Analysis of Operating Results

Japan's economy showed signs of recovery during the fiscal year under review, spurred by reconstruction work in northeastern Japan in the aftermath of the March 11 earthquake and tsunami as well as policies introduced by the new government beginning last December. Despite these factors, economic stagnation in Europe has slowed the global economy, clouding the view of the future direction of world business. Asia is where the Mandom Group conducts most of its overseas business. Here, the European financial crisis has been a drag on the economy, but overall the region remains strong.

Given these economic conditions, the Mandom Group is pursuing initiatives that we believe will lead to sustained growth:

1) Stable growth in our core men's grooming business
2) Expansion of our women's cosmetics business
3) Continued expansion of overseas sales, emphasizing Asia as an engine of growth

As a result, consolidated net sales increased 1.0% year on year to 60,427 million yen. Consolidated net income rose 9.3% to 3,607 million yen.

(1) Net Sales and Cost of Sales

Consolidated net sales for the fiscal year ended March 31, 2013, totaled 60,427 million yen, up 625 million yen, or 1.0%, year on year, marking our third consecutive year of record sales. Sales of summer season products in the core Gatsby brand were slow in Japan through the second quarter of the fiscal year under review. Sales of men's grooming products (mainly Gatsby) overseas, however, were robust, with gains more than making up for the domestic shortfall.

The cost of sales was 27,568 million yen, an increase of 158 million yen, or 0.6%, year on year. Despite growth in cost of sales accompanying higher overseas sales, this slight rise was largely due lower sales in Japan. Consequently, gross margin totaled 32,858 million yen, up 466 million yen, or 1.4%, year on year.

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

SG&A expenses totaled 26,910 million yen, up 569 million yen, or 2.2%, year on year. Despite our best efforts to invest effectively in marketing (sales promotion and advertising expenses) for the Japanese market, this result was mainly due to increased expenses accompanying aggressive investment in marketing (sales promotion) in Indonesia and other overseas regions. As a result, operating income amounted to 5,947 million yen, a decrease of 102 million yen, or 1.7%, from the previous fiscal year.

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

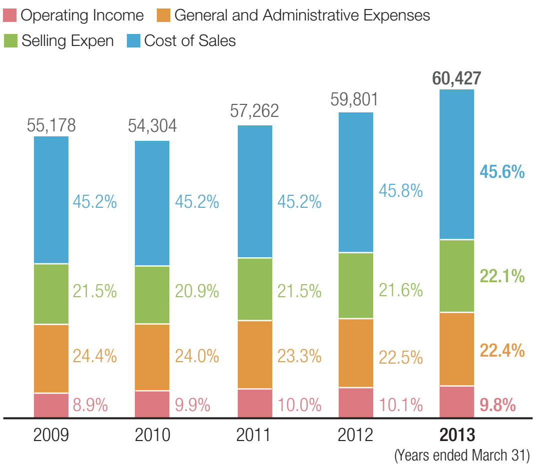
Non-operating profit increased 36 million yen year on year. This was due to the increase in non-operating profit coupled with the decrease in non-operating expenses. Extraordinary profit grew 220 million yen year on year largely because of a significant fall in extraordinary loss.

As a result, ordinary income decreased 66 million yen, or 1.1%, year on year to 6,241 million yen, but income before income taxes and minority interests increased 153 million yen, or 2.5% year on year, to 6,272 million yen.

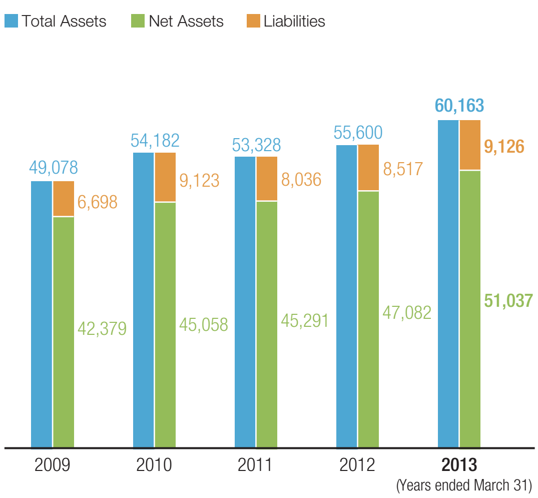
(4) Corporate and Other Taxes, Minority Interests and Net Income

Corporate and other taxes decreased by 179 million yen, or 7.6%, to 2,175 million yen mainly due to lower corporate tax in Japan. Taking into account the increase in net income of the Mandom Group's Indonesian subsidiary, minority interest climbed 24 million yen year on year to 490 million yen.

Breakdown of Ratio of Operating Expenses/ Operating Income to Net Sales (Millions of yen)



Total Assets, Liabilities and Net Assets (Millions of yen)



On this basis, net income for the fiscal year under review grew 308 million yen, or 9.3%, year on year to 3,607 million yen, a new record high.

Analysis of Financial Position

1.Current Status of Assets, Liabilities and Total Equity

(1) Assets

Total assets during the fiscal year ended March 31, 2013 increased 4,563 million yen compared with the end of the previous fiscal year, reaching 60,163 million yen. This increase was primarily due to a rise in marketable securities.

(2) Liabilities

Liabilities increased 608 million yen from the previous fiscal year end, amounting to 9,126 million yen. This was mainly due to an upswing in incurred corporate and other taxes.

(3) Net Assets

Net assets increased 3,954 million yen from the end of the previous fiscal year, totaling 51,037 million yen. This was mainly due to an increase in retained earnings. Consequently, shareholders' equity ratio was 78.2%.

2.Status of Cash Flows

Cash and cash equivalents (cash) as of the end of the consolidated fiscal year amounted to 10,482 million yen. This represents a 689 million yen increase compared with the end of the previous fiscal year.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities increased 3,912 million yen compared with the previous fiscal year to 7,605 million yen. This was mainly due to lower inventories, which more than offset a slight decrease in operating income.

(2) Cash Flows from Investing Activities

Cash used in investing activities increased 2,692 million yen compared with the previous fiscal year to 5,387 million yen. This was mainly due to purchases of marketable securities.

(3) Cash Flows from Financing Activities

Cash flow used in financing activities decreased by 21 million yen compared with the previous fiscal year to 1,646 million yen. This was mainly due to a decline in the payment of shareholder dividends, including minority shareholders.

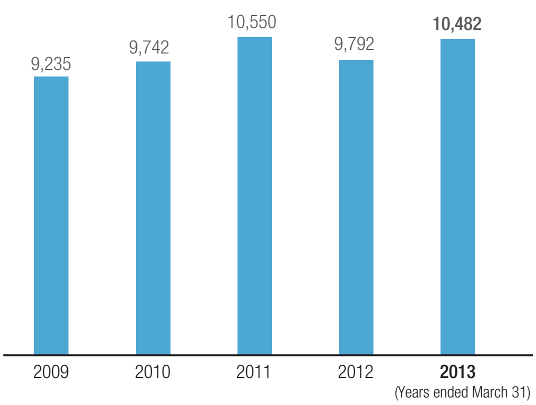
Risks to Business, etc.

With regard to management results and financial constitution, the following are items which could have a significant impact on the judgment of investors. 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 from or renew existing products while reforming marketing activities, including sales methods. Despite these endeavors, the Company may encounter delays in implementing 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

Balance of Cash and Cash Equivalents at End of Period (Millions of yen)



Cash Flows (Millions of yen)

inventories and the 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, 2012 and 2013, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (30.2% in fiscal 2012, 30.2% in fiscal 2013) and PT Asia Paramita Indah in Indonesia (18.5% in fiscal 2012, 19.0% in fiscal 2013). Mandom and PT Mandom Indonesia Tbk have 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 sells 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 35.8% and 37.8% of consolidated net sales in the fiscal years ended March 31, 2012 and March 31, 2013, respectively, and the weight of overseas business is anticipated to increase in the future. Accordingly, 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 continuing mild deflation in Japan. There are inherent factors that 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' underlying 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.

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 entering 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 on costs is inevitable. To restrain this rise in costs, 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 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 to fulfill 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.

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 Plan: 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 Plan. Furthermore, when implementing our strategic objectives, we will be expeditious in exploiting external capital through M&A/ business alliances.

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

The core brand Gatsby will be further strengthened as our global brand in Asia. In Japan, we will aim to expand market share in hair styling as well as the face & body categories. Better line-ups of products and marketing reinforcement will be used to drive forward greater growth of Gatsby. Overseas, hair styling will be our priority category. We will expand market share by enhancing comparative advantage in the market through our hair wax line-up. At the same time, we will reinforce expansion efforts for the face & body category in line with improved consumer recognition of the Gatsby brand, with the aim of expanding its scale. As for the Lúcido brand, we will make staged proposals of products that focus on the concept of aging care.

(2) Speeding up of the women's cosmetries and women's cosmetics businesses 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) Ongoing expansion of our overseas business

In our effort to achieve the expansion of our overseas business, Indonesia and China will be our primary targets. These are the most important areas for our initiatives among countries where we have a presence. 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. We have identified Southeast Asia and India as areas of high importance for our initiatives, and in the former, have established and expanded our distribution network through which we will steadily implement new market expansion. In the Indian market where growth is promising, we will leverage the market through our overseas subsidiary company. We established this company in March 2012 to create the foundation of our cosmetics business and then to expand its scale.

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. Earnings Distribution Policy

Returning profit 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 ended March 31, 2013 and the fiscal year ending March 31, 2014 is a dividend payout ratio of not less than 40% of net income on a consolidated basis.

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.