mandom／Human & Freedom

For a Unique Company Focusing on Asia

Annual Report 2011

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.

Mandom was founded in 1927 as the Kintsuru Perfume Corporation. Since then, we have conducted business based on our spirit of "affordable quality." This means that we contribute to society by bringing quality products to the masses while at the same time paving our own unique way no matter how the times changed.

Over our 84-year history and through the weathering of two financial crises, this spirit has continued to grow and today encompasses our mission to contribute to a comfortable life of consumers and become a unique company.

With the aim of becoming a unique company whose strength lies in global management with a focus on Asia, on April 1, 2011, we embarked upon our tenth three-year middle-range planning (MP-10). In Japan and the rest of Asia, we will work as one by aiming to provide a comfortable lifestyle supported by health and beauty.

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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements concerning Mandom's current plans, strategies, beliefs and performance. These forward-looking statements include statements other than those based on historical fact and represent the assumptions and beliefs of management based on information currently available. Mandom therefore wishes to caution readers that actual results may differ materially from expectations, and that forward-looking statements are subject to a number of foreseen and unforeseen risks and uncertainties.

All amounts have been rounded to the nearest whole unit.

The Philosophy of the Mandom Group

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

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

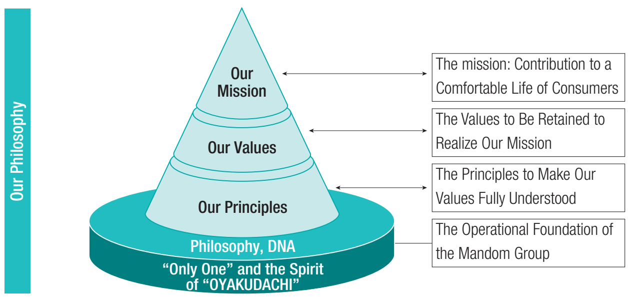
We will try to establish mutual communication with our stakeholders in order to build and sustain favorable relationships with them. We aim to respond quickly to their demands on our economic and social responsibilities. We will also be "a good corporate citizen" and dedicate ourselves to society's development.

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
2 "KohDoh" for Self-actualization
3 "KohDoh" for Profitability Enhancement
4 "KohDoh" for Good Ethics
5 "KohDoh" for Successful Business Partnerships
6 "KohDoh" for Environmental Preservation
7 "KohDoh" for Philanthropy

The Concept of Our Philosophy



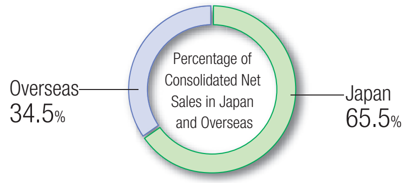
The Concept of "Only One"

We aim to become the "Only One" company, developing a distinctive business and inviting employees to active participation in decision making. Our concept of "Only One" goes beyond "single" and encompasses our uniqueness and originality. In other words, we must retain a lot of ideas "peculiar to Mandom" in terms of product development, advertising, marketing and corporate management. We hope these efforts will make our stakeholders respect us as an original entity. To put it simply, uniqueness or originality is learning from others, not mimicking them. "Learning from others" means asking our stakeholders for their opinions and ideas and incorporating them into the Mandom style. "Not mimicking" means we strive hard to add a new different value to each idea. If we learn from others and do not just mimic them, we will naturally be regarded as "different", and win the credit of being unique and original. We envision our future as a company enjoying a high reputation of being absolutely essential to the community. This ambition is concentrated in the simple words "Only One".

At a Glance

Area Development

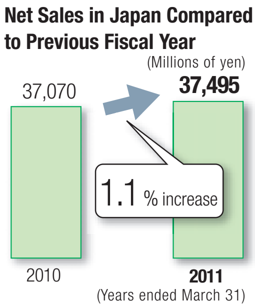
The Mandom Group does business in five strategic areas: Japan, Indonesia, ASEAN, NIES, and China. We strive to align Our Philosophy and the policies common to our Group with local social and market characteristics.



Japan

The cosmetics market is predicted to experience changing and intensifying competition due to a number of factors: an increasingly low birthrate and aging society creating low market growth, companies in other industries entering the field, and changing trends.

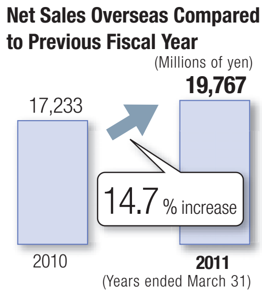
In men's cosmetics, Mandom drives the market as its leader, but in women's cosmetics we are trying to step up activities to increase our currently low market share.

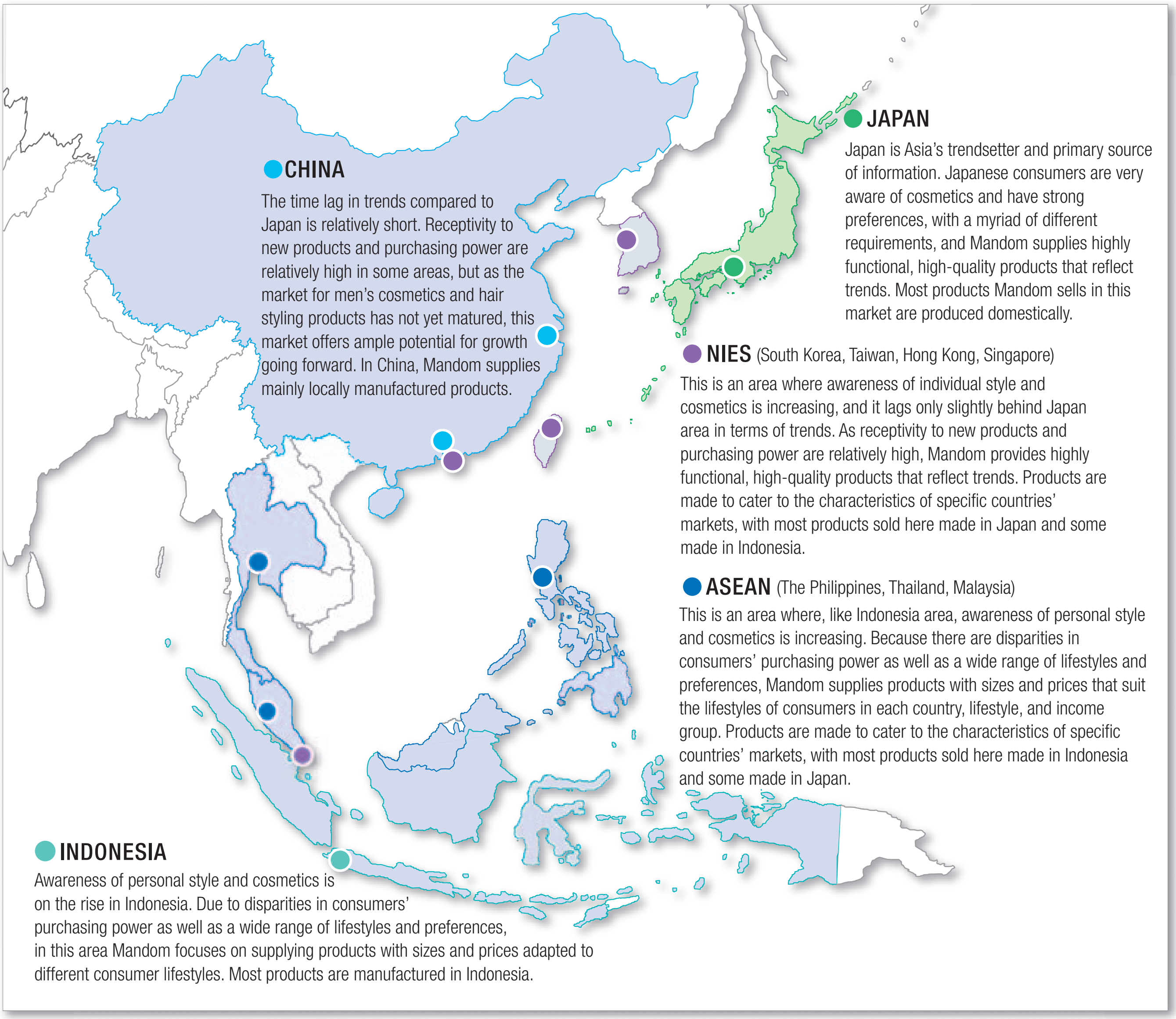


Overseas

In Asia, Mandom's main geographic area of business, economic growth is enticing international corporations to set up local bases, and competition is expected to intensify. Population growth and a rising standard of living will further stimulate economic growth.

In men's hair care products, Mandom plans to build and drive the market, while in other product areas we will step up our assault on the market.





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.

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.

NIES (South Korea, Taiwan, Hong Kong, Singapore)

This is an area where awareness of individual style and cosmetics is increasing, and it lags only slightly behind Japan area 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. Products are made to cater to the characteristics of specific countries' markets, with most products sold here made in Japan and some made in Indonesia.

ASEAN (The Philippines, Thailand, Malaysia)

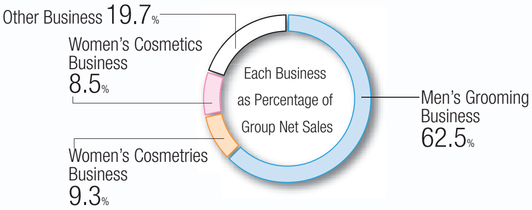
This is an area where, like Indonesia area, awareness of personal style and cosmetics is increasing. Because there are disparities in consumers' purchasing power as well as a wide range of lifestyles and preferences, Mandom supplies products with sizes and prices that suit the lifestyles of consumers in each country, lifestyle, and income group. Products are made to cater to the characteristics of specific countries' markets, with most products sold here made in Indonesia and some made in Japan.

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 consumer lifestyles. Most products are manufactured in Indonesia.

Product Expansion

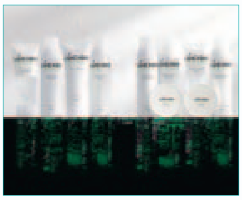
The Mandom Group has positioned six strategic business units, including the men's grooming business, the women's cosmetics business, and the women's cosmetics business, in which we conduct business activities geared to responding to consumer wants.



Men's Grooming Business

GATSBY LÚCIDO

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.

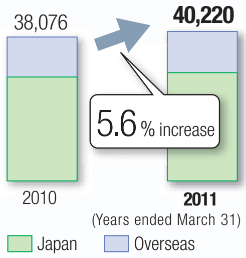


▲ Lúcido

▲ Gatsby

Group Net Sales for Men's Grooming Business Compared to Previous Fiscal Year

(Millions of yen)



Women's Cosmetries Business

LÚCIDO-L Pucelle

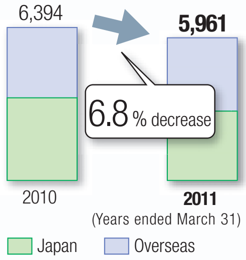
This business comprises a range of products that includes styling and facial and body care items that lend variety to women's beauty routines. We are working to rebuild the brands in this business.

▲ Lúcido-L

▲ Pucelle

Group Net Sales for Women's Cosmetries Business Compared to Previous Fiscal Year

(Millions of yen)



Women's Cosmetics Business

Bifesta PIXY

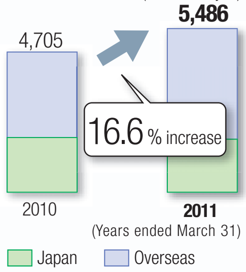
This business handles a range of make-up and skin care products that lend variety to women's beauty routines. We are working to step up marketing activities geared specifically to the markets of each country in which we do business.

▲ Bifesta

▲ Pixy

Group Net Sales for Women's Cosmetics Business Compared to Previous Fiscal Year

(Millions of yen)



Other Business This is made up of the Professional Use Business, Other Business, and International Trading Business.

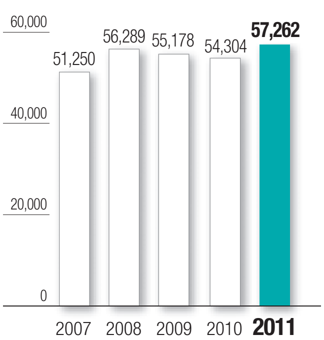
Financial Highlights

Summary of Consolidated Financial Indicators

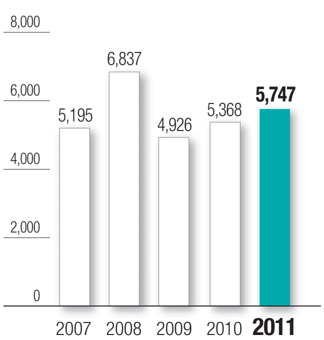
(Years ended March 31)

	2002	2003	2004	2005
For the Year:	Millions of yen			
Net Sales	42,086	45,434	45,364	47,546
Japan	34,789	36,652	35,711	35,635
Asia	7,296	8,782	9,652	11,910
Indonesia	–	–	–	–
Others	–	–	–	–
Cost of Sales	18,834	18,844	18,725	19,447
Gross Profit	23,251	26,590	26,638	28,098
Selling, General and Administrative Expenses	18,040	20,267	19,958	21,397
Operating Income	5,211	6,322	6,680	6,700
Japan	4,328	5,037	5,256	4,935
Asia	860	1,282	1,422	1,762
Indonesia	–	–	–	–
Others	–	–	–	–
Net Income	2,176	2,988	3,253	3,211
Depreciation	1,600	1,730	1,694	1,632
Capital Investment	2,854	1,064	1,043	1,791
Research and Development	1,513	1,482	1,574	1,888
At Year-End:	Millions of yen			
Total Assets	38,613	43,868	45,474	47,397
Total Equity	29,376	34,714	36,687	38,168
Per Share Data:	yen			
Book Value per Share (BPS)	1,306.61	1,435.11	1,516.70	1,577.94
Earnings per Share (EPS)	92.96	128.32	130.83	128.73
Cash Dividends per Share	40.00	50.00	50.00	55.00
Financial Index:	%			
Shareholders' Equity Ratio	76.1	79.1	80.7	80.5
Return on Equity (ROE)	7.1	9.3	9.1	8.6
Payout Ratio	43.0	39.0	36.3	42.7

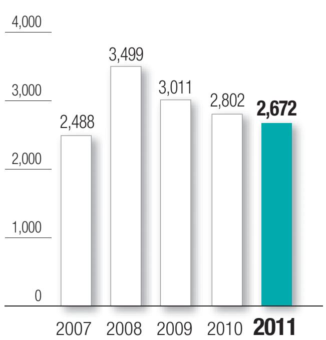
Net Sales (Millions of yen)



Operating Income (Millions of yen)



Net Income (Millions of yen)



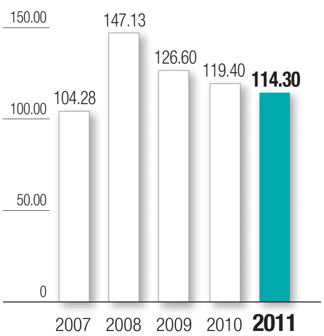
Operating Income Margin (%)

(Years ended March 31)

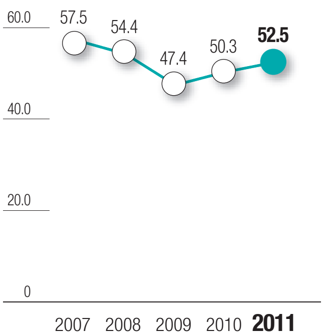
	2006	2007	2008	2009	2010	2011
						Millions of yen
	47,923	51,250	56,289	55,178	54,304	**57,262**
	35,003	36,025	37,957	36,126	37,070	**37,495**
	12,920	15,225	18,331	19,052	–	**–**
	–	–	–	–	11,194	**12,944**
	–	–	–	–	6,038	**6,823**
	20,114	22,233	23,930	24,920	24,553	**25,868**
	27,808	29,016	32,358	30,257	29,750	**31,394**
	21,742	23,820	25,521	25,331	24,381	**25,647**
	6,065	5,195	6,837	4,926	5,368	**5,747**
	4,399	3,288	4,235	2,861	3,541	**3,646**
	1,663	1,904	2,599	2,053	–	**–**
	–	–	–	–	1,121	**1,315**
	–	–	–	–	705	**785**
	3,099	2,488	3,499	3,011	2,802	**2,672**
	1,653	1,856	2,236	2,353	2,125	**2,394**
	2,862	2,541	2,096	2,039	3,221	**1,696**
	1,668	1,866	2,024	2,037	1,846	**1,850**
						Millions of yen
	51,320	51,620	54,218	49,078	54,182	**53,328**
	40,568	44,182	45,868	42,379	45,058	**45,291**
						yen
	1,677.82	1,727.55	1,779.67	1,661.94	1,774.64	**1,785.56**
	124.36	104.28	147.13	126.60	119.40	**114.30**
	60.00	60.00	80.00	60.00	60.00	**60.00**
						%
	79.1	79.6	78.1	80.5	76.6	**78.3**
	7.9	6.1	8.4	7.4	6.9	**6.4**
	48.2	57.5	54.4	47.4	50.3	**52.5**

ROE (%)

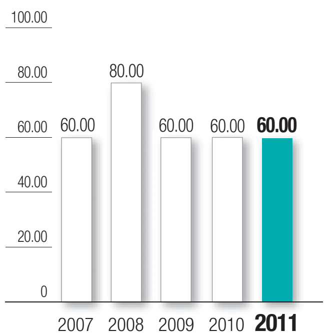
EPS (yen)



Payout Ratio (%)



Cash Dividends per Share (yen)



(Years ended March 31)


Motonobu Nishimura
Representative Director
President Executive Officer
Hiroshi Kamei
Representative Director
Vice President Executive
Officer

To become a unique company whose strength lies in its global management with a focus on Asia, we are accelerating business growth under our tenth three-year Middle-Range Planning.

We at Mandom send our prayers to those who passed away in the Great East Japan Earthquake of March 11, 2011, and we offer our deepest wishes for recovery to all those who suffered from this disaster.

Although the Mandom Group suffered minimal damage from the disaster, we are not sure what effects it will have on our business in future.

In fiscal 2011, ended March 31, 2011, the final year of the ninth three-year Middle-Range Planning (MP-9), we strove to get on the growth track and restore profitability by changing our growth structure and dramatically cutting costs. As a result of these efforts, we recorded our highest net sales ever and got back on track to growth. As well, we increased operating income and ordinary income as we returned to profitability.

Starting in fiscal 2012, to become a unique company whose strength lies in its global management with a focus on Asia, we embarked on our tenth three-year Middle-Range Planning (MP-10) with the aim of accelerating the pace of growth. We are shooting for a continuous increase in revenue through a strategic influx of management resources that will gradually increase the scale of Group business. The entire Mandom Group will work as one to take action that realizes Our Philosophy of aiming to provide a comfortable lifestyle supported by health and beauty.

Overview of Fiscal 2011

Highest-ever net sales help put Mandom on track to recovery.

In fiscal 2011, the final year of the ninth three-year Middle-Range Planning (MP-9), Japan's economy saw signs of recovery. However, factors including high unemployment and continuing deflation combined with worries about the world economic situation and the strong yen to create continued uncertainty for the time being. In the cosmetics industry, profitability continues to be elusive. In other Asian countries where Mandom has a presence, however, the Chinese economy is stimulating business and continuing to create increasing demand, while other countries and regions are getting back on track.

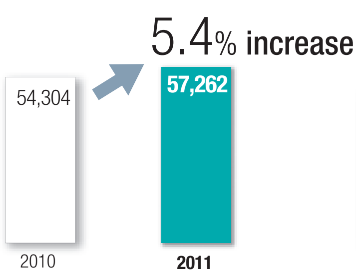
Against this background, the Mandom Group strove to achieve stable growth in the core men's grooming business, establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain, and continue expanding overseas operations.

As a result of these efforts, we succeeded in increasing net sales. Although the women's cosmetics business was stagnant, the men's grooming business, centered on products like the Gatsby brand, enjoyed steady performance, while women's cosmetics rebounded strongly in countries like Indonesia. Another contributing factor was the strength of local currencies in Asian countries, which resulted in an increase in the yen-equivalent amounts of overseas sales.

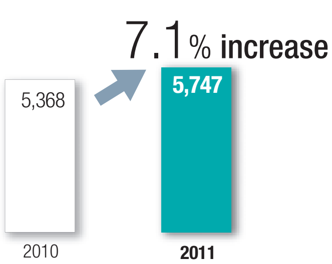
On the profit side, despite the fact that prices rose for raw materials and high cost-price products like facial paper made up a higher percentage of net sales, increased revenue and cost-price reductions in Japan allowed us to increase operating income and ordinary income. However, net income was down due to the earmarking of corporate tax for prior periods.

As a result of our efforts, we achieved positive results in getting back on the road to recovery. Net sales were ¥57,262 million, up 5.4% over the previous year, operating income was ¥5,747 million, up 7.1%, ordinary income was ¥6,006 million, up 5.1%, and net income was ¥2,672 million, down 4.6%.

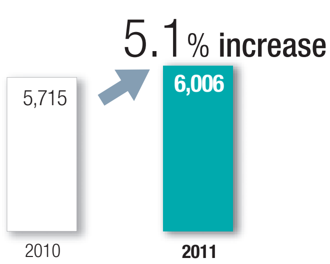
Net Sales (Millions of yen)



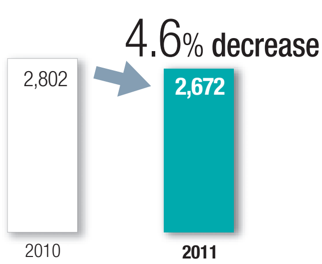
Operating Income (Millions of yen)



Ordinary Income (Millions of yen)



Net Income (Millions of yen)



(Years ended March 31)

MP-9 Comes to a Close

Despite coming up short of targets, Mandom achieved positive results in men's grooming, women's cosmetics, and overseas business.

MP-9 was a middle-range plan for creating new stable growth domains and putting Mandom on a path to continuous growth. Under MP-9, we aimed to continue strengthening our overseas business as an engine of growth and thus achieve stable growth in the core men's grooming business, establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain, and continue expanding overseas operations. MP-9 helped us leverage growth, establish profitability, achieve long-term, gradual efficiency of capital, and reward our shareholders with high and stable dividend payments.

As a result of these efforts, we achieved our target for the payout ratio, an indicator of the return to shareholders. However, we were unable to achieve our targets for growth, profitability, and efficiency of capital. (See graphs below.)

There are a number of reasons we failed to achieve targets. The financial crisis in the autumn of 2008 in the United States triggered a worldwide financial downturn, and this hurt Japan's cosmetics market. As well, increasing competitiveness in the market and the strong yen led to weaker results overseas, and factors like the high cost of raw materials made it more difficult to do business. There were other factors, however, that we do have control over: stagnant sales of Lúcido in the men's grooming business and of Lúcido-L in the women's cosmetries business, and the inappropriateness of the Produce line for coloring women's gray hair.

Despite this, our strategies were successful on several fronts: there was stable growth of Gatsby products in Japan and overseas, the women's cosmetics business showed healthy results in Japan and Indonesia, and overseas business, except for certain regions, enjoyed double-digit growth (based on local currency). As well, from the second year of MP-9, more efficient use of sales expenses and dramatic cost-cutting helped us recover profitability and allowed us to offer shareholders high and stable dividend payments.

To summarize, our main priority is to achieve profitability and sustainable progress by expanding and speeding up growth in fields that are the engine of our business.

Results of Ninth Three-Year Middle-Range Planning (MP-9)

MP-9	Item		Initial Plan	Performance	Initial Plan line
Growth Potential	Group Sales		75 billion yen	64.3 billion yen	68.8 billion yen*
	Men's Grooming Business	Average growth p.a.	3.1% or higher	0.6%	2.6%*
	Gatsby Brand	Average growth p.a.	4.5% or higher	2.8%	4.9%*
	Women's Cosmetries Business	Average growth p.a.	8.9% or higher	-12.2%	-9.5%*
	Women's Cosmetics Business	Average growth p.a.	15.8% or higher	13.7%	18.0%*
	Overseas Group Sales	Average growth p.a.	10.6% or higher	1.9%	8.2%*
Profitability	Group Net Income		5.7 billion yen	3.9 billion yen	
Capital Efficiency	Consolidated ROE		8% or higher	6.4%	
	Consolidated EPS		155 yen or higher	114.3 yen	
Shareholder Returns	Payout Ratio		40% or higher	52.5%	

Achievements

- Stable growth of Gatsby
- Sustained growth of women's cosmetics business thanks to continued reinforcement
- Continuous business expansion based on the positioning of overseas business as growth engine
- Continued achievements of dividend payout ratio goals

Challenges

- Sluggish women's cosmetries business
  ⇒ Brand restructuring
- Reduced profitability
  ⇒ Improved in and after Year 2 thanks to cost review

*Average three-year growth rates based on the provisional exchange rate adopted at time of initial MP-9 formulation

Formulation of MP-10, Our Tenth Three-Year Middle-Range Planning

We will focus on contributing to the lives of consumers in Asia to expand sales.

It is extremely unfortunate that we were not able to achieve our goals under MP-9 due to a variety of internal and external factors. Under MP-10, our tenth three-year Middle-Range Planning (from fiscal 2012 to 2014), we have made it our mission to once again try to achieve increased net sales, and we are doing all we can to achieve this goal.

Mandom has long been striving to be a one-of-a-kind company contributing to the lives of consumers in other countries: in 1958, we formed a technical tie-up with a company in Manila, the Philippines as our first foreign venture. For fiscal 2011, overseas (Asia) business with all except a few regions achieved double-digit growth in local currency. This shows that Asia is becoming more important to the Mandom Group year by year both in terms of market scale and growth rate.

Asian markets have enjoyed rapid growth in recent years, with economic activity and population increase helping accelerate this growth and creating expectations of further progress.

But product trends are changing and competition is expected to intensify as more international companies enter the Asian cosmetics market. If we are to stay ahead of our competitors, we will have to implement measures that bring to fruition our Mission of aiming to provide a comfortable lifestyle supported by health and beauty. Our aim is to be a unique company whose strength lies in its global management with a focus on Asia. We will achieve this not just by focusing globally but also by meeting the exacting needs of local markets through an understanding of the many values that consumers hold.

Under MP-10, we will step up efforts in the rapidly growing Asian market so that we can increase sales and thus accelerate the growth of Mandom Group business.

Background of MP-10 Formulation

Mission

Philosophy
"Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty"
•Contribution to a Comfortable Lifestyle of Consumers in Asia

Future vision
One and only unique company strongly anchored in Asia

Mandom Group Current Status

Business development founded on men's cosmetics

Reinforcement of women's cosmetics business

Expanding percentage of sales outside Japan
•Maintenance of high growth in Indonesia, which accounts for 60% of overseas sales

Favorable return on investment for shareholders

External Environment

Intensifying cosmetics market competition
•Greater number of newcomers to domestic markets
•Changing product trends in women's cosmetics market (dominance of low-priced function-specific items)
•Arrival/dominance of global companies on Asian markets

Rapidly growing Asian markets
•Accelerated growth in newly emerging countries following economic development and population increase
•Rapid changes in product trends in respective countries

Worsening conditions for raw material procurement

Future Orientation

Accelerated Asian-centered business development

Stable growth of men's grooming business

Reinforced development of women's cosmetics business

Improvement of profitability

Maintenance of stable and high-level return of profits to shareholders

Essence of MP-10, Our Tenth Three-Year Middle Range Planning

We will leverage success in Asia to accelerate growth in the Mandom Group.

We recently embarked on MP-10, a middle-range three-year plan for accelerating Mandom Group growth under which we aim to increase sales in order to raise profitability and offer shareholders high and stable dividend payments.

With regards to growth, we aim to increase sales under the key strategies of achieving stable growth in the core men's grooming business, stepping up the offensive in women's cosmetics business and continuing and expanding overseas operations with Asia as the engine of growth.

With regards to profitability, we are investing aggressively in marketing in core businesses that will improve our growth, as well as in regions of high growth. To this end, we are continuing to cut costs so that we can achieve an operating profit margin of at least 10%.

Although our main priority is to make investments so that our production can respond to demand and so that we can accelerate the pace of growth, it is also our aim to offer shareholders high and stable dividend payments. (See graphs below.)

The following are the main goals of MP-10.

• Achieve stable growth in the core men's grooming business

Achieve stable growth of this core business, and maintain and increase our share of each product category in the men's grooming market.

• Step up the offensive in women's cosmetics

Focusing on skin care products, step up marketing activities and nurture markets by introducing product lineups that match the needs of local consumers.

• Continue and expand overseas operations with Asia as the engine of growth

We will make Indonesia and China key areas as we carry out aggressive marketing aimed at cultivating the Asian market and raising our growth potential. We will also build a distribution network that will help us make progress in India and Indochina, markets of promising growth.

Tenth Three-Year Middle-Range Planning (MP-10)

MP-10	Item		Initial Plan	Measures
Growth Potential	Consolidated Net Sales		66 billion yen or higher	•Stable growth in the men's grooming business •Increased activity in the women's cosmetics business •Continued emphasis on Asia as a growth engine
	Men's Grooming Business	Average growth p.a.	3.2% or higher	•Striving to maintain and expand category share in the men's grooming market
	Gatsby Brand	Average growth p.a.	3.6% or higher	
	Women's Cosmetics Business	Average growth p.a.	19.3% or higher	•Bolstering the development and promotion of products that address individual market needs focusing particularly on skin care
	Consolidated Overseas Net Sales	Average growth p.a.	9.4% or higher	•Cultivate Asian markets centering on the key areas (Indonesia, China) •Establishing a distribution network and promoting the further development and expansion of products sales in India and Southeast Asia, areas that are expected to enjoy future growth
	Overseas Net Sales as Percentage of Consolidated Net Sales		40% or higher	
Profitability	Consolidated Operating Income Margin		10% or higher	•Proactive market investment aimed at enhancing growth potential •Improving profit margins by increasing profitability
Shareholder Returns	Payout Ratio		40% or higher	•While prioritizing growth-oriented investment, ensure stable high levels of shareholder returns

Forecast for Fiscal 2012

In the first year of MP-10, we will work to accelerate growth by implementing our strategic measures.

While fiscal 2012 began with promise of recovery for Japan's economy, the Great East Japan Earthquake created an unpredictable economic situation. However, the Asian economy is expected to continue expanding along with recovery in the world economy in general.

Against this background, we expect to increase net sales through our key strategic measures. These measures are to create steady growth in the core men's grooming, step up marketing in women's cosmetics, and continue to step up overseas business with Asia as the engine of our growth. We predict that these efforts will help us increase revenue in spite of the adverse effects of the earthquake in Japan and the decrease in yen-equivalent amounts of overseas sales due to weak local currencies.

As for profits, we expect operating income and ordinary income to decrease. Although we are continuing efforts to reduce cost price and make more efficient use of sales expenses and general administration costs, we are also investing aggressively in overseas markets and the women's cosmetics field, facing higher raw material costs, and have been adversely affected by the earthquake in Japan.

However, as of the end of the first quarter, summer products were selling better than expected in Japan, resulting in net sales and operating income far above our forecasts. This has led us to revise our earnings forecasts for the entire fiscal year.

Forecasts are for fiscal 2012 net sales of ¥60,500 million, up 5.7% over the previous year, operating income of ¥6,250 million, up 8.7%, ordinary income of ¥6,450 million, up 7.4%, and net income of ¥3,420 million, up 28.0%.

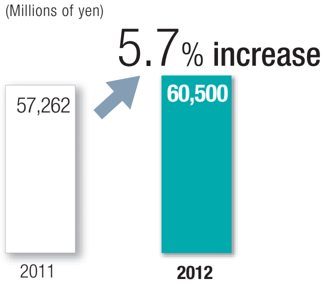
The entire Mandom Group will work together as one to achieve the targets of MP-10. We look forward to the further support and guidance of our stakeholders in these endeavors.

July 2011

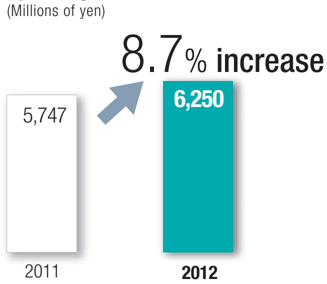
Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer

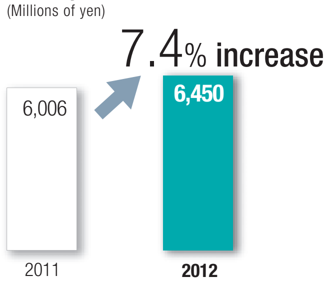
Net Sales Forecast
(Millions of yen)



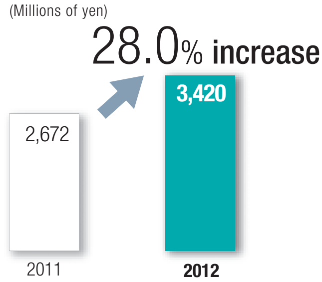
Operating Income Forecast
(Millions of yen)



Ordinary Income Forecast
(Millions of yen)



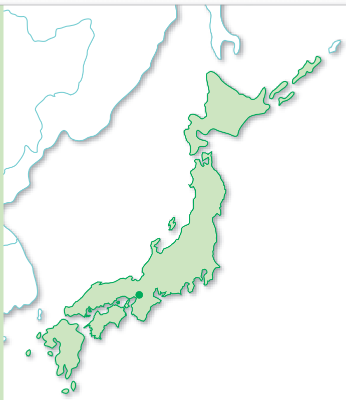
Net Income Forecast
(Millions of yen)



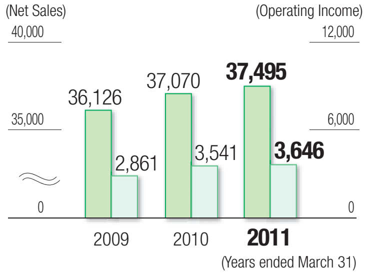
(Years to March 31)

Overview by Segment

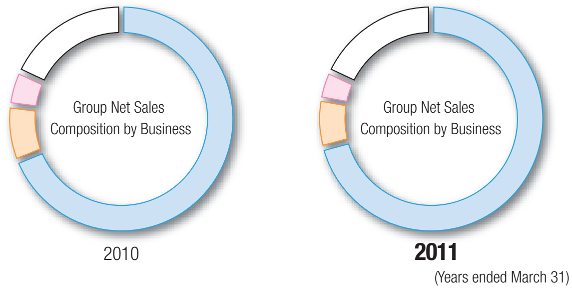
Domestic Operations



Consolidated Net Sales and Operating Income in Japan (Millions of yen)



Change in Net Sales Composition by Business



Fiscal 2011 Results

Mandom reported revenue and earnings growth. Net sales and operating income increased 1.1% and 3.0% year on year.

In fiscal 2011, ended March 31, 2011, the Gatsby brand in the facial and body care category performed well in Japan. This robust performance by the core Gatsby brand in the mainstay men's grooming business offset the slump in other existing products. As a result, revenue increased with net sales climbing 1.1% year on year.

From a profit perspective, the increase in raw material costs placed downward pressure on earnings. However, buoyed by an increase in revenue, successful efforts to reduce costs through a review of the procurement function and promotion of in-house manufacturing, ongoing measures aimed at increasing the efficiency of sales and promotional expenses, improvement in the rate of returned goods unsold and the upswing in sales, Mandom posted higher earnings with operating income climbing 3.0% year on year.

Men's Grooming Business

In the fiscal year under review, the men's cosmetics market grew in overall terms. Despite continued contraction in the hair styling category, this was largely attributable to steady expansion in face and body care products reflecting increased interest and awareness mainly among young men.

Against this backdrop, in our Gatsby products, we took steps to boost our market share in the hair styling category by introducing to the market new products that meet diversifying consumer wants and needs. To this end, we launched the new water wax-type Gatsby Quick Moving Lotion and continued to step up Moving Style proposals focusing primarily on the mainstay Gatsby Moving Rubber series of hair wax products. In addition to bolstering the development of existing products in the facial and body care category, we also made efforts to augment our lineup through the release of new products including the water-type deodorant Gatsby Deodorant Aqua.

From a marketing perspective, our focus was directed toward maximizing contact with specific target markets. Complementing the concentrated television commercials that kicked off the launch of each new product, we continued to both advertise and convey information through wide-ranging media including magazines and the Internet.

▲ Gatsby Deodorant Aqua in-store promotions

Looking at recent demographic trends and lifestyles, the middle-to-mature age segment shows considerable future promise. Moving forward, we have rebuilt the Lúcido brand, placing greater emphasis on its appeal as a fragrance-free aging care cosmetics for the adult male.

▲ Gatsby Quick Moving Lotion

▲ Gatsby Deodorant Aqua

▲ Renewed Lúcido Styling series

Leading off our efforts, we renewed the Lúcido styling series during the fiscal year under review. Considerable weight was placed on bolstering the Lúcido product lineup. To address the anxieties of middle-to-mature age men, we introduced several hair care products that bring boost volume bringing the sensation of a full head of hair.

In the area of marketing, we are utilizing magazines, transit advertising, and online media in implementing promotional campaigns that include the distribution of sample skin care products. Through these means, we took steps to boost awareness among middle-to-mature age men of the important of skin care.

Updating functions of web site

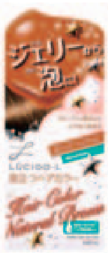
Women's Cosmetries Business

The women's cosmetries market remained stagnant. Despite growth in the outbath treatment category as a result of changes in hairstyles and overall care awareness, this weak environment was attributable in contraction across most categories including hair styling.

Under these circumstances, we launched new products in the growing outbath treatment category and increased the number of items. In addition to our lineup of existing wax products that address the styling needs of the highly popular hair curling and waving, we bolstered our lineup through the release of the new jelly type products. Moreover, we took steps to augment our hair color series by releasing new products for the foam-type hair color market, which is experiencing a growth trend.

To better market our products, we endeavored to provide information that would help instill increased product awareness and understanding. This included explanations of how to use products to maximum advantage together with hair styling proposals using both magazines and the Internet. As an innovative initiative aimed at increasing points of contact with consumers, we provided access to iPhone and iPod Touch* applications allowing users to simulate hair styles best suited to their individual needs and ideas.

▲ Lúcido-L Designing Pot



▲ Lúcido-L Foam Hair Color

▲ Hairstyle simulation application, *Kamigata* (hairstyle) Collection

* iPhone and iPod are trademarks and registered trademarks of Apple Inc.
* The iPhone trademark is used under license from Aiphone Co., Ltd.

Women's Cosmetics Business

In the women's cosmetics market, there was a distinct shift toward low-priced products due largely to changes in product trends in the fiscal year under review. At the same time, products that place a premium on functionality experienced steady growth.

Against this backdrop, in the women's cosmetics business, we revised the product makeup and focused on certain products, as well as increased the number of items in the cleansing series, which continues to enjoy growth, as well as the skin care series. We also expanded our lineup of products by introducing such additional offerings as cleansing liquid in the water cleansing lotion series that includes cleansing express, and a whitening line, which has attracted significant consumer wants in the Barrier Repair series of high moisturizing skin care products.

▲ Lineup of the women's cosmetics products

From a marketing perspective, we made concerted attempts to highlight the efficacy and functions of products through wide-ranging media including transit advertising, the Internet and magazine promotions. Steps were taken to increase product visibility while enhancing consumer awareness and understanding.

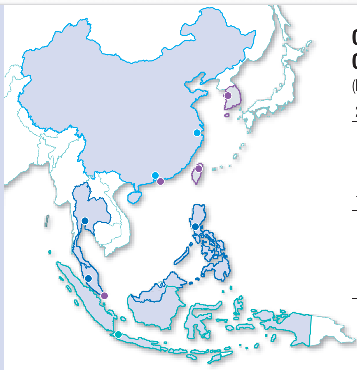
▲ In-store promotions

Future Initiatives

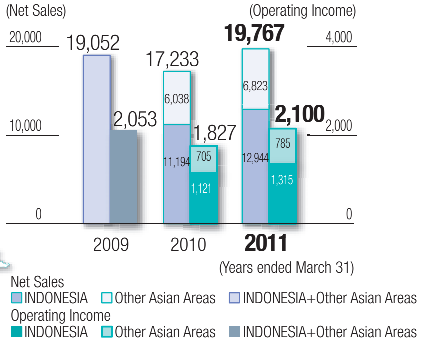
In fiscal 2012, ending March 31, 2012, we will maintain our focus on the facial and body care category, which continues to enjoy steady growth, in the men's grooming business on Japan. In the women's cosmetics business, we will ramp up our efforts to nurture brands paying particular attention to the skin care category.

Building on the strengths of our priority initiatives, we will target further increases in both revenue and earnings.

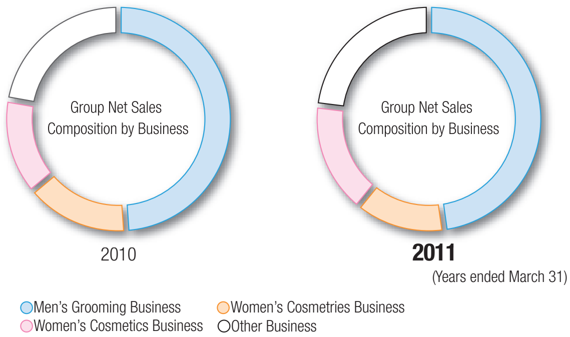
Overseas Operations



Consolidated Net Sales and Operating Income Overseas (Millions of yen)



Change in Net Sales Composition by Business



Fiscal 2011 Results

Mandom posted an increase in revenue and earnings with net sales climbing 14.7% year on year. Earnings improved in similar fashion with operating income growing 15.0% year on year.

In fiscal 2011, ended March 31, 2011, Mandom recorded a significant year-on-year improvement in revenue. Weak results in the women's cosmetries business were more than offset by robust performance in the men's grooming business, mainly in the Gatsby brand, and in the women's cosmetics business. Coupled with the positive flow-on effects from the yen's appreciation, overseas net sales climbed 14.7% year on year.

On the earnings front, results were also strong. Operating income increased 15.0% compared with the previous fiscal year on the back of the upswing in revenue and favorable movements in foreign currency exchange rates. These positive factors more than offset the proactive outlay of marketing expenses as well as the impact of rising raw material costs.

Men's Grooming Business

Reflecting economic growth throughout Asia, the needs and wants of consumers are becoming increasingly diverse. In the fiscal year under review, we continued to pursue initiatives in each category taking into consideration changes in market trends in the countries where Gatsby is sold.

In the hair styling category, we channeled our energies toward ensuring that new Gatsby products including waxes gained a strong foothold in the markets of Indonesia and Thailand. In the facial and body care category, we launched new products including deodorant sprays and *eau de toilette* in Indonesia. While increasing the number of products, we expanded the made-in-Japan Gatsby Facial Wash Series horizontally in the NIES area and worked diligently to raise our visibility and market share in the facial care category.

▲ Gatsby Deodorant Sprays

On the marketing front, we implemented promotional campaigns linked to such special events as the Gatsby Styling Dance Contest across various countries including Indonesia. In this manner, we took steps to strengthen the hair styling category and increase brand recognition. In addition, every effort was also made to increase awareness and use of the Gatsby Facial Wash Series in Hong Kong and Taiwan. To this end, we held a series of promotional events.

▲ Gatsby Eau de Toilette

▲ In-store promotions in the NIES area

Women's Cosmetries Business

Amid diversifying preferences and tastes between target markets and demographics, as well as increasingly intense transition between trends, we added a new offering to the Pucelle Japanese Seasons fragrance series bolstering the lineup. In this manner, considerable emphasis was placed on addressing diversifying wants and needs. In the body care category, we also increased the number of items, introducing an additional Pucelle Body Milk offering.

From a marketing perspective, we directed our energies toward the Indonesia market and focused on boosting recognition through such initiatives as televisions commercials and events.

▲ Pucelle Japanese Seasons

▲ Internet advertisements

Women's Cosmetics Business

After completing a full renewal of the skin care lineup of Pixy products in Indonesia in the previous fiscal year, we pressed ahead with a full renewal of the make-up series. Through this and other initiatives, we endeavored to expand our share in the women's cosmetics markets.

▲ Pixy skin care series

▲ Pixy make-up series

As a part of our ongoing promotional campaign, we put in place in-store marketing initiatives for both the skin care and make-up series in Indonesia. In addition to television commercials, we conducted events across most major cities with the aim of further increasing our brand recognition and expanding market share.

▲ In-Store Promotions in Indonesia

In response to the remarkable growth experienced by the women's skin care market in China, we utilized the expertise accumulated in the women's cosmetics field in Japan to develop Barrier Moist, a high moisturizing skin care product specifically for China. We have begun selling this product and are stepping up marketing activities.

In terms of marketing, we worked to promote and expand awareness of our brand using television commercials and the Internet, while conducting in-store events. Through these means, we took steps to increase the awareness and use of our products in China.

▲ In-store promotions in China

In other areas, we expanded products in the skin care line horizontally placing particular emphasis on Cleansing Express manufactured in Japan. In this manner, we worked diligently to expand business.

Future Initiatives

In fiscal 2012, ending March 31, 2012, we will continue to focus our efforts overseas largely on maintaining and expanding market share in the men's grooming hair styling category in each country. At the same time, we will redouble our efforts to nurture the facial and body care category. Turning to the women's cosmetics business, particular emphasis will be placed on developing products that address the unique characteristics and needs of each country's market.

Building on each of the aforementioned priority measures, we will expand both sales and profits.

Feature: Indonesia

Indonesia occupies an important position within the Mandom Group. The country acts as a key driver for our overseas business, accounting for more than 60% of the Group's overseas sales, while the Group's local subsidiary plays a key role in terms of production and the supply of products. The following section takes a closer look at Mandom's ongoing commitment to "contribute to a comfortable life of local consumers" as well as the Group's history and future growth prospects in Indonesia.

Indonesia Drives Overseas Business

Net sales of local subsidiary PT Mandom Indonesia Tbk totaled 1,466.9 billion rupiah, or 14,229 million yen, in the fiscal year ended March 31, 2011 (based on the average exchange rate for the period of 1 rupiah to 0.0097 yen). Over the previous 10-year period sales of PT Mandom Indonesia Tbk have tripled, which has served to drive the growth of the entire Mandom Group. Over the previous 10-year period, PT Mandom Indonesia Tbk's average annual growth rate has been 112.2%.

Sales from Indonesia account for 22.6% of the Group's consolidated net sales, while 22.9% of the Group's operating income also originates from the country. This makes Indonesia our second biggest market next to Japan, as its influence within the Group is growing ever larger.

Our local factories in Indonesia manufacture and supply products not only to the local market, but also to Group companies operating in other parts of Asia, including Thailand, the Philippines and Malaysia. As a product supply base to neighboring countries, our Indonesia factories manufacture and supply approximately 80%, or 674 million units including sachets, of the Group's total production, and play a key role as the heart of our overseas operations.

High Share of the Market Categories in Which We Compete in Indonesia

Within the men's cosmetics market in Indonesia, we have captured a greater than 80% share of the hair styling category as well as a major share of the facial and body category. In particular, the Group's core brand Gatsby has quickly achieved 100% brand recognition among the main target customer of youth, and has established a position as the top brand in Indonesia. This is the result of our efforts to steadfastly identify and accommodate consumer wants as well as continually create new markets, from launching Tancho Tique and pomade at the time of expansion into Indonesia in 1969 to our hair wax solutions today.

We have continued to see solid growth for our Pixy brand in the women's cosmetics segment of Indonesia. Pixy has developed into one of the country's top brands in a market where many foreign and local cosmetics makers compete.

Today, women's segments, including the women's cosmetries business and women's cosmetics business, account for approximately 50% of our sales in Indonesia. This illustrates that the growth of the women's segment has progressed more in Indonesia than in other markets for the Mandom Group, which is focused on developing and bolstering the women's segment going forward.

Products and Bases of Mandom's Overseas Business

PT Mandom Indonesia Tbk not only supplies products to other Group companies, but also pushes forward with expansion into other areas.

In supplying products to Group companies, PT Mandom Indonesia Tbk constantly considers a product supply balance that matches with the economic situation and consumer preferences of each market at each time point, centered on the ASEAN area which shares similar consumer preferences with Indonesia.

In addition to supplying products to Group companies, PT Mandom Indonesia Tbk also develops our presence in regions where we do not maintain a sales company, such as the United Arab Emirates (Dubai) and India.

From the United Arab Emirates, which is a free-trading nation, some products are re-exported to the African continent, Middle Eastern and Eastern European countries, meaning PT Mandom Indonesia Tbk plays a key role in expanding the regional presence of our products. Since export destination countries have a broad mix of needs and wants in terms of products and pricing, we are broadening our product development activities as a means to accommodating these.

In the prominent future market of India we are currently moving forward with the development of a product distribution network, which we are expanding through local distributor partners. Although sales of products in India predominantly focus on hair styling category, we are also moving forward with the active development and launch of new exclusive products to India in the shaving category and fragrance category, which occupy a large share of the men's cosmetics market.

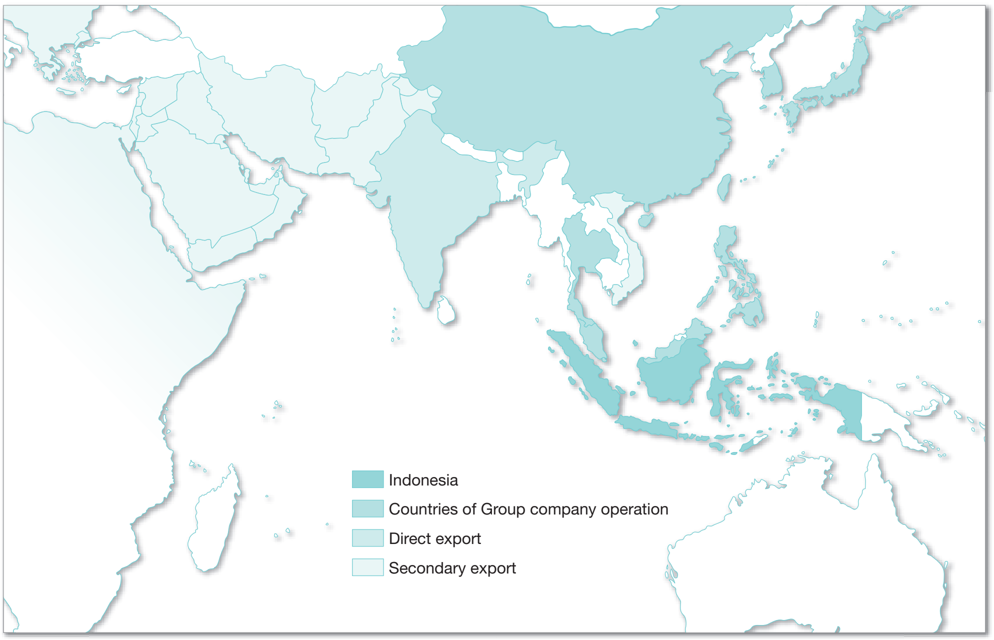
Under our mission to "contribute to a comfortable life of local consumers," we are expanding operations in new markets tailored to the needs and wants of local consumers.

▲ Products made especially to match Indian consumer tastes

PT Mandom Indonesia Tbk operates two factories in Indonesia where it manufactures products.

The Sunter Factory, where PT Mandom Indonesia Tbk's head office is located, manufactures cosmetic products, fills product containers and completes the final product, while the Cibitung Factory manufactures cosmetic product containers. Last year PT Mandom Indonesia Tbk manufactured 674 million units of finished products in Indonesia, which represents approximately 80% of the entire Mandom Group's production.

Supply of Products from Indonesia



Our Priority: With Consumers, For Consumers

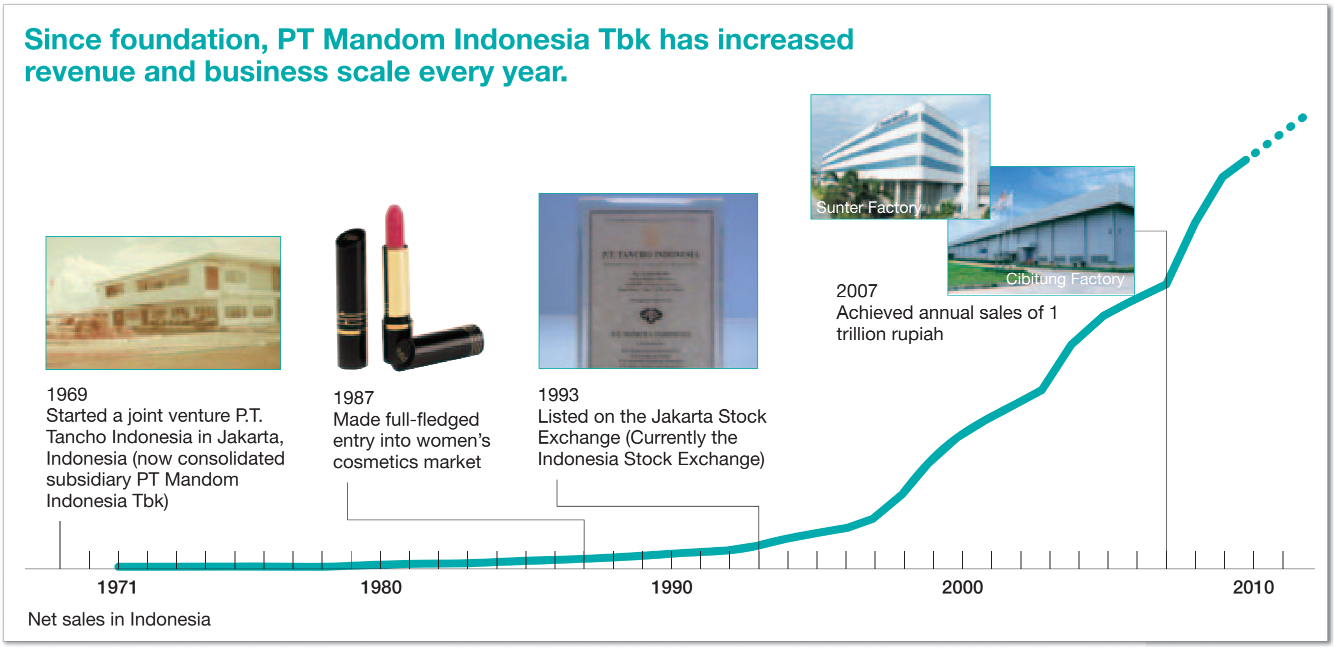
Continually Growing Operations in Indonesia

In 1969, we established our local Indonesian subsidiary under the goal of achieving our mission of "contributing to a comfortable life of local consumers" by manufacturing and supplying our products locally.

Prior to a local joint venture, Japan-made products such as Tancho Tique and pomade were distributed in Indonesia as imports, and had become widely familiar to consumers, as the popularity and volume of these products both rose in unison. Given this fact, we believed that local production would enable Mandom to provide its products at more affordable prices to ordinary consumers, and as a result, we became the first Japanese cosmetics company to set up operations in the country.

Over the next 40 years, we have continued with our commitment to contribute to a comfortable life of local consumers through our products, and have expanded our business operations accordingly. In whatever country we operate in, our focus is not to simply set up a factory that processes and exports products in order to reduce manufacturing costs, rather we aspire to provide high quality products at reasonable prices for local consumers and undertake production and sales activities under the goal of having these products widely used locally.

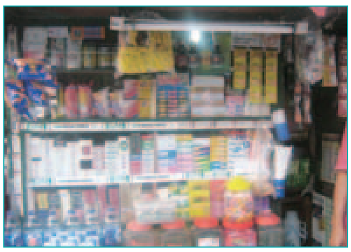
As a result, we have been able to steadily expand the size of our operations in Indonesia.



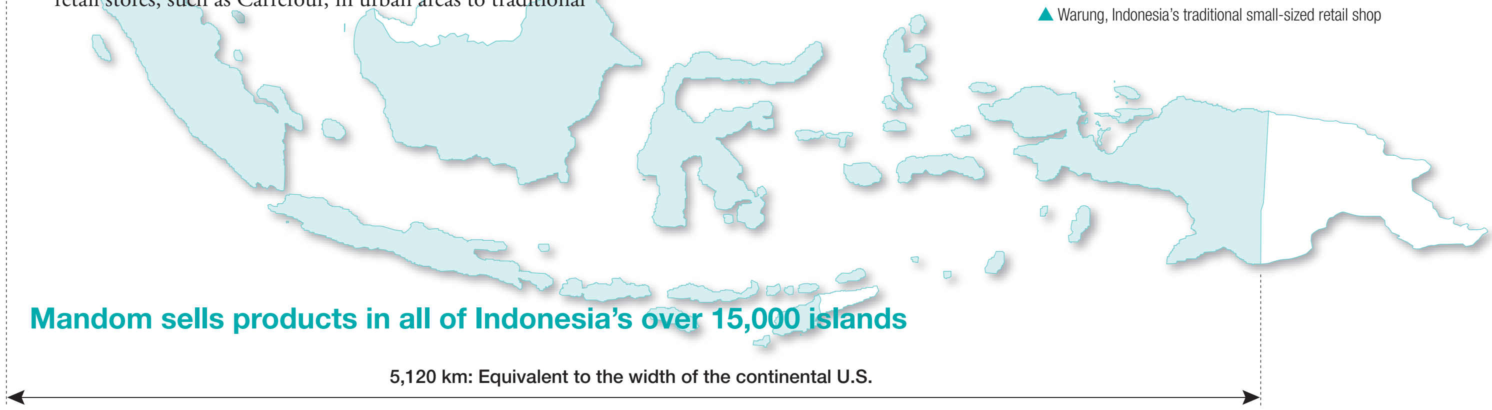
Strong Distribution Network

We have established a strong distribution network in Indonesia, an island nation comprised of over 15,000 islands.

Although challenges exist to delivering products to these many islands, with the cooperation of our solid distributor partners we have been able to distribute our products to nearly every area of the country. Actually, the ratio of each island's population and sales to the entire country is nearly identical. The fact that we have been able to build a distribution network for our products, from large modern retail stores, such as Carrefour, in urban areas to traditional small-sized retail shops called "warung" on smaller islands, has been a driving force behind our rapid growth in Indonesia.



▲ Warung, Indonesia's traditional small-sized retail shop



Product Development With Consumers, For Consumers

Regardless of country, we undertake product development activities with consumers, for consumers that place constant consideration on contributing to the comfortable life of local consumers.

This approach remains the same in Indonesia. As a result of accommodating the needs and wants of local consumers, PT Mandom Indonesia Tbk now retains the broadest product line-up within the Mandom Group.

For example, Hair Dye, a powder type product for coloring white hair, is widely popular in Indonesia because it is dissolved in water using only the amount needed. In addition, powder type and solid type deodorants such as Talc and Stick Deodorant, are also widely used in Indonesia where fasting and ritual baths are custom, meaning consumers prefer to directly apply fragrance to their bodies to prevent odors. Perfume Tissue, a tissue infused with aqueous fragrance, not only applies fragrance to the body through wiping, but also gives off a scent that the consumer can enjoy when carrying the product around.

As well, the reason why many products are sold in Indonesia that are otherwise unavailable in Japan is because we have undertaken product development with consumers, for consumers in each of the countries in which we operate, although collaboration takes place with Japan in terms of standardizing our brand identity globally as well as for product formulation and content.

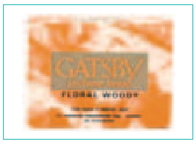
In this manner, we give utmost priority to the needs and wants of local consumers. By boldly bringing products to market that have not been researched, developed or sold in Japan, but which fulfill these needs and wants, we have produced a wide range of unique proprietary products in different size variations and multiple product categories. Our ability to utilize this development approach in other neighboring countries has become one of our core strengths.

▲ Hair Dye

A powder type product for coloring white hair

▲ Stick Deodorant / Talc

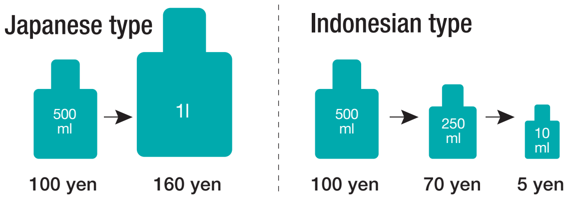
Solid type and powder type deodorants



▲ Perfume Tissue

A tissue infused with aqueous fragrance

Preference for Product Sizes



In Japan, for example, enlarging a 500 ml product that costs 100 yen into a 1 liter product that costs 160 yen will be more receptive to consumers because it is seen as more cost effective. In Indonesia, however, a 250 ml version of this same product sold for 70 yen is more receptive to consumers due to the local preference for products that cost less upfront.

▲ Water Gloss in different size variations

Our commitment to price that makes our products affordable to ordinary consumers in the form of single use sizes led to the development of the "sachet," or small pouch. A 6 g sachet is sold for 350 rupiah per bag, or roughly 3 yen (calculated based on an assumed exchange rate of 1 rupiah equals 0.0097 yen).

Supplying Products to Group Companies

Our unique product families and wide ranging product line-ups developed as part of our goal to continually accommodate the wants of consumers in Indonesia has also become one of our key strengths when supplying products and expanding our presence into neighboring countries. Specifically, since consumer preferences in the ASEAN area are similar to Indonesia, many of our products made in Indonesia are supplied to these other markets tailored to each target region.

For example, the sachet is effectively utilized in the Philippines in the form of a small, one-time disposable size of our hair styling products developed in Indonesia. Since our sales channels in the Philippines are predominantly small-sized retailers known locally as "sari-sari stores," these shops prefer products in disposable sizes, smaller volumes and single use units that are easier to carry in small store fronts. As a means to respond to this market need, our hair styling products, including hair cream, gel and wax, are offered in the sachet format just like in Indonesia. This has enabled us to expand our distribution network and grow sales, representing one example of where we have applied our successful business model from Indonesia.

▲ Sari-sari store, our sales channel in the Philippines

In other regions as well, the broad product line-up from Indonesia has made it possible to provide products that meet the needs and wants of general consumers in each of the countries in which we operate.

Proprietary Production System

The manufacturing of product containers in Indonesia began in 1972; three years after PT Mandom Indonesia Tbk was established. This production capability has become a major strength behind our cost competitiveness today.

At the start of operations, plastic containers were imported from Japan for products manufactured in Indonesia. In order to better accommodate local needs and wants, we reviewed the possibility of procuring these containers locally. At the time, however, it was nearly impossible to secure a steady supply of containers in Indonesia that met our standards for quality. As a result, we began to manufacture containers in house. In general, the contents of a cosmetic product are made by a cosmetic manufacturer, while the container for a finished product is usually procured externally. Our streamlining of production, from the manufacture of product containers to filling, considered a unique system by international standards, has helped to enhance quality, reduce costs as well as improve our products' cost competitiveness and maintain their dominance in the market.

While striving for cost competitiveness, PT Mandom Indonesia Tbk uses Japan as a base for standardizing quality and mass production technologies to manage product quality. This system enables us to increase production capacity efficiently and steadily as well as supply safe, high-quality products.

▲ Cibitung Factory is now able to manufacture a broad mix of product containers.

Full-Fledged Localization

The number of full time employees working at PT Mandom Indonesia Tbk stood at 1,221 as of December 31, 2010, of whom 13 are Japanese. In order to achieve a true locally-rooted management, PT Mandom Indonesia Tbk hires Indonesian employees for half of its executive positions, recognizes the difference in local culture and lifestyle, as well as actively assigns important positions to local employees. For example, while the control of quality and brand identity is implemented in cooperation with the head office in Japan, for product development, basic product design is conducted under local initiative and supervision. With the aim of further rooting ourselves in the local community, in 1993 we were listed on the Jakarta Stock Exchange (now the Indonesia Stock Exchange). Full-fledged localization as seen in Indonesia has also helped boost the morale of local workers.

The Growing Indonesian Market

Rising Standard of Living

While the business performance of PT Mandom Indonesia Tbk has trended upward steadily, Indonesia's economy has grown rapidly in recent years. This includes robust growth in GDP as well as a dramatic leap in living standards amid wage increases.

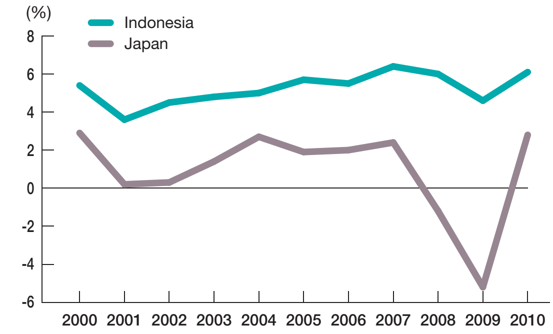
Given this economic environment, changes in consumers' purchasing behavior have shifted from the once mainstream focus on traditional trade toward a modern trade system that involves a more diverse line-up of products. At present, modern trade accounts for approximately 60% of the market, which surpasses the ratio of traditional trade, especially in the Jakarta metropolitan area.

Moreover, consumers' preference for cosmetics has also changed. As the number of moderate-income households expands on the back of wage increases, consumers have shown a greater tendency to purchase fashionable and high-priced products. In addition, consumers' demands for cosmetic product functionality have also grown more diverse, resulting in constant demand for new products and new categories. As a result, the cosmetics market is expected to grow even further in the future.

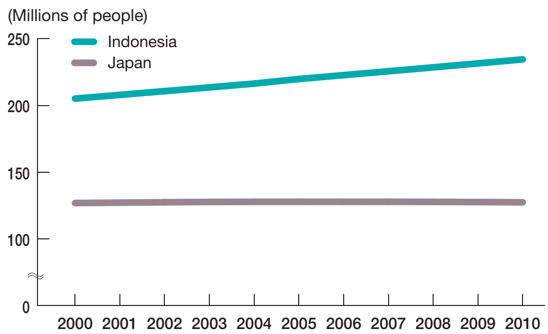
▲ Traditional markets

▲ Modern markets

Changes in GDP Growth Rates in Indonesia and Japan



Population Growth in Indonesia and Japan



Striving for Further Growth as an Integrated Cosmetics Manufacturer

Indonesia is experiencing unprecedented economic growth, while living standards in the nation as a whole continue to rise. As the number of moderate to high income households increases, domestic demand is expected to grow, while the preferences of ordinary consumers who have traditionally been our target are also undergoing real changes.

Comprehensive Cosmetics Manufacturer

We will continue to grow the men's grooming business, while maintaining our long-standing market dominance. At the same time, we will also aim to cultivate and expand the women's cosmetics business, which has shown significant growth. By meeting the needs of an ever-changing environment in order to quickly address the increasingly diverse demands of more fashion-conscious consumers for cosmetics, we hope to achieve sales growth that surpasses Indonesia's current economic growth.

Through these initiatives in Indonesia, we aim to further expand our business as an integrated cosmetics manufacturer.

Strengthening and Expanding the International Trading Business

We will continue to expand our supply of products to neighboring countries in the Indochina region as well as India and the United Arab Emirates. Although we have traditionally sold products that cater to the preferences of local consumers, we will become even more critical to develop products with an even better understanding of local market needs in order to capture rising demand. To this end, we will continue our efforts in product development and supply tailored to each target region going forward.

Enhance Competitiveness in Production

As the needs and wants of local consumers grow more diverse and demand for functionality increases, there has been growing demand for better product planning and higher quality products, which requires a structure to manufacture and deliver products of the same standards as the Japan market.

At the same time, our production line in Indonesia also plays an important role in enhancing cost competitiveness within the Asia region.

PT Mandom Indonesia Tbk will aim to improve its production line, productivity and quality to serve as a product supply base to neighboring countries.

A number of factors came into play that caused the annual growth rate of sales in the fiscal year ended March 31, 2011 (actual results locally from January to December 2010) to stand at 5.6%, which was largely below the average for the previous 10-year period. However, we firmly believe our consumer-centric business activities in Indonesia will, going forward, adequately capture demand from the country's rapid economic growth.

With the goal of thoroughly identifying and accommodating consumer needs and wants, we will aim for continued growth by taking a closer look at our activities thus far, which have entailed contributing to a comfortable life of local consumers through our products.

Corporate Governance

We believe the mission expected of the Company 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.

To this end, the entire Group is working to broaden and strengthen its corporate governance.

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.

Rigorous Legal Audits

Mandom is strengthening its rigorous legal auditing function based on an independent standpoint by appointing a lawyer who 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.

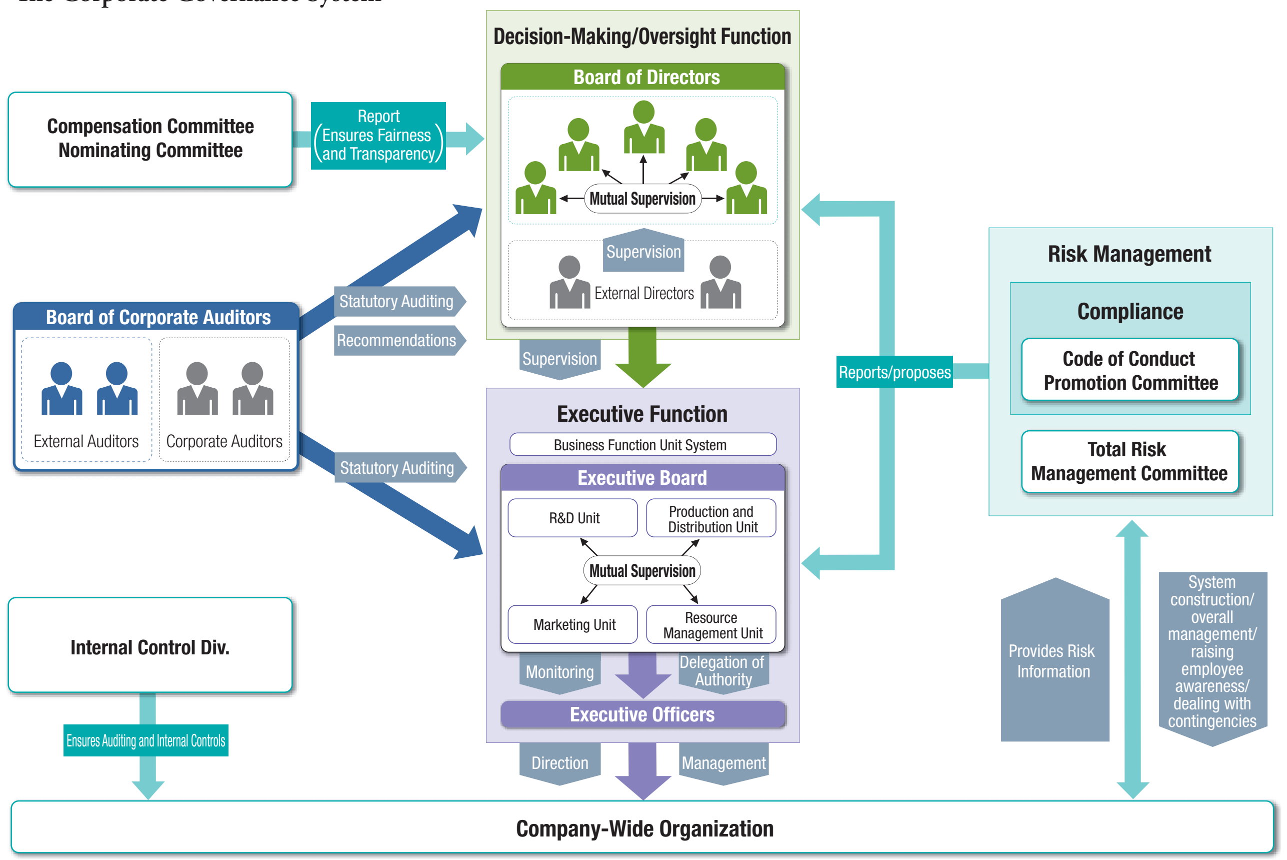
Separation of the Decision-Making and Oversight Functions From the Business Execution Function

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. 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.

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

The Corporate Governance System



of a system of executive officers with special titles and the delegation of authority. We also introduced the business function unit system, under which we clarify the executive functions and responsibilities in each unit, and ensure that these are appropriate throughout the entire Group by conducting effective execution in each unit and strategic collaboration and mutual supervision between units.

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 and the Nominating Committee, advisory panels to the Board of Directors that 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 Board of Directors 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 the Internal Control Division 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. 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 Mandom Group's compliance is rooted in Our Philosophy (Contribute to a comfortable life for consumers) and our Management Philosophy (Be honest with the public).

Above all, our view on compliance is not simply that we should obey laws; rather, we believe that to fulfill our philosophy of contributing to a comfortable life for consumers, we must go beyond simply abiding by laws and instead take the initiative to create in-house rules that are stricter than society's laws so that we can ensure that consumers derive safety and benefits.

We established the Mandom Group Code of Conduct (in 1999; revised in 2002, 2007, and 2011) as a common global compliance program. This document is aimed at making compliance a key part of our management by having all officers and employees abide by laws as well as conducting themselves ethically using common sense.

The Code of Conduct Promotion Committee was established to be in charge of proliferating the Code of Conduct throughout the Mandom Group. This committee leads compliance education and awareness activities that include the building of a compliance-oriented corporate climate.

In December 2002, we introduced the Helpline System (which was expanded to cover business partners in 2007) to give employees, or "whistleblowers," a chance to inform us when they notice any laws being broken at work. This allows us to quickly discover non-compliance and subsequently prevent problems before they occur. Under this system, the anonymity of whistleblowers is protected and retaliatory measures against them are strictly forbidden.

Quality Control Initiatives

As a company operating in the manufacturing sector, we always consider how we can contribute to a comfortable life of consumers through our products. To ensure that our products bring all consumers peace of mind and satisfaction, we do all we can in all phases of product creation—planning, design and development, and manufacturing—to bring them safe, high-quality products.

In 1998, we established the Mandom Quality Philosophy and the Fundamental Quality Policy. The purpose of these guidelines is to achieve a common understanding of the philosophy and policy of quality at Mandom, as well as to maintain and improve quality through measures like reflecting consumer opinions in products and building a quality management system.

Philosophy and Policy

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.

Quality Assurance Activities

Planning

In the product planning process, we thoroughly research the wants of consumers, sharing previous failures and successes among all planning personnel so that we can see things from the consumers' point of view and thus accurately incorporate the functions that consumers want into product concepts.

Design & Development

In the design and development process, we create products that are user friendly by pursuing and assessing functionality and effect by incorporating our advanced proprietary technologies. This helps us design high-quality, attractive, and unique products that bring customers satisfaction from the moment they purchase them.

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 mass-produce products of the same consistent quality as during the design and development stages, we have built our own mass-production technology. As well, all of our production bases are continuing to improve the level of technological capabilities and to standardize these capabilities.

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.

Behind Our Quality Assurance Activities

Customer Consultation System

Through a database and system for coordinating customer inquiries and the related Mandom divisions, we gather opinions from consumers and promptly direct these to the related divisions. This allows us to maintain and improve quality.

Management System

Not only do we have our own quality management system; we also ensure objective inspection by undergoing third-party audits with the aim of maintaining and further improving quality, and gaining the trust of consumers.

The Fukusaki Factory (excluding marketing divisions) 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.

The Mandom Group manufactures over 800 million units of cosmetics each year, and we are fully aware of our responsibility to protecting the environment. We do everything possible to ensure that all processes—product design, manufacture, distribution, and marketing—have minimal environmental impact.

The Mandom Group's Environmental Philosophy and Fundamental Environmental Policy allow us to objectively check our activities and to help preserve the Earth through efforts such as curbing global warming, improving energy efficiency, and reducing waste.

Philosophy and Policy

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.

Environmental Protection

Product Design

In product design, we strive to protect the environment through the 3Rs (reduce, reuse, and recycle) while at the same time bringing customers quality, functionality, and good design.

• Refills

For products that are used in large quantities, using refills of cardboard cartons or standing pouches allows the original product container to be used repeatedly and reduces the amount of garbage generated.

• Designed for Ease of Separation

We design aerosol products so that packaging stays together during use but the components like the cover, cap, and button are easy to separate for material recycling. Resources can thus be used over and over.

Production

The production stage uses the most resources and energy, and generates the most waste. We strive to minimize environmental impact by reducing energy use, treating wastewater, reducing waste, and reusing resources.

• Continuous Achievement of Zero Emissions

The Fukusaki Factory has continuously achieved zero emissions with a waste recycling ratio of over 99% since October 2003.

• Energy Monitoring System

In 2008, we introduced an energy monitoring system as a way to reduce energy consumption. By understanding in real time how much energy we are using, we can ensure that all parts of the factory are both using energy efficiently and not overusing energy.

Distribution

In distribution, we outsource as much as possible to third-party logistics providers in efforts towards a more efficient distribution system. We also protect the environment through more efficient transportation. And by shifting to forms of transport that allow greater volumes to be shipped, such as railways and ships, we are striving to reduce CO_2 emissions.

Certified for Eco-Rail Mark by shifting to railway transport, which results in fewer CO_2 emissions.

Marketing

In marketing, we use many sales promotion tools in stores as a way to communicate our products to consumers. To reduce environmental impact in marketing, we strive to reduce the number of these tools and reuse them as much as possible, and we use minimal packaging materials for these tools.

• Foldable Containers

By using foldable containers instead of disposable cardboard boxes to package sales promotion tools, we reduce the volume of paper resources used.

Behind our Environmental Preservation Activities

To ensure that we conduct the best possible environmental protection activities, in addition to in-house initiatives, we adopt external environmental management systems that allow us to objectively measure our environmental impact.

In 2000, the Fukusaki Factory is certified for the ISO 14001, the international standard for environmental management systems.

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.

In order to leverage our Asian success to globalize business, our 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 corporate 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 new employees to top management, 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 his or her intelligence and proposals thanks to a sense of "participation." The intelligence and proposals that they contribute are used in all departments and job positions of the company, and in areas ranging from management policy and strategy to product development and the business processes.

Within this corporate culture, all employees have been made aware that they are participating in management, and this has led to each employee's "KohDoh" (thinking and working).

Information Sharing Framework Fosters a Sense of Participation in Management

Mandom creates an environment conducive to employee participation in management. This environment is possible through measures such as the "information card system," which enables employees to submit cards with their ideas and proposals to departments, and the weekly in-house publication "MP News," which provides a wide range of information about the company, from the intentions of top management to trends among employees.

Such activities to encourage an awareness of the importance of employee participation are also taking root in Mandom overseas companies. All employees are aware of the need to participate as they come out with ideas and proposals of their own accord.

Sharing and Passing Down the Corporate Philosophy and DNA

The Mandom Group's corporate philosophy and DNA have been carefully passed down since the time of the Company's foundation, and are the foundation for thinking and working 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.

We 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 thinking and working. 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 fact, employees in the entire Mandom Group worldwide are given opportunities to study the history and background of our corporate philosophy and DNA. This sharing, understanding, and proliferation of our corporate philosophy and DNA means that employees can carry on these valuable assets of Mandom.

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.

In order to leverage Asian success to further Mandom Group growth, we believe that all employees must learn to understand and accept the characteristics, customs, and religions of the countries in which we do business. They must also be able to communicate with Mandom Group employees in any country.

We give employees opportunities to acquire this understanding and skill through educational programs, systems, and policies that foster globally adaptable workers.

Executives and Auditors

Directors

Back row, from left: Terabayashi, Saito, Momota, Tsukada, Tamura
Front row, from left: Nishimura, Kamei

Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer

Masayoshi Momota
Director
Senior Managing Executive Officer

Yoshiaki Saito
Director
Managing Executive Officer

Ryuichi Terabayashi
Director
Managing Executive Officer

Tsutomu Tsukada
External Director

Toshikazu Tamura
External Director

Auditors

From left: Matsuo, Yasui, Kotera, Takagi

Hiroshi Yasui
Corporate Auditor

Takaji Matsuo
Corporate Auditor

Kazuya Kotera
External Corporate Auditor

Susumu Takagi
External Corporate Auditor

Executive Officers

Kazuyoshi Okada
Managing Executive Officer

Norio Fujiwara
Managing Executive Officer

Tatsuyoshi Kitamura
Managing Executive Officer

Akira Tanaka
Executive Officer

Hironao Suzuki
Executive Officer

Mitsuhiro Yamashita
Executive Officer

Shinichiro Koshiba
Executive Officer

Yasuaki Kameda
Executive Officer

Norikazu Furubayashi
Executive Officer

Hiroshi Kanayama
Executive Officer

Kazunori Koshikawa
Executive Officer

Management's Discussion and Analysis

Yoshiaki Saito
Director
Managing Executive Officer

Analysis of Operating Results

Over the past twelve months, the Japanese economy was shrouded in uncertainty, with tough employment conditions and deflationary forces at work despite some upturn in economic activity. World economic trends and the strength of the yen compounded the gloom. The cosmetics industry continues to face a difficult profit environment. Meanwhile, in Asia, where the Group's overseas business is conducted, the economic stimulus package deployed in China resulted in sustained increase in domestic demand, while other countries and regions in general showed indications of regeneration.

Such being the economic backdrop, the Group directed efforts to achieve sustained growth by reinforcing the core business area of men's grooming. The Group also laid down a growth track for women's cosmetries and women's cosmetics, and continued the expansion of its overseas business.

As a result, consolidated net sales increased 5.4% year on year to 57,262 million yen. Consolidated net income, on the other hand, declined 4.6% to 2,672 million yen.

(1) Net Sales and Cost of Sales

Consolidated net sales for the year ended March 2011 totaled 57,262 million yen, up 2,958 million yen, or 5.4%, year on year, rewriting our record sales figure. This is thanks mainly to increased sales of the core Gatsby brand in Japan and steady growth in local-currency denominated sales by PT Mandom Indonesia Tbk chiefly on the strength of women's cosmetics. In addition, the strength of local currencies in Indonesia and other overseas countries meant that yen-denominated sales figures saw increases.

The cost of sales was 25,868 million yen, an increase of 1,314 million yen, or 5.4%, year on year. This is mainly because of sales expansion in Japan and overseas but also due to Mandom's increased revenue which pushed up the gross margin and the strength of local currencies which lifted the gross margin overseas due to increased yen-denominated figures. Thus gross profit totaled 31,394 million yen, up 5.5% year on year.

(2) Selling, General and Administrative (SG&A) Expenses and Operating Income

Sales and general administration costs totaled 25,647 million yen, up 5.2% year on year. This is explained mainly by the downpour of marketing expenditure (sales promotion) aimed at sales expansion both in Japan and overseas. However, with increases in yen-denominated values of overseas subsidiaries' gross margin more than compensating for this, operating income rose to 5,747 million yen, an increase of 7.1% year on year, to 378 million yen.

(3) Non-Operating Profit and Loss, Extraordinary Profit and Loss, Ordinary Income and Income before Income Taxes and Minority Interests

Non-operating profit and loss decreased 87 million yen from the previous year. This was largely attributable to the drop in non-operating profit due to the substantial decline in insurance income received. Looking at extraordinary profit and loss, extraordinary profit amounted to 37 million yen while extraordinary loss rose by 47 million yen from the previous year to 230 million yen. This included a loss due to the termination of the retirement benefit system and setting aside reserves to cover losses incurred as a result of the Great East Japan Earthquake.

Accounting for the aforementioned, income before income taxes and minority interests increased 338 million yen, or 6.2% year on year, to 5,813 million yen. This also reflected the increase of 291 million yen, or 5.1%, to 606 million yen.

(4) Income and Other Taxes, Minority Interests and Net Income

Income and other taxes increased 398 million yen, or 17.8%, to 2,635 million yen due to the posting of corporate tax for prior periods and other tax liabilities.

Taking into account the increase in net income of a subsidiary in Indonesia, minority interest climbed 69 million yen year on year to 504 million yen.

On this basis, net income for the period under review contracted 4.6% year on year to 2,672 million. For the fiscal year ended March 31, 2011, the Mandom Group therefore reported an increase in revenue and decrease in earnings.

Analysis of Financial Position

1. Current Status of Assets, Liabilities and Total Equity

(1) Assets

Total assets decreased 853 million yen from the end of the previous fiscal year to 53,328 million yen, chiefly as a result of the decrease in securities and investment securities by 1,197 million yen.

(2) Liabilities

Liabilities decreased 1,086 million yen to 8,036 million yen. This is mainly due to the decrease of 489 million yen in trade notes and accounts payable and accrued income taxes and other liabilities.

(3) Net Assets

Net assets increased 233 million yen to 45,291 million yen. This is chiefly due to the decrease of 1,014 million yen in accumulated other comprehensive income despite the increase of 1,269 million yen in accumulated income.

2. Status of Cash Flows

Cash and cash equivalents (“Liquidity”) at the end of this fiscal year showed an increase of 807 million yen from the end of the previous fiscal year to rest at 10,550 million yen. During the period under review, there was an increase in payment of income taxes and an increase in inventories. Cash inflows rose in the balance of payments for purchases of securities and proceeds from sales and redemptions of securities and a decrease in the balance of payments for purchases of property, plant and equipment.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased 3,702 million yen to 4,063 million yen. The principal components were income before income taxes and minority interests which climbed 338 million yen to 5,813 million yen. The increase/decrease in inventories decreased 986 million yen to leave a negative balance of 476 million yen, and payment of income taxes including income taxes for prior periods increased 1,733 million yen to 3,059 million yen. Depreciation and amortization increased 268 million yen to 2,394 million yen.

(2) Cash Flows from Investing Activities

Cash provided by investment activities increased by 3,702 million yen compared to the previous year, leaving a negative balance of 1,408 million yen. This is due chiefly to a fall in the balance of payments for the purchase of property, plant and equipment of 767 million yen to leave a negative balance of 2,094 million yen and to a rise in the balance of payments for purchases of securities and proceeds from sales and redemptions of securities increasing by 2,308 million yen compared to the previous year to leave a positive balance of 650 million yen.

(3) Cash Flows from Financing Activities

Cash flow from financing activities increased by 629 million yen compared to the previous year and ended in a negative balance of 1,661 million yen. Notably, despite payout in shareholder dividend including payment of dividends to minority shareholders increasing by 260 million yen compared to the previous year and leaving a negative balance of 1,651 million yen, the acquisition of treasury stock in the previous year had resulted in an expenditure of 891 million yen.

Issues to be Addressed

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

1. Responses to Changes in the Men’s Cosmetics Market in Japan

Men’s cosmetics constitute a core part of Mandom’s business operations: for the business year just ended, this sector comprised well over 60% share in turnover. Competition in the business environment in the sector, however, has increased in intensity. We are well aware that the market environment is set to change permanently, with companies from different business sectors and from overseas eagerly making entry into the market. Against this backdrop, management pledges to engage in the exploration and pursuit of customer needs and wants, product development backed by technological excellence and the delivery of marketing innovation to respond to diversification in customer interface. In addition to bolstering the young men’s market, we aim to expand the market for the middle age bracket.

2. Addressing Cost Rises Due to Crude Oil Price Increases

Analysis of recent moves by oil producers leads us to expect that crude oil prices will remain high. The impact of this on cost is inevitable. To restrain this rise in cost, we will adopt such measures as production optimization though the use of overseas plants including production transfers of some products, the promotion of local procurement of materials and the widening of our network of overseas suppliers.

3. Strengthening Human Resources Development, the Driver of Global Business

A notable fact in the Group’s pursuit of business globalization centering on Asia is that the ratio of overseas business turnover in consolidated sales has already topped 30%. As well as in order to strengthen our business in countries where we already operate, if we are to start tackling marketing in new areas, the development of globally viable and valuable human resources is a key task. We will engage in the development of human resources who are well equipped with not only communication skills but with understanding and accommodation for different cultures, customs and religions.

4. Corporate Social Responsibility Activities, Prioritizing Quality Assurance and Environmental Measures

With ever stronger demand for the delivery of corporate social responsibility (CSR), the Group has designated CSR activities as a management issue. Thus, we will continue to reinforce our efforts to achieve quality assurance and to address environmental issues. We will create a CSR framework that would enable the Group as a whole to play our proper part in CSR activities as a good corporate citizen.

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. Aligning with Customer Needs

Competition within the cosmetics market in Asia including Japan is becoming increasingly intense. This is attributable to the activities of peer companies as well as the influx of new entrants. In addition, the market is experiencing ongoing changes in consumer needs and wants, distribution channels significantly diversifying the points of consumer contact. Under these circumstances, Mandom is working to maintain and enhance its brand value, develop, introduce, foster and strengthen new products, withdraw dorm or renew existing products while reforming marketing activities including sales methods. Despite these endeavor, the Company may encounter delays in implementing the appropriate response due to a variety of uncertainties. Looking particularly at market conditions in Japan, this may include retailers reducing their stock holdings of standard products by rearranging inventories and he return of excess inventory from agents. Taking into consideration the aforementioned, the value of merchandise thus returned may exert an impact of the Group's consolidated performance.

2. Extent of Mandom's Reliance on Specific Partners

During the fiscal years ended March 31, 2010 and March 31, 2011, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (29.9%), and PT Asia Paramita Indah in Indonesia (17.7%). Mandom 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 in accordance with various acts including the Pharmaceutical Affairs Law as well as standards relating to quality and the environment. In the event, however, of a major breach of statutory or regulatory requirements, potential exists for difficulties to arise with respect to production and by association impediments to the ongoing viability of the subject business. Moreover, restrictions may be placed on the Company's business due to revisions to existing legislation or the enactment of new laws. In the event that Mandom incurs increased costs in its efforts to comply with statutory and regulatory requirements, its operating performance may be affected.

4. Foreign Exchange Rate Fluctuations

The Mandom Group is focused on business in Asia, where solid market growth is expected in the future. Overseas net sales accounted for 32.5% and 35.5% of consolidated net sales in the fiscal years ended March 31, 2010 and March 31, 2011, respectively, and the importance of overseas business is anticipated to increase in the future. Accordingly, short-, medium- and long-term fluctuations in foreign exchange rates have the potential to impact the Group's performance, and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance when translated into yen.

5. Overseas Business Development

The Mandom Group continues to focus on expanding its business in the Asia region, which is positioned as a growth engine under its business strategy. In the event of a natural disaster or significant breach of applicable laws, trading policies or customs and taxation regulations in the area, or a drop in consumer demand, the Group's business activities may be restricted impacting its overall business performance.

6. 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.

7. 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.

Management's Awareness of Challenges and Policy Going Forward

Mandom'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.

1. Current Status of Management Strategies and Outlook

The "sustained growth of Group operations" is the core management strategy of the Group's medium to long-term business strategy. To achieve phased expansion of the Group's business, we will deploy a well-planned input of business resources to achieve sustainable growth in income and profits. Thus, in the current Middle Range Planning: 1. sustained growth of the core business, men's grooming; 2. speeding up of the women's cosmetics business by embarking on global marketing in Asia; and 3. continued expansion of our overseas business, which is to continue to serve as the growth engine in this new Middle Range Planning.

(1) Sustained growth of the core business, men's grooming

The core brand Gatsby will be further strengthened as our Asia Global brand. In Japan, we will aim to expand market share in Styling as well as Face & Body categories. Better line-ups of products and marketing reinforcement will be used to drive forward greater growth of Gatsby. Overseas, Styling will be our priority category. We will expand market share by enhancing comparative advantage in the market through our wax line-up, while reinforcing marketing efforts of the Face & Body category in line with improved consumer recognition of the Gatsby brand, thereby increasing our slice of the pie.

As for Lúcido, the concept will now be aging care. In addition to Lúcido Hair Foam that is already on the market, we will be making staged proposals of anti-aging products.

(2) Speeding up of the women's cosmetries and women's cosmetics business by embarking on global marketing in Asia

In Japan, marketing reinforcement will be applied to the Women's skincare category so as to accelerate growth. Meanwhile, in overseas markets, we will step up efforts in the cosmetics business by implementing product launch and merchandising tailored to the local market. To this end we will strengthen the marketing of base make-up products in Indonesia and the "in-depth approach" introduced in the skincare product sector in China during the previous financial year.

(3) Continued expansion of our overseas business

In our effort to achieve the expansion of our overseas business, Indonesia and China will be our primary targets. We will develop the market more deeply through a heavy input of resources including marketing investment in men's styling, alongside stronger nurturing of women's skincare products. One of the areas where we have yet to make market entry is Indochina. Here, we will start preparing distribution channels and will make steady progress in new marketing endeavors. In order to diversify customer interface, we will also engage in new marketing methods so that we can further expand our overseas business.

2. Financial Policies

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.

We in the Mandom Group believe 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.

3. Dividend Policy

Returning profits to shareholders through dividend payments is a core management policy within the constraints of earmarking adequate internal reserves for operational development and new business development for the medium to long term and for addressing corporate risks. Thus, under this strong commitment to dividend policy, the Group will endeavor to deliver shareholder return through dividend payout. The numerical target set for the fiscal year is a dividend payout ratio of not less than 40% of net income on a consolidated basis.

The internal reserves will be allocated to strategic investments covering investment into facilities for expanding existing business operations and to strategic investment for R&D investment and other corporate value enhancement. The reserves also serve as a safety net to help us deal with diverse corporate risks arising out of the difficult business conditions we are subject to. As a means of delivering a return to shareholder and of improving capital efficiency, the purchase of treasury stock will be considered as an option.

Consolidated Balance Sheets

MANDOM CORPORATION and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen	
ASSETS	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents (Note 16)	¥ 10,551	¥ 9,743
Short-term investments (Notes 3 and 16)	8,669	9,404
Receivables (Note 16):		
Trade notes and accounts	6,105	5,955
Unconsolidated subsidiaries and associated companies	136	32
Other	78	82
Allowance for doubtful accounts	(20)	(22)
Inventories (Note 4)	6,522	6,302
Deferred tax assets (Note 10)	824	773
Prepaid expenses and other current assets	759	650
Total current assets	33,654	32,919
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	511
Buildings and structures	17,156	17,113
Machinery and equipment	11,550	11,313
Furniture and fixtures	3,991	4,028
Lease assets	44	36
Construction in progress	158	217
Total	33,410	33,218
Accumulated depreciation	(21,320)	(20,257)
Net property, plant and equipment	12,090	12,961
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 16)	4,060	4,534
Investments in unconsolidated subsidiaries and associated companies (Note 5)	193	234
Goodwill	120	229
Deferred tax assets (Note 10)	991	902
Other assets (Note 6)	2,220	2,403
Total investments and other assets	7,584	8,302
TOTAL	¥ 53,328	¥ 54,182

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2011	2010
CURRENT LIABILITIES:		
Payables (Note 16):		
Trade notes and accounts	¥ 3,242	¥ 4,149
Unconsolidated subsidiaries and associated companies	1	1
Other	142	61
Accrued income taxes (Notes 10 and 16)	813	1,302
Accrued expenses	1,268	1,202
Other current liabilities	514	512
Total current liabilities	5,980	7,227
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 7)	1,050	849
Deferred tax liabilities (Note 10)	4	3
Other long-term liabilities (Note 8)	1,002	1,044
Total long-term liabilities	2,056	1,896
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)		
EQUITY (Notes 9 and 18):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2011 and 2010	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	26,733	25,464
Treasury stock - at cost 753,667 shares in 2011 and 753,410 shares in 2010	(1,848)	(1,848)
Accumulated other comprehensive loss:		
Unrealized loss on available-for-sale securities	(560)	(273)
Foreign currency translation adjustments	(5,207)	(4,480)
Total	41,748	41,493
Minority interests	3,544	3,566
Total equity	45,292	45,059
TOTAL	¥ 53,328	¥ 54,182

Consolidated Statements of Income

MANDOM CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen	
	2011	2010
NET SALES (Note 17)	¥ 57,263	¥ 54,304
COST OF SALES	25,869	24,554
Gross profit	31,394	29,750
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11 and 12)	25,647	24,381
Operating income	5,747	5,369
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 17)	200	180
Foreign exchange loss	(19)	(54)
Loss on disposal of property, plant and equipment	(32)	(249)
Loss from natural disaster	(95)	
Other - net	12	229
Other income - net	66	106
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	5,813	5,475
INCOME TAXES (Note 10):		
Current	2,196	2,350
Prior years	381	
Deferred	59	(113)
Total income taxes	2,636	2,237
NET INCOME BEFORE MINORITY INTERESTS	3,177	3,238
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	504	436
NET INCOME	¥ 2,673	¥ 2,802

	Yen	
PER SHARE OF COMMON STOCK (Note 2.o):	2011	2010
Basic net income	¥ 114.30	¥ 119.40
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 Statement of Comprehensive Income

MANDOM CORPORATION and Consolidated Subsidiaries
Year Ended March 31, 2011

	Millions of Yen
NET INCOME BEFORE MINORITY INTERESTS	¥ 3,177
OTHER COMPREHENSIVE LOSS (Note 14):	
Unrealized loss on available-for-sale securities	(285)
Foreign currency translation adjustments	(977)
Share of other comprehensive loss in associates	(26)
Total other comprehensive loss	(1,288)
COMPREHENSIVE INCOME (Note 14)	¥ 1,889
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 14):	
MANDOM CORPORATION	¥ 1,658
Minority interests	231

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

MANDOM CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2009	23,787	¥ 11,395	¥ 11,235	¥ 23,866	¥ (957)
Adjustment of retained earnings for exclusion of consolidated subsidiaries				(27)	
Net income				2,802	
Cash dividends, ¥50 per share				(1,177)	
Purchase of treasury stock	(406)				(891)
Disposal of treasury stock	0		(0)		0
Net change in the year					
BALANCE, MARCH 31, 2010	23,381	11,395	11,235	25,464	(1,848)
Net income				2,673	
Cash dividends, ¥60 per share				(1,404)	
Purchase of treasury stock	(0)				(0)
Net change in the year					
BALANCE, MARCH 31, 2011	23,381	¥ 11,395	¥ 11,235	¥ 26,733	¥ (1,848)

	Millions of Yen				
	Accumulated Other Comprehensive Loss				
	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	¥ (628)	¥ (5,379)	¥ 39,532	¥ 2,848	¥ 42,380
Adjustment of retained earnings for exclusion of consolidated subsidiaries			(27)		(27)
Net income			2,802		2,802
Cash dividends, ¥50 per share			(1,177)		(1,177)
Purchase of treasury stock			(891)		(891)
Disposal of treasury stock			0		0
Net change in the year	355	899	1,254	718	1,972
BALANCE, MARCH 31, 2010	(273)	(4,480)	41,493	3,566	45,059
Net income			2,673		2,673
Cash dividends, ¥60 per share			(1,404)		(1,404)
Purchase of treasury stock			(0)		(0)
Net change in the year	(287)	(727)	(1,014)	(22)	(1,036)
BALANCE, MARCH 31, 2011	¥ (560)	¥ (5,207)	¥ 41,748	¥ 3,544	¥ 45,292

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MANDOM CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen	
	2011	2010
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 5,813	¥ 5,475
Adjustments for:		
Income taxes paid	(3,059)	(1,326)
Depreciation and amortization	2,503	2,263
Provision for retirement benefits	229	298
Loss on disposal of property, plant and equipment	32	249
Changes in assets and liabilities:		
Increase in receivables	(493)	(238)
Decrease (increase) in inventories	(476)	510
Increase (decrease) in payables	(444)	383
Other - net	(41)	153
Total adjustments	(1,749)	2,292
Net cash provided by operating activities	4,064	7,767
INVESTING ACTIVITIES:		
Payments for deposits	(1,084)	(957)
Decrease in time deposits	1,034	486
Acquisition of property, plant and equipment	(2,094)	(2,862)
Proceeds from sales and redemptions of investment securities	400	1,652
Payments for purchases of investment securities	(158)	(118)
Proceeds from sales and redemptions of short-term investment securities	23,800	24,400
Payments for purchases of short-term investment securities	(23,391)	(27,591)
Proceeds from sales of investments in consolidated subsidiaries	37	
Other - net	48	(121)
Net cash used in investing activities	(1,408)	(5,111)
FINANCING ACTIVITIES:		
Payments for purchases of treasury stock - net	(1)	(891)
Dividends paid	(1,651)	(1,391)
Other - net	(9)	(9)
Net cash used in financing activities	(1,661)	(2,291)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(187)	184
NET INCREASE IN CASH AND CASH EQUIVALENTS	808	549
CASH AND CASH EQUIVALENTS OF NEWLY-CONSOLIDATED AND EXCLUDED SUBSIDIARIES, BEGINNING OF YEAR		(41)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,743	9,235
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 10,551	¥ 9,743

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive loss is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to confirm to the classifications used in 2011.

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, 2011 include the accounts of the Company and its ten (eleven in 2010) significant subsidiaries (collectively, the "Group"). Investment in one (one in 2010) associated company are accounted for under the equity method. Investments in the remaining two unconsolidated subsidiaries (two in 2010) 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 under 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 Associated Companies Accounted for under the Equity Method - In March 2008, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 16, "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 was applicable to investments accounted for under the equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change to the consolidated financial position or results of operations of the Group was none.

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 in 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.

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, defined contribution pension plans and advance payment systems 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. Asset Retirement Obligations - In March 2008, the ASBJ published the 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 and related guidance, 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 future 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 was effective for fiscal years beginning on April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥5 million and income before income taxes and minority interests by ¥22 million.

j. Research and Development Costs - Research and development costs are charged to income as incurred.

k. 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 was effective for fiscal years beginning on April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be 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.

All other leases are accounted for as operating leases.

l. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences.

m. 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 as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

n. 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” under accumulated other comprehensive loss in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. 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.

p. New Accounting Pronouncements

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". The accounting 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, the 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 such 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 April 1, 2011.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	
	2011	2010
Short-term investments:		
Time deposits other than cash equivalents	¥ 756	¥ 806
Short-term treasury securities	6,799	7,998
Government, corporate and other bonds	101	600
Commercial paper other than cash equivalents	997	
Trust fund investment	16	
Total	¥ 8,669	¥ 9,404
Investment securities:		
Marketable equity securities	¥ 4,049	¥ 4,394
Non-marketable equity securities	11	11
Government, corporate and other bonds		102
Trust fund investments and other		27
Total	¥ 4,060	¥ 4,534

Information regarding the securities classified as available-for-sale at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 5,009	¥ 158	¥ (1,118)	¥ 4,049
Debt securities	7,898	1	(2)	7,897
Other	14	2		16

	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

Available-for-sale securities, whose fair value could not be reliably determined as of March 31, 2011 and 2010, were as follows:

	Millions of Yen	
	2011	2010
Equity securities	¥ 11	¥ 11

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were nil and ¥2 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.

4. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	
	2011	2010
Merchandise	¥ 1,535	¥ 1,438
Finished products	2,778	2,930
Work in process	367	375
Raw materials and supplies	1,872	1,559
Total	¥ 6,552	¥ 6,302

5. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in unconsolidated subsidiaries and associated companies at March 31, 2011 and 2010 were as follows:

	Millions of Yen	
	2011	2010
Investments	¥ 193	¥ 234

6. OTHER ASSETS

Other assets at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	
	2011	2010
Long-term prepaid expenses	¥ 749	¥ 880
Guarantee deposits	523	555
Long-term loans	250	298
Software	346	258
Other	352	412
Total	¥ 2,220	¥ 2,403

Long-term loans are primarily housing loans to employees bearing interest at annual rates which ranged from 0% to 3.0% at March 31, 2011 and 2010.

7. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans and advance payment systems 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.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company and certain domestic subsidiaries implemented a point-based funded defined benefit pension plan and an advance payment system on April 1, 2011 by which the former qualified defined benefit pension plan was terminated. The Company applied the accounting specified in the guidance issued by the ASBJ. The effect of this transfer was to increase operating income by ¥12 million and decrease income before income taxes and minority interests by ¥36 million for the year ended March 31, 2011.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	
	2011	2010
Projected benefit obligation	¥ 3,162	¥ 3,328
Fair value of plan assets	(1,794)	(1,952)
Unrecognized actuarial loss	(472)	(233)
Unrecognized prior service cost	153	(294)
Net liability	¥ 1,049	¥ 849
Attributed to:		
Prepaid pension expense	¥ (1)	
Liability for retirement benefits	1,050	¥ 849

The effect of the retirement benefits and pension plan transfer mentioned above for the year ended March 31, 2011 was as follows.

	Millions of Yen
Decrease in projected benefit obligation	¥ (163)
Decrease in plan assets	183
Decrease in unrecognized actuarial loss	29
Increase in unrecognized prior service cost	(13)
Increase in liability for retirement benefits	¥ 36

The components of net periodic retirement benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen	
	2011	2010
Service cost	¥ 209	¥ 192
Interest cost	111	101
Expected return on plan assets	(64)	(52)
Amortization of prior service cost	50	62
Recognized actuarial loss	88	190
Subtotal	394	493
Loss on transfer of retirement benefit plan	48	
Contribution for the multi-employer pension plan	269	264
Contribution for the defined contribution pension plan	85	84
Net periodic retirement benefit costs	¥ 796	¥ 841

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Discount rate	1.8%	1.9%
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 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, 2011 and 2010 were approximately ¥3,771 million and ¥3,854 million, respectively.

Contributions to the Plan are 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, 2011. However, the share is not equal to the actual contribution percentage of the Group.

The financial statement of the Plan at March 31, 2010 is as follows:

	Millions of Yen
Fair value of plan assets	¥ 31,247
Projected benefit obligation	(43,178)
Net	¥ (11,931)

<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 ¥14,541 million. The prior service obligation is evenly amortized over 19 years. The Company and certain consolidated subsidiaries recognized ¥124 million of special contribution expense for the year ended March 31, 2011.

8. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen	
	2011	2010
Deposits received	¥ 356	¥ 362
Liabilities for retirement benefits to directors and corporate auditors	592	668
Other	54	14
Total	¥ 1,002	¥ 1,044

9. 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 companies have prescribed so in its articles of incorporation. The Company 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 companies 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 the amount 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.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.63% for the years ended March 31, 2011 and 2010. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The amount ¥381 million of prior years income tax included in the consolidated statement of income for the year ended March 31, 2011, resulted primarily from the correction of transfer pricing taxation between the Company and foreign consolidated subsidiaries.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 are as follows:

	Millions of Yen	
	2011	2010
Deferred tax assets:		
Accrued bonuses	¥ 294	¥ 306
Enterprise tax	72	104
Inventories	133	123
Retirement benefit costs	368	291
Long-term liabilities	231	262
Property, plant and equipment	34	34
Devaluation of investment securities	116	113
Unrealized loss on available-for-sale securities	455	307
Other	537	509
Less valuation allowance	(247)	(146)
Total	1,993	1,903
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	51	120
Depreciation		7
Undistributed earnings of overseas subsidiaries and associated companies	110	96
Other	21	8
Total	182	231
Net deferred tax assets	¥ 1,811	¥ 1,672

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 is as follows:

Normal effective statutory tax rate	40.63%
Expenses not deductible for income tax purposes	1.41
Adjustment of undistributed earnings of overseas subsidiaries and associated companies	0.25
Dividends not taxable for income tax purposes	(3.43)
Tax credit for research and development costs and others	(1.56)
Change in valuation allowance	1.75
Income taxes for prior periods	6.64
Capital levy on inhabitant tax	0.39
Other – net	(0.74)
Actual effective tax rate	45.34%

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

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2011 and 2010 were ¥1,851 million and ¥1,847 million, respectively.

12. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2011 and 2010 were ¥3,165 million and ¥3,075 million, respectively.

13. LEASES

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

Total rental expenses for the years ended March 31, 2011 and 2010 were ¥1,320 million and ¥1,262 million, respectively.

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

	Millions of Yen			
	2011		2010	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 8	¥ 145	¥ 8	¥ 145
Due after one year	17	1,010	14	1,155
Total	¥ 25	¥ 1,155	¥ 22	¥ 1,300

14. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥ 357
Foreign currency translation adjustments	1,396
Share of other comprehensive income in associates	1
Total other comprehensive income	¥ 1,754

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen
Total comprehensive income attributable to:	
MANDOM CORPORATION	¥ 4,057
Minority interests	934
Total comprehensive income	¥ 4,991

15. CONTINGENT LIABILITIES

On August 20 and December 1, 2010, lawsuits were brought against the Company in Tokyo District Court by Shiseido Company, Limited, who alleged that some products of the Company infringed their patents. The plaintiff filed claims to seek an injunction against producing and selling the products, and ¥100 million in compensation.

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March, 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 was applicable to financial instruments and related disclosures at the end of the fiscal years ending March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments to invest cash surplus amounts 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 52.3% and 44.8% of trade notes and accounts receivables are from specific dealers for the years ended March 31, 2011 and 2010, respectively. Short-term investments and investment 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.

Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

(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.

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

	Millions of Yen	
March 31, 2011	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 10,551	¥ 10,551
Short-term investments and investment securities	12,718	12,718
Receivables	6,318	6,318
Total	¥ 29,587	¥ 29,587
Payables	¥ 3,385	¥ 3,385
Accrued income taxes	813	813
Total	¥ 4,198	¥ 4,198

	Millions of Yen	
March 31, 2010	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 investments 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 institutions for certain debt instruments. The carrying amounts of short-term investments 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.

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

	Millions of Yen	
	2011	2010
Investments in equity instruments that do not have a quoted market price in an active market	¥ 11	¥ 11

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

	Millions of Yen	
March 31, 2011	Due in One Year or Less	Due after One Year through Five Years
Cash and cash equivalents	¥ 10,551	¥
Short-term investments and investment securities:		
Available-for-sale debt securities with contractual maturities	7,896	
Other	773	
Receivables	6,318	
Total	¥ 25,538	¥

	Millions of Yen	
March 31, 2010	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

17. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and an associated company for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen	
	2011	2010
Sales	¥ 520	¥ 291
Interest and dividend income	22	24
Other expenses – net	(218)	(235)

18. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Group for the year ended March 31, 2011 were approved at the shareholders' meeting held on June 24, 2011:

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

19. SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

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 the guidance are applicable to segment information disclosures for the fiscal years beginning on April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells cosmetic products. The Company and domestic subsidiaries oversee the Japan region, PT MANDOM INDONESIA Tbk oversees the Indonesia region, and other overseas subsidiaries in Malaysia, Thailand, China and other location oversee activities in each of the countries. Each of the overseas subsidiaries are independent management units, which can develop product strategies and business activities in their respective regions. Therefore, the Group consists of the geographical segments based on production and sales structures, which are identified as Japan, Indonesia and other foreign countries (hereinafter "Other").

2. Methods of measurement for the amount of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".

3. Information about sales, profit (loss), assets, liabilities and other items is as follows.

	Millions of Yen					
	2011					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 37,495	¥ 12,944	¥ 6,824	¥ 57,263		¥ 57,263
Intersegment sales or transfers	3,151	1,286	340	4,777	¥ (4,777)	
Total	40,646	14,230	7,164	62,040	(4,777)	57,263
Segment profit	3,647	1,315	785	5,747		5,747
Segment assets	39,076	9,421	4,831	53,328		53,328
Other:						
Depreciation	1,704	627	63	2,394		2,394
Amortization of goodwill			109	109		109
Investments in associated company under the equity method			168	168		168
Increase in property, plant and equipment and intangible assets	¥ 1,195	¥ 669	¥ 53	¥ 1,917	¥	¥ 1,917

	Millions of Yen					
	2010					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 37,071	¥ 11,195	¥ 6,038	¥ 54,304		¥ 54,304
Intersegment sales or transfers	2,868	1,305	344	4,517	¥ (4,517)	
Total	39,939	12,500	6,382	58,821	(4,517)	54,304
Segment profit	3,541	1,122	706	5,369		5,369
Segment assets	39,873	9,627	4,682	54,182		54,182
Other:						
Depreciation	1,502	560	64	2,126		2,126
Amortization of goodwill			137	137		137
Investments in associated company under the equity method			205	205		205
Increase in property, plant and equipment and intangible assets	¥ 2,603	¥ 702	¥ 54	¥ 3,359	¥	¥ 3,359

Notes: * "Reconciliations" represents eliminations of intersegment sales or transfers.
** "Segment profit" represents operating income included in the consolidated statements of income.

4. Information about products and services

	Millions of Yen			
	2011			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 39,389	¥ 11,204	¥ 6,670	¥ 57,263

5. Information about geographical areas

(1) Sales

Millions of Yen			
2011			
Japan	Indonesia	Other	Total
¥ 36,926	¥ 10,626	¥ 9,711	¥ 57,263

Note: Sales are classified in countries or regions based on location of customers.

(2) Property, plant and equipment

Millions of Yen			
2011			
Japan	Indonesia	Other	Total
¥ 8,931	¥ 2,887	¥ 272	¥ 12,090

6. Information about major customers

	Millions of Yen	
	2011	
Name of Customers	Sales	Related Segment Name
Paltac Corporation	¥ 17,093	Japan
PT ASIA PARAMITA INDAH	10,148	Indonesia

For the year ended March 31, 2010

Information about industry segments, geographical segments and sales to foreign customers of the Group for the year ended March 31, 2010 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 year ended March 31, 2010 are summarized as follows:

	Millions of Yen			
	Japan	Asia	Eliminations / Corporate	Consolidated
Sales to customers	¥ 37,071	¥ 17,233	¥	¥ 54,304
Inter-area transfers	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.

(3) Sales to Foreign Customers

Sales to foreign customers for the year ended March 31, 2010 amounted to ¥17,667 million.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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.

Deloitte Touche Tohmatsu LLC

June 15, 2011

Member of
Deloitte Touche Tohmatsu Limited

Outline of the Company (As of March 31, 2011)

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	2,232 (Consolidated) 547 (Non-consolidated)
Fiscal Year-end	March 31
General Meeting of Shareholders	Ordinary General Meeting of Shareholders Every June
Independent Auditor	Deloitte Touche Tomatsu LLC

Group Companies (As of March 31, 2011)

Japan

Company Names	Main Businesses	Voting Rights
Piacelabo Corporation	Sale of cosmetics and other products	100.0% consolidated subsidiary
mbs Corporation	Life and non-life insurance agency services, staffing, general services, and quality control of domestic Group company products	100.0% non-consolidated subsidiary

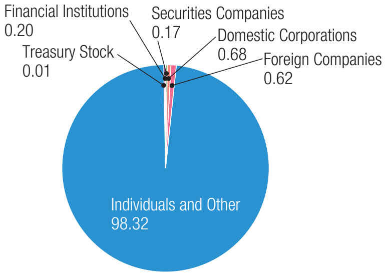
Overseas

	Company Names	Location	Main Businesses	Voting Rights
INDONESIA	PT Mandom Indonesia Tbk	Indonesia	Manufacture and sale of cosmetics and other products	60.8% consolidated subsidiary
ASEAN	Mandom Corporation (Thailand) Ltd.	Thailand	Sale of cosmetics and other products	100.0% consolidated subsidiary
	Mandom Philippines Corporation	The Philippines	Sale of cosmetics and other products	100.0% consolidated subsidiary
	Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sale of cosmetics and other products	99.0% consolidated subsidiary
NIES	Mandom Corporation (Singapore) Pte Ltd	Singapore	Sale of cosmetics and other products	100.0% consolidated subsidiary
	Mandom Taiwan Corporation	Taiwan	Sale of cosmetics and other products	100.0% consolidated subsidiary
	Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sale of cosmetics and other products	44.0% equity-method affiliate
	Mandom Korea Corporation	Korea	Sale of cosmetics and other products	100.0% consolidated subsidiary
CHINA	Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sale of cosmetics and other products	66.7% consolidated subsidiary
	Mandom China Corporation	China (Shanghai)	Sale of cosmetics and other products	100.0% consolidated subsidiary

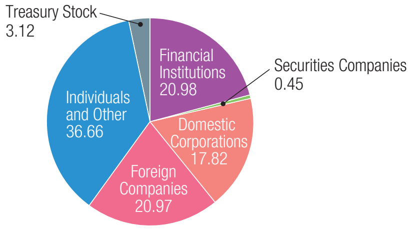
Stock Information (As of March 31, 2011)

Number of Shares Authorized for Issue	81,969,700 shares
Shares of Common Stock Issued and Outstanding	24,134,606 shares
Number of Shareholders	20,962
Stock Listing	First Section, Tokyo Stock Exchange
Securities Code	4917
Transfer Agent	The Sumitomo Trust and Banking Co., Ltd.

Common Stock Holdings



Shareholders by Type (%)



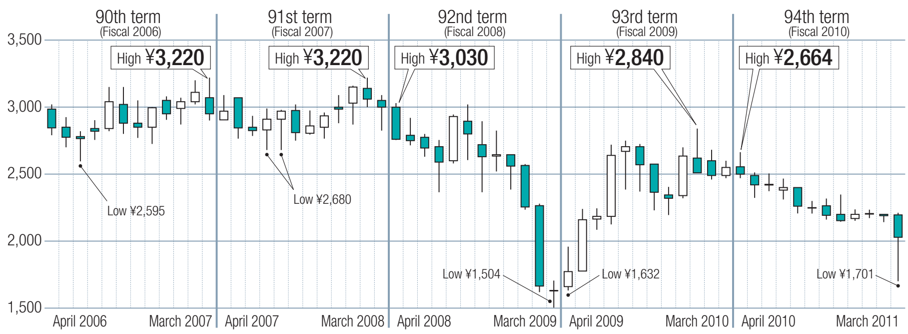
Shareholders by Holding (%)

Major Shareholders

	No. of Shares (Thousands)	Holding (%)
Nishimura International Scholarship Foundation	1,800	7.46%
The Master Trust Bank of Japan, Ltd. (trust account)	1,402	5.81%
Japan Trustee Services Bank, Ltd. (trust account)	1,255	5.20%
Motonobu Nishimura	1,005	4.16%
Mandom Employee Shareholding Association	759	3.15%
Mandom Corporation	753	3.12%
Teruhisa Nishimura	751	3.11%
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	620	2.57%
BNP Paribas Sec Svc London/Jas/Aberdeen Investment Funds Icvc/Agency Lending	605	2.51%
STATE STREET BANK AND TRUST COMPANY	587	2.43%

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

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.

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/

mandom corp.

Mandom Corporation has acquired ISO 14001 for the Fukusaki Factory and ISO 9001 for the Head Office (excluding marketing divisions), Fukusaki Factory, and the Tokyo Nihonbashi Building.

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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