mandom corp.

MIX
Paper from responsible sources
FSC™ C014687

Waterless Printing. Naturally

VEGETABLE OIL INK

UD FONT by MORISAWA
This document uses an easy-to-read universal design font.

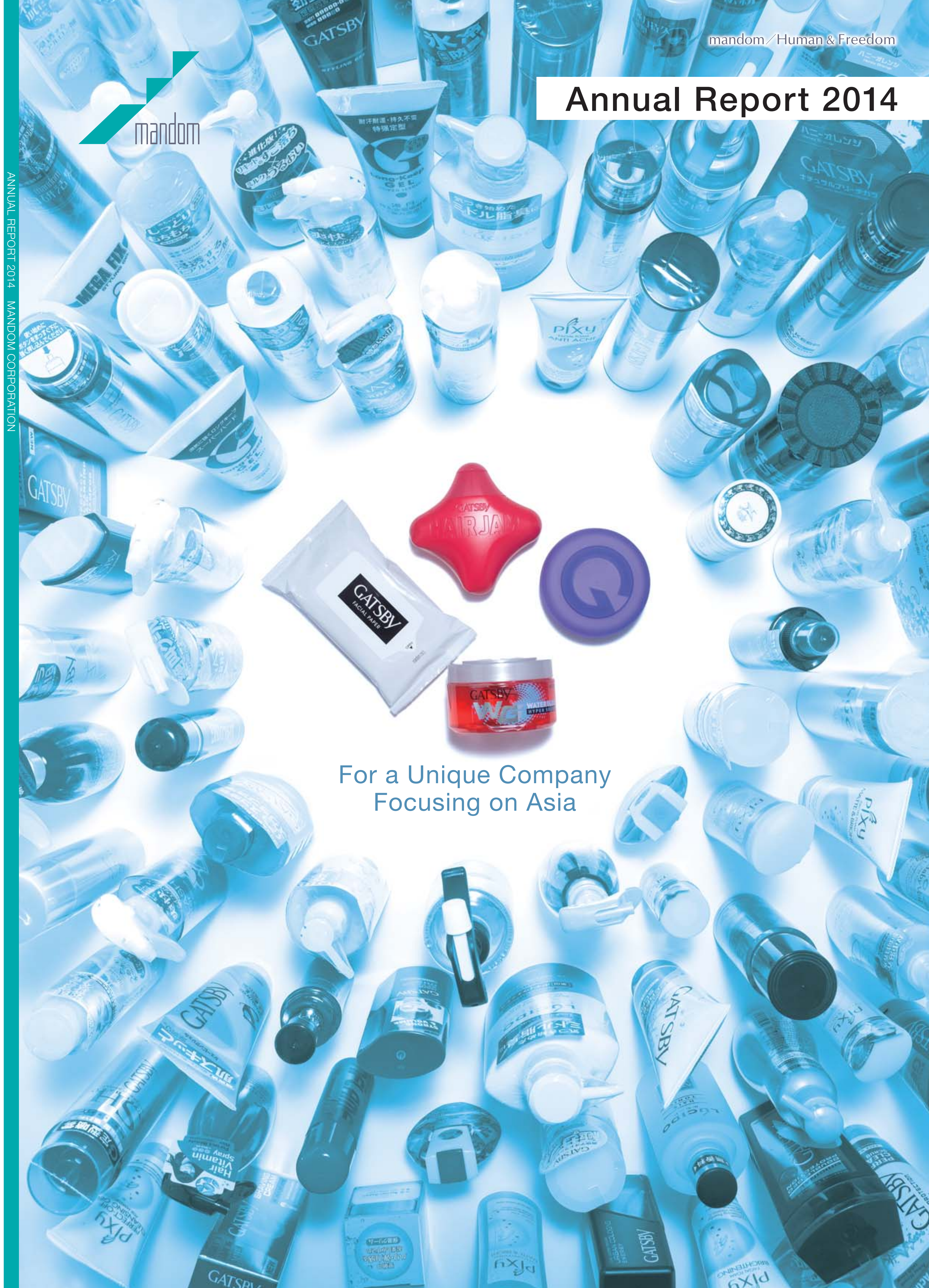
Fun to Share
Share together to build a low-carbon society.

ANNUAL REPORT 2014 MANDOM CORPORATION

mandom／Human & Freedom

Annual Report 2014

mandom

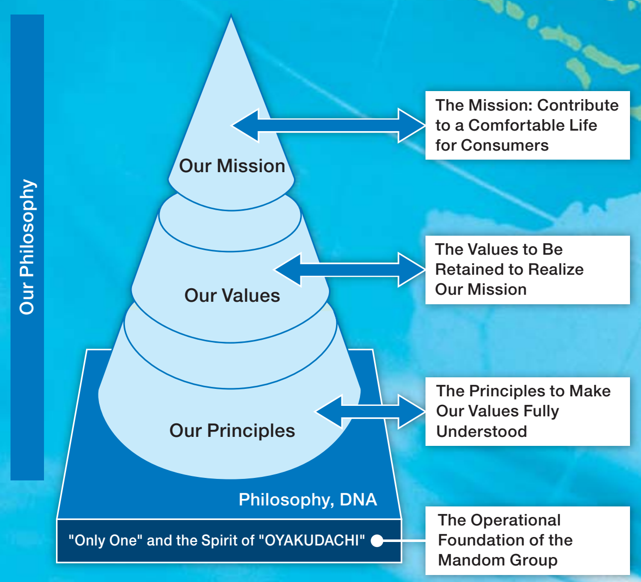


For a Unique Company Focusing on Asia

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 achived 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.

●The Concept of Our Philosophy



Profile

Mandom provides comfortable lifestyles supported by health and beauty. Based on this philosophy we aim to carry out business as an "Only One" company in Asia with global management expertise.

Mandom has focused on men's cosmetics since the company's founding in 1927. Starting with Gatsby, a top men's cosmetic brand in Asia, our lineup includes Lúcido, Lúcido-L, Bifesta, Pixy, and Pucelle. We offer a wide range of products that create lifestyle value for consumers based on consumer input in the categories of hair styling, face and body care, skin care, and make-up. We ship over one billion products annually.

Making an early mark in the cosmetics industry, Mandom began expanding outside of Japan in 1958 to nine countries and regions across Asia, particularly Indonesia, via 11 overseas group companies. Beyond Asia, our products have become consumer favorites in regions worldwide, including Africa, Europe, and North America.

In the fiscal year ending March 31, 2015, the initial year of our MP-11 Middle-Range Plan, we will undertake measures to accelerate growth in Asia and break new ground in additional fields of business.

Contents

Regarding 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.

Financial Highlights

(Years ended March 31)

Operating Results (Millions of yen)	2010	2011	2012	2013	2014
Net Sales	54,304	57,262	59,801	60,427	68,215
Overseas Ratio	31.7%	34.5%	34.9%	36.8%	40.0%
Operating Income	5,368	5,747	6,050	5,947	6,853
Overseas Ratio	34.0%	36.6%	37.1%	34.1%	34.6%
Ordinary Income	5,715	6,006	6,308	6,241	7,330
Net Income	2,802	2,672	3,299	3,607	4,091
Capital Investment	3,221	1,696	2,157	1,467	7,632
Depreciation	2,125	2,394	2,242	2,165	2,143
Research and Development	1,846	1,850	1,921	1,792	1,960

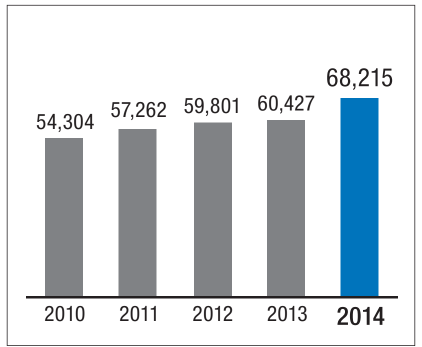
Financial Position (Millions of yen)	2010	2011	2012	2013	2014
Total Assets	54,182	53,328	55,600	60,163	67,858
Liabilities	9,123	8,036	8,517	9,126	12,679
Net Assets	45,058	45,291	47,082	51,037	55,179

Cash Flows (Millions of yen)	2010	2011	2012	2013	2014
Cash Flows from Operating Activities	7,766	4,063	3,692	7,605	7,303
Cash Flows from Investing Activities	(5,111)	(1,408)	(2,694)	(5,387)	(5,596)
Cash Flows from Financing Activities	(2,291)	(1,661)	(1,668)	(1,646)	(1,833)

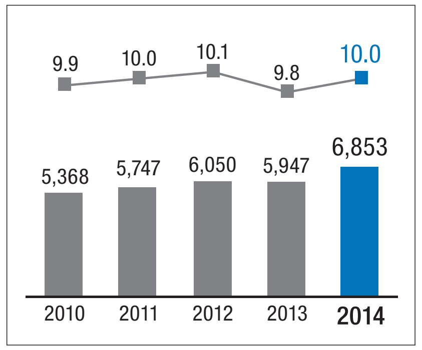
Per Share Data (Yen)	2010	2011	2012	2013	2014
Book Value per Share (BPS)	1,774.64	1,785.56	1,861.01	2,011.09	2,183.09
Earnings per Share (EPS)	119.40	114.30	141.11	154.29	175.02
Cash Dividends per Share	60.00	60.00	60.00	62.00	70.00

Financial Index	2010	2011	2012	2013	2014
Operating Income Margin	9.9%	10.0%	10.1%	9.8%	10.0%
Shareholders' Equity Ratio	76.6%	78.3%	78.3%	78.2%	75.2%
Return on Equity (ROE)	6.9%	6.4%	7.7%	8.0%	8.3%
Return on Assets (ROA)	11.1%	11.2%	11.6%	10.8%	11.5%
Payout Ratio	50.3%	52.5%	42.5%	40.2%	40.0%

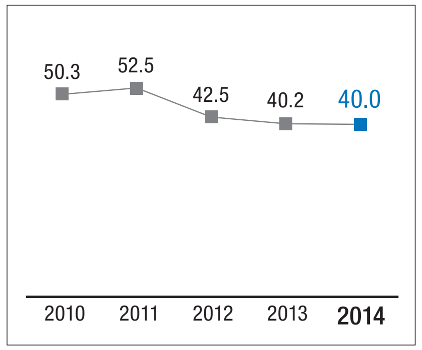
Net Sales (Millions of yen)



Operating Income (Millions of yen)
Operating Income Margin (%)



Payout Ratio (%)

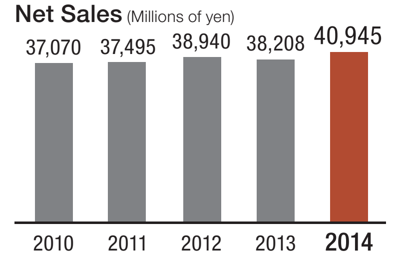


(Years ended March 31)

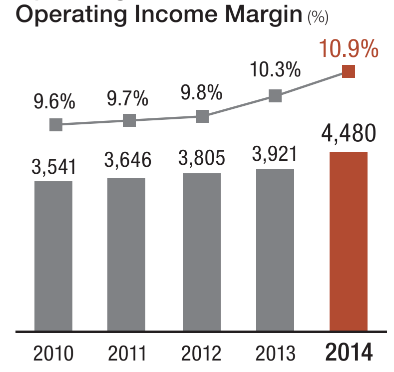
Segment Information

Japan

Net Sales (Millions of yen)

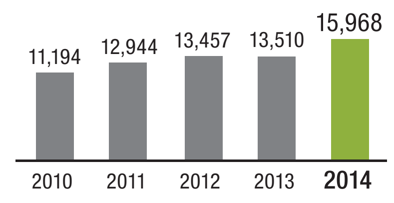


Operating Income (Millions of yen)
Operating Income Margin (%)

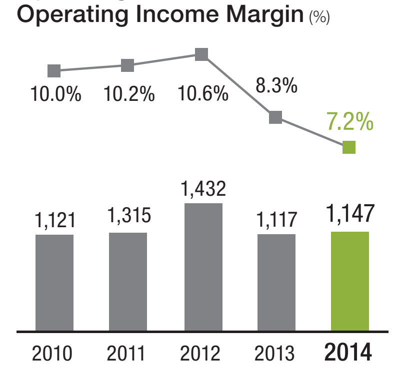


Indonesia

Net Sales (Millions of yen)

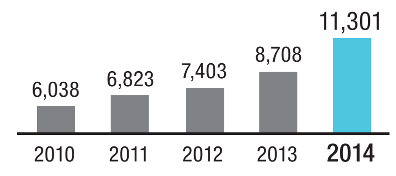


Operating Income (Millions of yen)
Operating Income Margin (%)

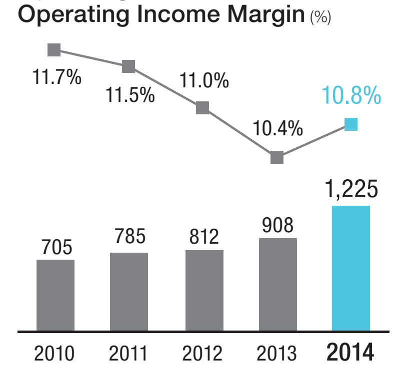


Other Overseas

Net Sales (Millions of yen)

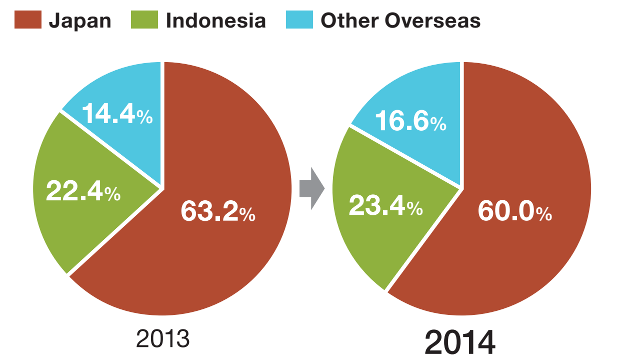


Operating Income (Millions of yen)
Operating Income Margin (%)

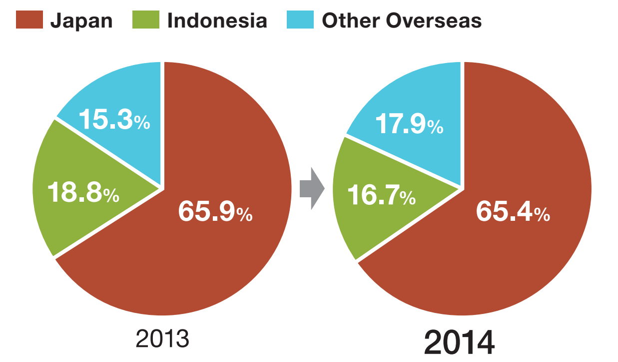


(Years ended March 31)

Sales by Region



Operating Income by Region



(Years ended March 31)

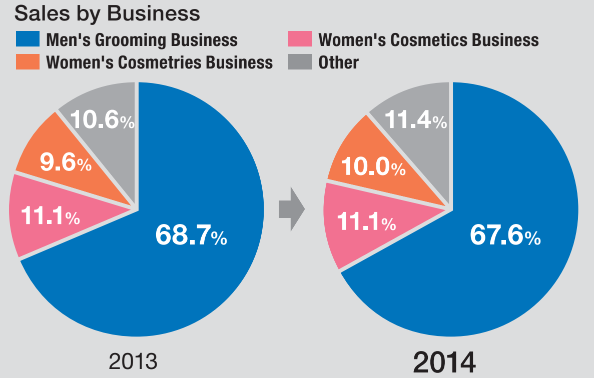
Sales by Business

Men's Grooming Business
- Net Sales: 46,096 million yen
- 11.1% increase from previous fiscal year

Women's Cosmetics Business
- Net Sales: 7,547 million yen
- 12.5% increase from previous fiscal year

Women's Cosmetries Business
- Net Sales: 6,828 million yen
- 18.1% increase from previous fiscal year

Sales by Business



(Years ended March 31)

Mandom Group Vision
Aiming to Be an "Only One" Company in Asia with Global Management Expertise

Accepting diverse world views and providing attentive response while promoting an integrated global approach

Mandom has established international operations in Asia with a focus on products increasingly tailored for the Asian market; now it aims to further diversify and globalize its management.

To accomplish these objectives, we promote an integrated global approach while accepting diverse world views and providing attentive response on a local basis.

Middle-Range Plans

MP-1	Apr. 1981-Mar. 1987	Improving safety
MP-2	Apr. 1987-Mar. 1990	Improving safety
MP-3	Apr. 1990-Mar. 1993	Improving safety
MP-4	Apr. 1993-Mar. 1996	Improving safety
MP-5	Apr. 1996-Mar. 1999	Improving safety
MP-6	Apr. 1999-Mar. 2002	Boosting growth potential and profitability
MP-7	Apr. 2002-Mar. 2005	Boosting growth potential and profitability Promoting group management
MP-8	Apr. 2005-Mar. 2008	Boosting growth potential and profitability Building a new revenue base
MP-9	Apr. 2008-Mar. 2011	Putting sustainable growth on track Building a new revenue base
MP-10	Apr. 2011-Mar. 2014	Accelerating the growth potential of the Group's business
MP-11	Apr. 2014-Mar. 2017	Accelerating growth and promoting the development of new businesses in Asia For more details, see the Message from Top Management on P11

Initial overseas development: Creating a business model

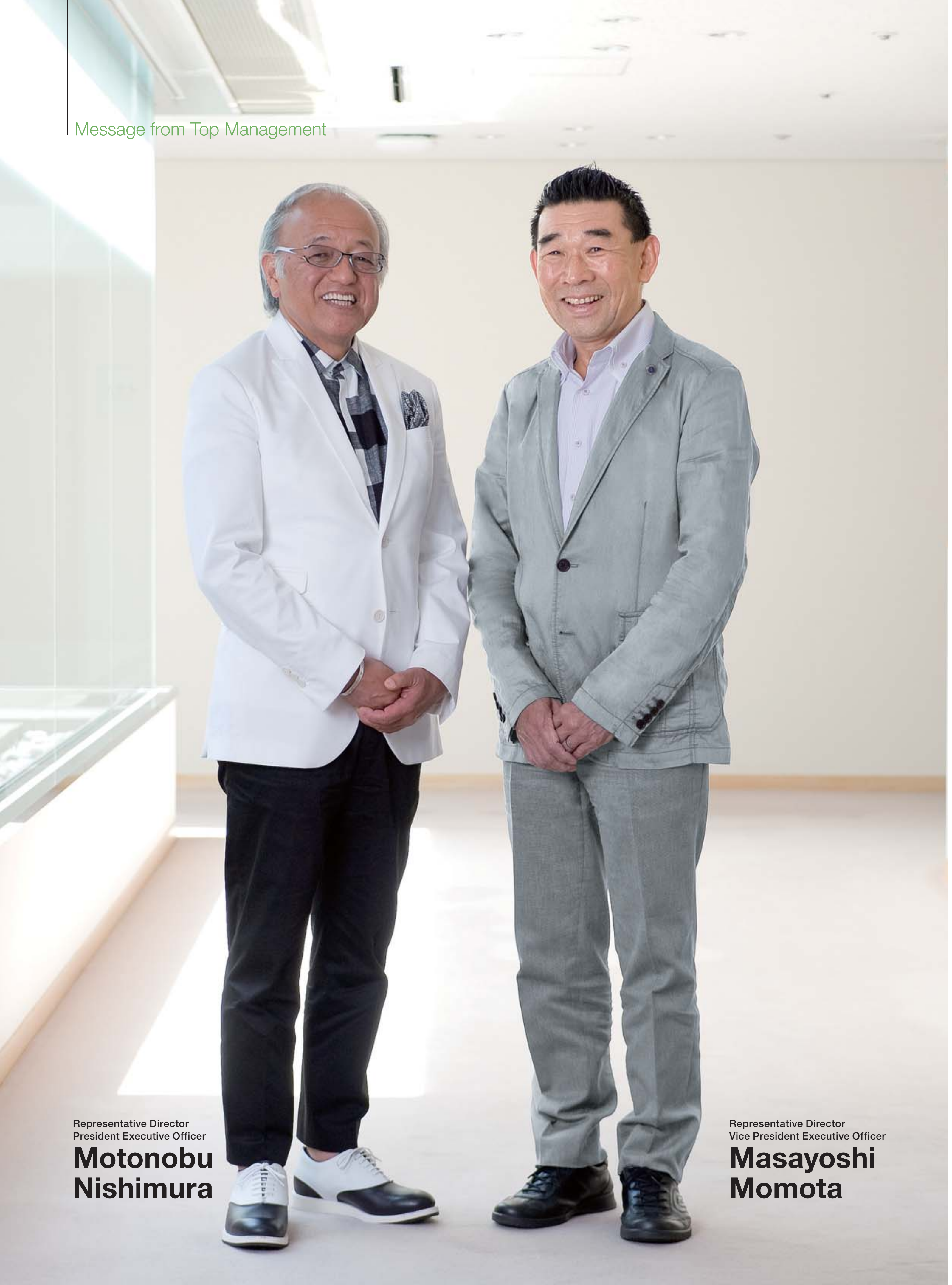
For more details see the Special Feature on P13

Restart of internationalization efforts
Set-up of companies in various countries in full progress:
Implementation of Mandom's management philosophy and marketing

For more details see the Special Feature on P13

Expansion and cultivation of new territory:
Strategic move to achieve further growth

For more details see the Special Feature on P13



Representative Director
President Executive Officer
Motonobu Nishimura

Representative Director
Vice President Executive Officer
Masayoshi Momota

To be an "Only One" company in Asia with global management expertise, we are accelerating growth and promoting the development of new businesses in Asia.

Fiscal 2013 (year ended March 31, 2014) was the final year of our 10th three-year Middle-Range Plan ("MP-10," 2011–2013). We achieved record-breaking net sales and net income this year, exceeding even our MP-10 numerical targets.

The fiscal year starting April 1, 2014 is the initial year of MP-11, our 11th three-year plan that will last until March 31, 2017. The goal of the current business plan is to accelerate growth and promote the launch of new businesses in Asia. Our aim is to sustain revenue increases by systematically investing management resources in expanding the Group's business stage by stage.

We aim to work together at the Mandom Group to implement our philosophy of providing comfortable lifestyles supported by health and beauty while aiming to live up to our reputation as an "Only One" company based in Asia with global management expertise.

Overview of Fiscal 2013

Consolidated Net Sales	¥68,215 million	(12.9% increase on previous period)
Consolidated Operating Income	¥6,853 million	(15.2% increase)
Consolidated Ordinary Income	¥7,330 million	(17.4% increase)
Consolidated Net Income	¥4,091 million	(13.4% increase)

Strong sales both internationally and in Japan plus a favorable exchange rate have contributed to record net sales and income.

In fiscal 2013 the Group worked toward sustained growth by implementing strategic measures to achieve stable growth in the core men's grooming business, by stepping up efforts in women's cosmetics, and by continuing to expand overseas operations with Asia as the engine of growth. Summer season product rollouts and promotions were enhanced in Japan, with new products released and marketed for the men's hair styling market and middle-aged men's market. Overseas, we stepped up our efforts to expand Gatsby, reflecting the conditions of individual countries while growing the women's cosmetics business in Asia. We also aggressively invested in marketing, particularly in overseas markets and the field of women's products, worked to curb the rising costs of raw materials, and streamlined marketing costs and general business expenses.

As a result of these efforts, sales were strong in Japan led by Gatsby hair styling products and the release of new Lúcido deodorant series products for middle-aged men. Overseas, thanks to strong sales primarily for Gatsby products and higher-than-usual figures due to the devaluation of the yen, net sales reached ¥68,215 million, a 12.9% increase over the previous fiscal year. In terms of income, even though we made aggressive marketing investments both in Japan and overseas, a decrease in the cost-to-sales ratio, mainly reflecting cost-cutting measures, led to an operating income increase of 15.2% to 6,853 million yen, a 17.4% increase in net ordinary income to 7,330 million yen, and a 13.4% year-on-year net income increase to 4,091 million yen.

All figures for sales and income at every stage were the highest on record for the company and exceeded targets set at the beginning of the fiscal year.

Overview of MP-10 and the Drafting of MP-11

● MP-10 Targets Attained

MP-10 was a three-year business plan aimed at accelerating growth for the Group. It allowed us to implement strategic measures to achieve stable growth in the core men's grooming business, step up efforts in the women's cosmetics business, and continue to expand overseas operations with Asia as the engine of growth. Our aim was to expand sales while working to improve profitability and ensure a stable, high level of return to stockholders.

Through these efforts, although we experienced sluggish sales in Japan in the women's cosmetics business and it became apparent that we were late to develop business overseas, notably in China and India where much growth is forecast, we achieved stable growth in men's grooming, mainly through Gatsby, and an aggressive marketing investment has helped us to cultivate the Asian market, enabling Mandom to achieve its growth targets. That has, in turn, led to the attainment of targets for profitability, stockholder return, and other numerical targets laid out in MP-10.

The numerical targets in MP-10 were specifically designed to accelerate growth, with actual growth rate targets set higher than in the previous Middle-Range Plan. Even set so high, all sales targets were exceeded, which was a solid achievement.

● Starting to Take Action for MP-11 and Beyond

Mandom made capital investments in the Fukusaki Factory in Japan and in the new Head Office and Factory in Indonesia to build a production system that could meet the needs of the Asian market. We also set up a Group Marketing Strategy Office and Production Strategy Office to build a system that will drive production and marketing throughout Asia, and carried out personnel training initiatives to cultivate globally adept employees. We also began building a system with a view toward the future that extends even beyond the targets of MP-11.

● Major Changes in Asia

Asia, where Mandom does most of its business, is undergoing rapid change. Up to 2030, the countries of Asia will be entering a period in which the working population comprises a higher proportion of the total population, during which an increase in population is expected, along with economic development, leading to an expansion of the middle class and accelerating growth.

This growth is centered around an infusion of global capital, which is causing very rapid globalization. Moreover, the speed of growth is too fast for business growth in any single country to be handled with a uniform approach. To do business in Asia now requires the ability to adapt to such changes.

● An "Only One" Company in Asia with Global Management Expertise

Mandom has set targets for the medium and long term in line with its ideal image as an "Only One" company in Asia with global management expertise. In the changing Asian marketplace Mandom aims to provide attentive response based on local understanding and global integration. We have set high targets that will allow us to cope with the rapid growth of markets and become the type of company we aim to be from a medium-to-long-term perspective. On this basis, MP-11 sets a higher growth rate for the company than MP-10, anticipating the opening of new markets and business areas and responding to the accelerating growth in Asia.

Overview of MP-10 | Middle-Range Plan to Accelerate Group Growth

Numerical Targets and Results MP-10 Numerical Targets Reached

Growth Potential

	Target		Result	
Consolidated Net Sales — Final Year Target	66 billion yen	▶ Result	68.2 billion yen	Reached
Men's Grooming Business — Average Growth Rate Target	3.2%	▶ Result	5.4%	Reached
Gatsby — Average Growth Rate Target	3.6%	▶ Result	5.9%	Reached
Women's Cosmetics Business — Average Growth Rate Target	19.3%	▶ Result	11.8%	Not reached
Overseas business — Average Growth Rate Target	9.4%	▶ Result	11.3%	Reached

Profitability

	Target		Result	
Operating Income Margin — Final Year Target	10%	▶ Result	10.0%	Reached

Shareholder Returns

	Target		Result	
Consolidated Payout Ratio — Ongoing Target	40% or higher	▶ Initial year	42.5%	Reached
		Second year	40.2%	
		Final year	40.0%	

Results

- ●Men's grooming business with stable growth, primarily with Gatsby
- ●Aggressive investment in marketing cultivates Asian market
- ●Cost revision and increased revenue result in sustained operating margin

Issues

- ●Domestic stagnation in the women's cosmetics business
- ●Late start developing business in China and India

Overview of MP-11

MP-11, the new three-year Middle-Range Plan, positions Mandom to accelerate growth and promote the development of new businesses in Asia. Targets have been set for improving profitability and ensuring a stable, high level of return to stockholders. The plan outlines an expansion of sales by building a competitive edge and developing new markets and business fields leading forward from strengthening business in our major markets.

We will work to achieve our growth potential by implementing strategic measures to achieve stable growth in the core men's grooming business, stepping up efforts in women's cosmetics, and expanding overseas operations as the engine of growth. Naturally we aim to expand the scale of our sales beyond the targets set in MP-10.

We will invest aggressively in marketing to boost our growth potential, and look continuously at the increases in revenue and costs that accompany greater sales to improve profitability.

We will expand business through the medium and long term, cultivating new businesses and assessing business risks along the way as we aim to achieve stable, high returns for stockholders.

Overview of MP-11 — Middle-Range Plan to Accelerate Growth and Promote the Development of New Businesses

Growth Potential

We aim to further bolster business in major markets to bring a competitive advantage, and open new markets and business areas to expand sales.

Target: Consolidated Net Sales	MP-11 Final Year	83 billion yen

We continue to address topics covered in MP-10, aiming for even higher growth.

Sustained Growth in the Men's Grooming Business
We aim for sustained growth as our core business area while maintaining or expanding category share in the men's cosmetics market.
→ Men's Grooming Business Average Annual Growth Rate 5.2% or higher

Greater Speed in Development of the Women's Cosmetics Business
We aim to achieve greater speed in developing business in Asia, primarily in skincare and base make-up categories, with product lines tailored for each country.
→ Women's Cosmetics Business Average Annual Growth Rate 15.0% or higher

Continued Strengthening of Overseas Business—the Company's Growth Engine
We aim to expand sales by doubling efforts in the main market of Indonesia, and build a foundation in emerging markets such as China and mainland southeast Asia by building distribution networks and other initiatives.
→ Overseas Business Average Annual Growth Rate 11.4% or higher

Profitability

We aim to improve profitability as well as perform marketing investment for growth.

Target: Consolidated Operating Profit	Final Year of MP-11	8.6 billion yen

Shareholder Returns

Stable and continued high-level shareholder returns.

Target: Consolidated Payout Ratio	MP-11 Ongoing	40% or higher

Forecast for Fiscal 2014

Consolidated Net Sales	¥71,200 million	(4.4% increase on previous period)
Consolidated Operating Income	¥7,120 million	(3.9% increase)
Consolidated Ordinary Income	¥7,420 million	(1.2% increase)
Consolidated Net Income	¥4,320 million	(5.6% increase)

Japan's economy has been recovering in response to governmental policies and we anticipate a sustained recovery. At the same time, we need to be cautious of a downward swing in the global economy and a drop in demand domestically due to the recent rise in the consumption tax. Conditions ahead therefore remain murky. The Asian economy is still at risk of being affected by European debt, but expects to see a gradual upward swing.

Under such circumstances, we are working together in Japan and internationally to achieve sustained growth for the Group as a whole.

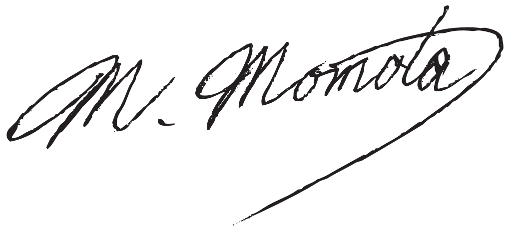
We will continue to seek stable growth in the men's grooming business, step up efforts in women's cosmetics, particularly in skin care, and expand overseas operations with a focus on Asia to achieve double-digit growth. These are the three pillars of our plan to boost sales and increase income. We will also invest aggressively in marketing overseas and the field of women's products. Furthermore, by striving to curb the rising costs of raw materials and streamline marketing costs and general business expenses we aim to achieve profits at every stage.

Closing Remarks

We will work together to achieve our targets for MP-11 and fulfill our mission as an "Only One" company in Asia with global management expertise. At this time we request the continued support and encouragement of all of our stakeholders.

August 2014

Motonobu Nishimura
Representative Director
President Executive Officer



Masayoshi Momota
Representative Director
Vice President Executive Officer

Special Feature
Mandom's Distinctive Presence in Asia

Mandom's overseas business focusing on Asia was started in the Philippines in 1958 and has since expanded by providing useful products to local consumers.
The resultant steady growth has led to the company's overseas business constituting 40% of consolidated sales as of March 2014.
This special feature introduces the story of how Mandom, aiming to be an "Only One" company in Asia with a strength in global management, came to establish the position it holds today in Asia and examines the outlook for the company's future.

The Mandom Group aims to provide for people a comfortable lifestyle supported by health and beauty.
We create products tailored to the needs and wants of consumers in different countries to suit a wide range of lifestyles.

Features of Mandom's Overseas Business

Mandom strives in its overseas business to understand its customers' world views and provide attentive response to needs based on ethnic, religious, and cultural differences, also taking into consideration the historical and economic differences of disparate regions.

Business Development Centered on Asia

Asia is not only a vast region that encompasses numerous ethnicities and languages; it is also an area of the world in which economic disparities, exchange risks, and other factors are complexly interrelated. Mandom works to supply products to ordinary consumers in various countries and regions, having begun its focus on creating useful products for Asia decades ago. Today the company is highly capable of responding to Asian consumers, markets, and societal change.

Core Business: Men's Cosmetics

Men's cosmetics are the core of Mandom's overseas business. A wide range of men's cosmetics are being sold in Japan and the market is mature. Yet in Asia the market is not yet mature or it has yet to be developed, so Mandom has taken on the role of developing markets for men's cosmetics.

Ordinary Consumers Are Our Main Target

Mandom targets the general public in each country and region in which it is engaged. To reach so many different consumers requires marketing tailored to each country and the ability to manufacture many product variations, including size, price, category, and field.

The Start of Mandom's Overseas Business and Building of Its Business Model (1958 on)

Mandom began its overseas business endeavors in 1958 by establishing a technical tie-up in the Philippines. Mandom has since worked to develop products, distribution, and sales networks that allow the company to bring useful products to ordinary consumers in various countries and regions.

Entering Categories That Match the "Wants" of Local Consumers

Upon discovering consumer "wants," even in a category in which no R&D in Japan had been done before, nor any such products sold, Mandom engaged in research, development, and marketing. The company developed women's make-up, hair dye, talc, perfumed tissues, and products in many other categories for the Indonesian market.


Hair dye　Talc　Perfumed tissues

Building a Wide Distribution Network

Mandom has built wide distribution networks in each country to ensure its products can easily reach local consumers.

Products Adapted for Local Consumers

Mandom downsizes products and adds variations to suit the lifestyle needs and incomes of consumers.


Size variations

Mandom's History in Overseas Business

Before starting with a technical tie-up with a company in the Philippines in 1958, the pomade Tancho Tique had become a hit product in Japan. Overseas Chinese merchants visiting Japan became interested in the product, and bought it in large volumes to give as gifts in their home countries. The product gained a reputation in this way by word of mouth.

One such businessman expressed interest in producing Tancho Tique locally, which took the form of a technical tie-up in the Philippines. Rather than using overseas sites for inexpensive production for import to Japan, Mandom produced the pomade abroad for sale in local overseas markets—something the company had been previously keenly interested in. This is how Mandom took its first steps into overseas business, aiming to contribute through its products.

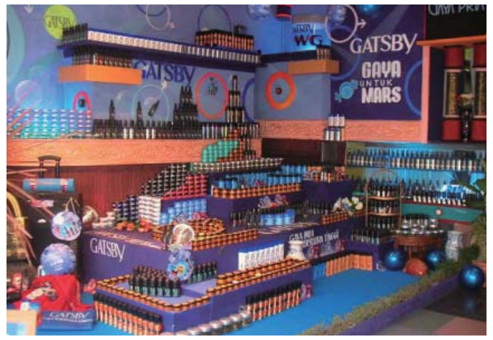
Establishment of Sales Subsidiaries and Strengthening of Group Management (1988 on)

Mandom began to set up sales subsidiaries around Asia in the mid-1980s.

To strengthen the group's management, efforts were made to unify efforts under a single business philosophy and carry out a style of marketing unique to Mandom. An emphasis was placed on developing overseas business through group companies in the 8th three-year Middle-Range Plan (2002–2004).

□In-Store Retailing

Aiming to be helpful to consumers in multiple countries, an in-store strategy is needed to increase visibility in retail stores. Mandom is taking an aggressive retail approach to increase points of contact with consumers.



Indonesia

Philippines

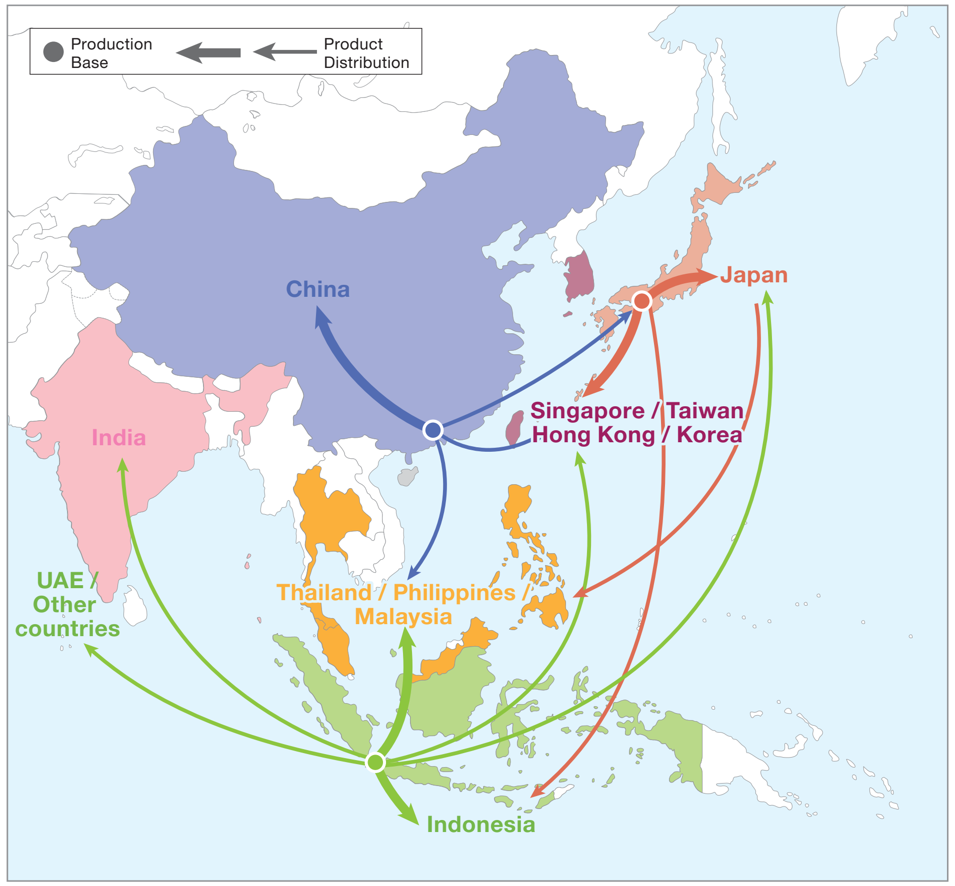
Singapore

□Establishing a Three-Base System in Asia

Mandom has production centers in Japan, Indonesia, and China. These three centers are being connected closely to standardize quality and production technologies, and improve competitiveness by reducing costs.

□Merchandising in Various Countries

Mandom has a system in place that makes adjustments in products and supply destinations in each country according to changes in consumer preferences, lifestyles, and purchasing power as the times change.



Toward Further Growth (2011 on)

Mandom began aiming to develop into an "Only One" company in Asia with a strength in global management starting with its 10th three-year Middle-Range Plan (2011–2013). To be able to cope with rapidly changing markets in Asia that are growing at different rates, Mandom aims to diversify its management and make it more international, assuring compliance with the corporate philosophy. Mandom works to integrate globally while responding locally as it has in the past, paying close attention to always making a positive contribution.

We plan to build upon decades of efforts overseas, establish a formidable global system, and work toward even further growth.

□Expanding Throughout Asia

Mandom is expanding into new territory across Asia, aiming to grow even further. The markets of China, India, and mainland southeast Asia are being fostered for growth in the medium and long term as we build distribution networks and continue to improve our product lines.

Emerging markets with prospects for medium-term growth

□Strengthening the System of Production

Looking ahead to future growth in Asia, we have made capital investments in Japan and Indonesia aimed not only at reinforcing and expanding production capacity but also at building a supply system that will have a positive and synergistic effect throughout the group. The Fukusaki Factory in Japan functions as a mother factory capable of producing high-quality products and developing innovations in production technology. Meanwhile, the new Cibitung Factory in Indonesia has its sights set on supplying products to all of Asia, and aims to manufacture products of high quality at low cost.

□Improving Our Marketing and Production Strategies

Mandom has set up a Group Marketing Strategy Office and Production Strategy Office to establish an advantage in the Asian market and build a supply system. The Group Marketing Strategy Office maintains traditional country-by-country marketing plans in addition to which it has drafted an overall medium-to-long-term marketing strategy for the group based on quick decision-making. The Production Strategy Office works to bring together marketing with the drafting of strategies for group production and procurement.

□Building Human Resources

Mandom is putting energy into education and training with overseas employee training and an exchange-style group training system that aims to cultivate personnel capable of working effectively in any country, enabling active transfers of personnel throughout the group.

Business Review
Overview by Segment

Japan

Our core sales region, constituting over 60% of the Mandom Group's sales

Economic Climate

Business confidence in Japan is improving overall against a backdrop of economic and financial measures taken by the national government, generating signs of a gradual recovery. Still, the higher consumption tax rate that took effect in April will color the path ahead, contributing to future uncertainty.

Cosmetics Market Environment

The scale of the cosmetics market environment in Japan is approximately ¥1.4 trillion according to METI's current production statistics for the cosmetics industry. The recent pickup in business confidence seems to have put an end to a period of long-declining sales attributable to recession and deflation. Still, in light of Japan's low birthrate and aging population the cosmetics market is considered mature and no significant growth is expected.

Mandom's Strengths in the Market

The Mandom Group's main channel is self-service sales, which includes drugstores, convenience stores, and other mass-market retailers. We also continue to develop new market categories and reinvigorate the market as the industry's top men's cosmetics manufacturer.

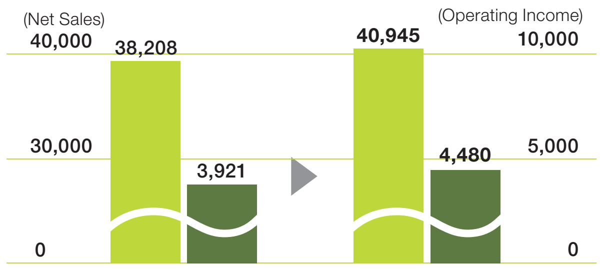
Mandom has also been taking measures to strengthen women's cosmetics in recent years. We have done this by leveraging existing marketing channels, by expanding our lines of high-performance, low-priced skin care products sold via self-service retailers, and by developing new body care products for women that utilize the know-how gained from the men's cosmetics market. We aim to tap into this new market by developing unique products.

Performance for Fiscal 2013

Net sales in Japan amounted to ¥40,945 million, a 7.2% increase year on year. Sales of summer season products in our core Gatsby brand were strong, including women's body sheets. Other sales increases came from the successful launch of new Gatsby products aimed at male teens, a segment that had a low rate of hair styling product use, and the Lúcido brand launch of a new series of products aimed at combating the body odor unique to middle-aged men.

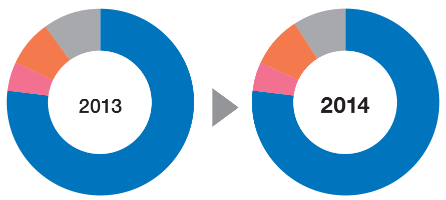
Operating income totaled ¥4,480 million, a 14.3% increase over the previous fiscal year, despite a big investment in marketing, primarily for new products.

Net Sales / Operating Income (Millions of yen)



(Years ended March 31)

Net Sales by Business



(Years ended March 31)

Men's Grooming Business

Market Environment

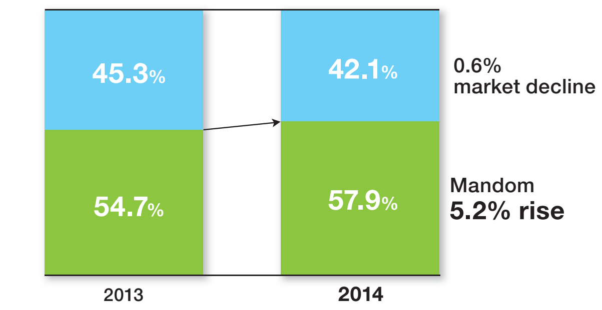
The domestic men's cosmetics market is worth approximately ¥120 billion, according to Mandom's calculations, and the market is continuing to expand gradually.

The hair styling market has been shrinking yearly as entry users decrease in line with falling birthrates. In contrast, the face and body care market is expanding steadily. A shift in men's awareness has also been taking place. At one time hair styling products were the first thing that came to mind for men's cosmetics, but recently more consumers think of face care products. The last several years have also seen remarkable growth in body care. With this awakened consumer interest in face and body care, the market holds high potential for growth. The scalp care market is also growing significantly due to the energizing effect of surging competition; various manufacturers have been releasing a range of new scalp shampoos and scalp care products.

Initiatives in Fiscal 2013

In fiscal 2013 we strengthened the lineup of summer season products in the Gatsby brand and bolstered store promotions to prepare for the high-selling season. These initiatives, in combination with the effects of a very hot summer, helped Mandom achieve very strong sales in the face and body care market. A large number of new products brought to market by other firms intensified the competition, yet in body paper our actual market share was notably over 80%.

Share of the Men's Hair Styling Market by Sales*



(Years ended March 31)

*Mandom survey (April 2012 to March 2013, monetary basis)

We released new Gatsby brand Hair Jam hair styling products that target teens, a segment of entry users whose usage rate has been contracting yearly. We aired television commercials that impressed on consumers that this was a totally new type of hair styling product; we also ran aggressive store promotions, succeeding in quickly winning product recognition. A post-release survey revealed that usage rates had turned around and were rising for high school and university students, leading to strong performance. Together with strong sales of Moving Rubber hair wax, our top product, the market share of the Gatsby brand in the hair styling category increased 2.6%.

Regarding Lúcido, we are continuing our efforts to nurture the aging care market by targeting middle-to-mature age males in their 40s, a segment with high growth potential. Regular in-store marketing, coupled with ongoing sampling and advertising aimed at promoting aging care products, began to show results, with expanded sales in the face care series with a focus on skin lotion.

Mandom also released a deodorant series for men around their 40s in February 2014 aimed at combating the body odors that develop in one's middle years. A heightened awareness among consumers toward body odor care matched up with a trend in retail to target the middle-age segment, enabling good movement of product into stores. Publicity was conducted ahead of release, including magazine and Web tie-ins that raised the topic of "middle-age body odor." For the product release, TV commercials were aired featuring the famous couple of actor Seiichi Tanabe and actress Nene Otsuka. Mandom's efforts are drawing wide attention to middle-age body odor and to the necessity of taking action against it.

●Lúcido Deodorant series

Future Initiatives

●Gatsby Facial Paper

●Gatsby Rich Whip Facial Wash

Under the Gatsby brand we further expanded the line-up of summer season items after strong sales the previous year. We are offering a new body lotion to meet rising needs for a cool sensation, facial paper for young men with skin concerns, and have been working in other ways to attract new users. In the peak demand periods for our key body paper products we run TV commercials. All of these efforts are aimed at maintaining Mandom's top position in the product category.

We have also released new facial cleanser products amidst intense competition in face care, a category in which Mandom holds the second highest market share. To acquire new users we have produced an aerosol facial cleanser that creates a creamy, fine foam for young men who seek a facial cleanser that is also gentle on the skin.


Lúcido One Push Care Color series

For the Lúcido brand, we will continue to run TV commercials and carry out other advertising for our deodorant series, as well as host samplings to offer consumers new opportunities to try the product, aimed at expanding the user base. We have renewed the package design and have expanded the lineup of our strong-selling skin care series.

Lúcido Skin Care series

Lastly, we have entered hair coloring with a new product for dyeing gray hair, the One Push Care Color series. The brand is for middle-aged men and offers a wide range of products.

Women's Cosmetics Business

Market Environment

Amid sluggish sales in recent years, the women's skin care market in Japan has seen changes in consumer purchasing behavior tending toward a bifurcation into high-priced and low-priced cosmetic items. With business confidence showing signs of picking up since last year, we have been experiencing a recovery in high-priced items and continued strength in the sale of low-priced items as before, primarily through drugstores. Players across the market have released numerous low-cost, high-performance cosmetics and the competitive climate continues to be intense.

The cleansing market, which is the core of our women's cosmetics business, remains flat, yet large in scale. By offering new concepts and value we expect to be able to increase sales in this market.


Bifesta Water Cleansing series

Initiatives in Fiscal 2013

Despite signs of a slight recovery in the market, in fiscal 2013 competition from various companies grew more formidable.

Under these circumstances, we worked to expand recognition of our core Bifesta brand and Water Cleansing series. In addition, we continued working to raise awareness of the new value of water cleansing-type cleansers' and promote their use. We regularly ran television commercials featuring Japanese actress and model Anna Tsuchiya and held publicity campaigns such as product samplings that focused on busy women, often characterized as "overtime office women." Thanks to these initiatives, sales rose steadily and the total number of bottles shipped since the initial release of the series exceeded 10 million, achieving the third highest market share in the cleansing category (as of April 2014 for self-care products, excluding system products).


Bifesta renewal

Uru-Ochi Water Cleansing lotion has a dominant 70% share in lotion-type products; Uru-Ochi Water Cleansing eye make-up remover has a respectable 30% share in the point make-up remover category. Both are the top-selling items in their respective categories.

Future Initiatives

In addition to the initiatives undertaken to date to expand sales of Bifesta products, we will undertake a brand renewal in the autumn. We are aiming to expand further by proposing new value. We hope to attract new product users by implementing a package design facelift combined with a boost in content quality for the cleansing series that aims to alleviate darkening of the skin and make skin more clear. We will run new TV commercials to continue building brand recognition and developing the brand.

Women's Cosmetries Business

Market Environment

The women's hair styling and hair care market in Japan has been contracting in recent years in almost all product categories. Products such as hair cream and hair milk, however, along with hair oil as a non-bath treatment, are enjoying strong sales as they treat dry, brittle hair often caused by the use of hair irons and hot rollers for hair styling, items that are being used by a growing number of women.

The body care market has also been contracting from year to year. Despite this, Mandom has seen a growth trend in sticks and creams in the body sheet and perspiration control category, a changing product trend bolstered by hot weather in recent years and greater attention to energy conservation.

Initiatives in Fiscal 2013

Mandom Body Sheet

In fiscal 2013, the women's styling market remained largely in a holding pattern.

Under these market conditions, sales were strong for the Lúcido-L Hair Wax series, core items of the brand that maintained the top share in their category while the brand's sales overall were flat. The Mandom body care series featuring Disney characters enjoyed very strong performance due to the effects of a very hot summer. The Disney Body Sheet in particular captured the fourth largest share in its category during the first fiscal year of its release, contributing significantly to double-digit growth in the domestic women's cosmetries business.

Lúcido-L Hair Wax series

Future Initiatives

To build sales, the new "Powder in Milk" series is being released in the hair cream and hair milk category, the only strong-selling category in the women's hair styling market for the Lúcido-L brand. In the autumn we will release the Argan Rich Oil series for effectively treating damaged hair, as part of an effort to expand our product lines to meet a growing diversity of needs for keeping hair beautiful. In the body care category, we will renew our Body Sheet and Splash Deo Water body care series products featuring various Disney characters, introduce additional deodorant sprays, and strengthen in-store promotions to expand sales. We will also release a new Body Milk product in the autumn and expand our product lines to meet autumn/winter needs for moisturizing.

Lúcido-L Argan Rich Oil series

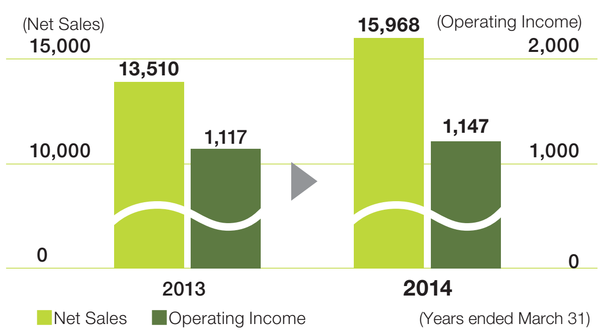
Mandom Body Milk

Business Review
Overview by Segment

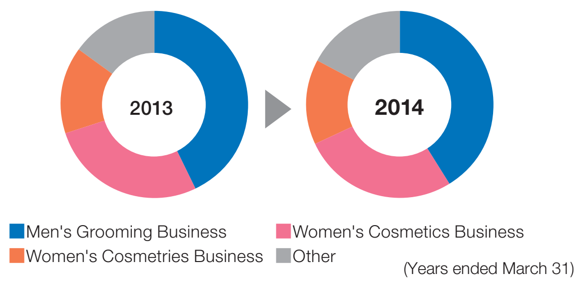
Indonesia

The largest business area and growth leader in the overseas group

Net Sales / Operating Income (Millions of yen)



Net Sales by Business



Economic Climate

Indonesia has been experiencing rapid economic growth in recent years. Income levels have risen and living conditions have been improving drastically. Year by year, with rising income levels, the middle class has been expanding and the number of people with low incomes has been decreasing, leading to growing domestic demand. Although the accelerating inflation over the last several years must also be watched carefully, the base of the consumer market is broadening. The population of Indonesia is the fourth largest in the world at 240 million, and this large market represents a promising market and has been attracting new market entrants from abroad.

Cosmetics Market Environment

In the cosmetics market, consumer confidence is growing along with rising incomes, and consumer behavior is changing rapidly. We are seeing interest in value-added products and indications of a rise in the unit price of purchases, which bode well for high growth in the future. Significant changes are starting to take place in distribution as well. The traditional market of privately run shops is shifting to a modern market that is dominated by major retailers from overseas. In this modern market, European cosmetics manufacturers are intensifying efforts to expand their presence in both men's and women's markets and a climate has emerged that sees both global and local firms in fierce competition.

Mandom's Strength in the Market

Mandom has been doing business in Indonesia since 1969. In an age when the concept of men's cosmetics had yet to be established in consumers' minds, we developed products that reflected the desires of local consumers and expanded the business while opening up and cultivating the men's cosmetics market ourselves. We built a distribution network that now supplies products to nearly all of the over 18,000 islands in the archipelago, working in cooperation with local distributors. Mandom has a share of over 70% in the hair styling products market and is the country's top manufacturer of men's cosmetics. We also continue to see growth in women's cosmetics, primarily make-up and fragrances, with sales in Indonesia split roughly evenly between men's and women's products. Mandom has become the cosmetics maker most familiar to consumers in Indonesia today.

Performance for Fiscal 2013

Sales for the last fiscal year in Indonesia were strong in women's cosmetics, focused on the Pixy brand. Foreign trade, primarily selling products to Dubai, expanded steadily. In combination with the lower value of the yen, a yen equivalent increase in net sales was recorded: 18.2% year-on-year to 159.68 million yen.

Resources were aggressively funneled into marketing for a high-growth modern market, and even though there was a rise in labor costs, operating income rose 2.6% year-on-year to 11.47 million yen.

Men's Grooming Business

Market Environment

Rising income levels and an accompanying increase in consumer confidence, together with a growing fashion consciousness, have led to steady continued growth in the men's cosmetics market, which is expected to remain strong. Notably, the rise of major chain retailers is leading to healthy conditions in a modern market. In particular, rising consumer awareness toward face and body care, plus the fact that the face and body category is a specialty area for Western cosmetics companies, makes the market highly prominent and the competitive climate is expected to intensify.

Initiatives in Fiscal 2013

In the last fiscal year, Mandom focused on reinforcing efforts in men's grooming, especially the face and body category with the Gatsby brand.

Mandom began selling facial cleansing paper as a new genre in the facial products category. Efforts were redoubled in in-store promotions to show consumers how to use products and to capture the market early. In body care products, to meet needs from rising fashion consciousness among consumers, the new fragrance series Urban Cologne was released and has been selling extremely well. This was followed by Gatsby Eau de Parfum. We aim to expand our lines and increase sales commensurately.

Gatsby Eau de Parfum

Gatsby Styling Wax

In hair styling products, our flagship Water Gloss series has been selling well, and we continue to market hair wax products. In-store promotions and wider store distribution efforts are being made to expand recognition and cultivate the market.

Future Initiatives

In the flagship hair styling category for Gatsby products, we introduced the new Styling Mist series. TV commercials were aired to quickly expand consumer recognition and capture the market. We produced numerous variations, helping to maintain a high share of the hair styling market in an environment of strong competition. In the growing face and body market, to increase our share we are responding flexibly and speedily to a rapidly changing market environment and consumer wishes.

Women's Cosmetics Business

Market Environment

As with men's cosmetics, the rise in disposable income and increasing awareness of cosmetics among women continue to spur growth in the women's cosmetics market. Under these circumstances, Western cosmetics brands are entering a modern market while sales of Halal-certified brands are also selling well. The latter are important in Indonesia, a country where the population is predominantly Muslim. The market is expected to continue growing, in combination with increased competition due to further market entries and more products being developed to meet diversifying consumer needs.

Initiatives in Fiscal 2013

In the last fiscal year, even though competition grew more intense, the market scale grew steadily.

In this environment, we completely renewed the series for the previous year's flagship product, Two Way Cake foundation, under our Pixy make-up brand, and in the first half of this fiscal year put energy into continuing to introduce products into stores. We then did a thorough renewal of our high-end series Ultimate line and other make-up lines. Together with these efforts we aired TV commercials, and held promotional events to keep the brand fresh and stimulate consumer demand. All of these efforts are showing good results.

In our skin care series we released White-Aqua Gel Cream, a new whitener to meet local consumer needs for skin whitening, improving our lineup. Existing items also performed well, leading to strong growth.

Pixy White-Aqua Gel Cream

Future Initiatives

In the future we will continue to strengthen the Pixy brand with its core products in the make-up category and develop make-up products aside from Two Way Cake, and also venture further into the skin care category, which has a large-scale market.

Women's Cosmetics Business

Market Environment

Reflecting Indonesians' preference for scents, there has been growing usage of fragrances among teens as a first personal fashion item. Consequently, light colognes and light fragrances for teens are taking root as a market. This age segment is also highly sensitive to trends, so trends change in a fast cycle and new products are constantly being brought to market. The scale of the market is also growing as income levels rise.

Lúcido-L Hair Vitamin series

Initiatives in Fiscal 2013

In the last fiscal year, again the market environment moved in a favorable direction. Under the Pucelle brand we released new lines targeting adult women in their 20s, from the Glazelle series to our Eau de Parfum fragrance lines; we also came out with hair fragrances as a new product category, all to attract new users.

In the hair care category, we ran TV commercials for the Lúcido-L Hair Vitamin series, which sold well upon reaching the market, and made other efforts to expand brand recognition.

Future Initiatives

We will further develop the new Glazelle series under the Pucelle brand to extend the target from the original teen segment to women in their 20s, aimed at expanding the customer base.

With regard to the Lúcido-L brand, which we began developing in the previous year, we aim to expand our share in the growing market of hair care products and will work to increase brand recognition, expanding the scale of the women's cosmetries business.

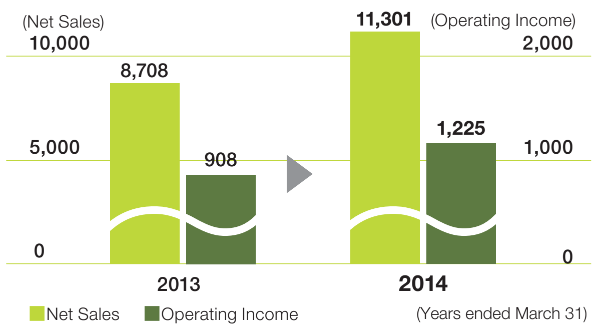
Other Overseas

Areas with high growth potential representing markets to cultivate for future overseas business

Market Environment

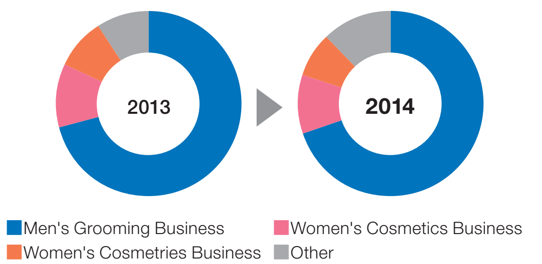
Cosmetics markets are growing in tandem with economic growth in the Asian nations that form the markets for Mandom products. Despite this, the newly industrializing economies (NIES area) with comparatively high GDP levels—Singapore, Hong Kong, Taiwan, and Korea—have matured as markets and many Japanese and international cosmetics brands are already available; the environment is highly competitive in this area. Conversely, in mainland southeast Asia, with a focus on Thailand, Malaysia, the Philippines, and other countries, the cosmetics market itself is not very large, nor are there many competitors in the marketplace. Yet in the last few years the pace of economic growth has picked up and, because of the high growth potential, more cosmetics brands, particularly American and European brands, are accelerating their entry into the market and we anticipate the environment to become highly competitive.

Net Sales / Operating Income (Millions of yen)



(Years ended March 31)

Net Sales by Business



(Years ended March 31)

Performance for Fiscal 2013

In the last fiscal year, with the core brand of Gatsby selling well in the Other Overseas category and the Pixy brand spreading horizontally, combined with the lower value of the yen, a yen equivalent increase in net sales was recorded: 29.8% year-on-year to 11,301 million yen.

We invested aggressively in marketing to accelerate growth in various countries, and even though expenditures rose, these efforts brought increased revenue, with operating income increasing 34.9% year-on-year to 1,225 million yen.

China

China's growth rate has been on a slight decline, but the economy continues to grow. Entering 2013 there were concerns over a drop in personal consumption, but the latter part of the year saw a recovery and the size of the women's cosmetics market continued to expand. In the men's cosmetics market, however, although there is high potential, there are still no well-established grooming habits, so grooming behaviors need to be encouraged and the market cultivated.

In fiscal 2013, Mandom ran TV commercials for hairspray under the core Gatsby brand featuring the Japanese actor Shota Matsuda and held numerous promotional events, along with other efforts to quickly expand recognition. Furthermore, efforts were made to extend the area of product reach and expand sales channels. We will continue to foster the men's cosmetics market in the future to secure an advantage and grow the scale of the business in China.

Gatsby Hairspray

Mainland Southeast Asia

GDP levels are still relatively low in mainland southeast Asia, but rapid economic growth is anticipated. Furthermore, the combined population of the five countries targeted in this area is roughly equal to that of Indonesia, with over 240 million people. The area therefore holds tremendous growth potential as a consumer market. At present there is relatively little competition from other manufacturers in the cosmetics market, but the competitive environment is likely to also intensify as the market grows.

Gatsby Styling Wax

Mandom sells products through its group company in Thailand, now covering also Myanmar, Vietnam, and Cambodia. In cooperation with local distributors we are working to expand the market and build out the distribution network.

We ran TV commercials for Styling Wax hair gel, a bolstered item under the Gatsby brand to increase recognition. We also released products in the body care category, aiming to boost recognition as an overall men's grooming brand.

In Thailand, sales are strong for the women's cosmetics brand Bifesta, which holds the top share of the cleansing products market. We are also expanding our distribution network and the scale of the business is growing well.

India

Indian consumers have a preference for scents and a high awareness of personal grooming. The cosmetics market is expected to expand along with the growth of the economy, making India a promising market.

Mandom established a subsidiary in March 2012 to carry out local marketing, but due to the lack of a production system in India and the growing exchange risk from a decline in the Indian rupee, the business of Mandom India has been temporarily suspended.

Sales of cosmetics remain strong, so we have positioned the country once again as a recipient of product exports from Indonesia while we build a distribution network and continue to take action to expand recognition of the Gatsby brand.

Financial Data Consolidated Financial Indicators

MANDOM CORPORATION and its Consolidated Subsidiaries
Years ended March 31

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Results (Millions of yen)										
Net Sales	47,546	47,923	51,250	56,289	55,178	54,304	57,262	59,801	60,427	68,215
Overseas Ratio	25.0%	27.0%	29.7%	32.6%	34.5%	31.7%	34.5%	34.9%	36.8%	40.0%
Operating Income	6,700	6,065	5,195	6,837	4,926	5,368	5,747	6,050	5,947	6,853
Overseas Ratio	26.3%	27.4%	36.7%	38.0%	41.8%	34.0%	36.6%	37.1%	34.1%	34.6%
Ordinary Income	6,281	6,120	5,109	6,704	5,175	5,715	6,006	6,308	6,241	7,330
Net Income	3,211	3,099	2,488	3,499	3,011	2,802	2,672	3,299	3,607	4,091
Capital Investment	1,791	2,862	2,541	2,096	2,039	3,221	1,696	2,157	1,467	7,632
Depreciation	1,632	1,653	1,856	2,236	2,353	2,125	2,394	2,242	2,165	2,143
Research and Development	1,888	1,688	1,866	2,024	2,037	1,846	1,850	1,921	1,792	1,960
Financial Position (Millions of yen)										
Total Assets	47,397	51,320	51,620	54,218	49,078	54,182	53,328	55,600	60,163	67,858
Liabilities	7,329	8,190	7,438	8,349	6,698	9,123	8,036	8,517	9,126	12,679
Net Assets	38,168	40,568	44,182	45,868	42,379	45,058	45,291	47,082	51,037	55,179
Cash Flows (Millions of yen)										
Cash Flows from Operating Activities	6,061	4,911	3,411	7,614	3,458	7,766	4,063	3,692	7,605	7,303
Cash Flows from Investing Activities	(6,919)	(2,444)	(1,120)	(5,040)	(1,204)	(5,111)	(1,408)	(2,694)	(5,387)	(5,596)
Cash Flows from Financing Activities	(1,345)	(1,196)	(2,554)	(1,659)	(2,045)	(2,291)	(1,661)	(1,668)	(1,646)	(1,833)
Per Share Data (Yen)										
Book Value per Share (BPS)	1,577.94	1,677.82	1,727.55	1,779.67	1,661.94	1,774.64	1,785.56	1,861.01	2,011.09	2,183.09
Earnings per Share (EPS)	128.73	124.36	104.28	147.13	126.60	119.40	114.30	141.11	154.29	175.02
Cash Dividends per Share	55.00	60.00	60.00	80.00	60.00	60.00	60.00	60.00	62.00	70.00
Financial Index										
Operating Income Margin	14.1%	12.7%	10.1%	12.1%	8.9%	9.9%	10.0%	10.1%	9.8%	10.0%
Shareholders' Equity Ratio	80.5%	79.1%	79.6%	78.1%	80.5%	76.6%	78.3%	78.3%	78.2%	75.2%
Return on Equity (ROE)	8.6%	7.9%	6.1%	8.4%	7.4%	6.9%	6.4%	7.7%	8.0%	8.3%
Return on Assets (ROA)	13.5%	12.4%	9.9%	12.7%	10.0%	11.1%	11.2%	11.6%	10.8%	11.5%
Payout Ratio	42.7%	48.2%	57.5%	54.4%	47.4%	50.3%	52.5%	42.5%	40.2%	40.0%

Financial Data Analyses of Management and Finances

Analysis of Operating Results

1. Summary

During the fiscal year just ended, Japan's economy experienced overall improvement and a gentle expansionary trend against a background of government economic and fiscal stimulus. Economic conditions in Asia, the center of gravity for the Group's overseas business, also benefitted from the influence of moderate global growth, with recovering consumption and steady overall expansion.

In this environment, consolidated net sales rose 12.9%, to 68,215 million yen. Consolidated net income increased 13.4%, to 4,091 million yen. (Hereinafter, all figures are stated in Japanese yen, consolidated as of March 31, 2014, and all percentage changes are relative to the previous consolidated fiscal year.)

2. Net Sales and Cost of Sales

Net sales totaled 68,215 million yen, up 7,788 million (12.9%). This marks the fourth consecutive year of record sales. This favorable result was driven principally by increased domestic sales, centered on our core Gatsby brand, and overall firm overseas sales. Favorable foreign exchange conditions compared to the previous term also drove overseas sales results higher in yen terms.

Cost of sales was 30,890 million yen, up 3,321 million (12.0%). The principal factor behind this increase was the increase in domestic and overseas sales. However, due to efforts to lower costs both domestically and overseas, gross margin expanded to 37,325 million yen, up 4,466 million (13.6%).

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

SG&A expenses amounted to 30,471 million yen, up 3,560 million (13.2%). This increase was driven principally by aggressive investment for marketing (sales promotion and advertising expenses) both in Japan and overseas. As a result, operating income rose to 6,853 million yen, up 906 million (15.2%).

4. Non-Operating Profit, Extraordinary Profit, Ordinary Income and Income before Income Taxes and Minority Interests

Non-operating income has been increasing steadily since the previous term, while non-operating expense has been falling. As a result, non-operating profit was up 182 million yen during the term. In addition, although extraordinary income increased, extraordinary expense also increased significantly, resulting in a decline of 82 million yen in extraordinary profit.

As a result, ordinary income totaled 7,330 million yen, up 1,088 million (17.4%). Income before income taxes and minority interests also increased to 7,279 million yen, up 1,006 million (16.0%).

5. Corporate and Other Taxes, Minority Interests and Net Income

Corporate and other taxes totaled 2,608 million yen, up 433 million (19.9%), principally due to increases in corporate tax payable by the parent company. Minority interests rose to 579 million yen, up 89 million, due mainly to the increase in net income of the Group's Indonesian subsidiary.

As a result, net income amounted to 4,091 million yen, up 484 million (13.4%), a new record high.

Analysis of Financial Position and Cash Flows

1. Assets, Liabilities and Net Assets

Due to a variety of factors, including an increase in property, plant, and equipment, total assets amounted to 67,858 million yen, up 7,694 million. Total liabilities totaled 12,679 million yen, up 3,552 million, due to an increase in accounts payable among other factors. Thanks to increased retained earnings, among other factors, net assets totaled 55,179 million yen, up 4,141 million, and the shareholders' equity ratio was 75.2%.

2. Status of Cash Flows

Cash and cash equivalents (cash) totaled 10,890 million yen, up 408 million.

Principal factors influencing cash flows during the term are as follows.

(Cash Flows from Operating Activities)

Cash flows from operating activities amounted to 7,303 million yen, down 301 million. While operating income rose, other factors, including an increase in inventories as well as corporate and other taxes, exerted an opposite influence.

(Cash Flows from Investing Activities)

Cash flows from investing activities totaled 5,596 million yen, up 209 million. While income from sales and redemptions of marketable securities and from refunds of time deposits increased, the use of cash also increased, principally for the acquisition of property, plant and equipment as well as marketable securities.

(Cash Flows from Financing Activities)

Cash flows from financing activities amounted to 1,833 million yen, up 186 million. This was mainly due to an increase in the payment of shareholder dividends, including minority shareholders.

Important Factors Influencing Consolidated Operating Results

1. Factors Influencing Profitability

The Group operates in a highly competitive business environment. Particularly in Japan, we are competing in a mature market. Such competition exerts downward pressure on retail prices while placing upward pressure on sales expenses, with inevitably lower profit margins. Furthermore, since our key product lines have a relatively short lifecycle, the success or failure of new products is a principal factor influencing our results. We always carry out brand renewal before the end of the product life cycle, and develop and market new products based on underlying consumer preferences. As such, merchandise returns from retailers also impact our profitability.

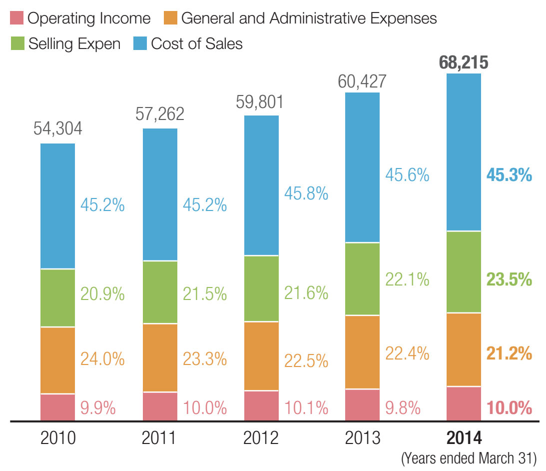
In addition, since the inventory on which the Group's continued operations depend is produced mainly on the basis of projected future demand and market trends, this strategy may, depending on actual demand or unanticipated trends, require inventory disposal. This disposal is recorded as a loss under cost of sales and adversely affects the Group's performance. It is the Group's policy to dispose of inventory immediately after market value impairment is confirmed, rather than postponing such disposal.

In Japan and Indonesia, our dependence on specific partners is high, formally exposing us to credit risk. However, we believe that for both countries, the increasingly dominant market presence of a few players actually tends to reduce this risk, and as such it effectively has no influence on our current business results.

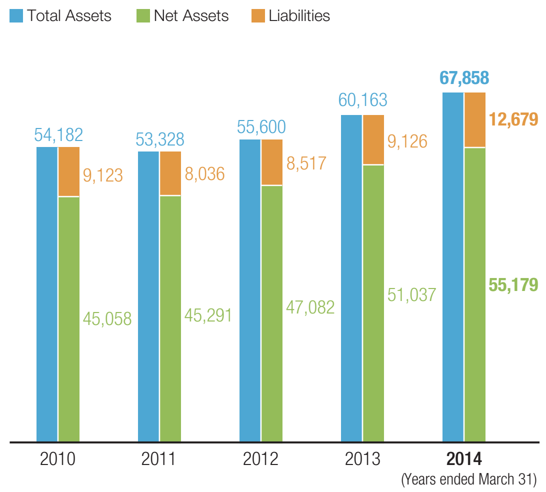
2. Foreign Exchange and Resource Price Fluctuations

In overseas operations, foreign exchange fluctuations or increased petroleum prices may affect Group competitiveness by increasing the costs of raw materials required at production sites in Indonesia and China. The Group's overseas manufacturing is carried out in Asia, and some regions are subject to event risk from possible legal or economic changes that may accompany sudden political

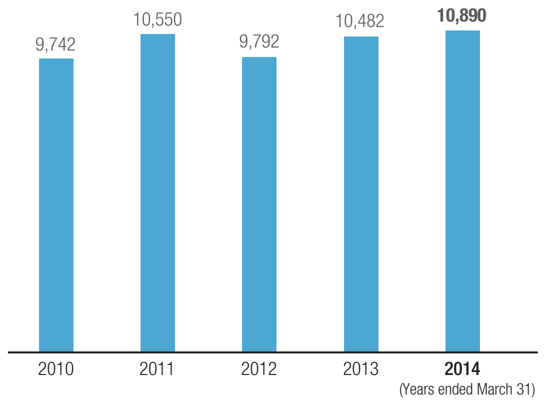
Breakdown of Ratio of Operating Expenses/ Operating Income to Net Sales (Millions of yen)



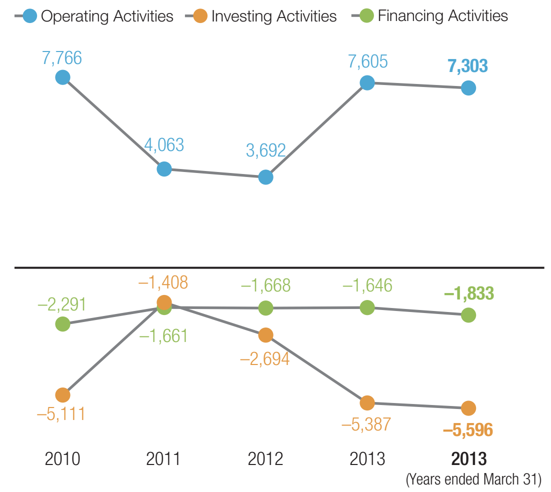
Total Assets, Liabilities and Net Assets (Millions of yen)



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



Cash Flows (Millions of yen)



Financial Data Analyses of Management and Finances

events. Such developments could impact the Group's management and financial performance.

Business and Others Risks

1. Consumer Alignment Risk

Competition in the cosmetics market in Asia, including Japan, is becoming increasingly intense due to the activities of peer companies as well as new competitor entry. In addition, the market is experiencing ongoing changes in consumer needs and wants, and consumer contact is taking place through increasingly diverse distribution channels. In this competitive environment, the Group is working to sustain and enhance its brand value and to develop, introduce, promote, and reinforce new products; withdraw from, reposition, or revamp existing products; and achieve innovation in its marketing activities, including its sales methods. Notwithstanding these efforts, various uncertainties may cause the Group to experience delays in responding to factors in its environment. Particularly in Japan, these factors include the impact of retailers reducing inventories of standard products by rebalancing inventories, and the return of surplus inventory from sales agents, the value of which may impact the Group's performance.

2. Partner Dependence Risk

※ Insert chart, annual securities report, P12

As shown in the chart above, during the 2013 and 2014 terms ended March 31, the Group was dependent on certain wholesalers for more than 10.0% of its consolidated sales. The Corporation and PT Mandom Indonesia Tbk have long-term, stable, ongoing business relationships with these wholesalers. In the future distribution of cosmetics and other products, there will be an increasing tendency toward market dominance by a limited number of large-scale wholesalers. This may lead to further dependence on specific distributors who account for a significant percentage of Group sales.

3. Regulatory Risk

The Group manufactures (and in some cases imports) and sells quasi-drugs and cosmetics in accordance with various regulatory statutes, including the Pharmaceutical Affairs Law, as well as in compliance with quality and environmental statutes. In the event, however, of a major breach of statutory or regulatory requirements, production activities may be affected, with a resulting impact on the continuing viability of the business involved. Moreover, restrictions may be placed on the Group's business due to revisions to existing legislation or the enactment of new laws. In the event that the Group incurs higher costs in its efforts to comply with statutory and regulatory requirements, its operating performance may be affected.

4. Foreign Exchange Risk

The Group's overseas business focuses on Asia, where solid market growth is expected. Overseas net sales accounted for 37.8% and 41.0% of consolidated net sales in the fiscal years ended March 31, 2013 and 2014, respectively, and the weight of overseas business is expected to increase. Accordingly, short-term, as well as medium-to-long-term fluctuations in foreign exchange rates have the potential to impact the Group's performance and prevent the operating results of overseas Group companies from being accurately represented our business performance when translated into yen.

5. Overseas Business Development Risk

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

Challenges to be Addressed

1. Maintaining and Expanding the Men's Grooming Business, Reinforcing Female-Oriented Business

Grooming products for men represent the Group's core business. In this and other categories in which we operate, we are experiencing increasing competition by established as well as new market participants, both in Japan and overseas, and we believe that the business environment will become even more challenging. Within this environment, the Group places utmost importance on its men's grooming products business, which accounts for more than half of consolidated sales and more than sixty percent of sales in Japan. Since this business is a mainstay of our profitability, we will continue striving to uncover new needs and wants through research from the consumer's point of view. We will also hone our capability to introduce new products, and undertake to maintain business expansion.

At the same time, we will reinforce our women's products business, including the skin care and base makeup categories, and strive to expand into new business areas.

2. Bolstering Personnel Development as the Foundation of Group Business

The Group seeks continuing global growth with a focus on Asia. Management considers global personnel development to be one of the foundations supporting its business, and believes that equipping personnel for success in any country will become increasingly important. Consequently, we will bolster personnel development to enhance the capacity of our employees to communicate and acquire a deep understanding of the customs and values of each culture where we market our products, to strengthen the Group's overseas foundation.

3. Bolstering Corporate Social Responsibility Activities

Social responsibility and sustainability is a Group value, and management regards corporate social responsibility activities as a key objective. In addition to ongoing reinforcement of quality assurance and environmental measures, the Group as a whole strives to promote corporate social responsibility activities as a good corporate citizen.

Management's View of Challenges and Policy Going Forward

Management strives to formulate optimal policies in light of the current business environment and available data and information. Management's key concern is to sustain business expansion. Recognizing that the engine for this expansion lies in overseas markets, management will strive to achieve further growth by developing the Southeast Asian market—where there is likely to be increasing demand for our products—as well as new markets in other Asian regions. We will also position our women's cosmetics business for further growth.

Management prioritizes efficient use of capital and regards the return of profits to shareholders in the form of dividends as a key capital policy. Consequently, management will undertake to return more profit to shareholders and rein in increases in equity (retained earnings).

1. Current Management Strategies and Outlook

Sustained growth is the core element of the Group's medium- to long-term business strategy. To achieve phased expansion of Group business, we will deploy a carefully planned input of business resources to achieve sustainable growth in income and profits. In the current three-year Medium-Term Plan (fiscal year 2015 through fiscal year 2017), we will continue to focus on three strategic themes: 1) promoting continued growth for our core men's grooming business; 2) accelerating the start of our women's cosmetics business through global marketing in Asia ; and 3) promoting the continued expansion of our overseas business.

Furthermore, when implementing our strategic objectives, we will be expeditious in making use of external capital through M&A activities and business alliances.

1) Sustained growth of our core men's grooming business

We will work to reinforce our core Gatsby brand as a global brand in Asia to better serve male consumers in all our markets. In Japan, we will work to expand sales centering on the styling as well as the face and body categories, targeting younger consumers. We will also place the styling category at the center of our overseas business while undertaking to reinforce and expand the face and body categories.

Under our Lúcido brand, we will continue to offer aging-care concept products for middle-aged consumers, including body odor care.

2) Accelerating our women's cosmetries and cosmetics businesses through global marketing in Asia

The Group will expand our women's cosmetries and cosmetics businesses centering on the skin care and base makeup products. In Japan, we will work to grow this business with a focus on expanding our share in the cleansing products market. Overseas, we will seek to expand sales in existing markets through greater lateral deployment of products developed for Japan, and grow our cosmetics business through expansion and reinforcement of the sales area for base makeup products.

3) Continued expansion of overseas business

Our overseas business maintains its positioning as our engine of growth, with Indonesia as our principal international market and China, India, and Southeast Asia as our developing markets. We will reinforce our investment in targeted marketing and undertake to develop an even deeper understanding of the consumer point of view in markets where we operate, to further expand the scale of our overseas business.

2. Financial Policies

The Group's financial policies include maintaining a sound balance sheet and the liquidity necessary to pursue its objectives. Capital is used primarily to fund operations and for capital investments, and is derived from internal reserves. If a 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 local-currency-based short-term loans taken out by the Group's main representative office in the region. The Group regards any additional funds in hand as cash reserves for business investment, and places the utmost priority on ensuring their liquidity and security. Management further believes that even if the need should arise for investment funds exceeding current liquidity, it can procure the funds necessary to ensure dramatic growth based on sound finances and the capacity to generate cash flows through operating activities.

3. Earnings Distribution Policy

Returning profit to shareholders through dividends is a

Financial Data Analyses of Management and Finances

core management policy, subject to internal reserve requirements for medium- to long-term operational development and new business development, and for addressing corporate risks. Under this strong commitment to dividend policy, the Group will endeavor to deliver shareholder return through dividend payouts. The numerical target for the year ended March 31, 2014 and ending March 31, 2015 is a payout ratio of not less than 40.0% of net income on a consolidated basis.

The Group's fundamental policy is to distribute surplus funds via two annual dividends, a mid-term and a year-end dividend.

The entity for approving the distribution of these funds is the Board of Directors for the mid-term dividend, and the General Meeting of Shareholders for the year-end dividend.

Total dividends for the term were set at 70 yen per share. As a result, the dividend payout ratio amounted to 40.0% on a consolidated basis.

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

Corporate Governance

Corporate Governance Structure

1) Summary of corporate governance structure

The activities of the Group are overseen by the Audit & Supervisory Board. With legal oversight from our auditors as the basis for corporate governance, we invite outside executive officers to sit on our board, and maintain an executive officer and a business function unit system. Through the organic integration of these structures, we promote the separation of decision-making and audit functions from execution functions, and strengthen mutual checks and oversight by the Board of Directors and the Executive Board. We also ensure that director oversight functions organically on the business front line. Furthermore, the Group has voluntarily established a Compensation Committee, more than half of whose members are outside executive officers, as well as advisory panels to the Board of Directors. Executive officer compensation and appointments are reviewed by these entities, and determined with close reference to the results of such reviews.

The Group's corporate governance structure is shown below.

※ Insert chart, annual securities report, P26

2) Reasons for adopting this governance structure

To ensure management compliance and efficiency, the Group employs an extensive range of management monitoring functions. Moreover, based on our understanding of the importance of reflecting front line management views in decision making, the Board of Directors includes not only senior management but certain executive officers with special titles who oversee business function units, as well as outside executive officers.

In addition to establishing an Audit & Supervisory Board, we have also voluntarily established advisory panels to the Board of Directors, and apply mutual checks and oversight between executive officers on the Board as well as oversight and supervision from outside executive officers. This structure is rigorously monitored by the Audit & Supervisory Board, and we believe this approach will contribute to strengthening corporate governance.

3) Internal control system

Under the governance structure outlined above, the Board of Directors has established basic policies to ensure appropriate operations, including the establishment and revision of internal regulations, their promulgation and thorough implementation, and the establishment of special advisory panels. Executive officers and employees strive to implement these regulations, with the Internal Control Division and the Audit & Supervisory Board exercising rigorous oversight and supervision.

In particular, the Group's Code of Conduct Promotion Committee helps ensure management compliance by promulgating awareness of, and adherence to, our compliance standards. Our Helpline System for whistleblowers also helps avoid and minimize risk.

In addition, our Internal Audit Division, which reports directly to the President Executive Officer, ensures the trustworthiness and accuracy of our financial reporting. The Division is responsible for establishing and monitoring the management of internal control systems relating to financial reporting and for carrying out internal audits. The Division also submits reports as appropriate to the Board of Directors and the Audit & Supervisory Board, which review the reports on an ongoing basis and work to devise structures to implement recommendations for improvement.

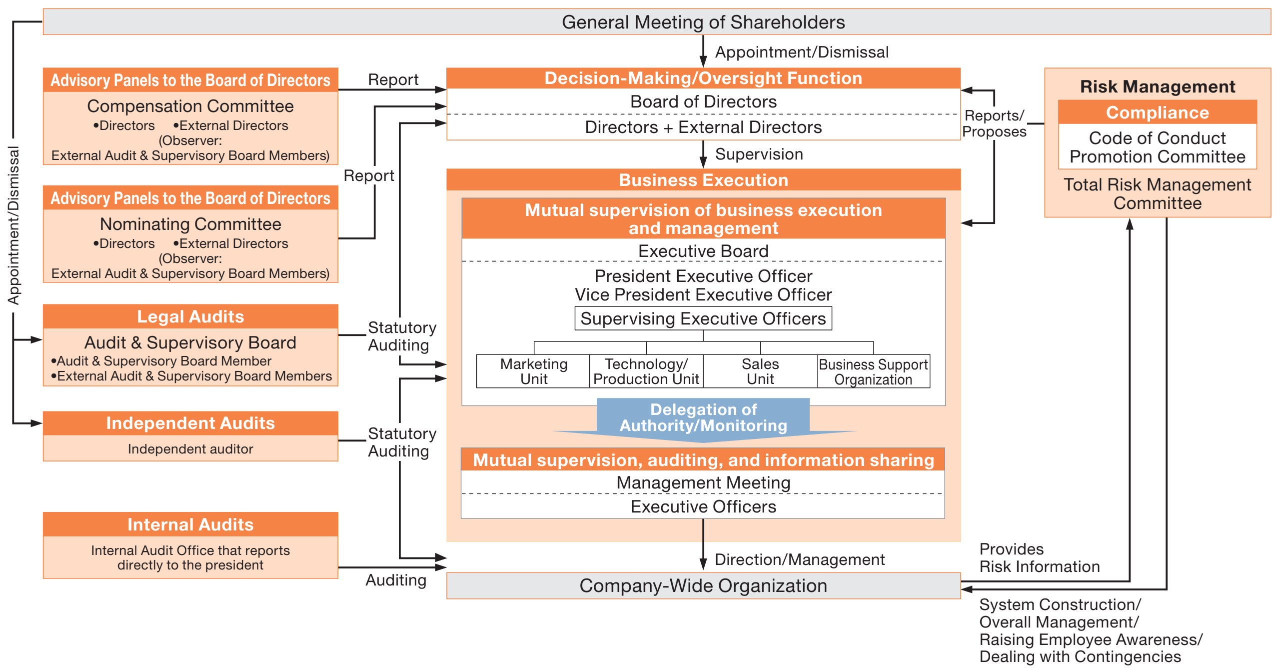
4) Risk management structure

The Total Risk Management Committee, chaired by the President Executive Officer,is the principal vehicle for the Group's total risk management system. The Committee's mission is to supervise and manage the operation and development of the Group's risk management systems. The Committee regards the management of risks with the potential to materially impact business continuity, and risks that hinder the reliability and appropriateness of financial reporting, as important issues. It therefore prioritizes risk management related to these important issues by promoting the creation of risk management manuals to avoid and minimize risk.

5) Limitation of liability for damages

a. The Corporation has concluded agreements with outside executive officers Satoshi Nakajima and Satoshi Nagao, based on Article 427.1 of the Companies Act and Article 24.2 of the Corporation's Articles of Incorporation, for limitation of liability for damages as defined in Article 423.1 of the Companies Act. The amount of limitation of liability for damages pursuant to these agreements is 10 million yen or the minimum amount for outside executive officers as specified in Article 425.1 of the Companies Act, whichever is higher.

b. The Corporation has concluded agreements with outside auditors Masatoshi Tsuda and Yukihiro Tsujimura based on Article 427.1 of the Companies Act and Article 32.2 of the Corporation's Articles of Incorporation, for limitation of liability for damages as defined in Article 423.1 of the Companies Act. The amount of limitation of liability for damages pursuant to these agreements is 10 million yen or the minimum amount for auditors as specified in Article 425.1 of the Companies Act, whichever is higher.



Financial Data Consolidated Financial Statements

Consolidated Balance Sheets

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2014

	Millions of Yen	
	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	¥10,891	¥10,482
Short-term investments (Notes 3 and 13)	14,302	13,962
Receivables (Note 13):		
Trade notes and accounts	8,252	7,654
Unconsolidated subsidiary and associated company	110	92
Other	98	80
Allowance for doubtful accounts	(17)	(19)
Inventories (Note 4)	8,122	7,641
Deferred tax assets (Note 9)	780	822
Prepaid expenses and other current assets	1,128	595
Total current assets	43,666	41,309
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	511
Buildings and structures	19,567	17,302
Machinery and equipment	14,582	13,165
Furniture and fixtures	4,577	4,259
Lease assets (Note 12)	56	45
Construction in progress	2,447	163
Total	41,740	35,445
Accumulated depreciation	(24,927)	(23,902)
Net property, plant and equipment	16,813	11,543
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 13)	4,842	5,034
Investments in unconsolidated subsidiary and associated company	299	210
Deferred tax assets (Note 9)	249	245
Other assets (Note 5)	1,990	1,823
Total investments and other assets	7,380	7,312
TOTAL	¥67,859	¥60,164

See notes to consolidated financial statements.

Consolidated Balance Sheets

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2014

	Millions of Yen	
	2014	2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Payables (Note 13):		
Trade notes and accounts	¥ 6,692	¥ 3,852
Unconsolidated subsidiary and associated company	5	8
Other	29	239
Accrued income taxes (Note 13)	1,237	995
Accrued expenses	1,718	1,531
Other current liabilities	563	570
Total current liabilities	10,244	7,195
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 6)	1,188	1,073
Deferred tax liabilities (Note 9)	303	4
Other long-term liabilities (Note 7)	945	855
Total long-term liabilities	2,436	1,932
COMMITMENTS (Note 12)		
EQUITY (Notes 8 and 15):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2014 and 2013	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	33,406	30,834
Treasury stock - at cost 755,434 shares and 754,463 shares in 2014 and 2013, respectively	(1,854)	(1,850)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	865	335
Foreign currency translation adjustments	(4,043)	(4,929)
Defined retirement benefit plans	34	
Total	51,038	47,020
Minority interests	4,141	4,017
Total equity	55,179	51,037
TOTAL	¥67,859	¥60,164

See notes to consolidated financial statements.

Financial Data　Consolidated Financial Statements

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2014

	Millions of Yen	
	2014	2013
NET SALES	¥68,216	¥60,427
COST OF SALES	30,890	27,568
Gross profit	37,326	32,859
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	30,472	26,911
Operating income	6,854	5,948
OTHER INCOME (EXPENSES):		
Interest and dividend income	291	237
Foreign exchange gain (loss)	11	(26)
Loss on disposal of property, plant and equipment	(114)	(18)
Gain (loss) on sales of investment securities	109	(2)
Other - net	128	134
Other income - net	425	325
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,279	6,273
INCOME TAXES (Note 9):		
Current	2,584	2,208
Deferred	24	(33)
Total income taxes	2,608	2,175
NET INCOME BEFORE MINORITY INTERESTS	4,671	4,098
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	579	491
NET INCOME	¥ 4,092	¥ 3,607

	Yen	
	2014	2013
PER SHARE OF COMMON STOCK (Note 2.m):		
Basic net income	¥175.02	¥154.29
Cash dividends applicable to the year	70.00	62.00

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

Consolidated Statement of Comprehensive Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2014

	Millions of Yen	
	2014	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 4,671	¥ 4,098
OTHER COMPREHENSIVE INCOME (Note 14):		
Unrealized gain on available-for-sale securities	532	673
Foreign currency translation adjustments	750	794
Share of other comprehensive income in associate	58	28
Total other comprehensive income	1,340	1,495
COMPREHENSIVE INCOME	¥ 6,011	¥ 5,593
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 5,508	¥ 4,912
Minority interests	503	681

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2014

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2012	23,381	¥11,395	¥11,235	¥28,629	¥(1,849)
Net income				3,607	
Cash dividends, ¥60 per share				(1,402)	
Purchase of treasury stock	(1)				(1)
Disposal of treasury stock	0			(0)	0
Net change in the year					
BALANCE, MARCH 31, 2013	23,380	11,395	11,235	30,834	(1,850)
Net income				4,092	
Cash dividends, ¥65 per share				(1,520)	
Purchase of treasury stock	(1)				(4)
Net change in the year					
BALANCE, MARCH 31, 2014	23,379	¥11,395	¥11,235	¥33,406	¥(1,854)

See notes to consolidated financial statements.

	Millions of Yen					
	Accumulated OtherComprehensive Income					
	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	¥(336)	¥(5,562)		¥43,512	¥3,571	¥47,083
Net income				3,607		3,607
Cash dividends, ¥60 per share				(1,402)		(1,402)
SPurchase of treasury stock				(1)		(1)
Disposal of treasury stock				0		0
Net change in the year	671	633		1,304	446	1,750
BALANCE, MARCH 31, 2013	335	(4,929)		47,020	4,017	51,037
Net income				4,092		4,092
Cash dividends, ¥65 per share				(1,520)		(1,520)
Purchase of treasury stock				(4)		(4)
Net change in the year	530	886	¥34	1,450	124	1,574
BALANCE, MARCH 31, 2014	¥865	¥(4,043)	¥34	¥51,038	¥4,141	¥55,179

See notes to consolidated financial statements.

Financial Data Consolidated Financial Statements

Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2014

	Millions of Yen	
	2014	2013
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 7,279	¥ 6,273
Adjustments for:		
Income taxes paid	(2,351)	(1,930)
Depreciation and amortization	2,143	2,203
Liability for retirement benefits	109	1
(Gain) loss on sales of investment securities	(109)	2
Loss on disposal of property, plant and equipment	114	15
Changes in assets and liabilities:		
Increase in receivables	(421)	(227)
(Increase) decrease in inventories	(398)	906
Increase in payables	1,492	88
Other - net	(555)	274
Total adjustments	24	1,332
Net cash provided by operating activities	7,303	7,605
INVESTING ACTIVITIES:		
Increase in time deposits other than cash equivalents	(1,790)	(2,083)
Decrease in time deposits other than cash equivalents	2,605	1,485
Acquisition of property, plant and equipment	(6,353)	(1,810)
Proceeds from sales and redemptions of investment securities	1,139	586
Payments for purchases of investment securities	(8)	(8)
Proceeds from sales and redemptions of short-term investment securities	44,300	33,600
Payments for purchases of short-term investment securities	(45,192)	(37,191)
Other - net	(298)	34
Net cash used in investing activities	(5,597)	(5,387)
FINANCING ACTIVITIES:		
Dividends paid	(1,818)	(1,637)
Other - net	(15)	(10)
Net cash used in financing activities	(1,833)	(1,647)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	536	118
NET INCREASE IN CASH AND CASH EQUIVALENTS	409	689
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,482	9,793
CASH AND CASH EQUIVALENTS, END OF YEAR	¥10,891	¥10,482

See notes to consolidated financial statements.

Financial Data Notes to Consolidated Financial Statements

MANDOM CORPORATION and its Consolidated Subsidiaries As of and for the Year Ended March 31, 2014

1. BASIS OF PRESENTATION OF 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 accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its eleven (eleven in 2013) significant subsidiaries (collectively, the “Group”).

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

Investment in one (one in 2013) associated company is accounted for under the equity method.

Investment in the remaining one unconsolidated subsidiary (one in 2013) is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an 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 also eliminated in consolidation.

b. 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 and bond funds, all of which mature or become due within three months of the date of acquisition.

c. Short-term Investments and Investment Securities - Securities included in short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows: 1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, with the related unrealized gains and losses included in earnings; 2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and 3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The Group's securities (included in "short-term investments" and "investment securities") are all classified as available for sale.

Nonmarketable 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.

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

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiary 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 subsidiary. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

f. 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.

g. Retirement Benefits and Pension Plans - The Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution pension plans, and advance payment systems which cover substantially all of their employees.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are mainly amortized by the declining-balance method over 7 years within the average remaining service period. Past service costs are amortized by the straight-line method over 7 years within the average remaining service period.

In May 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income, after adjusting for tax effects, and any resulting deficit or surplus is recognized as liability for retirement benefits or asset for retirement benefits.

Financial Data Notes to Consolidated Financial Statements

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥1,188 million was recorded as of March 31, 2014, accumulated other comprehensive income for the year ended March 31, 2014, increased by ¥34 million, and minority interests for the year ended March 31, 2014, decreased by ¥82 million.

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

i. 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. The revised accounting standard for lease transactions was effective for fiscal years beginning April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

j. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

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

l. 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 are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

m. 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 statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

n. New Accounting Pronouncements

Accounting Standard for Retirement Benefits - On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within accumulated other comprehensive income, after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as liability for retirement benefits or asset for retirement benefits.

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective April 1, 2013, and expects to apply (c) above from April 1, 2014. The Company assumes that the effects of applying the revised accounting standard for (c) above are minor.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen	
	2014	2013
Short-term investments:		
Time deposits other than cash equivalents	¥1,206	¥1,762
Short-term treasury securities	9,599	9,199
Commercial paper other than cash equivalents	1,997	1,497
Certificates of deposits	1,500	1,500
Trust fund investment		4
Total	¥14,302	¥13,962
Investment securities:		
Marketable equity securities	¥4,829	¥5,021
Nonmarketable equity securities	13	13
Total	¥4,842	¥5,034

Information regarding the securities classified as available-for-sale as of March 31, 2014 and 2013, was as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥3,475	¥1,378	¥(24)	¥4,829
Debt securities	11,599		(3)	11,596
Other	1,500			1,500

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥4,493	¥643	¥(115)	¥5,021
Debt securities	10,698	0	(2)	10,696
Other	1,505		(1)	1,504

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2014 and 2013, were as follows:

	Millions of Yen	
	2014	2013
Equity securities	¥13	¥13

Proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2013, were ¥1,134 million and ¥280 million, respectively. Gross realized gain and loss on these sales, computed on the moving-average cost basis, were ¥148 million and ¥39 million for the year ended March 31, 2014, respectively.

4. INVENTORIES

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen	
	2014	2013
Merchandise	¥1,830	¥1,959
Finished products	3,584	3,010
Work in process	440	407
Raw materials and supplies	2,268	2,265
Total	¥8,122	¥7,641

Financial Data Notes to Consolidated Financial Statements

5.OTHER ASSETS

Other assets as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen	
	2014	2013
Long-term prepaid expenses	¥618	¥688
Guarantee deposits	452	492
Software	279	296
Other	641	347
Total	¥1,990	¥1,823

6.RETIREMENT BENEFITS AND PENSION PLANS

The Company and its domestic consolidated subsidiary have funded defined benefit pension plans, defined contribution pension plans and advance payment systems which cover substantially all of their employees, and also unfunded defined benefit pension plans.

The funded defined benefit pension plans provide a lump-sum severance payment or annuity payments determined based on the rate of pay at the time of termination, years of service, and certain other factors for employees who terminated their employment.

The unfunded defined benefit pension plans provide premium lump-sum severance pay for employees who meet the prescribed requirements.

The Company and its domestic consolidated subsidiary participate in a contributory multiemployer pension plan, which is accounted for the same as defined contribution pension plans.

Certain foreign consolidated subsidiaries have funded defined benefit pension plans, unfunded benefit pension plans and defined contribution pension plans.

Defined Benefits

Year Ended March 31, 2014

1. The changes in defined benefit obligation for the year ended March 2014, were as follows:

	Millions of Yen
Balance at beginning of year	¥3,694
Current service cost	269
Interest cost	102
Actuarial loss	(190)
Benefits paid	(216)
Foreign currency translation	104
Other	(9)
Balance at end of year	¥3,754

2. The changes in plan assets for the year ended March 2014, were as follows:

	Millions of Yen
Balance at beginning of year	¥2,377
Expected return on plan assets	55
Actuarial loss	142
Contributions from the employer	148
Benefits paid	(154)
Other	(2)
Balance at end of year	¥2,566

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 2014, was as follows:

	Millions of Yen
Funded defined benefit obligation	¥2,674
Plan assets	(2,566)
	108
Unfunded defined benefit obligation	1,080
Net liability arising from defined benefit obligation	¥1,188
Liability for retirement benefits	¥1,188
Asset for retirement benefits	(0)
Net liability arising from defined benefit obligation	¥1,188

4. The components of net periodic retirement benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen
Service cost	¥269
Interest cost	102
Expected return on plan assets	(55)
Recognized actuarial loss	55
Amortization of past service cost	(35)
Net periodic retirement benefit costs	¥336

5. The components of accumulated other comprehensive income on defined retirement benefit plans before adjusting for tax effects as of March 31, 2014, were as follows:

	Millions of Yen
Unrecognized past service cost	¥(127)
Unrecognized actuarial loss	158
Total	¥31

6. Plan assets

(1)Components of plan assets

Plan assets as of March 31, 2014, consisted of the following:

Debt investments	44%
Equity investments	31
General accounts	16
Cash and cash equivalents	7
Other	2
Total	100%

(2)Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

7. Assumptions used for the year ended March 31, 2014, were mainly set forth as follows:

Discount rate	1.2%
Expected rate of return on plan assets	2.0%

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥3,694
Fair value of plan assets	(2,377)
Unrecognized past service cost	162
Unrecognized actuarial loss	(406)
Net liability	¥1,073
Attributed to:	
Prepaid pension expense	¥ (0)
Liability for retirement benefits	1,073

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥229
Interest cost	96
Expected return on plan assets	(46)
Amortization of past service cost	(19)
Recognized actuarial loss	74
Subtotal	334
Contribution for the multiemployer pension plan	271
Contribution for the defined contribution pension plan	85
Net periodic retirement benefit costs	¥690

Financial Data Notes to Consolidated Financial Statements

Assumptions used for the year ended March 31, 2013, were mainly set forth as follows:

Discount rate	1.2%
Expected rate of return on plan assets	2.0%
Amortization period of past service cost	7 years
Recognition period of actuarial gain/loss	7 years

Defined Contribution

The Company and its consolidated subsidiaries recognized the defined contribution cost of ¥85 million for the year ended March 31, 2014.

Multiemployer Plan

The Company and certain consolidated subsidiaries participate in a contributory multiemployer pension plan (the "Plan") covering substantially all of their employees.

The Group recognized the contribution cost to the Plan of ¥264 million for the year ended March 31, 2014, which is accounted for same as defined contribution pension plans. Based on the Group's salary expense in comparison to the total salary expense of all employees who participate in the Plan, the Group's share of the Plan was 12.3% at March 31, 2014. However, the share was not equal to the actual contribution percentage of the Group.

The financial statement of the Plan as of March 31, 2013, was as follows:

	Millions of Yen
Fair value of plan assets	¥35,909
Projected benefit obligation	46,060
Net	¥(10,151)

<Note>

The main reason for the difference between the fair value of plan assets and the projected benefit obligation represented the past service obligation of ¥12,623 million. The past service obligation is evenly amortized over 16 years. The Company and certain consolidated subsidiaries recognized ¥122 million of special contribution expense for the year ended March 31, 2014.

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen	
	2014	2013
Deposits received	¥398	¥376
Liabilities for retirement benefits to directors and Audit & Supervisory Board members	378	351
Other	169	128
Total	¥945	¥855

8. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if companies have prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of companies so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

9. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.96% for the years ended March 31, 2014 and 2013. 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, 2014 and 2013, were as follows:

	Millions of Yen	
	2014	2013
Deferred tax assets:		
Accrued bonuses	¥256	¥275
Enterprise tax	92	84
Inventories	165	163
Liability for retirement benefits	366	345
Long-term liabilities	105	107
Property, plant and equipment	34	34
Other	613	518
Less valuation allowance	(201)	(102)
Total	1,430	1,424
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	479	185
Other	225	176
Total	704	361
Net deferred tax assets	¥726	¥1,063

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, with the corresponding figures for the year ended March 31, 2013, was as follows:

	2014	2013
Normal effective statutory tax rate	37.96%	37.96%
Expenses not deductible for income tax purposes	1.77	1.63
Difference in subsidiaries' tax rates	(4.70)	(4.67)
Tax credit for research and development costs and others	(2.23)	(1.49)
Change in valuation allowance	1.33	(0.08)
Capital levy on inhabitant tax	0.31	0.36
Decrease adjustment of deferred tax assets for changing the tax rate	0.63	
Other - net	0.76	0.97
Actual effective tax rate	35.83%	34.68%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014 from approximately 37.96% to 35.59%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014 by ¥41 million and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥41 million.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2014 and 2013, were ¥1,960 million and ¥1,793 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2014 and 2013, were ¥4,121 million and ¥3,105 million, respectively.

Financial Data　Notes to Consolidated Financial Statements

12. LEASES

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

Total rental expenses for the years ended March 31, 2014 and 2013, were ¥1,413 million and ¥1,349 million, respectively.

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

	Millions of Yen			
	2014		2013	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥10	¥146	¥6	¥150
Due after one year	26	576	11	722
Total	¥36	¥722	¥17	¥872

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

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

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

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Short-term investments and investment securities, mainly debt securities with maturities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than three months.

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

(3) Risk management for financial instruments

Credit risk management

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

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

Market risk management

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

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

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

Liquidity risk management

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

(4) Concentration of credit risk

As of March 31, 2014, approximately 53.6% of total receivables were from specific major customers of the Group.

(5) Fair values of financial instruments

(a) Fair value of financial instruments

The carrying amount and fair value as of March 31, 2014 and 2013, were as follows:

	Millions of Yen	
March 31, 2014	Carrying Amount	Fair Value
Cash and cash equivalents	¥10,891	¥10,891
Short-term investments and investment securities	19,131	19,131
Receivables	8,443	8,443
Total	¥38,465	¥38,465
Payables	¥ 6,726	¥ 6,726
Accrued income taxes	1,237	1,237
Total	¥ 7,963	¥ 7,963

	Millions of Yen	
March 31, 2013	Carrying Amount	Fair Value
Cash and cash equivalents	¥10,482	¥10,482
Short-term investments and investment securities	18,983	18,983
Receivables	7,807	7,807
Total	¥37,272	¥37,272
Payables	¥ 4,099	¥ 4,099
Accrued income taxes	995	995
Total	¥ 5,094	¥ 5,094

Cash and cash equivalents

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

Short-term investments and investment securities

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

Receivables, payables, and accrued income taxes

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

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

	Millions of Yen	
	2014	2013
Investments in equity instruments that do not have a quoted market price in an active market	¥13	¥13

Financial Data　Notes to Consolidated Financial Statements

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

March 31, 2014	Millions of Yen Due in 1 Year or Less
Cash and cash equivalents	¥10,891
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	11,596
Other	2,706
Receivables	8,443
Total	¥33,636

March 31, 2013	Millions of Yen Due in 1 Year or Less
Cash and cash equivalents	¥10,482
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	10,696
Other	3,266
Receivables	7,807
Total	¥32,251

14. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen	
	2014	2013
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 935	¥1,061
Reclassification adjustments to profit or loss	(109)	3
Amount before income tax effect	826	1,064
Income tax effect	(294)	(391)
Total	¥ 532	¥ 673
Foreign currency translation adjustments -		
Adjustments arising during the year	¥ 750	¥ 794
Total	¥ 750	¥ 794
Share of other comprehensive income in associate -		
Income arising during the year	¥ 58	¥ 28
Total	¥ 58	¥ 28
Total other comprehensive income	¥1,340	¥1,495

15. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Group for the year ended March 31, 2014, were approved at the shareholders' meeting held on June 24, 2014:

	Millions of Yen
Year-end cash dividends, ¥37 per share	¥865

16. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

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

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

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

3. Information about sales, profit, assets, liabilities and other items.

	Millions of Yen					
	2014					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥40,945	¥15,969	¥11,302	¥68,216		¥68,216
Intersegment sales or transfers	3,860	2,887	329	7,076	¥(7,076)	
Total	¥44,805	¥18,856	¥11,631	¥75,292	¥(7,076)	¥68,216
Segment profit	¥ 4,481	¥ 1,147	¥ 1,226	¥ 6,854		¥ 6,854
Segment assets	46,912	12,290	8,657	67,859		67,859
Other:						
Depreciation	1,350	712	81	2,143		2,143
Investments in an associated company under the equity method			277	277		277
Increase in property, plant and equipment and intangible assets	4,993	2,949	57	7,999		7,999

	Millions of Yen					
	2013					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥38,208	¥13,511	¥8,708	¥60,427		¥60,427
Intersegment sales or transfers	3,674	2,403	359	6,436	¥(6,436)	
Total	¥41,882	¥15,914	¥9,067	¥66,863	¥(6,436)	¥60,427
Segment profit	¥ 3,921	¥ 1,118	¥ 909	¥ 5,948		¥ 5,948
Segment assets	42,262	10,808	7,094	60,164		60,164
Other:						
Depreciation	1,468	625	72	2,165		2,165
Amortization of goodwill			38	38		38
Investments in an associated company under the equity method			188	188		188
Increase in property, plant and equipment and intangible assets	766	757	45	1,568		1,568

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

Financial Data **Notes to Consolidated Financial Statements**

4. Information about products and services

	Millions of Yen			
	2014			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥46,097	¥14,376	¥7,743	¥68,216

	Millions of Yen			
	2013			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥41,504	¥12,487	¥6,436	¥60,427

5. Information about geographical areas

(1) Sales

Millions of Yen			
2014			
Japan	Indonesia	Other	Total
¥40,253	¥13,494	¥14,469	¥68,216

Millions of Yen			
2013			
Japan	Indonesia	Other	Total
¥37,566	¥11,532	¥11,329	¥60,427

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

(2) Property, plant and equipment

Millions of Yen			
2014			
Japan	Indonesia	Other	Total
¥11,370	¥5,161	¥282	¥16,813

Millions of Yen			
2013			
Japan	Indonesia	Other	Total
¥8,083	¥3,201	¥259	¥11,543

6. Information about major customers

	Millions of Yen	
	2014	
Name of Customers	Sales	Related Segment Name
Paltac Corporation	¥19,850	**Japan**
PT Asia Paramita Indah	13,457	**Indonesia**

	Millions of Yen	
	2013	
Name of Customers	Sales	Related Segment Name
Paltac Corporation	¥18,245	Japan
PT Asia Paramita Indah	11,506	Indonesia

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1, Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheet of MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 12, 2014

Member of
Deloitte Touche Tohmatsu Limited

Management Information
Executives, Audit & Supervisory Board Members

Directors
(As of June 24, 2014)

Representative Director
President Executive Officer
Motonobu Nishimura

Representative Director
Vice President Executive Officer
Masayoshi Momota

Director
Senior Managing Executive Officer
Ryuichi Terabayashi

Director
Managing Executive Officer
Tatsuyoshi Kitamura

External Director
Satoshi Nakajima

External Director
Satoshi Nagao

From left: Tatsuyoshi Kitamura, Ryuichi Terabayashi, Motonobu Nishimura, Masayoshi Momota, Satoshi Nakajima, Satoshi Nagao

Audit & Supervisory Board Members
(As of June 24, 2014)

Audit & Supervisory Board Member
Yoshiaki Saito

External Audit & Supervisory Board Member
Masatoshi Tsuda

External Audit & Supervisory Board Member
Yukihiro Tsujimura

From left: Masatoshi Tsuda, Yoshiaki Saito, Yukihiro Tsujimura

Executive Officers (Excluding company directors holding two posts concurrently)
(As of June 24, 2014)

Managing Executive Officer
Hironao Suzuki

Managing Executive Officer
Shinichiro Koshiba

Managing Executive Officer
Tatsuya Arichi

Executive Officer
Yasuaki Kameda

Executive Officer
Kazunori Koshikawa

Executive Officer
Norikazu Furubayashi

Executive Officer
Takeshi Hibi

Executive Officer
Noboru Nonaka

Executive Officer
Koichi Watanabe

Executive Officer
Shinya Nagai

Corporate Data
Company Outline, Stock and Shareholder Information

Company Outline
(As of March 31, 2014)

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 .... 2,316 (Consolidated)
524 (Non-consolidated)
Businesses .... Manufacture and sale of cosmetics and perfumes, manufacture and sales of quasi-drugs
Fiscal Year-end .... March 31
General Meeting of Shareholders .... Ordinary general meeting of shareholders every June
Independent Auditor ... Deloitte Touche Tohmatsu LLC

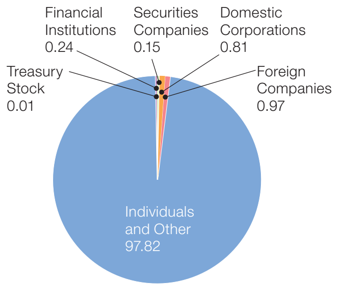
Group Companies

Company Name	Location	Main Businesses	Voting Rights
Piacelabo Corporation	Japan	Sale of cosmetics and other products	100.0% consolidated subsidiary
mbs Corporation	Japan	Life and non-life insurance agency services, general services and quality control of domestic Group company products	100.0% non-consolidated subsidiary
PT Mandom Indonesia Tbk	Indonesia	Manufacture and sale of cosmetics and other products	60.8% consolidated subsidiary
Mandom Corporation (Thailand) Ltd.	Thailand	Sale of cosmetics and other products	100.0% consolidated subsidiary
Mandom Philippines Corporation	Philippines	Sale of cosmetics and other products	100.0% consolidated subsidiary
Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sale of cosmetics and other products	99.0% consolidated subsidiary
Mandom Corporation (Singapore) Pte. Ltd.	Singapore	Sale of cosmetics and other products	100.0% consolidated subsidiary
Mandom Taiwan Corporation	Taiwan	Sale of cosmetics and other products	100.0% consolidated subsidiary
Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sale of cosmetics and other products	44.0% equity-method affiliate
Mandom Korea Corporation	Korea	Sale of cosmetics and other products	100.0% consolidated subsidiary
Zhongshan City Rida Cosmetics Co., Ltd.	China (Zhongshan)	Manufacture and sale of cosmetics and other products	66.7% consolidated subsidiary
Mandom China Corporation	China (Shanghai)	Sale of cosmetics and other products	100.0% consolidated subsidiary
Mandom Corporation (India) Pvt. Ltd.	India	Sale of cosmetics and other products	100.0% consolidated subsidiary

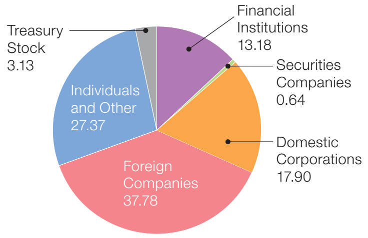
Stock and Shareholder Information
(As of March 31, 2014)

Number of Shares Authorized for Issue 81,969,700
Shares of Common Stock Issued and Outstanding 24,134,606
Number of Shareholders 16,343
Stock Listing .... First Section, Tokyo Stock Exchange
Securities Code 4917
Transfer Agent .... The Mitsui Sumitomo Trust and Banking Co., Ltd.

Common Stock Holdings



Shareholders by Type (%)



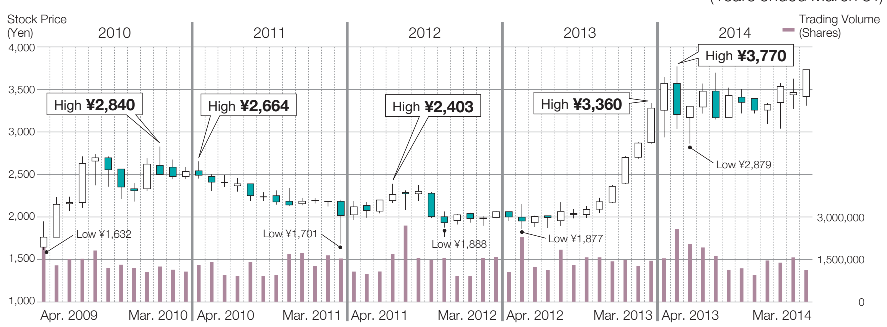
Shareholders by Holding (%)

Major Shareholders

Shareholder Name or Title	No. of Shares Owned (Thousands)	Ratio of Share Ownership (%)
BNP PARIBAS SEC SERVICES LUXEMBOURG / JASDEC / ABERDEEN GLOBAL CLIENT ASSETS	2,274	9.43
Nishimura International Scholarship Foundation	1,800	7.46
STATE STREET BANK AND TRUST COMPANY	839	3.48
Mandom Corporation	755	3.13
Motonobu Nishimura	720	2.98
Mandom Employee Shareholding Association	692	2.87
Japan Trustee Services Bank, Ltd. (trust account)	668	2.77
The Master Trust Bank of Japan, Ltd. (trust account)	542	2.25
BNP PARIBAS SEC SVC LONDON / JAS / ABERDEEN INVESTMENT FUNDS ICVC / AGENCY LENDING	516	2.14
BNYM SA / NV FOR BNYM CLIENT ACCOUNT MPCS JAPAN	367	1.52

Note: Figures less than 1,000 shares have been rounded down.

Stock Price and Transaction Volume
(Years ended March 31)



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 (TSE), we will comply with Japan's Financial Instruments and Exchange Law, TSE'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 promote understanding of the Mandom Group.
3. Sound relationships with a variety of stakeholders will be maintained and further enhanced. We will achieve full accountability for disclosed information.

Contact: Corporate Communications & Investor Relations Division Address: 5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan
E-mail: ir@mandom.co.jp URL: http://www.mandom.co.jp/