mandom

mandom／Human & Freedom

Annual Report 2009

Year ended March 31, 2009

For the Sustainable Growth

Contents

Cautionary Statement With Respect to Forward-looking Statements

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

All amounts have been rounded to the nearest whole unit.

The Philosophy of the Mandom Group

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

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

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

Our Values

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

Creating Lifestyle Value With Consumers, For Consumers

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

Active Employee Participation

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

Social Responsibility and Sustainability

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

Our Principles

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

1 “KohDoh” for Value Maximization

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

2 “KohDoh” for Self-actualization

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

3 “KohDoh” for Profitability Enhancement

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

4 “KohDoh” for Good Ethics

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

5 “KohDoh” for Successful Business Partnerships

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

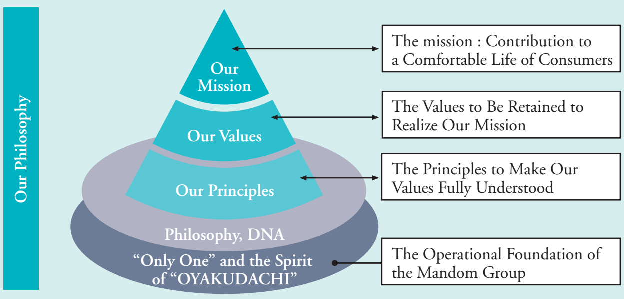
6 “KohDoh” for Environmental Preservation

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

7 “KohDoh” for Philanthropy

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

The Concept of Our Philosophy



Financial Highlights

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	09/3	08/3	07/3	06/3	05/3
Net Sales	55,178	56,289	51,250	47,923	47,546
Operating Income	4,926	6,837	5,195	6,065	6,700
Net Income	3,011	3,499	2,488	3,099	3,211
Total Assets	49,078	54,218	51,620	51,320	47,397
Total Equity	42,379	45,868	44,182	40,568	38,168
Return on Equity (ROE) (%)	7.4	8.4	6.1	7.9	8.6
Earnings per Share (EPS) (¥)	126.60	147.13	104.28	124.36	128.73
Payout Ratio (%)	47.4	54.4	57.5	48.2	42.7
Cash Dividends per Share (¥)	60.00	80.00	60.00	60.00	55.00

Net Sales

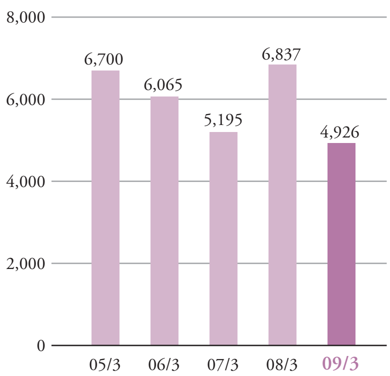
(Millions of yen)

(%)

	05/3	06/3	07/3	08/3	09/3
rate of change	4.8	0.8	6.9	9.8	▲2.0

Operating Income

(Millions of yen)

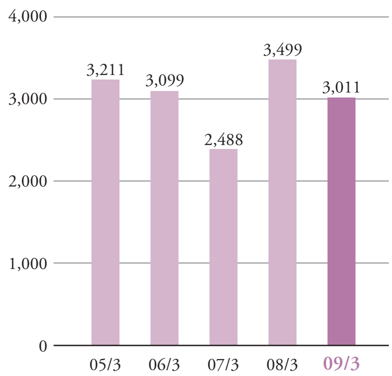


(%)

	05/3	06/3	07/3	08/3	09/3
rate of change	0.3	▲9.5	▲14.3	31.6	▲28.0

Net Income

(Millions of yen)

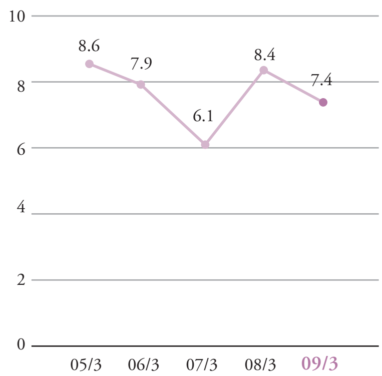


(%)

	05/3	06/3	07/3	08/3	09/3
rate of change	▲1.3	▲3.5	▲19.7	40.6	▲14.0

Return on Equity (ROE)

(%)

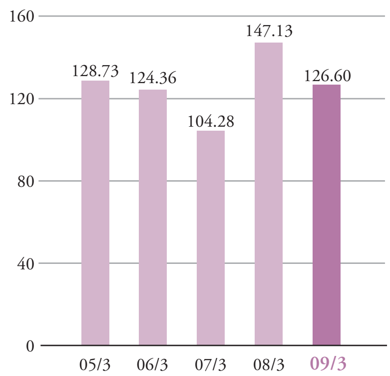


(point)

	05/3	06/3	07/3	08/3	09/3
change	▲0.5	▲0.7	▲1.8	2.3	▲1.0

Earnings per Share (EPS)

(yen)

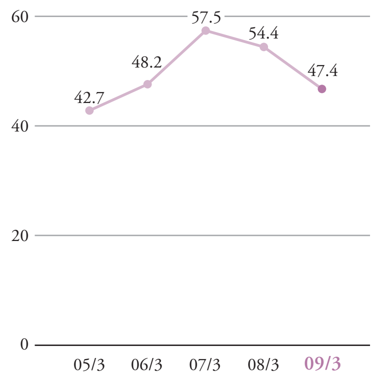


(%)

	05/3	06/3	07/3	08/3	09/3
rate of change	▲1.6	▲3.4	▲16.1	41.1	▲14.0

Payout Ratio

(%)



(point)

	05/3	06/3	07/3	08/3	09/3
change	4.5	5.5	9.3	▲3.1	▲7.0

Fiscal 2009, ended March 31, 2009, was the inaugural year of The ninth three-year Middle-range Planning (MP-9). During the year, we made a fresh start toward meeting the objectives of the plan, through which we will strive over the medium term to create stable new business domains that will put Mandom corporation on a sustainable growth track.

In terms of consolidated business results for the year, we recorded lower sales and earnings for the first time in nine years, reversing record consolidated sales and profits posted in the previous fiscal year. This turn of events was triggered by changes in our external business environment, which saw markets contract in response to the worst economic crisis in nearly a century, and internal factors such as slumping performance from newly unveiled products. One bright spot among these challenging conditions, though, is that we have clarified the key issues we must address, identifying specifically the negative factors that need improvement and the growth fields toward which we should continue to channel resources.

Along with encouraging growth and making improvements wherever necessary, our goal for fiscal 2010 is to mount a recovery in profitability. To this end, the entire Mandom Group is boldly committed to moving in unison to recoup delays in executing MP-9 and the Company's policies.

Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer

Review of Operations for Fiscal 2009

In fiscal 2009, ended March 31, 2009, the Japanese economy experienced its worst negative growth in the post-war era. The economy was battered in the first half of the year by rising commodity prices due to soaring prices for crude oil and raw materials, followed by weak external demand in the second half due to global economic deterioration caused by the U.S. financial crisis. Even Japan's cosmetics industry, which had been relatively insulated from this economic impact, faced a tough earnings climate as domestic demand came to a virtual standstill.

Overseas, another of the Group's business areas, Asia outside Japan, saw inflation and a worsening global economy spark a sudden and dramatic economic slowdown, reversing the comparatively high rate of growth noted up through the previous fiscal year. Meanwhile, depreciation in local currencies across the region, reflecting the yen's appreciation and other factors, had a major impact on business results.

In this climate, the Mandom Group strove to realize sustainable development through steps to: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women; and (3) continue expanding overseas operations. Consequently, consolidated net sales for fiscal 2009 declined 2.0% year on year, to 55,178 million yen. Operating income was down 28.0% to 4,926 million yen, and ordinary income fell 22.8% to 5,175 million yen. Net income was 3,011 million yen, 14.0% lower than the previous fiscal year, as profits decreased substantially in every earnings category.

Net sales in Japan were lower for the year, reflecting the substantial impact of lackluster sales of *Lúcido* and other existing products as the market declined from the third quarter onward, as well as weak sales of the women's gray hair coloring brand *Produce* in the women's cosmetries business. These factors outweighed firm growth in sales of seasonal summer products among the *Gatsby* lineup in the Company's core men's grooming business and strong performance from the women's cosmetics business.

Outside Japan, the Company posted double-digit growth in most regions thanks to firm performance largely from its mainstay *Gatsby* brand, and steady growth in the women's cosmetics business. Sales ultimately ended only slightly higher, however, as the negative effects of currency exchange rates eroded sales significantly upon conversion to yen.

Consequently, Mandom's net sales for the year declined on a consolidated basis.

Operating income in Japan declined year on year, as the production of a greater percentage of summer seasonal products in-house and other cost reduction efforts were offset by an increase in product returns and higher cost of sales, with the latter due mainly to soaring prices for crude oil and raw materials.

Outside Japan, while expenses decreased thanks to more efficient use of sales expenditures, income ended the year lower due to rising costs for raw materials caused by high prices for crude oil and resources, and depreciation in the value of local currencies.

Ordinary income also declined, reflecting the large downturn in operating income, which outweighed other income gained through a decline in other expenses. Lower expenses resulted from the inclusion of loss due to inventory disposal in cost of sales.

Net income for fiscal 2009 was lower year on year, as a valuation loss on investment securities led to an increase in the extraordinary loss for the year. This result came despite lower income taxes due to tax system revisions.

A breakdown of Group sales along two priority metrics—the product axis and the area axis—is as follows.

Product Axis

• Men's Grooming Business

In Japan, total sales of *Gatsby* products ended largely flat year on year despite growth in sales of summer seasonal products, reflecting modest declines in sales of existing products due to a market downturn. Elsewhere, sales of *Lúcido* products fell sharply as sales of the "Stylish Series" lineup of high-value-added products targeting middle-aged consumers slumped.

Outside Japan, the *Gatsby* brand saw brisk performance in hair styling, facial and body products, leading to sales growth on a local currency basis. However, the impact of currency exchange rates ultimately resulted in lower sales.

From the foregoing, Group sales in the men's grooming business declined 3.9% year on year to 37,930 million yen.

• Women's Cosmetries Business

In Japan, while performance from the completely revamped *Lúcido-L* brand was on a par with the previous year, the *Produce* hair-coloring brand witnessed a substantial drop in performance.

Outside Japan, the impact of currency exchange rates caused sales to falter despite brisk performance in the Company's *Pucelle* fragrance line for teens.

As a result, Group sales from the women's cosmetries business declined 14.1% year on year, to 7,551 million yen.

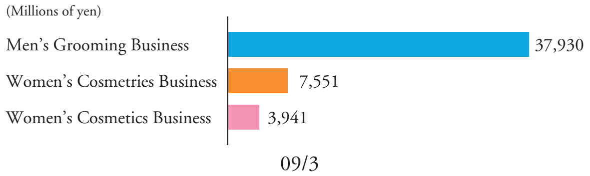
• Women's Cosmetics Business

In Japan, sales rose substantially as Mandom extended its product lines into new categories and bolstered its lineup of skin care products and other merchandise.

Outside Japan, a make-up series revamped in the previous fiscal year for the *Pixy* brand, which the Company develops mainly in Indonesia, saw sales growth that ultimately overcame the negative effects of currency exchange rates.

Consequently, Group sales from the women's cosmetics business rose 5.6% year on year, to 3,941 million yen.

Sales by Priority Group Business



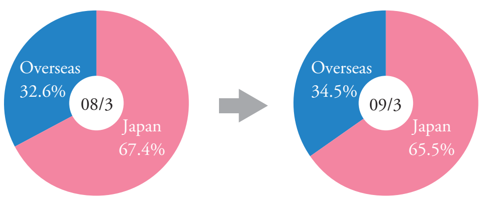
Area Axis

• Overseas Business

In Asia, which is one of the Group's operating regions, the Company brought a Thai subsidiary into the scope of consolidation during fiscal 2009. This change, coupled with healthy sales growth from other Group companies in the region, led to steady sales improvement and double-digit growth on a local currency basis across most of Asia. The yen's sharp and sudden appreciation, however, had a negative effect on sales upon conversion to yen, causing significant contraction in the extent of sales growth.

As a result, overseas sales rose 3.9% year on year to 19,052 million yen. Sales overseas accounted for 34.5% of the Group's total net sales, an increase of 1.9 points from 32.6% in the previous fiscal 2009.

Consolidated Net Sales by Region and Ratios to Net Sales



MP-9 Progress and Direction Going Forward

Progress on MP-9

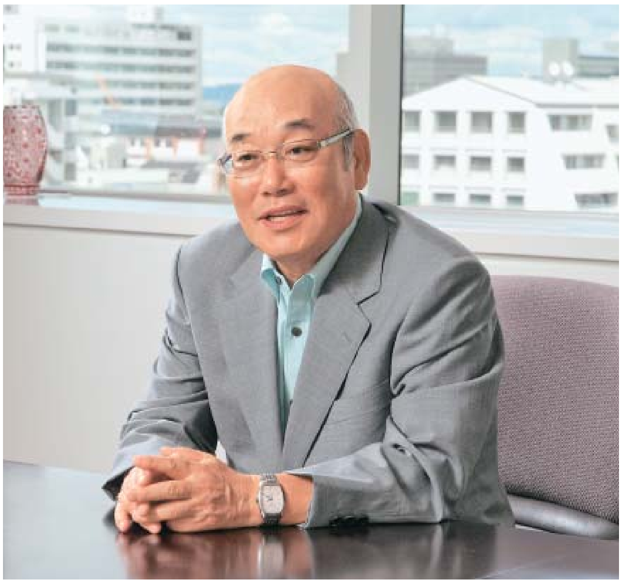
Mandom's policy is to focus its business strategy on sustainable growth for all the Group's operations, and to systematically invest management resources to expand Group operational scale in stages, thereby increasing profits sustainably. To this end, MP-9 will see the Group pursue three strategic aims: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain; and (3) continue expanding overseas operations, which are again positioned as a key growth driver under MP-9.

In fiscal 2009, the inaugural year of the plan, the Company recorded steady growth largely as projected during the first half of the year despite an adverse climate characterized by rising costs for raw materials due to high crude oil and resource prices. In the second half of the year, global economic deterioration triggered by the U.S. financial crisis sparked weakness in Japan's cosmetics market and the depreciation of currencies across Asia, causing results to fall far short of initial targets. Ultimately, these factors culminated in lower-than-expected results for the year.

Progress with each of the strategic aims of MP-9 in this operating environment is as follows.

• Achieve Stable Growth in the Men's Grooming Business

Although the core *Gatsby* brand achieved stable growth as planned, lackluster performance from existing products, coupled with a slump in newly proposed, high-valued-added products in the *Lúcido* brand, prevented the Company from meeting its targets.



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

While the women's cosmetics business performed favorably in Japan and overseas, a slump in the women's gray hair coloring brand *Produce* in the women's cosmetries business led to a shortfall in achieving targets for the year.

• Continue Expanding Overseas Operations

With the exception of certain regions, the Company saw double-digit growth on a local currency basis overseas, thus initially meeting plan objectives for the year. However, the adverse impact of currency exchange rates upon conversion to yen caused sales to fall short of targets.

MP-9 Direction Going Forward

The sharp, sudden and worldwide deterioration in the economic environment had a tremendously adverse impact on operating results for fiscal 2009. With no prospects for a recovery or positive upturn in the global economic climate expected for the duration of the MP-9 Plan, we intend to take the following direction in developing business operations going forward.

• Net Sales

In fiscal 2009, sales were sharply eroded by weakness in Japan's cosmetics market, depreciation in currencies across Asia, and other negative factors. This external environment is expected to grow more severe from fiscal 2010 onward.

In this context, we will aim to restore net sales to record levels by fiscal 2011, the final year of MP-9, by (1) sustaining high growth in the overseas business, where sales growth continues on a local currency basis; (2) continuing to strengthen the Group's core *Gatsby* brand, which is performing solidly across Asia; and (3) accelerating growth in the women's cosmetics business, which is already outperforming expectations.

• Profit

In fiscal 2009, profits declined on negative factors that included depreciation in Asian currencies and rising cost of sales primarily due to soaring crude oil prices. The forecast for fiscal 2010 onward is that the depreciation of Asian currencies, high prices for raw materials and other negative factors in the external environment will become more adverse.

In this climate, while we do not anticipate record earnings, we will strive for modest profit growth in fiscal 2010 and greater growth in fiscal 2011 through steps taken in fiscal 2009 to boost the efficiency of sales costs and a sweeping review of other costs.

• Capital Efficiency

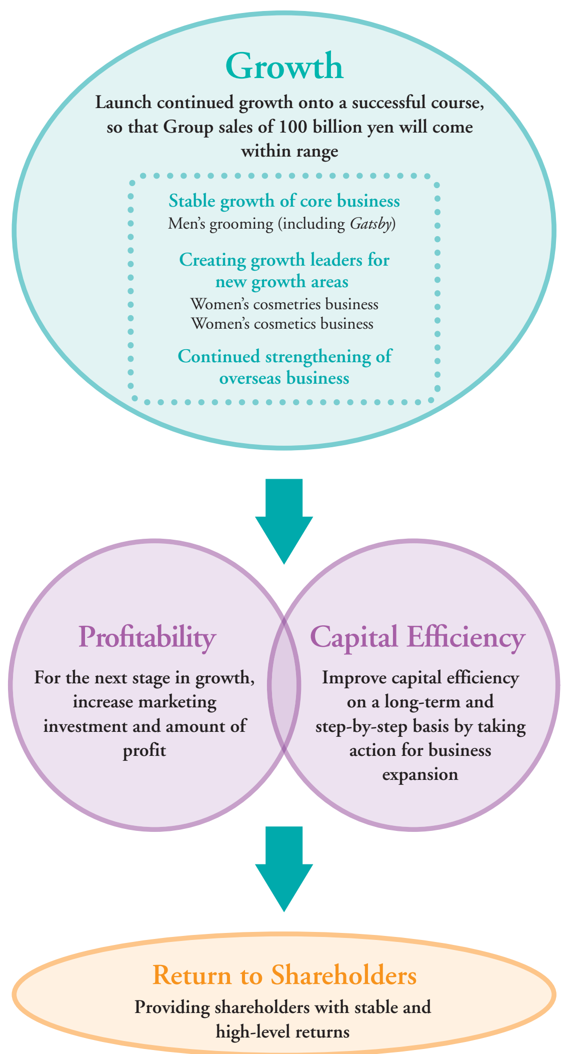
Under MP-9, we targeted consolidated ROE of 8% or more, and consolidated EPS for the plan's final year of 155 yen or more. In fiscal 2009, ROE was 7.4% and EPS was 126.60 yen. Achieving other initial MP-9 sales and profit targets from fiscal 2010 will be equally challenging. Accordingly, we have downwardly revised our consolidated ROE target for the plan's final year to 8% or more, and consolidated EPS to 140 yen or more.

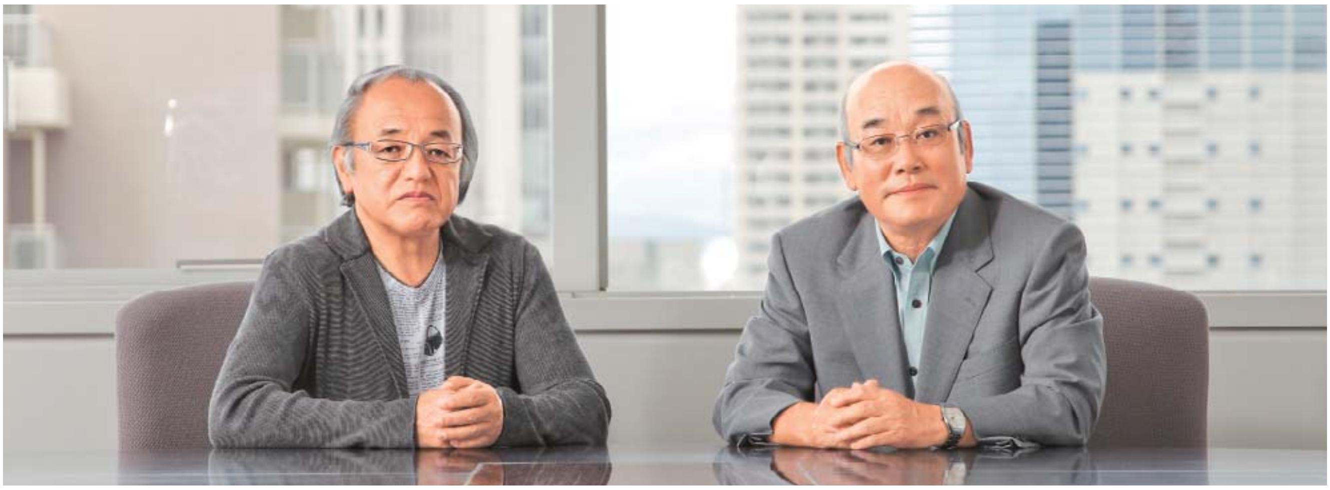
• Returning Profits to Shareholders

The Mandom Group views the return of profits to shareholders as a priority management issue. The Group's basic policy is to prioritize the return of profits to shareholders via the payment of cash dividends, while maintaining the internal reserves necessary to support medium- to long-term business expansion, the development of new businesses, and the mitigation of business risks.

For fiscal 2009, we set as numerical targets a consolidated payout ratio of 50% or more, and a dividend-on-equity (DOE) ratio of 4% or more. However, in response to uncertainty in the economic environment caused by the rapid and dramatic economic recession, currency exchange rate volatility, and a challenging operating environment characterized by increased competition, we will set the consolidated payout ratio at 40% or more for the duration of the MP-9 Plan.

Overview of ninth three-year Middle-range Planning





Outlook for Fiscal 2010

Given lingering uncertainty stemming from the rapid deterioration that took place in the global economic environment, no prospects for a rebound or positive upturn in the Japanese economy appear likely in the fiscal year ending March 31, 2010. The Asian economy, meanwhile, is expected to see currencies continue to depreciate due to further economic slowdown in countries across the region.

In this context, our projections for consolidated business results in fiscal 2010 are net sales of 53,700 million yen, down 2.7% year on year; operating income of 5,150 million yen, up 4.5% year on year; and ordinary income of 5,300 million yen, up 2.4% year on year. Net income is expected to decline by 7.0% to 2,800 million yen.

With respect to net sales, sales in Japan are expected to improve from revenue growth in the men's grooming business, reflecting efforts to bolster development in the facial and body categories centered on the *Gatsby* brand, as well as more items and stronger development in the women's cosmetics business. Outside Japan, the Company will aim for double-digit growth on a local currency basis through ongoing efforts to strengthen the *Gatsby* brand in particular. However, sales are likely to decline on the large and adverse impact of currency exchange rates as local currencies continue to lose value.

Where profit is concerned, we are projecting increases in operating income and ordinary income through further improvements in A&P costs and overall cost performance, and a thorough review of selling, general and administrative expenses. This growth will likely come despite the impact on cost of sales from depreciation in local currency values and high prices for raw materials in Japan and overseas. Net income, meanwhile, is expected to decline, reflecting the impact of effects that emerged from revisions to the tax system in the previous fiscal year.

In Closing

A worsening global economy, depreciation in Asian currencies and other concerns undermined business performance during the first year of the MP-9 Plan. Similarly, the continued loss in value for Asian currencies, high prices for raw materials and other external factors appear unavoidable during the second fiscal year of the plan. Consequently, business performance in fiscal 2010 will also face extreme challenges.

With that said, we keenly recognize that initiatives for the three-year period of MP-9 are designed to create a base for building the Company's future growth structure. At the same time, we are working to overcome the negative factors that have had an acute impact on business performance, and are striving to spur additional expansion in growth fields. Having positioned a recovery in profitability as our major objective during the second year of MP-9, we intend to review cost structures of every kind, and pursue management that will raise profitability, in the drive to meet plan targets.

The support and guidance of our stakeholders will be vital to our success in this endeavor.

M Nishimura

Motonobu Nishimura
Representative Director
President Executive Officer

H. Kamei

Hiroshi Kamei
Representative Director
Vice President Executive Officer

Mandom's Strategic Areas

All the companies of the Mandom Group pursue their businesses autonomously and independently on the basis of a shared corporate philosophy and policies. In doing so, they seek to be of service to local communities and consumers.

Mandom has divided its regions of operation into five strategic areas: JAPAN, NIES4, INDONESIA, ASEAN3 and CHINA, and strives to adapt to each region's unique market characteristics, becoming part of the societies where it conducts business.

JAPAN

Japan is Asia's trendsetter and primary source of information. Consumers are very aware of cosmetics, and have strong preferences, with a myriad of different requirements. Mandom primarily supplies highly functional, high-quality products made in Japan that fulfill consumers' requirements and reflect trends.

Mandom Corporation
Piacelabo Corporation
Guinot Japan Corporation
mbs Corporation

NIES 4

This area lags only slightly behind Japan in terms of trends, and offers relatively high levels of receptivity to new products and purchasing power. Most products Mandom sells here are made in Japan, with some Indonesian-made products catering to the characteristics of specific countries.

Mandom Corporation (Singapore) Pte. Ltd. (location: Singapore)
Mandom Taiwan Corporation (location: Taiwan)
Sunwa Marketing Co., Ltd. (location: Hong Kong)
Mandom Korea Corporation (location: South Korea)

INDONESIA

Awareness of personal style and cosmetics is increasing, but there are still disparities in purchasing power, resulting in a wide range of lifestyles and preferences. Mandom therefore focuses on supplying locally manufactured products that are sized and priced to cater to a wide variety of different lifestyles.

PT Mandom Indonesia Tbk (location: Indonesia)

ASEAN 3

Like Indonesia, awareness of personal style and cosmetics is increasing, but disparities in purchasing power mean wide variations in consumer lifestyles. Mandom therefore supplies mainly Indonesian-manufactured products offering ample variety in terms of size and price, as well as some Japanese-manufactured products adapted to different countries' characteristics.

Mandom Corporation (Thailand) Ltd. (location: Thailand)
Mandom Philippines Corporation (location: the Philippines)
Mandom (Malaysia) Sdn. Bhd. (location: Malaysia)

CHINA

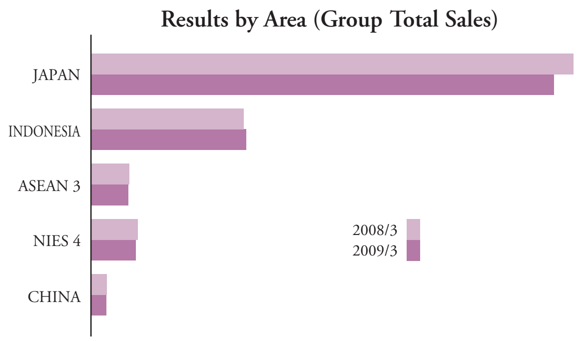
The time lag in trends compared to Japan is relatively short and receptivity to new products is high. Moreover, the market for men's grooming and styling products has not yet matured, so this market offers ample potential for growth going forward. In China Mandom currently supplies locally manufactured products due to restrictions on selling imported products.

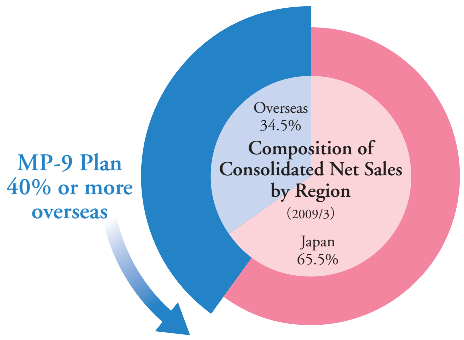
Zhongshan City Rida Fine Chemical Co., Ltd. (location: Zhongshan)
Mandom China Corporation (location: Shanghai)

Plans Under MP-9

Under the ninth three-year Middle-range Planning (MP-9), which targets sustainable growth, Mandom divides its operations in Japan and overseas into five strategic areas. In Japan, operations centering on Mandom Corporation target stable growth. Overseas operations, meanwhile, are positioned as the Company's growth engine, and Mandom plans to increase their percentage of net sales to 40% or more. To this end, Mandom will leverage the accumulated benefits of the strategies pursued under MP-7 and MP-8 to continue reinforcing these operations. To achieve this, however, we believe it is essential to expand business scale in areas other than Indonesia, hitherto the focus of our overseas operations.

Under MP-9, Indonesia therefore acts as the strategic hub of our overseas operations, as we reinforce our efforts in countries that offer significant potential for growth. These include China—which is our top priority—followed by the ASEAN3 nations of Thailand, Malaysia and the Philippines, along with South Korea, which are all positioned as strategic targets. In addition, we are making inroads into Asian regions where we do not yet have a presence and building our distribution network in regions beyond Asia. In these and other ways we are seeking to expand the scale of our overseas operations.





Feature: The Mandom Group's Overseas Operations

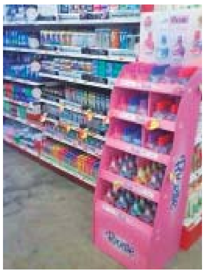
The Mandom Group made its first foray overseas when it started business in Manila, the Philippines, in 1958. Mandom then moved into Indonesia in 1969, and proceeded to grow steadily as all the Group's companies strived to follow the philosophy of serving the customer in every country where they operate. Mandom regards its overseas operations as an engine of growth for the Group; these operations are described in detail below.

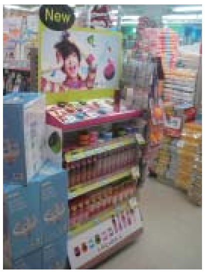
The Mandom Group Expands Overseas

Mandom first engaged in business overseas with the 1958 launch of factory operations at Tancho Corporation, a technological joint venture company in Manila, the Philippines. Subsequently, we opened factories based on technological joint ventures all over East and Southeast Asia in response to the wishes of local distributors, eventually establishing an Indonesian production subsidiary in 1969, also through a joint venture. Since 1988, Mandom has invested in existing companies to set up local subsidiaries in Singapore, Taiwan, Thailand, the Philippines, Hong Kong, China, Malaysia and South Korea. The Group now has ten subsidiaries operating in seven countries.

Always Serving the Customer

Both now and in the past, in Japan and overseas, we have always adhered to our philosophy of serving the customer, reflecting the needs and wants identified with consumers in our products and services to deliver value for consumers to as many people as possible worldwide. In each of our regions of operation overseas, we adhere rigorously to this "with consumers, for consumers" ethos in every aspect of our activities, including manufacturing, product development and sales. In this way the Mandom Group strives to provide products that the "general consumer" in each individual country or region will want to use.





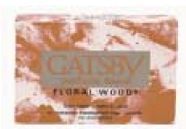
Developing products tailored to local consumer wants and needs

Mandom companies in every country and region are developing products with consumers, for consumers specially tailored to the needs of their own market.

In creating new products, we make every effort to respond to customer wants or needs wherever they exist. Even if it involves a product category where we have no development experience in Japan, we will rise to the challenge of researching, developing and selling a product to add diversity to the range of categories we handle. We also pay attention to the sizing of products to ensure that they are as affordable as possible for consumers in any particular region.

Hair dye

Stick deodorant



Perfume tissue

Talc

Offering products in a broad variety of categories not sold in Japan

Pursuing optimum sizing

A network to supply products catering to consumer wants and needs

Consumer preferences, lifestyles and purchasing power vary from country to country, and even over time within the same country. That is why Mandom has developed a product supply network to provide products catering to such variations. The Mandom Group meets the wants and needs in each country by leveraging the distinctive characteristics of its production sites in Japan, Indonesia and China to supply products.

In Japan Mandom boasts sophisticated manufacturing facilities and technologies that enable it to respond to the latest Japanese trends and produce high-quality products that meet consumers' expectations. Meanwhile, in Indonesia we have an integrated production system encompassing the entire manufacturing process from containers to the finished product, and we have maintained a competitive edge in terms of quality and price. In China, our facilities can manufacture products of the same level of quality as in Japan, and they therefore boast a competitive advantage within China in terms of quality, as well as supplementing production for the entire Group.

Mandom Group companies each receive a supply of products from one of the three production sites. Each site takes advantage of its distinctive characteristics to cater to the preferences, lifestyles and purchasing power of consumers in certain markets. In the NIES4 region, trends closely mirror those in Japan, so products sold there are manufactured primarily in Japan. In the ASEAN3 region, meanwhile, preferences and lifestyles are similar to those in Indonesia, so products sold in those markets are mostly manufactured in Indonesia.

China: Zhongshan Factory

The Zhongshan Factory leverages development and manufacturing know-how acquired from Japan to manufacture core products supplied to the Japanese market. The factory also provides supplementary manufacturing for Group companies as needed.

- Site area: 27,253 m^2
- Yearly production volume: 9 million units

Japan: Fukusaki Factory

The Fukusaki Factory is the linchpin of the Mandom Group's production network, combining proprietary mass production technologies with the latest manufacturing equipment. The factory supplies products to Group companies primarily in Japan and the NIES4 area.

- Site area: 71,058 m^2
- Yearly production volume: 130 million units

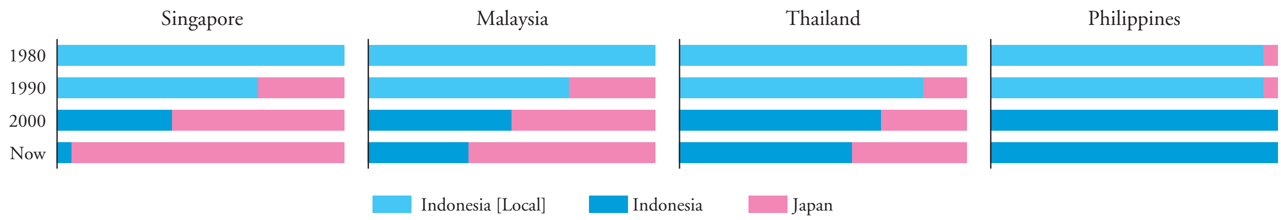
Indonesia: Sunter Factory and Cibitung Factory

Mandom's Indonesian factories have an edge in terms of both quality and cost, thanks to their integrated, production systems and efficient logistics. The factories supply products to Group companies primarily in Japan and the ASEAN3 area, and to other areas through trading operations.

Sunter Factory
- Site area: 36,153 m^2
- Yearly production volume: 728 million units

Cibitung Factory
(Container molding factory)
- Site area : 54,442 m^2

Supplying products that meet consumer wants and needs: The product balance in each country



Feature: The Mandom Group's Overseas Operations

Powerful distribution networks and in-store promotion

To ensure that we serve local customers in each country where we operate, it is essential to establish an extensive distribution network and conduct in-store initiatives that enhance the visibility of Mandom products within retail stores. The Mandom Group has therefore built powerful distribution networks extending across the length and breadth of each country, while increasing opportunities for contact with consumers by conducting aggressive in-store promotions, including competitions for in-store product presentation.


Products on display at neighborhood sari-sari stores in the Philippines

A store decor contest (Indonesia)

The Mandom Group's Overseas Operations Now and in the Future

Mandom's ninth three-year Middle-range Planning (MP-9), launched in the fiscal year ended March 31, 2009, continued the theme of MP-7 and MP-8, again designating overseas operations as an engine of growth for the Group. Accordingly, Mandom committed itself to continually reinforcing its businesses outside Japan during the fiscal year under review.

Overseas Operations as an Engine of Growth for the Group

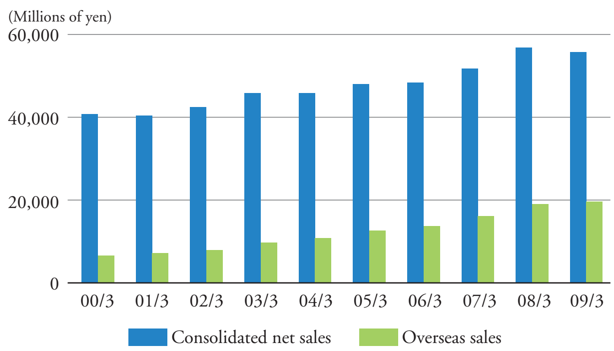
In its overseas operations, Mandom rigorously fosters the ethos of serving the customer. As a result, it has achieved continually high rates of growth and the ratio of overseas sales to consolidated net sales has increased. The overseas business therefore plays a key role as an engine of growth for the Group. In addition to further growing its business in existing fields of operation, Mandom aims to make inroads into new markets.

Continual growth in overseas operations

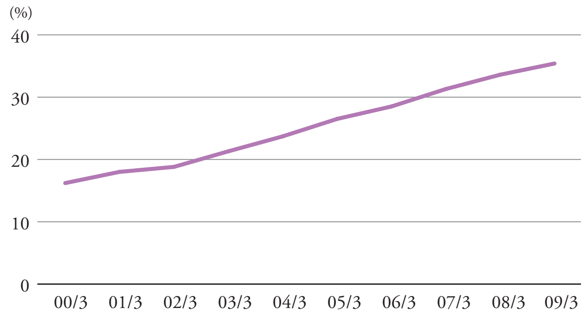
Mandom's overseas operations have maintained double-digit growth almost continually for years. Moreover, the ratio of overseas sales to consolidated net sales has increased year by year from 15.1% in the fiscal year ended March 31, 2000 to 34.5% in the fiscal year ended March 31, 2009. These achievements reflect the fact that Mandom's ten companies in seven different countries have always ensured they serve the customer in their own particular country or region.

Under MP-9, Mandom has designated China as the country of highest priority, while the ASEAN3 countries (Thailand, the Philippines and Malaysia), plus South Korea, also represent priority markets. In this way, we are aiming to ensure that our operations in regions outside Indonesia achieve growth rates exceeding that of Indonesia, which currently accounts for over 60% of overseas sales and is the main driver of our overseas operations.

Consolidated net sales/Overseas sales



Overseas sales to consolidated net sales



Redoubling efforts in existing regions

Mandom's ten companies spanning seven countries will move to get more out of their markets, according to the given conditions in each region.

• INDONESIA

In the INDONESIA region we already boast a dominant share of the cosmetics market in men's products and hair products, but we intend to establish ourselves as a full-line cosmetics manufacturer by making a concerted effort to build our position in the women's market.

• ASEAN3

The cosmetics market is expected to grow in the ASEAN3 region, and we are taking steps to expand our market share and improve the usage rates for our products, particularly in the core styling sector.

• NIES4

Our market share in the NIES4 region is high, even compared with other regions, and we are aiming to grow here by moving beyond our core styling sector to shift into other sectors.

• CHINA

In CHINA, where prospects for market growth are high, we are conducting marketing and sales rooted in local communities as we respond to the fast pace of change in both the markets and consumers themselves.

Expanding into new markets

To ensure further growth of our overseas operations, it will be essential not only to work more effectively in the regions where we are already active, but also to expand into new markets. Currently, we are aiming to enhance our presence in Asia and further expand our operational scope by bolstering our efforts to export products from Indonesia to the Middle East and Africa via Dubai—a business that is performing well. We are also focusing more on as-yet untapped markets such as India and Indochina.

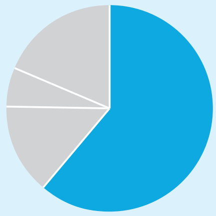
Product Strategies

Under the ninth three-year Middle-range Planning (MP-9) launched in April 2008, the Mandom Group established six strategic business units as the basis for its business, centering on the men's grooming business, the women's cosmetries business and the women's cosmetics business.

Men's Grooming Business

A core business for the Mandom Group in which stable growth is targeted based on a product range including men's daily grooming and styling products.

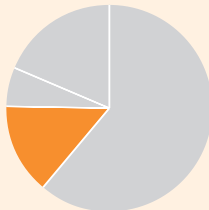
MP-9 Targets



Women's Cosmetries Business

This business represents a new field for development in which we intend to build a growth path based on a product range that includes women's daily grooming and styling products, such as hair-styling, facial and body care items.

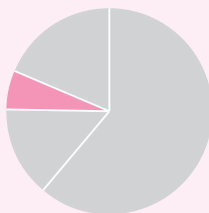
MP-9 Targets



Women's Cosmetics Business

Another new growth area in which we intend to build a growth path based on a range of make-up and skin care products that lend variety to women's beauty routines.

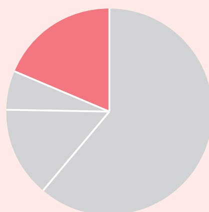
MP-9 Targets



Other Business

Professional use Business
Other Business
International Trading Business

MP-9 Targets



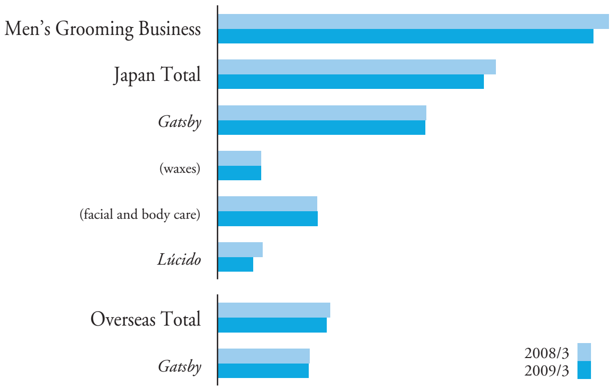
Men's Grooming Business

Men's grooming is the Mandom Group's core business. We are aiming to achieve stable growth and establish a solid business foundation, with *Gatsby* positioned as the Group's key brand.

In Japan we will maintain, then improve, *Gatsby*'s share of the styling market in addition to enhancing our lineup of facial and body care products and supplying them more widely. For the *Lúcido* brand, meanwhile, we will continue offering value-added products that target the promising middle-aged demographic. Overseas, we are using the Asia-wide brand *Gatsby* to target market expansion focused on styling products in conjunction with working to supply facial and body care products more widely, as in Japan.

Review of MP-9's First Fiscal Year

Gatsby facial and body care products performed well in the domestic market thanks to strong sales of summer-season products. However, sales of existing products were sluggish, resulting in overall sales for the brand which were virtually unchanged from the previous fiscal year. *Lúcido* sales were down 4.3% year on year, reflecting weak sales of a new series targeting the middle-aged demographic. In overseas operations, *Gatsby* facial and body care products generally posted steady growth, but the effect of exchange rates caused a 3.0% drop in sales. As a result of the foregoing, total Group sales for the men's grooming business were down by 3.9% year on year.



In the domestic market, existing *Gatsby* styling products had been impacted by a contracting market, but the wax series expanded the men's grooming business market share thanks to aggressive marketing strategies including product launches and new commercials. In the growing facial and body care category, we enhanced our lineup of deodorants and other products, and continued efforts to make them more widely available.

In overseas markets, growth was recorded in *Gatsby* facial and body care products, which we had worked to roll out in each country. We also conducted marketing tailored to the characteristics of each market, such as launching products exclusively for export to Indonesia and developing products catering to local consumer preferences for domestic use only in China.

We also held the *GATSBY* Styling Dance Contest in Japan and six other Asian countries as a participatory event for consumers to raise the profile of the *Gatsby* brand and create a sense of connection with it.

The *GATSBY* Styling Dance Contest

The *Gatsby Moving Rubber* series has expanded its market share in Japan

A store display for the *Gatsby* brand, sold overseas

Product Strategies

Women's Cosmetries Business

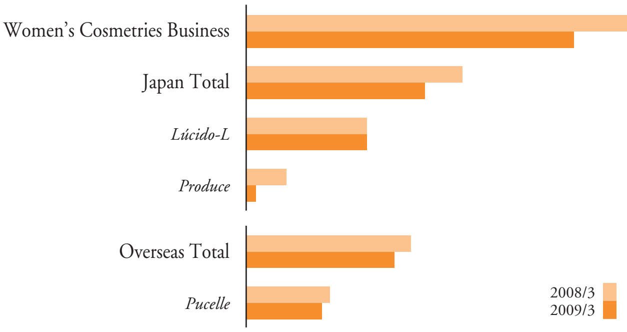
We will work to transform the structure of this business, seeking to build a growth path for it as a new field for development by bolstering the foundations of existing categories and developing new categories. In Japan, we will revamp *Lúcido-L*, which targets young women, to re-establish the brand, and for *Produce* we will offer new products over the medium-to-long term targeting the women's gray hair coloring market, which offers good prospects going forward. Overseas, we will roll out the *Pucelle* line of fragrances for teenagers, which we are marketing primarily in Indonesia.

Review of MP-9's First Fiscal Year

Domestically, *Lúcido-L* recorded robust sales growth, due primarily to new product launches, but *Produce* sales slumped, leading to a 17.3% year-on-year reduction in Japanese sales for the business as a whole. Overseas, *Pucelle* achieved generally steady performance, but sales overall declined 10.0% year on year due to the impact of exchange rates. As a result of the foregoing, total Group sales for the women's cosmetries business were down by 14.1% year on year.

In Japan, we took steps to re-establish the mainstay *Lúcido-L* brand by revamping the wax series, the hair color series, and others. The wax series in particular has expanded its market share due to steady sales growth following aggressive marketing for the relaunched series.

In overseas markets, we launched *Four Seasons*, a new series under the *Pucelle* brand, which we market primarily in our Indonesia operating region. The launch was accompanied by a proactive campaign of commercials and related in-store marketing.



Pucelle Four Season

A store display for the revamped *Lúcido-L* series

A store display for the *Pucelle* brand

Women's Cosmetics Business

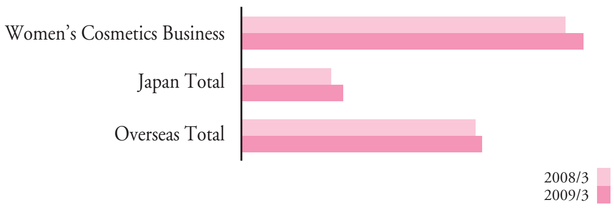
Since MP-8 we have been strengthening our capacity to develop our own brands and, as in women's cosmetics, we will work to transform the structure of this business, seeking to build a growth path for it as a new field for development. In Japan we will continue to propose distinctive products offering high added value and enhance the lineup on offer, while overseas we will strengthen our operations in the skin care field, particularly in Indonesia.

Review of MP-9's First Fiscal Year

Sales in Japan increased by 13.1% year on year, thanks to a steady performance resulting from additions to the existing products and new categories on offer. Overseas, *Pixy* sales grew solidly, reflecting efforts to make products more widely available, and despite the impact of exchange rates, overseas sales increased by 2.7% year on year. As a result of the foregoing, total Group sales for the women's cosmetics business were up by 5.6% year on year.

In Japan, we made steady progress in expanding operational scale by boosting the lineup of existing products and extending the number of categories. Measures included adding new products to the *cleansing express* range, and launching new products in the *Foundation Express* range.

Overseas, we strengthened the *Pixy* brand, with particular emphasis on the Indonesian market, and the brand's make-up ranges recorded notable growth in sales. Meanwhile, in skin care we updated the series and launched the new series, and we are conducting marketing campaigns featuring famous local celebrities.



Mandom is adding new categories and boosting its range in domestic women's cosmetics

A store display for the *Pixy* brand

Research and Development Activities

As a result of many years of research, primarily into men's grooming and styling products, the Mandom Group has distinguished itself in several technological areas, especially with regard to hair and antiperspirant products. In pursuing research and development, the Group aims to further refine its proprietary technologies alongside further developing the other technologies it has accumulated. Our research activities are rooted in developing products and technologies that will be useful to consumers. By ensuring product and technology development that is completely from the consumers' perspective, we aim to further enhance Mandom's technological edge.

Researching Consumers' Perceptions of Novelty and Comfort

In order to make more effective use of our proprietary technologies in products and when communicating with consumers, we aim to develop products and technologies that will be useful to consumers by researching not only from a technological point of view, but also by investigating consumers' perceptions of "novelty" and "comfort".

Fundamental technologies targeting novelty

We have established three research areas relating to our fundamental technologies—hair, skin and body odor—and we are seeking out novelty in terms of new ingredients and new technologies. Our research is based on identifying and understanding exactly what it is that causes consumers worry and dissatisfaction with regard to their hair, skin and body odor. The new issues for research that emerge from that understanding of consumers' needs are the starting point for us to find ways of serving the customer, and we aim to resolve these issues as we pursue various research themes. In doing so, we collaborate with universities and external research bodies, enabling us to make active use of new ingredients and the latest technologies to resolve the issues we are researching. The results of research are incorporated into new products using formulation technologies, enabling us to develop products that are useful to consumers by reducing or eliminating any worries or dissatisfaction they may be experiencing.

Evaluation techniques to ensure comfort

High-quality product manufacturing based on enhanced product safety is essential to enable consumers to use products with peace of mind. We have therefore created evaluation techniques to define "comfort" as perceived by the consumer. Specifically, we established proprietary evaluation methods to determine how a refreshing effect or irritation are experienced, and are now focusing our attention on the antibacterial action of the moisturizer alkane diol to develop a preservative-free formulation that even people whose skin is sensitive to irritation can use with peace of mind.

Formulation technologies that ensure "novelty" and "comfort"

When formulating products we apply the fundamental technologies and product evaluation techniques we have accumulated to develop new formulations that cater to emerging consumer needs. This enables us to create products that are novel and comfortable to use from the consumers' perspective.

Hair (styling, hair care and hair coloring)

In the hair-related field we are enhancing consumer satisfaction by further refining our accumulated technologies such as styling polymer applications in addition to researching technologies for care of damaged hair and for reducing irritation when using hair colorants. Moreover, by gaining a thorough understanding of when and how consumers use products, we develop products that cater to consumers' changing needs, such as shampoos designed especially to clean off hair wax, and hair waxes that can hold styles without stickiness.

Skin and body odor (body care/skin care)

In the body care field the key issue is how to objectively assess "comfort" in terms of sensations, such as a refreshing effect. To this end, we created proprietary evaluation techniques enabling us to research the differences in how men and women experience a "refreshed" sensation. Having established that there are different comfort zones for men and women, we applied this knowledge to the development of products. We were first in the industry to make a deodorant using lysozyme chloride, an enzyme with antibacterial properties that occurs naturally in the human body, and we are researching other aspects of product formulation such as deodorants that are effective irrespective of the condition of the skin.

In the skin care field, we use Mandom's proprietary preservative-free technologies to offer kind-to-the-skin products that can be used comfortably and without worrying, even by people who are sensitive to skin irritation. In establishing themes for technological development, we include the insights derived from our research on the differing characteristics of men's and women's skin and the results of analyzing consumers' behavior, worries and other aspects of their cosmetics use. The outcomes of technological development are then applied to our formulation technologies, thereby contributing to product development.

Human Resources

Mandom is keenly aware that a company can grow through the development of each individual employee.

During the eight decades since the founding of Mandom in 1927, we have twice experienced management crises that necessitated harsh, painful choices for the Company and employees alike. From that experience was born the philosophy that companies must survive and continue to grow in order to protect the livelihoods and lives of employees and their families. Believing that a company exists because of people, and that a company can grow through the development of its people, we emphasize management that takes full advantage of the talents and skills of people.

Framework for Maximizing Employee Contribution

Mandom places importance on sharing and perpetuating the philosophy that underpins the actions of company and employees alike, as well as on skills development to enhance the individual skills and capabilities of each employee, and the creation of workplaces where people can demonstrate their skills. We consider the sharing and perpetuation of the philosophy and skills development to be the foundation of personnel development. We create workplace environments in which employees can hone their abilities through work, and strive not only to improve employee skills, but also to create an environment in which employees can fully demonstrate those skills in order to be fairly evaluated and rewarded.

Sharing and Perpetuating the Corporate Philosophy

Mandom believes that the reason the Company has survived for 80 years is that our corporate philosophy has been treasured and passed along from employee to employee. This long-standing philosophy is the foundation for thought and work at Mandom; it is a shared value that serves as the basis for judgment in the performance of work, and increases cohesiveness by defining the correct direction for employees.

For this reason, we strive to ensure penetration of the Mandom philosophy by incorporating instruction in the corporate philosophy into various education programs. We incorporate the Mandom philosophy as a basic curriculum item in the training programs for young employees in their first to third years of employment and endeavor to ensure that the philosophy is shared in various settings, such as on-the-job training.

On-the-job training

Skills Development

Mandom is developing a system whereby the employees themselves can select and improve skills that they consider necessary for their work. We clearly define the personnel profiles and skills sets required for different employee career and role levels and make clear what course of action employees should pursue. We offer various education programs enabling employees to improve the skills that they themselves consider necessary to pursue those courses of action. For instance, we offer programs to improve the quality of skills that are the basis for day-to-day work, such as marketing, finance, and logical thinking, and provide opportunities for employees to identify organizational and personal issues and improve work processes through interaction and discussion with people of the same age group outside the company.

Employees can apply for group training sessions

Creation of Worker-Friendly Environments

Mandom creates opportunities for employees to seriously consider their life plans and strives to adapt to a changing social context and diverse employee lifestyles to create worker-friendly environments, in which employees can demonstrate their abilities and throw themselves wholeheartedly into their work. We believe that improving work environments and supporting our employees' chosen lifestyles are necessary to create better relationships between employees and the Company. We therefore do all we can to create environments in which employees can devote themselves to work with peace of mind. For instance, we instituted systems that enable employees to take leave, such as childcare leave and family-care leave, exceeding statutory levels according to their particular needs. In this way, we increased flexibility in employee working hours and created a more worker-friendly environment.

* At Mandom we believe that a business is only as good as the people who work for it, and our personnel are our key resource; that is why they are called "human resources."

Quality Control Initiatives

The Mandom Group provides safe products to consumers in Japan and throughout the world. To this end, we take steps throughout the planning, design, production, and quality control processes to ensure that we can supply high-quality, safe products. We want consumers everywhere to be able to use our products with peace of mind and complete satisfaction from the time products are purchased until they are used up. Moreover, we also undertake to increase customer satisfaction through post-purchase dialogue with consumers. To more thoroughly implement these quality initiatives, in 1998 we established the Mandom Quality Philosophy and the Fundamental Quality Policy to ensure shared awareness of quality within the Group. In addition, we strive for continuous quality improvement by introducing external management systems to ensure objective supervision.

Initiatives in Planning and Design

We conduct planning and design in accordance with the management philosophy of creating lifestyle value with consumers, for consumers, asking ourselves what consumers consider new and what they find comfortable. We seek quality improvements to deliver customers satisfaction in every aspect of product design. This effort starts with thorough research into customer requirements and encompasses the pursuit of functionality, effectiveness, and usability—the cornerstones of consumer satisfaction—through the application of our unique, advanced technologies. Our efforts also involve establishing quality assessment methods, and design for ease of use.

Initiatives in Production

We engage in rigorous quality control in production and have dramatically reduced human error by means of automation involving raw materials control using barcodes and an inspection system that uses sensor cameras. At the same time, we engage in thorough process controls performed by humans, such as content checks, impurities inspections, contamination checks, and appearance checks. This quality control is underpinned by proprietary mass production techniques that enable stable production maintaining consistent quality for products that have been planned and designed.

The Fukusaki Factry, which satisfies increasingly sophisticated and diversified consumer requirements with advanced production technologies and production control systems, 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 Mandom Group as a whole.

Standardization of product quality during the mass-production process, or the system for checking raw material quality

Automation of manufacturing processes to enhance productivity

The monitoring system for reducing incidents of human error

Feedback

We have established a system that enables feedback to be communicated to the relevant division promptly when consumers submit their opinions, questions and wishes regarding products to the dedicated division that serves as the contact point. We use such feedback to improve quality and to contribute to the design of later products, in order to satisfy consumers better.

Objective Supervision

We have introduced external quality management systems to supplement our internal quality control systems and ensure objective supervision. The Fukusaki Factory obtained certification in the ISO 9001 international standard for quality management systems in 1998, and the factory in China obtained certification in 2002. The factory in Indonesia obtained certification in the Indonesian CPKB standard concerning cosmetics manufacture and quality control in 2005.

Environmental Initiatives

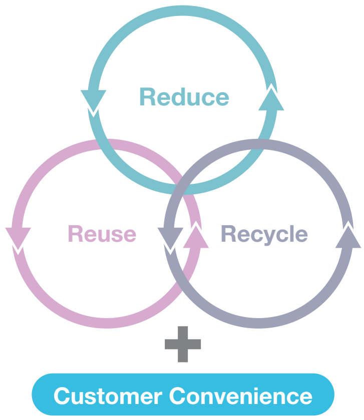
The Mandom Group recognizes that concern for the environment is an important social responsibility. On the basis of the Environmental Philosophy (Eco-policy) and Fundamental Environmental Policy (Eco-activity guide) formulated in 1999, we demonstrate concern for the environment in every aspect of business operations, especially with regard to the design, production, distribution, and sales promotion of our products. We are improving our environmental protection activities by introducing external environmental management systems to ensure objective assessment of our efforts.

Initiatives in Product Design

We make the environmental 3Rs—reduce, reuse, and recycle—the basis of our product design, and our designs reflect consideration of consumer convenience.

Separable Design : Mandom led the cosmetics industry in pioneering the adoption of easily removable plastic button covers for aerosol cans. Such "separable design" makes it easier to recycle used cans.

Refill Packs : Mandom offers refills for products sold in large containers, such as Neguse Naoshi Water (Detangling Water Spray) and shampoo. This makes it possible to reduce unnecessary waste by reusing product containers.



Separable design

Refill packs

Initiatives in Production

We place particular emphasis on environmental protection in production, the business operation that uses the most resources, through initiatives such as using environmentally friendly raw materials and conserving energy. We purify wastewater and recycle waste at every stage of production and have achieved zero emissions (defined as a recycling rate of 99% or higher) continuously since October 2003. We are also implementing initiatives to reduce power consumption, having introduced an energy monitoring system to survey and improve levels of electric power consumption on each manufacturing line.

Initiatives in Distribution

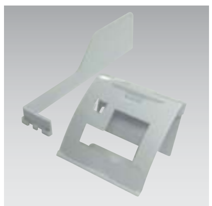
In October 2004 we outsourced distribution activities such as raw materials procurement, product delivery, and collection of returned products to increase the efficiency of our distribution system. We are also saving energy in distribution and reducing environmental impact by increasing transportation efficiency. We have participated in the Green Logistics Partnership Dissemination Project since May 2006 and have continuously reduced CO_2 emissions by increasing load efficiency and implementing a modal shift (conversion to high-capacity railroad and ship cargo transport). In 2008 we obtained certification as an Eco-Rail Mark company.

CO_2 emissions were reduced by shifting to railroad transportation

Initiatives in Sales Promotion

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

Promotional Trays : We are reducing the amount of plastic used through shape modifications and reducing waste by converting to reusable trays that are adaptable to a variety of store settings.



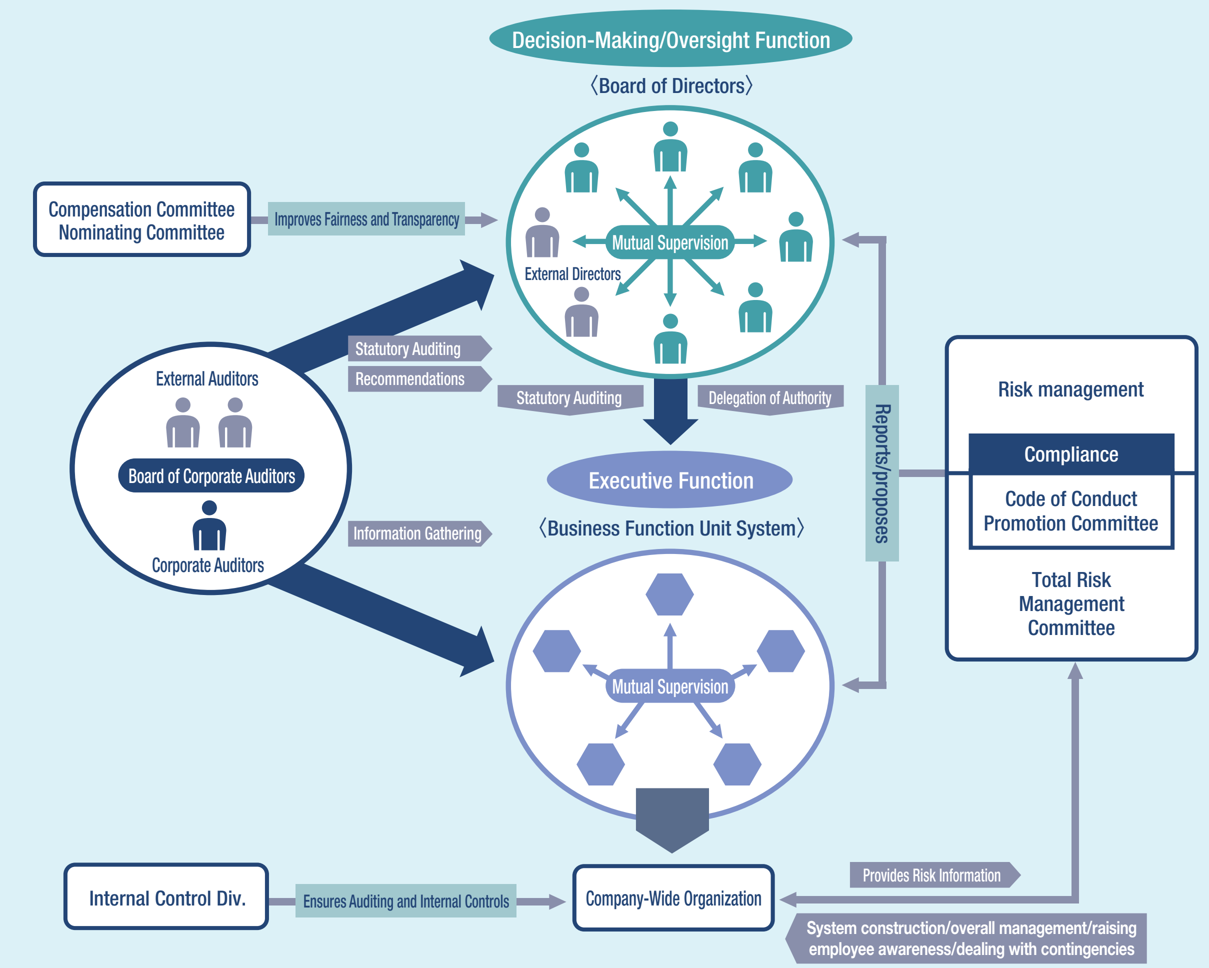
Objective Assessment

We believe that we can improve our environmental protection activities by introducing external environmental management systems to supplement our internal quality control efforts with objective assessment. The Fukusaki Factory, our production site in Japan, obtained ISO 14001 certification, the international standard for environmental management systems, in 2000.

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.

The Corporate Governance System



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

In June 2004 Mandom abolished the system of executive directors with special titles and introduced a system of executive officers with special titles, whereby authority for business execution is delegated to executive officers. In this way, the Company made it possible for directors with equal standing on the Board of Directors to delegate authority to the executive officers and devote themselves to mutual supervision, oversight of business execution, and decision-making optimal for the Group as a whole. This has enabled us to clearly define executive authority and ensure flexibility in business execution by promoting delegation of authority.

Rigorous Legal Audits

Mandom ensures rigor in legal auditing by appointing a lawyer as an external auditor. To ensure effectiveness in auditing by the corporate auditors, the Company has also established the Regulations to Ensure Effective Statutory Audits, put in place a reporting system for the corporate auditors and clearly defined statutory audit obligations and methods.

Development and Operation of Internal Controls Related to Financial Reporting

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

Establishment of the Compensation Committee and Nominating Committee

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

Compliance

The starting point for compliance in the Mandom Group is a management philosophy that has been handed down in the Group for many years. The Mandom Group maintains rigorous legal compliance to ensure that the Company survives and, most importantly, acts in good faith toward society.

The Mandom Group established the Mandom Group Code of Conduct in 2002 (revised in 2007) to ensure that corporate officers and employees comply with laws, regulations, and social norms and at all times think and act ethically in accordance with social standards. The Company introduced the Helpline System in December 2002 as a system to address the risk of compliance violations, and expanded the coverage of the system to business partners in September 2007. The system completely protects legitimate whistleblowers and strictly prohibits retaliation against them.

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	09/3	08/3	07/3	06/3	05/3	04/3
For the Year:						
Net Sales	55,178	56,289	51,250	47,923	47,546	45,364
Japan	36,126	37,957	36,025	35,003	35,635	35,711
Asia	19,052	18,331	15,225	12,920	11,910	9,652
Selling, General and Administrative Expenses	25,331	25,521	23,820	21,742	21,397	19,958
Operating Income	4,926	6,837	5,195	6,065	6,700	6,680
Japan	2,861	4,235	3,288	4,399	4,935	5,256
Asia	2,053	2,599	1,904	1,663	1,762	1,422
Net Income	3,011	3,499	2,488	3,099	3,211	3,253
Research and Development	2,037	2,024	1,866	1,668	1,888	1,574
At Year-end:						
Total Assets	49,078	54,218	51,620	51,320	47,397	45,474
Total Shareholders' Equity	42,379	45,868	44,182	40,568	38,168	36,687
Per Share Data (Yen):						
Total Shareholders' Equity	1,661.94	1,779.67	1,727.55	1,677.82	1,577.94	1,516.70
Earning per Share (EPS)	126.60	147.13	104.28	124.36	128.73	130.83
Cash Dividends	60.00	80.00	60.00	60.00	55.00	50.00
Ratio (%):						
Shareholders' Equity Ratio	80.5	78.1	79.6	79.1	80.5	80.7
Return on Equity (ROE)	7.4	8.4	6.1	7.9	8.6	9.1
Payout Ratio	47.4	54.4	57.5	48.2	42.7	38.2

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

Director Managing Executive Officer **Yoshiaki Saito**

Overview of Operating Results

1. Results

For the fiscal year ended March 31, 2009, the Group's consolidated net sales declined by 1,110 million yen year on year to 55,178 million yen (a 2.0% decrease). Consolidated gross profit was 2,100 million yen lower at 30,257 million yen (a 6.5% decrease). Consolidated operating income decreased 1,911 million yen to 4,926 million yen (a 28.0% decrease), ordinary income fell 1,528 million yen to 5,175 million yen (a 22.8% decrease), and net income declined 749 million yen to 3,011 million yen (a 14.0% decrease).

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

2. Current Status of Assets, Liabilities and Total Equity

(1) Assets

The Group's total assets decreased by 5,140 million yen from the end of the previous fiscal year, to 49,078 million yen. This was mainly attributable to a 2,147 million yen decrease in available-for-sale and investment securities, and a 3,874 million yen decrease in net property, plant and equipment accompanying the sale of buildings belonging to three operating bases in the Tokyo area.

(2) Liabilities

Liabilities decreased by 1,651 million yen from the end of the previous fiscal year to 6,698 million yen. This was mainly due to a 1,167 million yen decrease in accrued income taxes, but that in turn was due to a decrease in the Company's profits.

(3) Total Equity

Total equity dropped 3,489 million yen from the end of the previous fiscal year to 42,379 million yen. This was primarily attributable to a 2,751 million yen decrease in foreign currency translation adjustments accompanying a decline in the yen value of total assets at overseas subsidiaries, in addition to a 784 million yen decrease in unrealized gain on available-for-sale securities at the Company.

3. Status of Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year under review decreased by 556 million yen year on year, to 9,235 million yen. This decline reflected negative factors such as a decrease in income before income taxes and minority interests, combined with an increase in trade receivables and a decrease in payment of income taxes, which were partially offset by income from the sale of property, plant and equipment. However, changes in the scope of consolidation contributed 69 million yen to the balance of cash and cash equivalents. Cash flows for the year under review and contributory factors are detailed below.

(1) Cash Flows From Operating Activities

The net cash amount provided by operating activities decreased by 4,155 million yen, to 3,458 million yen. This primarily reflected a 1,829 million yen drop in income before income taxes and minority interests to 4,836 million yen, a 1,265 million yen decrease in trade receivables resulting in a negative balance of 475 million yen, and a 1,155 million yen decrease in payment of income taxes resulting in a negative balance of 2,954 million yen. Depreciation and amortization increased 117 million yen compared with the previous fiscal year, to 2,353 million yen.

(2) Cash Flows From Investing Activities

The net cash amount used in investing activities increased by 3,836 million yen, to 1,204 million yen. This mainly reflected a 2,168 million yen increase in the net balance of payments for purchases of securities and proceeds from sales and redemptions of securities, resulting in 198 million yen in cash outflow. This was offset by 2,370 million yen in proceeds from sale of property, plant and equipment, relating mainly to the sale of buildings belonging to three operating bases in the Tokyo area.

(3) Cash Flows From Financing Activities

The net cash amount used in financing activities declined by 385 million yen, to 2,045 million yen. The main contributory factor was 2,364 million yen used to pay shareholder dividends, including dividends to minority shareholders, 333 million yen in income due to payments from minority shareholders accompanying a capital increase at an Indonesian subsidiary.

Issues to be Addressed

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

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

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

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

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

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

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

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

Corporate social responsibility is becoming increasingly important, and CSR efforts are one of the Group's key management issues. Mandom is continually strengthening quality assurance and environmental protection, and building a Group-wide system for contributing to society as a good corporate citizen.

(5) Improvement of Capital Efficiency

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

Risks to Business, etc.

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

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

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

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

The value of returned merchandise for the past two years amounted to 1,294 million yen and 1,915 million yen respectively for the fiscal years ended March 31, 2008 and March 31, 2009. These figures respectively accounted for 3.3% and 5.1% of the sales recorded by Mandom Corporation.

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

During the fiscal year ended March 31, 2009, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (28.4%), and PT Asia Paramita Indah in Indonesia (15.4%). The Mandom Corporation and PT Mandom Indonesia Tbk have had long-term, stable and continuous business relationships with the above two companies. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This may lead to a further increase in dependence on specific distributors who are likely to provide earnings accounting for relatively large portions of the Group's sales.

(3) Legal Regulations

The Mandom Group manufactures (imports, in some cases) and markets quasi-drugs and cosmetics regulated by the Pharmaceutical Affairs Law. This Law mandates the various approvals and filings required for the manufacture/import of quasi-drugs and cosmetics. The Group legally and properly imports and manufactures products, in compliance with the Pharmaceutical Affairs Law. In all labeling and advertising, Mandom abides by this Law and all other relevant regulations to ensure full compliance.

(4) Foreign Exchange Rate Fluctuations

The Mandom Group is focused on business in Asia, where solid market growth is expected in the future, and has affiliated companies in eight countries and one region. Overseas net sales accounted for 33.4% and 35.3%, respectively, of consolidated net sales in the fiscal years ended March 31, 2008 and March 31, 2009, and the importance of overseas business is expected to increase in the future. Regarding foreign exchange-related risks, the Group adjusts the balance of foreign currency-denominated import and export transactions and employs other necessary risk-hedge methods. However, there is still a risk of exchange rate fluctuations, which could exert an impact on the Group's consolidated financial performance and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance when translated into yen.

Analysis of Financial Position and Operating Results

1. Factors exerting a significant influence on operating results

(1) Factors causing fluctuation in profitability

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

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

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

(2) Foreign exchange and resource price fluctuations

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

2. Current business strategy and outlook

During the current Middle-range Planning, which lasts from April 2008 to March 2011, Mandom's policy is to focus its business strategy on sustainable growth for all the Group's operations, and to systematically invest management resources to expand Group operational scale in stages, thereby increasing profits sustainably. In line with this policy, the Company has been pursuing three key strategic aims: (1) achieve stable growth in the core men's grooming business; (2) establish a new growth path in operations targeting women (cosmetries and cosmetics), which are designated as a new growth domain; and (3) continue expanding overseas operations, which are again positioned as a key growth driver under the current Middle-range Planning. Progress with each strategic aim during the fiscal year ended March 31, 2009 is detailed below:

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

Core brand *Gatsby* posted a steady performance in line with projections, but the key domestic *Lúcido* brand and other brands witnessed sluggish sales of existing products and were unable to achieve the sales originally projected.

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

The women's cosmetries business performed solidly overseas, but in Japan stagnant sales of the women's gray hair coloring brand *Produce* caused results to come in below projections. Meanwhile, the women's cosmetics business recorded strong sales both in Japan and overseas.

(3) Continue expanding overseas operations

Although overseas operations exerted a negative impact on operating results due to weakening local currencies, performance was actually in line with the plan, achieving double-digit growth on a local currency basis in all but a few regions.

The economic environment has deteriorated rapidly on a global scale, and management does not expect it to recover or turn around during the current Middle-range Planning. Consequently, it is unlikely that the Company will be able to achieve the targets originally set under the plan. We may not achieve the original Middle-range Planning targets for net sales, for example, but the Company is aiming to restore sales to an all-time high in the fiscal year ending March 31, 2009. To this end, Mandom will continue to strengthen (1) the overseas (Asian) business, which is recording consistent sales growth on a local currency basis; (2) the core *Gatsby* brand, which is performing solidly across Asia despite the challenging market environment; and (3) the women's cosmetics business, positioned as a new growth domain, in which sales growth is already outstripping projections.

On the earnings front, Mandom is improving cost performance by making still more concerted efforts to lower the cost of sales, in addition to thoroughly reviewing costs. However, persistently high raw materials prices and a dramatic depreciation in the value of currencies throughout Asia has resulted in (1) an increase in cost of sales in all countries; and (2) a situation in which the Company cannot absorb the impact of the drop in sales and earnings on a yen basis. Management therefore predicts that it will not be possible to restore profits to the level where they set a new record high during the current Middle-range Planning.

3. Analysis of Capital Sources and Liquidity

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

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

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

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

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

Consolidated Balance Sheets

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2009 and 2008

	Millions of yen	
ASSETS	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	¥ 9,235	¥ 9,791
Short-term investments (Note 3)	7,024	2,728
Receivables:		
Trade notes and accounts	5,341	5,607
Unconsolidated subsidiaries and associated companies	90	82
Other	88	113
Allowance for doubtful accounts	(21)	(14)
Inventories (Note 4)	6,458	6,690
Deferred tax assets (Note 11)	583	750
Prepaid expenses and other current assets	522	524
Total current assets	29,320	26,271
PROPERTY, PLANT AND EQUIPMENT:		
Land	518	1,874
Buildings and structures	16,138	19,189
Machinery and equipment	9,105	9,958
Furniture and fixtures	3,607	3,775
Leased assets	38	–
Construction in progress	391	212
Total	29,797	35,008
Accumulated depreciation	(18,312)	(19,649)
Net property, plant and equipment	11,485	15,359
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 3)	4,244	9,790
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 5)	207	1,031
Long-term loans (Note 6)	364	459
Goodwill	366	137
Deferred tax assets (Note 11)	1,206	90
Other assets	1,886	1,082
Total investments and other assets	8,273	12,589
TOTAL	¥ 49,078	¥ 54,219

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2009	2008
CURRENT LIABILITIES:		
Short-term bank loans (Note 7)	¥ 1	¥ –
Current portion of lease obligations (Note 14)	9	–
Payables:		
Trade notes and accounts	3,361	3,514
Unconsolidated subsidiaries and associated companies	1	1
Other	28	26
Accrued income taxes (Note 11)	267	1,435
Accrued expenses	1,085	1,121
Other current liabilities	396	620
Total current liabilities	5,148	6,717
LONG-TERM LIABILITIES:		
Lease obligation (Note 14)	22	–
Liability for retirement benefits (Note 8)	502	467
Deferred tax liabilities (Note 11)	3	67
Other long-term liabilities (Note 9)	1,023	1,099
Total long-term liabilities	1,550	1,633
COMMITMENTS (Note 14)		
EQUITY (Notes 10 and 16):		
Common stock, authorized, 81,969,700 shares; issued, 24,134,606 shares in 2009 and 2008	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	23,866	23,129
Unrealized gain (loss) on available-for-sale securities	(628)	156
Foreign currency translation adjustments	(5,379)	(2,627)
Treasury stock-at cost 347,860 shares in 2009 and 346,551 shares in 2008	(957)	(953)
Total	39,532	42,335
Minority interests	2,848	3,534
Total equity	42,380	45,869
TOTAL	¥49,078	¥54,219

Consolidated Statements of Income

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen	
	2009	2008
NET SALES (Note 15)	¥55,178	¥56,289
COST OF SALES	24,920	24,417
Gross profit	30,258	31,872
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 12 and 13)	25,332	25,521
Operating income	4,926	6,351
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 15)	234	212
Loss on devaluation of investment securities	(270)	–
Other-net	(54)	102
Other income (expenses) – net	(90)	314
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,836	6,665
INCOME TAXES (Note 11)		
Current	1,811	2,738
Deferred	(473)	(123)
Total income taxes	1,338	2,615
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	487	550
NET INCOME	¥3,011	¥3,500
	yen	
PER SHARE OF COMMON STOCK (Note 2.n):		
Net income	¥126.60	¥147.13
Cash dividends applicable to the year	60.00	80.00

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

Consolidated Statements of Changes in Equity

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	23,789	¥11,395	¥11,235	¥20,949	¥688	¥(2,219)	¥(951)	¥41,097	¥3,085	¥44,182
Adjustment of retained earnings for newly consolidated subsidiaries				108				108		108
Net income				3,500				3,500		3,500
Cash dividends, ¥60 per share				(1,428)				(1,428)		(1,428)
Purchase of treasury stock	(1)						(2)	(2)		(2)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(532)	(408)		(940)	449	(491)
BALANCE, MARCH 31, 2008	23,788	11,395	11,235	23,129	156	(2,627)	(953)	42,335	3,534	45,869
Adjustment of retained earnings due to an adoption of PITF 18 (Note 2.b)				(34)				(34)		(34)
Adjustment of retained earnings for newly consolidated subsidiaries				(99)				(99)		(99)
Net income				3,011				3,011		3,011
Cash dividends, ¥90 per share				(2,141)				(2,141)		(2,141)
Purchase of treasury stock	(1)						(4)	(4)		(4)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(784)	(2,752)		(3,536)	(686)	(4,222)
BALANCE, MARCH 31, 2009	23,787	¥11,395	¥11,235	¥23,866	¥(628)	¥(5,379)	¥(957)	¥39,532	¥2,848	¥42,380

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

	Millions of yen	
	2009	2008
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥4,836	¥6,665
Adjustments for:		
Income taxes – paid	(2,955)	(1,799)
Depreciation and amortization	2,501	2,291
Loss on devaluation of investment securities	270	–
Provision for retirement benefits	152	16
Loss on disposal of property and equipment	57	48
Changes in assets and liabilities		
Increase (decrease) in receivables	(476)	790
Increase in inventories	(683)	(285)
Decrease in payables	(1)	(320)
Other – net	(242)	208
Total adjustments	(1,377)	949
Net cash provided by operating activities	3,459	7,614
INVESTING ACTIVITIES:		
Payments for deposits	(830)	(240)
Decrease in time deposits	537	61
Proceeds from sales of property and equipment	2,371	46
Acquisition of property and equipment	(1,990)	(2,017)
Proceeds from sales and redemptions of investment securities	5,353	4,665
Payments for purchases of investment securities	(563)	(7,332)
Proceeds from sales and redemptions of short-term investment securities	9,400	1,810
Payments for purchases of short-term investment securities	(14,389)	(1,509)
Payments for acquisition of additional shares of consolidated subsidiary and associated company	(76)	(577)
Acquisition of other assets	(814)	–
Other – net	(204)	52
Net cash used in investing activities	(1,205)	(5,041)
FINANCING ACTIVITIES:		
Payments for purchases of treasury stock-net	(4)	(2)
Proceeds from stock issuance to minority shareholders	334	–
Dividends paid	(2,364)	(1,658)
Other – net	(11)	–
Net cash used in financing activities	¥(2,045)	¥(1,660)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	¥(835)	¥(70)
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	(626)	843
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	70	164
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,791	8,784
CASH AND CASH EQUIVALENTS, END OF YEAR	¥9,235	¥9,791

See notes to consolidated financial statements.

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009 and 2008

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 of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation – The consolidated financial statements as of March 31, 2009 include the accounts of MANDOM CORPORATION and its twelve (ten in 2008) significant subsidiaries (the "Company"). Investments in one (one in 2008) associated company are accounted for by the equity method. Investments in the remaining two unconsolidated subsidiaries (three in 2008) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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

The Company applied this accounting standard effective April 1, 2008. The effect of this change on income before income taxes and minority interests was not material. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash Equivalents – Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, 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 are included in earnings; 2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost; and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity. The Group's securities (included in "short-term investments" and "investment securities") are all classified as available-for-sale.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

The Company utilizes such compound financial instruments within specified limits on the amounts, which are purchased to invest the Company's surplus funds. The Company does not enter into derivatives for trading or speculative purposes.

Compound financial instruments are exposed to credit-related losses in the event of non-performance by counterparties, but the Company does not anticipate any losses arising from credit risk, as the counterparties are limited to major international financial institutions. Such transactions have been made 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.

e. Inventories – Prior to April 1, 2008, inventories were stated at cost, determined by the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2009 by ¥10 million.

f. Property, Plant and Equipment – Property, plant and equipment are stated at cost. Depreciation of property 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 and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 4 to 5 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

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

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

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

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

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions should 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 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 Company applied the revised accounting standard effective April 1, 2008. In addition, the Company 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. The effect of this change on income before income taxes and minority interests was none.

All other leases are accounted for as operating leases.

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

l. Foreign Currency Transactions – All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement.

m. Foreign Currency Financial Statements – The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

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

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

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

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

o. New Accounting Pronouncements

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

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the 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 the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model 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 contained.

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

Asset Retirement Obligations – On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition,

construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

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

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Short-term investments:		
Time deposits other than cash equivalents	¥ 388	¥ 280
Short–term treasury securities	4,998	–
Government, corporate and other bonds	1,638	2,448
Total	¥7,024	¥2,728
Investment securities:		
Marketable equity securities	¥3,699	¥5,110
Non-marketable equity securities	12	12
Government and corporate bonds and other bonds	494	1,730
Trust fund investments and other	39	2,938
Total	¥4,244	¥9,790

Information regarding the securities classified as available-for-sale at March 31, 2009 and 2008 were as follows:

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

	Millions of yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥4,850	¥632	¥372	¥5,110
Debt securities	4,200	0	22	4,178
Other	2,911	32	5	2,938

"Debt securities" in the above table include compound financial instruments at fair value of ¥187 million and ¥384 million at March 31, 2009 and 2008, respectively.

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008, were as follows:

	Carrying amount	
	Millions of yen	
	2009	2008
Equity securities	¥ 12	¥ 12

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥2,859 million and ¥2,464 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥9 million and ¥4 million, respectively for the year ended March 31, 2009 and ¥7 million and ¥58 million, respectively for the year ended March 31, 2008.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2009 were as follows:

	Millions of yen
Due in one year or less	¥6,636
Due after one year through five years	532
Total	¥7,168

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Merchandise	¥ 1,440	¥ 1,453
Finished products	3,068	3,367
Work in process	300	269
Raw materials and supplies	1,650	1,601
Total	¥ 6,458	¥ 6,690

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Investments	¥207	¥1,007
Advances	–	24
Total	¥207	¥1,031

6. LONG-TERM LOANS

Long-term loans are primarily housing loans to employees bearing annual interest rates ranged from 0% to 3.5 % at March 31, 2009 and 2008, respectively.

7. SHORT-TERM BANK LOANS

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

8. RETIREMENT BENEFITS AND PENSION PLANS

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

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment and annuity payments from a trustee.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Projected benefit obligation	¥ 3,003	¥ 3,014
Fair value of plan assets	(1,593)	(2,060)
Unrecognized actuarial loss	(200)	(263)
Unrecognized prior service cost	(708)	(224)
Net liability	¥ 502	¥ 467

The components of net periodic retirement benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Service cost	¥193	¥ 185
Interest cost	102	102
Expected return on plan assets	(70)	(81)
Amortization of prior service cost	62	62
Recognized actuarial loss (gain)	37	(107)
Subtotal	324	161
Contribution for the multi-employer pension plan	259	259
Contribution for the defined contribution pension plan	81	78
Net periodic retirement benefit costs	¥664	¥ 498

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Amortization period of prior service cost	7 years	7 years
Recognition period of actuarial gain / loss	7 years	7 years

The Company and certain of its consolidated subsidiaries participate in a contributory multi-employer pension plan (the "Plan") covering substantially all of their employees. The pension fund assets available for benefits under this plan at March 31, 2009 and 2008 were approximately ¥3,053 million and ¥3,108 million, respectively.

Contribution for the Plan is expensed as retirement benefit costs. Based on the Company's salary expense in comparison to the total salary expenses of all employers which participate in the plan, the Company's share of the plan is 12%, at March 31, 2009, however the share is not equal to the actual contribution percentage of the Company.

The financial statements of the Plan at March 31, 2008 is as follows:

	Millions of yen
	2008
Fair value of plan assets	¥ 32,176
Projected benefit obligation	(45,539)
NET	¥(13,363)

<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 ¥10,239 million. The prior service obligation is evenly amortized over 12 years and 9 months. The Company and certain of consolidated subsidiaries recognized ¥118 million of special contribution expense for the year ended March 31, 2008.

9. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	
	2009	2008
Deposits received	¥ 352	¥ 387
Liabilities for retirement benefits to directors and corporate auditors	671	712
Total	¥ 1,023	¥ 1,099

10. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Company Act of Japan (the "Company Act"). The significant provisions in the Company Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Company 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 the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Company Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Company 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 Company Act requires that an amount equal to 10% of dividends must 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 common stock. Under the Company Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Company 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 Company 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 Company Act, stock acquisition rights are presented as a separate component of equity. The Company Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.64% for the years ended March 31, 2009 and 2008. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of yen	
	2009	2008
Deferred Tax Assets :		
Accrued bonuses	¥ 276	¥ 293
Enterprise tax	38	112
Inventories	127	126
Retirement benefit costs	162	156
Long-term liabilities	267	281
Allowance for sales return	24	50
Devaluation of land	101	101
Property and equipment	34	34
Depreciation	88	108
Devaluation of investment securities	113	9
Unrealized loss on available-for-sale securities	475	162
Other	238	303
Deferred tax assets subtotal	1,943	1,735
Valuation allowance	(1)	(2)
Deferred tax assets	1,942	1,733
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities	45	269
Depreciation	14	29
Undistributed earnings of overseas subsidiaries and associated companies	87	641
Other	10	21
Deferred tax liabilities	156	960
Net deferred tax assets	¥ 1,786	¥ 773

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.64%	40.64%
Expenses not deductible for income tax purposes	2.62	1.67
Adjustment of undistributed earnings of overseas subsidiaries and associated companies	(11.47)	–
Tax credit for research and development costs and others	(5.92)	(3.21)
Other – net	1.80	0.13
Actual effective tax rate	27.67%	39.23%

12. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2009 and 2008 were ¥2,038 million and ¥2,025 million, respectively.

13. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2009 and 2008 were ¥3,760 million and ¥3,977 million, respectively.

14. LEASES

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

Total rental expense for the years ended March 31, 2009 and 2008 was ¥1,072 million and ¥1,045 million, respectively, including ¥20 million of lease payments under finance leases for the years ended March 31, 2008.

Pro forma information for the year ended March 31, 2008

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on a “as if capitalized” basis for the years ended March 31, 2008 was as follows:

	Millions of yen
	As of March 31, 2008
	Machinery and equipment
Acquisition cost	¥104
Accumulated depreciation	83
Net leased property	¥ 21

Obligations under finance leases:

	Millions of yen
	2008
Due within one year	¥ 7
Due after one year	14
Total	¥21

The cost of leased property and obligations under finance leases include imputed interest expense.

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥20 million for the years ended March 31, 2008.

The minimum rental commitments under noncancellable operating leases at March 31, 2009 were as follows:

	Millions of yen
	2009
Due within one year	¥ 145
Due after one year	1,300
Total	¥1,445

Annual maturities of lease obligations under finance lease as of March 31, 2009 for the next five years and thereafter were as follows:

Years Ending March 31	Millions of yen
2010	¥ 9
2011	8
2012	6
2013	5
2014	3
2015 and thereafter	0
Total	¥31

15. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen	
	2009	2008
Sales	¥ 423	¥ 686
Interest and dividend income	26	30
Other expenses-net	(237)	(241)

16. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Company for the year ended March 31, 2009 were approved at the shareholders' meeting held on June 23, 2009:

	Millions of yen
Year-end cash dividends, ¥20 per share	¥476

17. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 is as follows:

(1) Industry Segments

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

(2) Geographical Segments

The Geographical Segments of the Group for the years ended March 31, 2009 and 2008 are summarized as follows:

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

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

	Millions of yen			
	2008			
	Japan	Asia	Eliminations/ Corporate	Consolidated
Sales to customers	¥37,957	¥18,332	–	¥56,289
Inter-area transfer	2,836	650	¥ (3,486)	–
Total sales	40,793	18,982	(3,486)	56,289
Operating expenses	36,856	16,571	(3,489)	49,938
Operating income	¥ 3,937	¥ 2,411	¥ 3	¥ 6,351
Total assets	¥22,915	¥12,892	¥18,412	¥54,219

Corporate assets of ¥18,871 million, included in "Eliminations/Corporate," are principally marketable and investment securities.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 amounted to ¥19,472 million and ¥18,824 million, respectively.

Deloitte.

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To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheets of MANDOM CORPORATION and consolidated subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

June 24, 2009

Deloitte Touche Tohmatsu

Outline of the Company

Outline of the Company (As of March 31, 2009)

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	2,280 (Consolidated) 516 (Non-consolidated)
Fiscal Year-end	March 31
General Meeting of Shareholders	Ordinary General Meeting of Shareholders Every June
Independent Auditor	Deloitte Touche Tomatsu

Board of Directors & Executive Officers (As of August 1, 2009)

Representative Director President Executive Officer	Director in charge of Internal Control Div.	Motonobu Nishimura
Representative Director Vice President Executive Officer	Director in charge of Corporate Planning Div.	Hiroshi Kamei
Director Senior Managing Executive Officer	Director of International Operations Div., Human Resources Div. and Executive Secretarial Office Director in charge of Executive Secretarial Office	Yoshikatsu Nishiumi
Director Managing Executive Officer	Director of Production/Distribution Director in charge of Logistics Div. and Production Engineering Div.	Kenji Yamada
Director Managing Executive Officer	Director of R&D Director in charge of Product Development Dept., Section III and Product Planning Div.	Masayoshi Momota
Director Managing Executive Officer	Director of Resource Management Director in charge of Legal Affairs Div., Corporate Communications & Investor Relations Div. and Environmental Initiatives Div.	Yoshiaki Saito
External Director		Tsutomu Tsukada
External Director		Toshikazu Tamura
Corporate Auditor		Hiroshi Yasui
External Corporate Auditor		Kazuya Kotera
External Corporate Auditor		Susumu Takagi

Head Office

Group Companies (As of April 1, 2009)

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

Overseas Company Names	Location	Main Businesses	Voting Rights	
INDONESIA				
PT Mandom Indonesia Tbk	Indonesia	Manufacture and sales of cosmetic products	60.8%	consolidated subsidiary
ASEAN3				
Mandom Corporation (Thailand) Ltd.	Thailand	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom Philippines Corporation	The Philippines	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sales of cosmetic products	97.6%	consolidated subsidiary
NIES4				
Mandom Corporation (Singapore) Pte. Ltd.	Singapore	Sales of cosmetic products	100.0%	consolidated subsidiary
Mandom Taiwan Corporation	Taiwan	Sales of cosmetic products	100.0%	consolidated subsidiary
Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sales of cosmetic products	44.0%	equity-method affiliate
Mandom Korea Corporation	Korea	Sales of cosmetic products	100.0%	consolidated subsidiary
CHINA				
Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sales of cosmetic products	66.7%	consolidated subsidiary
Mandom China Corporation	China (Shanghai)	Sales of cosmetic products	100.0%	consolidated subsidiary

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

Stock Information (As of March 31,2009)

Number of shares authorized for issue	81,969,700 shares	**Stock listing**	First Section, Tokyo Stock Exchange
Shares of Common Stock Issued and Outstanding	24,134,606 shares	**Securities code**	4917
Number of Shareholders	19,143	**Transfer agent**	The Sumitomo Trust and Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

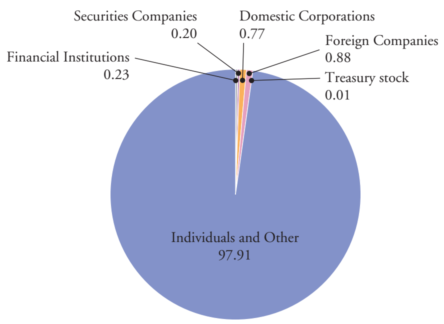
Major Shareholders

Shareholder	No. of Shares (Thousands)	Holding (%)
Nishimura International Scholarship Foundation	1,800	7.57
The Master Trust Bank of Japan, Ltd. (trust account)	1,204	5.07
Japan Trustee Services Bank, Ltd. (trust account)	1,105	4.65
Japan Trustee Services Bank, Ltd. (trust account 4G)	1,032	4.34
Motonobu Nishimura	1,005	4.23
State Street Bank and Trust Company	1,004	4.22
Teruhisa Nishimura	801	3.37
Mandom Employee Shareholding Association	700	2.94
Trust & Custody Services Bank, Ltd. (securities investment trust account)	514	2.16
BNP Paribas Sec Svc London/Jas/Aberdeen Investment Funds Icvc/ Agency Lending	487	2.05

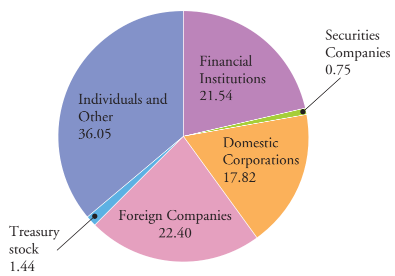
Note: Figures less than 1,000 shares have been omitted. Holding percentage is calculated based on the number of shares issued and outstanding.

Common Stock Holdings

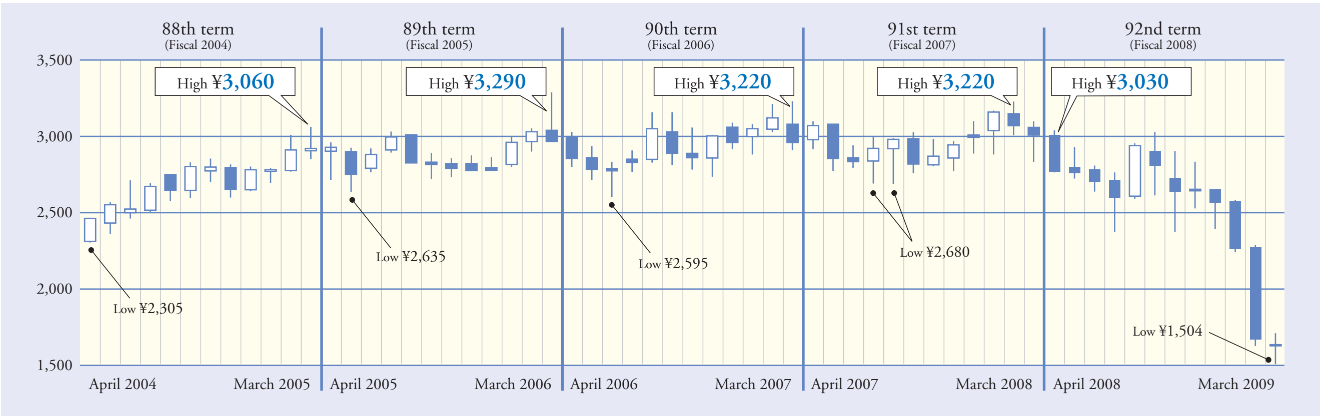
Shareholders by Type (%)



Shareholders by Holding (%)



Stock Price and Transaction Volume



Mandom Group Corporate IR Activities

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

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

mandom corp.

Securities Code: 4917

みんなで止めよう温暖化
チーム・マイナス6%

たいせつにしますプライバシー
20000454(02)

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

Note: ISO 9001 certification covers the design, development, manufacturing and shipment of the cosmetics and quasi-drugs manufactured and/or sold by Mandom Corporation (limited to products sold in Japan; excludes sale of imported products).

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