compound financial instruments from which an embedded derivative cannot be separated was nil for the year ended March 31, 2010.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount Millions of Yen
Investments in equity instruments that do not have a quoted market price in an active market	¥11

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2010	Millions of Yen Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 9,743	¥ –
Short-term investments and investment securities		
Available-for-sale debt securities with contractual maturities	8,598	102
Other	806	27
Receivables	6,069	–
Total	¥25,216	¥129

16. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and an associated company for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen	
	2010	2009
Sales	¥ 291	¥ 423
Interest and dividend income	24	26
Other expenses-net	(235)	(237)

17. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Group for the year ended March 31, 2010 were approved at the shareholders' meeting held on June 24, 2010:

	Millions of Yen
Year-end cash dividends, ¥30 per share	¥701

18. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Industry Segments

Industry segment information is not disclosed because sales of the cosmetics segment represent more than 90% of the Group's operations.

(2) Geographical Segments

The Geographical Segments of the Group for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of Yen			
	2010			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	¥37,071	¥17,233	¥ –	¥54,304
Inter-area transfer	2,868	670	¥ (3,538)	–
Total sales	39,939	17,903	(3,538)	54,304
Operating expenses	36,225	16,258	(3,548)	48,935
Operating income	¥ 3,714	¥ 1,645	¥ 10	¥ 5,369
Total assets	¥21,583	¥14,126	¥18,473	¥54,182

Corporate assets of ¥18,932 million, included in "Eliminations/Corporate", are principally marketable and investment securities.

	Millions of Yen			
	2009			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	¥36,126	¥19,052	¥ –	¥55,178
Inter-area transfer	3,025	646	(3,671)	–
Total sales	39,151	19,698	(3,671)	55,178
Operating expenses	36,289	17,644	(3,681)	50,252
Operating income	¥ 2,862	¥ 2,054	¥ 10	¥ 4,926
Total assets	¥22,919	¥11,603	¥14,556	¥49,078

Corporate assets of ¥15,053 million, included in "Eliminations/Corporate", are principally marketable and investment securities.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2010 and 2009 amounted to ¥17,667 million and ¥19,473 million, respectively.

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To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheets of MANDOM CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. 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 generally accepted 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

June 17, 2010

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu

Outline of the Company (As of March 31, 2010)

Company Name	Mandom Corporation
Head Office	5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan
Established	December 23, 1927
Paid-in Capital	¥11,394,817,459
Number of Employees	2,269 (Consolidated) 534 (Non-consolidated)
Fiscal Year-end	March 31
General Meeting of Shareholders	Ordinary General Meeting of Shareholders Every June
Independent Auditor	Deloitte Touche Tomatsu LLC

Board of Directors & Executive Officers (As of June 24, 2010)

Representative Director President Executive Officer	Director in charge of Internal Control Div.	Motonobu Nishimura
Representative Director Vice President Executive Officer		Hiroshi Kamei
Director Senior Managing Executive Officer	Director of Corporate Planning Div. and Overseas Business Operations Div. Director in charge of Corporate Planning Div.	Masayoshi Momota
Director Managing Executive Officer	Director of Production/Distribution Director in charge of Production Engineering Div.	Kenji Yamada
Director Managing Executive Officer	Director of Resource Management and Executive Secretarial Office Director in charge of Legal Affairs Div. and Executive Secretarial Office	Yoshiaki Saito
Director Managing Executive Officer	Director of Marketing Director in charge of Advertisement and Sales Promotion Dept. and Product Promotion Div.	Ryuichi Terabayashi
External Director		Tsutomu Tsukada
External Director		Toshikazu Tamura
Corporate Auditor		Hiroshi Yasui
External Corporate Auditor		Kazuya Kotera
External Corporate Auditor		Susumu Takagi

Head Office

Group Companies (As of March 31, 2010)

Japan Company Names	Main Businesses	Voting Rights	
Piacelabo Corporation	Sales of cosmetic products	100.0%	consolidated subsidiary
Guinot Japan Corporation	Sales of cosmetic products	100.0%	consolidated subsidiary
mbs Corporation	Provides life and non-life insurance, and general services staffing, quality control of domestic Group companies' cosmetics products	100.0%	non-consolidated subsidiary

Overseas Company Names	Location	Main Businesses	Voting Rights	
INDONESIA				
PT Mandom Indonesia Tbk	Indonesia	Manufacture and sales of cosmetic products	60.8%	consolidated subsidiary
ASEAN3				
Mandom Corporation (Thailand) Ltd.	Thailand	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom Philippines Corporation	The Philippines	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sales of cosmetic products	98.3%	consolidated subsidiary
NIES4				
Mandom Corporation (Singapore) Pte. Ltd.	Singapore	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom Taiwan Corporation	Taiwan	Sales of cosmetic products	100.0%	consolidated subsidiary
Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sales of cosmetic products	44.0%	equity-method affiliate
Mandom Korea Corporation	Korea	Sales of cosmetic products	100.0%	consolidated subsidiary
CHINA				
Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sales of cosmetic products	66.7%	consolidated subsidiary
Mandom China Corporation	China (Shanghai)	Sales of cosmetic products	100.0%	consolidated subsidiary

Contact: Corporate Communications & Investor Relations Division Address: 5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan Tel: +81-6-6767-5020 Fax: +81-6-6767-5043 URL: http://www.mandom.co.jp/

Stock Information (As of March 31,2010)

Number of Shares Authorized for Issue	81,969,700 shares	**Stock Listing**	First Section, Tokyo Stock Exchange
Shares of Common Stock Issued and Outstanding	24,134,606 shares	**Securities Code**	4917
Number of Shareholders	17,189	**Transfer Agent**	The Sumitomo Trust and Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

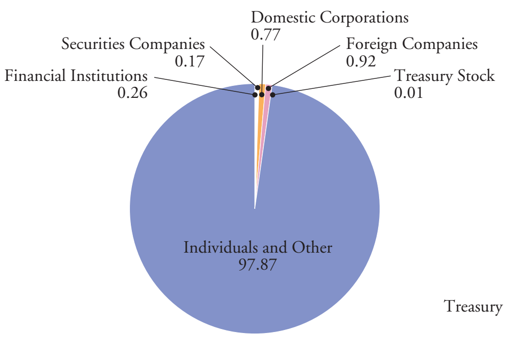
Major Shareholders

Shareholder	No. of Shares (Thousands)	Holding (%)
Nishimura International Scholarship Foundation	1,800	7.46
The Master Trust Bank of Japan, Ltd. (trust account)	1,296	5.37
Japan Trustee Services Bank, Ltd. (trust account)	1,018	4.22
Motonobu Nishimura	1,005	4.16
Mandom Corporation	753	3.12
Teruhisa Nishimura	751	3.11
Mandom Employee Shareholding Association	728	3.02
STATE STREET BANK AND TRUST COMPANY	708	2.94
BNP Paribas Sec Svc London/Jas/Aberdeen Investment Funds Icvc/ Agency Lending	487	2.05
HAYAT	453	1.88

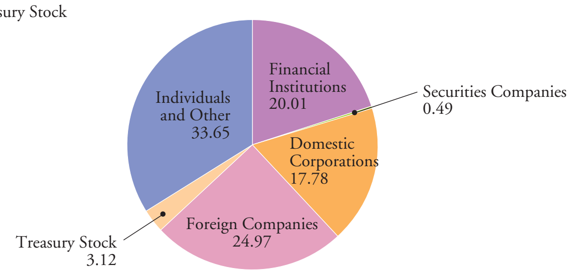
Note: Figures less than 1,000 shares have been omitted. Holding percentage is calculated based on the number of shares issued and outstanding.

Common Stock Holdings

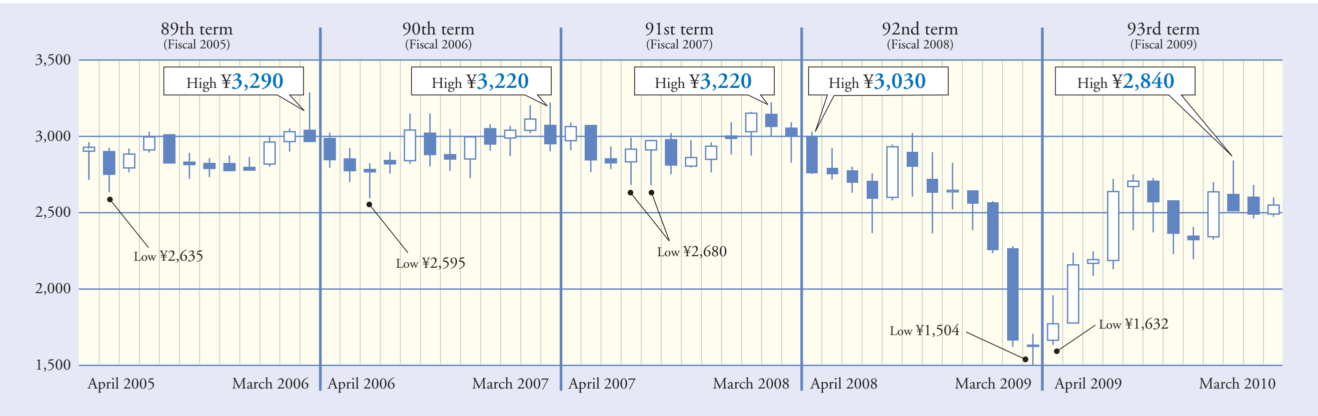
Shareholders by Type (%)



Shareholders by Holding (%)



Stock Price and Transaction Volume



Mandom Group Corporate IR Activities

Based on the Japanese disclosure system, we disclose our corporate information in a timely and proper manner and achieve our accountability goals.

1. As a company listed on the Tokyo Stock Exchange, we will comply with Japan's Financial Instruments and Exchange Law, TSE (Tokyo Stock Exchange)'s rules of timely disclosure of corporate information and other relevant laws, and regulations and rules.
2. The Japanese disclosure system will be duly observed. In addition, we will disclose our corporate information, in a fair, timely, and proper manner at our own discretion, which will give better understanding of the Mandom Group.
3. Sound relationships with a variety of stakeholders will be maintained and further enhanced. We will achieve full accountability for disclosed information.

mandom corp.

未来が変わる。
日本が変える。
チャレンジ25

たいせつにしますプライバシー
20000454(03)

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Mandom Corporation has acquired ISO 9001 certification for the Head Office (excluding marketing divisions) and the Fukusaki Factory.
Note: ISO 9001 Registration Scope: Design, Development, Production and Delivery of Cosmetics and Quasi-drugs (except for imported products), whose Mandom Corp. is Marketing Approval Holder.

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