



mandom/Human & Freedom

Annual Report 2008

Year ended March 31, 2008

For the Sustainable Growth



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Cautionary Statement With Respect to Forward-looking Statements

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

All amounts have been rounded to the nearest whole unit.

The Philosophy of the Mandom Group

In the eightieth year since its founding and the fiftieth year since its first expansion into overseas markets, Mandom systematically reviewed and stipulated the mission statement that forms the origin of its enterprise. The results of that effort are as follows.

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

Experiencing beauty and the feeling of excitement and gratification beauty produces, has a positive impact on the human body and mind, resulting in a healthy condition. This is why we adhere to the words, "health and beauty". In our opinion, contributions to a comfortable life can be achieved by creating valuable and attractive products or services that appeal to the consumers' sense of beauty, and by acquiring as many customers as possible. We aim, above all, to maximize consumer satisfaction.

Our Values

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

Creating Lifestyle Value With Consumers, For Consumers

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

Active Employee Participation

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

Social Responsibility and Sustainability

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

Our Principles

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

1 "KohDoh" for Value Maximization

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

2 "KohDoh" for Self-actualization

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

3 "KohDoh" for Profitability Enhancement

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

4 "KohDoh" for Good Ethics

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

5 "KohDoh" for Successful Business Partnerships

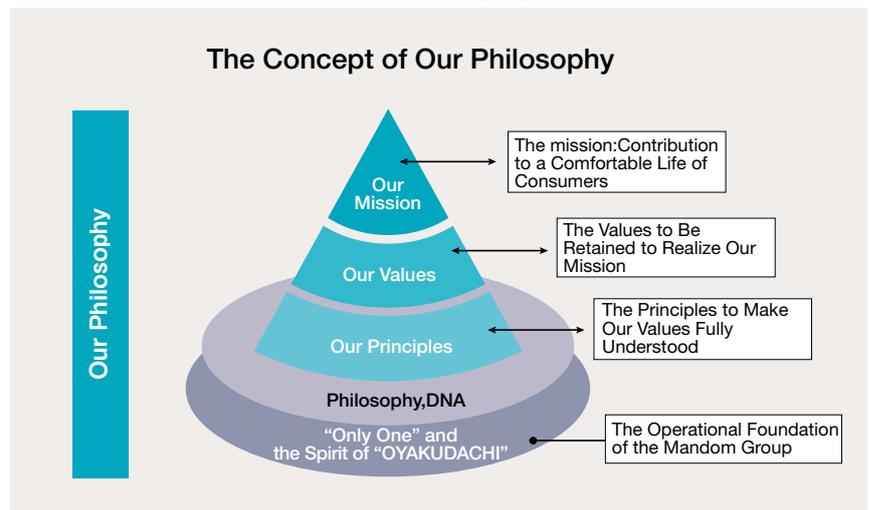
We share our mission "OYAKUDACHI for consumers" with our partners, and establish partnerships that promote long-term mutual prosperity.

6 "KohDoh" for Environmental Preservation

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

7 "KohDoh" for Philanthropy

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



Financial Highlights

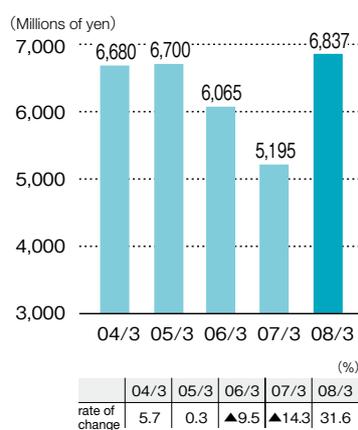
Mandom Corporation and Consolidated Subsidiaries

	(Millions of yen)				
	08/3	07/3	06/3	05/3	04/3
Net Sales	56,289	51,250	47,923	47,546	45,364
Operating Income	6,837	5,195	6,065	6,700	6,680
Net Income	3,499	2,488	3,099	3,211	3,253
Total Assets	54,218	51,620	51,320	47,397	45,474
Total Equity	45,868	44,182	40,568	38,168	36,687
Return on Equity (ROE) (%)	8.4	6.1	7.9	8.6	9.1
Earnings per Share (EPS) (¥)	147.13	104.28	124.36	128.73	130.83
Payout Ratio	54.4	57.5	48.2	42.7	38.2
Dividend on Equity	4.6	3.5	3.7	3.5	3.3
Cash Dividends per Share (¥)	80.00	60.00	60.00	55.00	50.00

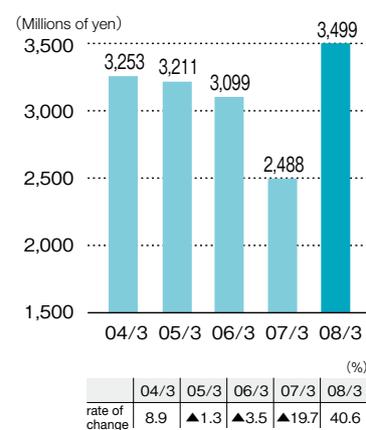
Net Sales



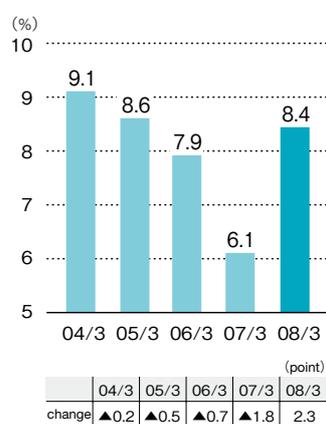
Operating Income



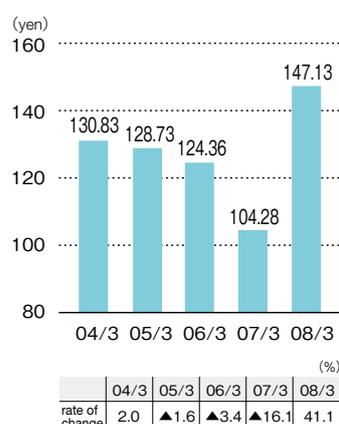
Net Income



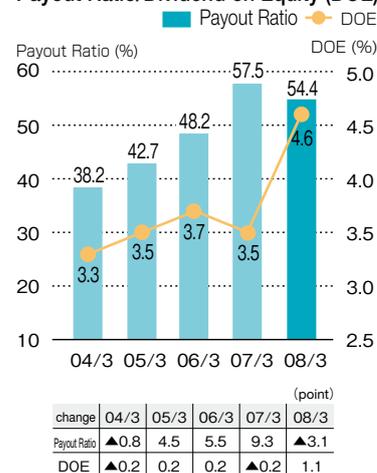
Return on Equity (ROE)



Earnings per Share (EPS)



Payout Ratio/Dividend on Equity (DOE)



A Message to Our Stakeholders

Our last fiscal year, which ended in March of 2008, was the final fiscal year of our eighth Middle-range Planning and also marked our eightieth anniversary as a company. We were able to book record sales and profits to commemorate this important year, as a result of improved growth trends and a resurgence in profit levels. We therefore would like to thank all of our stakeholders for their warm support over the years.

This current fiscal year, which ends in March of 2009, marks the first fiscal year of the ninth Middle-range Planning. Our entire company is working hard to meet the targets of the new plan and establish a new foundation for further growth and greater profitability.



Motonobu Nishimura
Representative Director
President Executive Officer

Hiroshi Kamei
Representative Director
Vice President Executive Officer



Motonobu Nishimura
Representative Director
President Executive Officer

Defining our Management Philosophy

During the last fiscal year, Mandom celebrated its eightieth anniversary as a company and the fiftieth anniversary of its first overseas venture.

Mandom's eighty years of history were not marked by consistently smooth sailing. Twice we encountered severe management crises, and in the process of overcoming them, we learned that to survive we need to be a company that is accepted by society and recognized as necessary. This fostered our commitment to serving consumers and our considerate attitude.

That attitude grew in scope over time as our business expanded, and there was also an expansion of the social responsibilities people expected Mandom to fulfill. Consumer needs and desires also began to diversify and become more sophisticated.

To respond to these changes, we feel it is important to recognize once again the role that Mandom should play, and to sincerely and thoroughly promote good behavior which follows the common sense values of the communities where we live, work and do business.

To accomplish this, Mandom took the opportunity of this turning point year to review, systematically re-think, and clearly express the Mandom mission statement which is the foundation of our business activities (see p.1). We work thoughtfully based on that mission statement -- following its spirit in all our day-to-day work.

Results of the Fiscal Year ended March 2008

The fiscal year ended March 2008, the final year of our eighth Middle-range Planning (from the fiscal year ended March 2006 to the fiscal year ended March 2008; hereinafter abbreviated as MP-8) started in an extremely challenging situation due to fierce competition in the men's cosmetics market in Japan.

In this situation, the Mandom Group continued to strengthen *Gatsby*, our highest priority brand, while

reinforcing our presence in the priority category of face and body care and bolstering our business overseas.

In terms of sales in Japan, favorable trends for hair wax and paper products drove growth for the *Gatsby* brand, and our new entry into the category of hair coloring products for graying women's hair made up for slower-than-expected growth of the *Lúcido-L* brand. We ended the fiscal year with a year-on-year sales increase of 5.4%.

In overseas markets, further market penetration of the *Gatsby* brand throughout Asia and substantial growth of sales for women's cosmetics drove dramatic growth of 20.4% over the previous year. As a result, the ratio of overseas sales to consolidated net sales reached 32.6%, up 2.9 points from the previous fiscal year.

In terms of profitability, in Japan we registered a considerable increase in income at different levels, including consolidated operating income. This was due to lower unit cost rates stemming from fewer product returns, in-house manufacturing of higher-cost products and overseas procurement of packaging, as well as a drop in the net sales/A&P ratio because strategic investment in *Gatsby* in the previous fiscal year was reduced back to normal levels.

Consequently, our consolidated results for the fiscal year under review were 56,289 million yen in sales, up 9.8% from the previous year; 6,837 million yen in operating income, up 31.6% from the previous year; 6,704 million yen in ordinary income, up 31.2% from the previous year; and 3,499 million yen in current net income, up 40.6% from the previous year. These results set all-time records for sales and profits.

To commemorate our eightieth anniversary, an additional dividend of 20 yen was added to the year-end dividend of 30 yen, to make 50 yen, for an annual dividend of 80 yen (representing a consolidated payout ratio of 54.4% and a dividend on equity (DOE) ratio of 4.6%).

The following is a description of the priority brands and product categories for the Mandom group.

■ Priority Brand: *Gatsby*

In Japan, growth trends remained steady for hair wax and paper products, such as facial and body paper, yielding an increase in income of 6.0% over the previous year.

Overseas, there was favorable growth in styling products and other major categories. These was solid sales growth in each country, and income increased by 19.7% over the previous fiscal year.

As a result, group-wide sales experienced a year-on-year increase in income of 9.9% for a total of 30,394 million yen.

■ Priority Brand: *Lúcido-L*

In Japan, growth slowed in the key categories of hair wax and hair color, and income decreased by 20.2% from the previous year.

Overseas, income increased by 1.7% over the previous year due to improved brand name recognition and an increase in the number of shops carrying the brand.

However, that increase failed to compensate for the decrease in income in Japan, and group-wide sales decreased by 17.1% from the previous year to 3,377 million yen.

■ Priority Category: Face and Body Products

In Japan we continued to see positive growth trends for paper products, such as facial care sheets and body paper. This made up for slower growth in deodorant sales, and income increased by 2.2% over the previous year.

Overseas, there was sluggish growth in the *Pucelle* fragrance for girls, but sales of the *Gatsby* brand remained solid in each country, and income increased by 1.5% from the previous year.

As a result, group-wide sales saw a total year-on-year increase in income of 2.0% to 13,507 million yen.

■ Priority Category: Hair Coloring Products

In Japan, sales of hair color for the black hair market have been in decline, and both *Gatsby* and *Lúcido-L* faced uphill battles. However, the introduction of *Produce*, a hair color product for women's gray hair, went very well, and income increased by 11.1% over the previous fiscal year.

Sales of hair color for gray hair did well in the ASEAN region, and income increased by 3.4% over the previous year.

As a result, group sales recorded a 9.8% increase in income over the previous year, reaching 6,047 million yen.

■ New Priority Business Domain: Women's Cosmetics

Our group has been working to establish a foundation for business in this field, as a new domain for business growth. In Japan, we have achieved a good reputation for our in-house product development. As a result, we switched our sales channels from distribution via variety stores to distribution via drugstores. We are expanding our product lines, and working to increase profits.

Overseas, the *Pixy* brand, which was developed mainly in Indonesia as a total cosmetic brand, has steadily increased in sales, and driven growth in the women's cosmetics business.

As a result, group-wide sales increased by 28.3% from the previous year to 6,641 million yen.

Hiroshi Kamei
Representative Director
Vice President Executive Officer



Plans and Forecasts for the Fiscal Year ending March 2009

In the fiscal year ending March 2009, we, the Mandom Group of the Japanese and overseas companies combined, will focus our effort on further reinforcement and development of brand power, so as to further increase sales and profitability, thereby increasing both income and profits.

Consolidated Sales

In terms of sales in Japan, we project increased income due to growth driven by reinforcement of the face and body category of our priority brand *Gatsby*, growth of *Lúcido-L* due to renewal of hair wax products, and expansion of our line of women's cosmetics products.

Overseas, we expect income to increase rapidly in local currencies as we continue to reinforce *Gatsby*, expand our women's cosmetic business, and incorporate Thailand into our consolidated results. However the rate of increase on a yen-denominated basis is expected to

slow greatly due to a stronger yen.

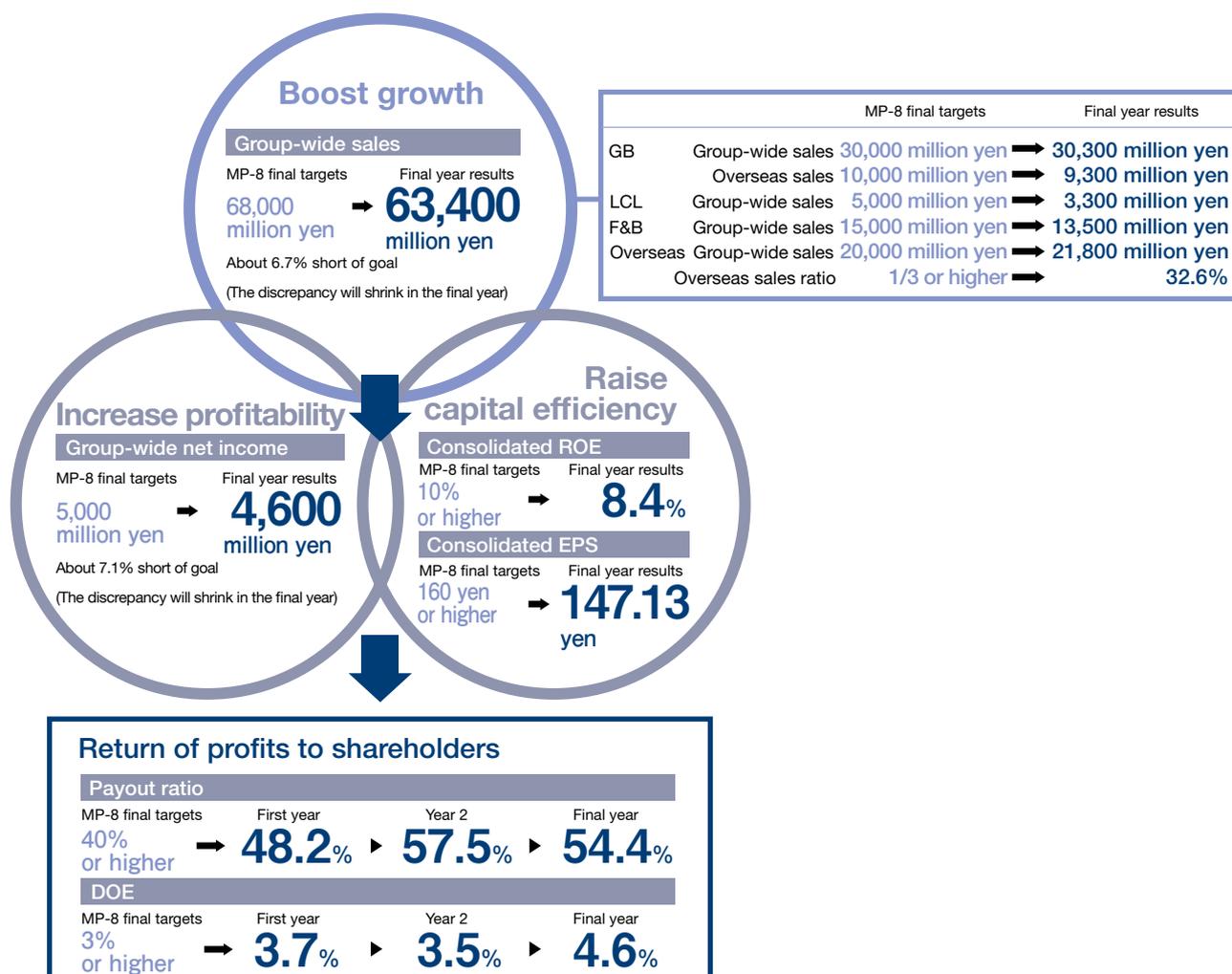
In the fiscal year ending March 2009, we project to increase our consolidated sales for the fifth consecutive year (for a new all-time record), reaching 58,400 million yen (up 3.8% from the previous year).

Consolidated Profits

Although we expect profits to be pressured by higher raw material costs due to soaring crude oil prices, and rising rates of costs of goods sold due to foreign exchange fluctuations, we expect to see a slight increase in profits. This will be achieved through increased efficiency of selling expenses, by switching our previous unconsolidated advertising and sales promotion to techniques which more effectively appeal to the target users.

With no particular factors likely to affect non-operating and extraordinary profit and loss, we estimate the consolidated operating profit at 6,900 million yen (up 0.9% from the previous year), consolidated ordinary income at 6,830 million yen (up 1.9% from the previous year) and consolidated net income at 3,520 million yen (up 0.6% from the previous year).

Quantitative Targets and Results of the Eighth Middle-range Planning



Overview of MP-8

MP-8, aiming at the return of profits to shareholders with sound growth, started with the following objectives at the end of three-year plan (MP-8): Group-wide sales of 68,000 million yen as a target for growth; Group-wide net income of 5,000 million yen, consolidated ROE of 10% or higher and consolidated EPS (earnings per share) of 160 yen or more as targets of improvement in profitability and capital efficiency; payout ratio of 40% or higher and DOE of 3% or higher as indices of returns to shareholders.

MP-8 finished in the fiscal year ended in March 2008. The following reports on the results of MP-8.

Growth

Group-wide sales were 63,400 million yen, which fell short of the target of 68,000 million yen by about 6.7%.

This failure to attain the Group-wide sales target can be attributed to: a greater than expected reduction in sales of our Group priority brand *Lúcido-L* due to an increasingly fierce environment of market competition; sluggish growth of *Lúcido*, a priority brand for the unconsolidated company; and a delay in marketing women's hair color for gray hair, a category we have just entered.

However, we were able to achieve basic goals in two important areas. For the Group's highest priority brand *Gatsby*, the total renewal implemented in MP-8 was successful, and we achieved our original target of sales exceeding 30,000 million yen. Also, our Group-wide sales for overseas business reached an overseas sales ratio of 1/3 or more, which was also an original target.

In the women's cosmetic domain, where we have been building up a foundation, Mandom accumulated technology, development and distribution know-how based on our own development system, and we have almost completed the foundation for this new growth domain.

Profitability and Capital Efficiency

Group-wide net income was 4,600 million yen, or about 7.1% short of the target. Both unconsolidated ROE of 8.4% and consolidated EPS of 147.13 yen fell short of their targets.

The failure to achieve our target for Group-wide net income can be attributed to Group-wide sales coming in lower than originally planned, and inability to achieve improvement in growth.

Return of Profits to Shareholders

The payout ratio was 48.2% in the first year, 57.5% in year 2, and 54.4% in the final year. DOE was 3.7% in the first year, 3.5% in year 2 and 3.5% in the final year. In both cases, our targets were achieved.

We did not achieve return of profits to shareholders with sound growth, but we did achieve our goals against a backdrop of a stable financial constitution.

In Closing

Although we did not achieve our numerical targets in MP-8, we were able to establish a foundation for profitability, where the rates of increase in income and profits can almost be linked. However, we realize that our most important task is to expand domains to act as engines of growth for the future, and to accelerate growth.

To achieve this, Mandom will continue to strengthen *Gatsby* and our overseas business, which produced good results in MP-8. We will also turn around *Lúcido-L*, and expand sales in our two new domains of women's hair color for gray hair and women's cosmetics. In this way, we will take advantage of lessons learned from MP-8 in the new Middle-range Planning which began this fiscal year, and address key issues, thereby aiming to continually increase profits and return them to shareholders based on improvement in growth.

We look forward to your continued support in these endeavors.



Motonobu Nishimura
Representative Director
President Executive Officer



Hiroshi Kamei
Representative Director
Vice President Executive Officer

The ninth Middle-range Planning ~ Moving Toward Sustained Growth ~

Starting in the fiscal year ending in March 2009, the Mandom Group began implementing its ninth Middle-range 3-year Planning in order to place the Group on a path of sustained growth for the future.

Previous Middle-range Planning

Mandom initiated its first Middle-range Planning in 1982 based on our Mission Statement and active employee participation -- approaches which arose in the course of two management crises. After that beginning, we stressed management security in order to turn around our business, and focused our efforts on building a solid financial foundation, and rebuilding our sales organization.

With the sixth Middle-range Planning (from the fiscal year ended March 2000 to the fiscal year ended March 2002) management security was largely achieved, and we shifted to management stressing growth and profitability. Then, starting with the seventh Middle-range Planning (from the fiscal year ended March 2003 to the fiscal year ended March 2005) we moved from management focused on Mandom alone (unconsolidated) to Group-focused management, and from the eighth Middle-range Planning (from the fiscal year ended March 2006 to the fiscal year ended March 2008) we focused our efforts on building a foundation in the domain of women's cosmetics to create a new foundation for profits.

In the ninth Middle-range Planning (from the fiscal year ending March 2009 to the fiscal year ending March 2011) which began in April 2008, we will continue our unflagging efforts to create new domains of stable growth, and thereby place the Group on a path of sustained growth for the future.

Overview of Ninth Middle-range Planning

The ninth Middle-range Planning (from the fiscal year ending March 2009 to the fiscal year ending March 2011) is a middle-range plan to create new domains of stable growth, and thereby place the Group on a path of sustained growth for the future. The long-range goal is to eventually achieve Group net sales of 100,000 million yen.

Improvement of growth will be promoted in two directions -- the product axis and the area axis.

Along the product axis, Mandom aims to maintain stable growth of our core men's grooming business, while creating a growth path for our women's cosmetics and cosmetics businesses, which will be our new growth domains.

Along the area axis, we will continue to strengthen overseas businesses in their role as engines of growth.

Stable Growth of Men's Grooming Business

Mandom aims to establish a solid management foundation for achieving stable growth in our core men's grooming business.

In the men's grooming business, we will position *Gatsby* as the Group's highest priority brand, and further efforts will be made to strengthen it.

In Japan, we will maintain and improve *Gatsby*'s share of the styling market, and achieve further improvement by strengthening penetration of facial and body products. *Lúcido* will be positioned as a priority brand in Japan, and we shall propose products with high added value to *Lúcido*'s main target, middle-aged men.

In countries overseas, we shall cultivate markets further, taking *Gatsby* styling agents as a core domain, and work to improve development of facial and body products.

Creating a Growth Path for our Women's Cosmetics and Women's Cosmetics Businesses

Mandom will shift its growth structure by creating a growth path for our women's cosmetics and cosmetics businesses, as new domains for business growth.

Our women's cosmetics business in Japan will be strengthened by rebuilding the *Lúcido-L* brand for young women, and proposing high-functionality products in the *Produce* line for middle-aged women. Overseas, we will strengthen *Pucelle* in the ASEAN region, and also develop original products for each country.

In the women's cosmetics business in Japan, we

Middle-range Planning



shall strengthen functionality in order to develop our own brands, and propose unique products with high added value. Overseas, we shall strengthen the skin care domain, focusing on *Pixy*.

Continually Strengthening Overseas Business

In the strategies of the seventh and eighth Middle-range Planning, overseas business was positioned as the engine of growth. In the ninth Middle-range Planning too, we plan to achieve continuous growth of our business by exploiting the foundation for growth built in the eighth Middle-range Planning, and continuing to expand overseas business as the engine of growth.

In terms of areas, the plan calls for efforts to be strengthened in countries other than Indonesia, with China as the highest priority country, and the ASEAN3 (Malaysia, Philippines, Thailand) and Korea as priority countries. It also calls for pioneering new areas in regions of Asia where Mandom has not yet entered,

actively working to expand our sales network to regions outside of Asia, and increasing the weight of our overseas business to at least 40%.

In terms of profitability, we plan to create new growth domains for sustained growth, and actively invest in marketing for overseas business. In addition to increasing profits by increasing growth, we will steadily reduce cost of sales as a manufacturer. Although the rate of growth in profits will decrease from its previous level, we will continue to work for increased actual profits based on a foundation of sustained, stable growth.

The plan aims to gradually increase capital efficiency by increasing actual profit, and to achieve a long-term, step-by-step shift to greater capital efficiency by working to expand the scale of Mandom's business.

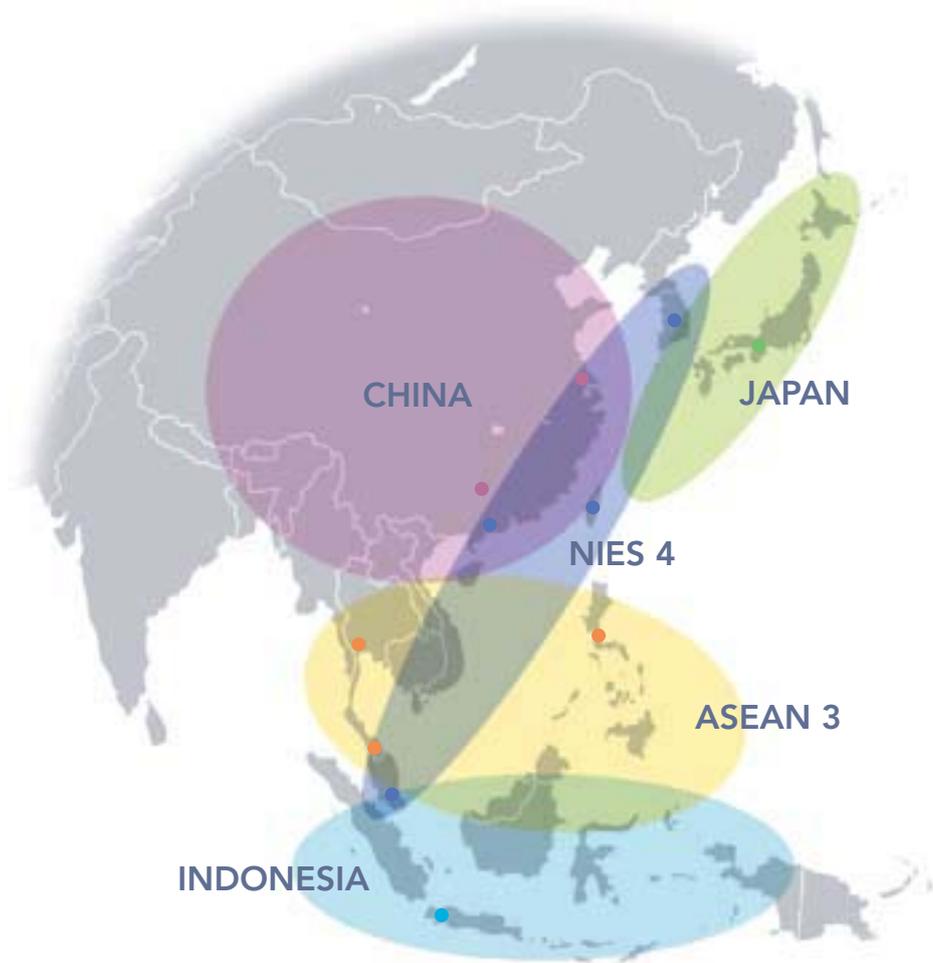
In terms of returning profits to shareholders, assuming that there are no large-scale investments, and that we can maintain a stable financial constitution and profits, we will raise our targets for returning profits to shareholders (payout ratio and DOE), and continue to stably return profits to shareholders at a high level.

Targets for Ninth Middle-range Planning (Final Year)

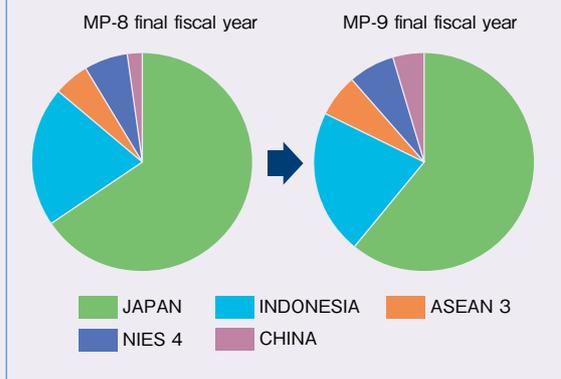


Market-Focused Approach of the Mandom Group

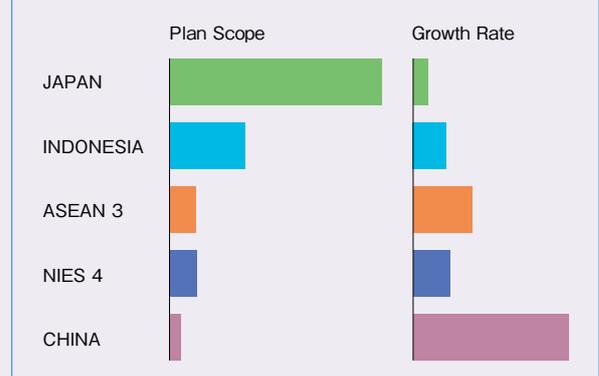
Group management promotion at Mandom is centered on our common mission statement and policies. Our Asian development regions have been divided into five strategic areas (JAPAN, NIES4, INDONESIA, ASEAN3 and CHINA) and business plans are being developed that take into account each region's unique market characteristics and local communities.



Sales Ratios for Each Area



Each Area's Plan Scope and Growth Rate



The Philosophy of the Mandom Group
“Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty.”

Strategy:
Middle-range Planning

JAPAN

Mandom Corporation
 (parent company)
 Location:Japan

Beaucos Corporation
 (consolidated subsidiary)
 Location:Japan
 Voting Rights:100.0%

Piadelabo Corporation
 (consolidated subsidiary)
 Location:Japan
 Voting Rights:100.0%

Mandom Business Service Corporation
 (non-consolidated subsidiary)
 Location:Japan
 Voting Rights:100.0%

Guinot Japan Corporation
 (consolidated subsidiary)
 Location:Japan
 Voting Rights:100.0%

NIES 4

Mandom Corporation (Singapore) Pte Ltd
 (consolidated subsidiary)
 Location:Singapore
 Voting Rights:100.0%

Mandom Taiwan Corporation
 (consolidated subsidiary)
 Location:Taiwan
 Voting Rights:100.0%

Sunwa Marketing Co., Ltd.
 (equity-method affiliate)
 Location:China (Hong Kong)
 Voting Rights:44.0%

INDONESIA

Mandom Korea Corporation
 (consolidated subsidiary)
 Location:Korea
 Voting Rights:100.0%

PT Mandom Indonesia Tbk
 (consolidated subsidiary)
 Location:Indonesia
 Voting Rights:60.7%

CHINA

Zhongshan City Rida Fine Chemical Co., Ltd.
 (consolidated subsidiary)
 Location:China (Zhongshan)
 Voting Rights:58.4%

Mandom China Corporation
 (consolidated subsidiary)
 Location:China (Shanghai)
 Voting Rights:100.0%

ASEAN 3

Mandom Corporation (Thailand) Ltd.
 (consolidated subsidiary)
 Location:Thailand
 Voting Rights:100.0%

Mandom Philippines Corporation
 (consolidated subsidiary)
 Location:The Philippines
 Voting Rights:100.0%

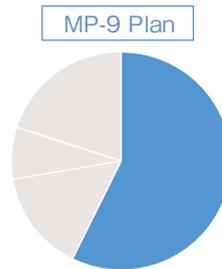
Mandom (Malaysia) Sdn. Bhd.
 (consolidated subsidiary)
 Location:Malaysia
 Voting Rights:97.6%

Product Development and Marketing of the Mandom Group

Beginning with the ninth Mid-range Planning (MP-9), the Mandom group established six strategic business units (SBUs) and is setting forth product development plans.

Men's Grooming Business

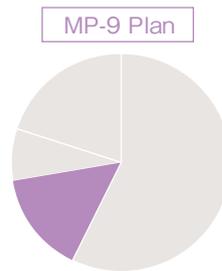
Achieve annual average growth rate of **3.1%** or higher



This product group, which includes men's daily grooming products as well as general fashion-use products, represents a core business for the group with projected stable growth.

Women's Cosmetics Business

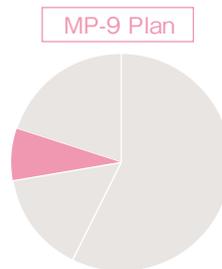
Achieve annual average growth rate of **8.9%** or higher



This product group, which includes product lines used by women for daily care and fashionable use, such as hair-styling, facial and body products, represents a sector of new growth that we intend to take advantage of.

Women's Cosmetics Business

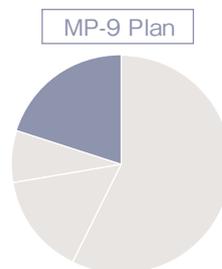
Achieve annual average growth rate of **15.8%** or higher



This product group, which includes women's beauty products, such as makeup and skincare products, represents a sector of new growth that we intend to take advantage of.

Other Business,

- Professional Use Business
- Other Business
- International Trading Business



Men's Grooming Business

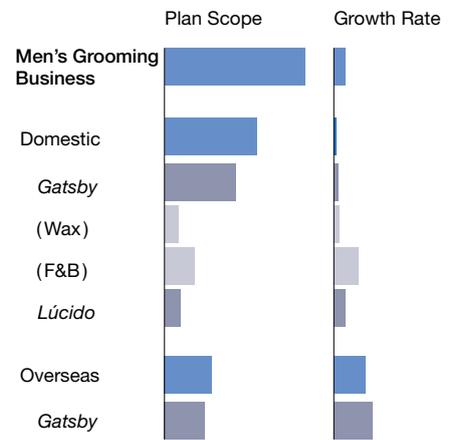
Men's grooming products are a core business for the Mandom group, and will demonstrate stable growth over the years. *Gatsby* continues to progress as an Asia-wide brand both within Japan and abroad, and we will continue to promote that growth.

In addition to maintaining and improving our market share in Japan for *Gatsby's* styling products, we are also working to solidify and expand lines of facial and body products. We also expect to see growth for the *Lúcido* line by positioning it as a value-added product that targets the middle-aged sector.

In overseas markets, we are working to further deepen the market for our core of the *Gatsby* line of styling products, and are strengthening growth of facial and body products as well.



Plan Scope and Growth Rate



Women's Cosmetics Business

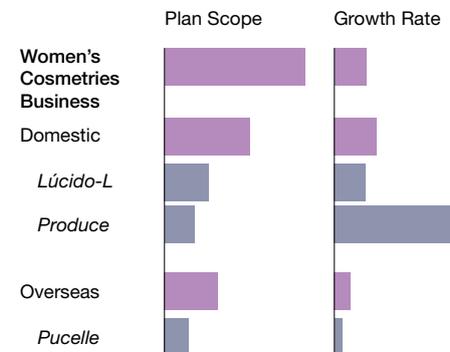
By strengthening our base in women's cosmetics and by further growing it as a new business category, we are advancing it as a new growth region that we can take advantage of.

Within Japan we have restructured the *Lúcido-L* brand to target younger women, and are proposing to strengthen the *Produce* brand as highly-functional products for middle-aged women.

We are planning to strengthen the *Pucelle* brand overseas with a focus on the ASEAN region.



Plan Scope and Growth Rate



Women's Cosmetics Business

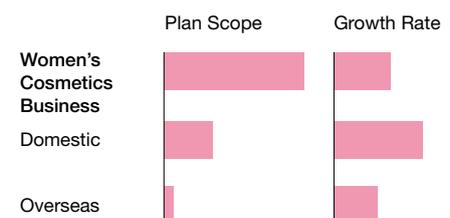
During the prior Mid-range Planning, our goal was to improve functionality of women's cosmetics to further develop our own brands. Further improvements have identified new growth areas that we intend to take advantage of.

Within Japan we are improving functionality to further develop our own brands, and are proposing unique value-added products.

Overseas we are planning to strengthen our presence in the skincare market mainly in Indonesia.

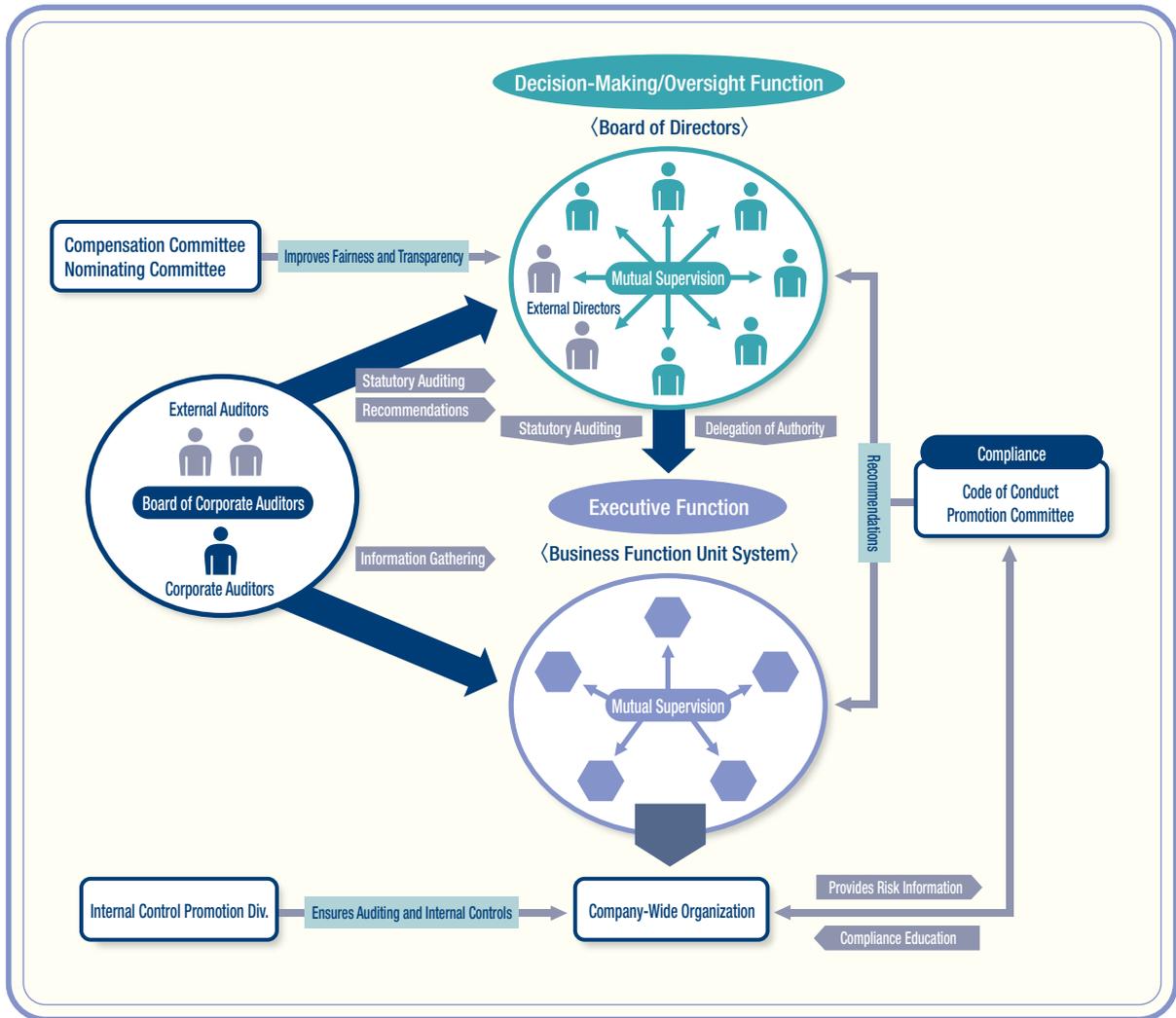


Plan Scope and Growth Rate



Compliance and Corporate Governance

In order to achieve sound and sustained growth, while working with society as a good corporate citizen, the Mandom Group will adhere to compliance management, and ensure that management is fair and transparent.



Development of a Compliance System

The starting point for compliance in the Mandom Group is our management philosophy which has been passed down in the Group for many years. The Mandom Group adheres to compliance management to ensure that our company survives and acts in good-faith toward society.

The Mandom Group established a "Code of Conduct" in 2002 (and revised it in 2007) to make sure that executives and employees abide by laws, regulations and social norms, and always work with a high degree of

ethics and common sense.

In December 2002, a "Helpline System" was adopted as an internal system for employees to report on any risk of compliance violations, and in September 2007, the system was expanded to apply to our business partners. With this system, legitimate whistleblowers are completely protected, and retaliation against whistleblowers is strictly forbidden.

Statutory Auditing by the Board of Auditors

At Mandom, we use a corporate system with a Board of Auditors, and statutory auditing by the Board of Auditors forms the foundation of our corporate governance.

We established external auditors in 1986, before our stock went public, and this system continues today, with a two external auditor system (including a lawyer) which conducts strict statutory auditing.

To ensure the effectiveness of auditing by the Board of Auditors, it is mandatory for all directors and employees to cooperate with auditing by the Board of Auditors.

Decision-Making and Oversight by the Board of Directors

Mandom separates decision-making/oversight and executive functions by adopting an executive officer system and restricting double appointment of directors and executive officers to executive officers with a special title. Directors delegate business execution to executive officers, while they focus on management decision-making and oversight.

We have brought in two external directors, and they are working to improve oversight from an objective, shareholder-oriented perspective. Directors serve for a term of 1 year, and their management responsibilities are clearly delineated.

Mandom has also established a Compensation Committee and Nominating Committee, with a majority of external directors and auditors, to ensure transparency and fairness in the executive compensation system and executive personnel decisions.

Business Execution by Executive Officers

Mandom has a unique functional organization called the business function unit system, and this is combined organically with the executive officer system. The resulting system enables agile business execution by appropriately delegating authority, while maintaining statutory auditing by the Board of Auditors and oversight by the Board of Directors.

Establishment of Nominating Committee

Nominating committees, compensation committees and audit committees are statutory bodies in companies with committees under the Japanese Corporation Law.

Mandom is a company with a Board of Auditors, and to ensure the transparency and fairness which are the advantages of such committees, we first established a Compensation Committee in April 2005, and then established a Nominating Committee in April 2008, as an advisory panel for the Board of Directors.

This will ensure transparency and fairness in the process of making executive personnel decisions, and further strengthen corporate governance.

Establishment of Internal Control Promotion Div.

"Operation of an internal control system" will begin due to amendment of laws in March 2009. In line with this, Mandom has established an Internal Control Promotion Div., and is working to strengthen corporate governance by complying with laws and consolidating internal controls.

By establishing an Internal Control Promotion Div., we have added adherence to the Code of Conduct (compliance program) and guidance on compliance when necessary to the scope of our previous operations auditing function. We are also strengthening our ability to develop and operate an internal control system, including a total risk management function.

Involvement in Quality

Every Year, the Mandom group provides consumers in Japan and throughout the world with approximately 800 million cosmetic products.

To make sure that those consumers who lovingly use our products are satisfied from their initial purchase until the product is used up, we are constantly involved in efforts to provide the highest quality and safety at every stage, from planning and design to production and quality control.

To ensure that our commitment to quality and safety remains understood throughout the entire group, in 1998 we established Mandom Quality Philosophy and Fundamental Quality Policy. In addition, we established a quality control system that was ISO9001-certified, and continually strive to improve our products' quality.

Mandom Quality Philosophy

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

Fundamental Quality Policy

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

Involvement in the Planning and Design Stages

Based on the Mandom management philosophy of *creating lifestyle value with consumers, for consumers*, we are constantly aware, during the planning and design stages, of what consumers might experience as *comfortable* and what they might experience as *new*. Our involvement at these stages is to ensure product creation from the consumer's perspective.

To that end, we begin with thorough research into consumer desires, and have established methods to further and evaluate product functionality and usability while taking advantage of Mandom's unique technologies. Since our concern goes beyond the surface aspects of a product to consider what makes it easy to use, we aim to improve quality such that the consumer is satisfied with the product at every stage of its design.

Involvement in Production

Mandom is involved in creating systems that can safely mass-produce our planned and design products at the same level of quality.

During production, we base the safe mass-production of internally designed products on our proprietary

manufacturing techniques. In addition, we have human-based complete process controls, and use barcodes to track raw materials and use sensor camera to inspect systems within the factory. Not only are we working to further mechanization, we are also striving to eliminate as much human error as possible, as part of our efforts for quality control.



Inspection by camera



Process control by human staff

At Our Three Production Sites

Centered on the Fukusaki factory in Japan, the Mandom group also has production sites in Indonesia and China. Each site works to insure product quality that will satisfy our consumers in all the regions we serve.

Mandom constantly updates its Fukusaki factory's facilities with state-of-the-art equipment. The most advanced facilities and process management practices allow for precision production techniques and overall management at our Fukusaki factory, which in turn allows us to respond to increasing and diversifying consumer desires. Furthermore, the transfer of production equipment and technical support from Fukusaki to our factories in Indonesia and China means that quality improvements are manifest across the entire Mandom group.

We will continue to provide high-quality products that meet consumer desires in all the regions that the Mandom group services.

Objective Supervision

Not only do we rely on our own internal quality control systems, at Mandom we also use objectively-exercised supervision to raise the level of quality control that much higher.

In December of 1998, the Fukusaki factory was ISO9001 certified. The same certification was earned by the China factory in 2002, and the Indonesia factory earned CPKB¹ certification in 2005.

Note 1: CPKB is an Indonesian standard specific to the production and quality control of cosmetic products.

Environmental Protection

Environmental Protection at Mandom

The Mandom Group is aware of our serious corporate responsibility to be considerate of environmental issues, through the manufacture and sales of our cosmetic products, and place a focus on environmental protection in every aspect of product creation, including provisioning, design, production, distribution and promotion.

All employees have been active in our environmental protection activities since our Environmental Philosophy and Fundamental Environmental Policy were formulated in 1999.

Mandom Environmental Philosophy "Eco-Policy"

Mandom is committed to delivering environmentally safe products and services, and protecting the Earth's precious natural resources as a responsible member of society, that contributes to health, cleanliness, beauty, and enjoyment.

Fundamental Environmental Policy "Eco-Activity Guide"

● Production and Development

Mandom carries out the 3Rs (reduce, reuse, and recycle) in its design and production process, and tries to reduce an adverse impact on the environment.

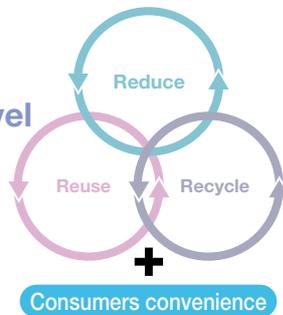
● Total Business Processes

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

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

Involvement at the Design Level

At Mandom, we have put every effort into design processes that center on the three Rs, considering both environmental issues and convenience.



■ Separable Design

Mandom was an industry leader in using separable design for button covers for products such as *Gatsby Set & Keep Spray*.

This has resulted in greater recycling rates for used containers.

■ Refill Packs

For products requiring higher volumes of use, such as *Neguse Naoshi Water* (Detangling Water Spray), we use refill packs made from recycled paper.

By continuing to use the original container, customers can reduce the amount of unnecessary waste.



Involvement at the Production Level

Because production is where we use the most resources, we are particularly involved in environmental protection here, using environmentally friendly materials and working to conserve more energy.

We work at each stage to purify our waste water and to re-use waste materials, and have maintained a zero-emissions level (re-using 99% or more of our resources) since October of 2003.

We also introduced an energy monitoring system as part of our efforts to reduce the amount of energy resources used.

Involvement at the Distribution Level

Outsourcing of our 3PL business began in October of 2004, to create an external distribution hub for both more efficiency in our distribution system and in our shipments. The choice of a partner with a shorter shipping distance would not only conserve energy but it also contributes to lessening our environmental impact.

We have also taken part in the planning for the Green Logistics Partnership Dissemination Project since May of 2006, and with increased efficiency in loading as well as the realization of a modal shift in our business, we have succeeded in reducing carbon dioxide emissions by 35%.

Involvement at the Sales Promotions Level

Most of our sales promotions are used as a means of communication between consumers and store personnel.

A review of our promotional formats has led to a reduction in our environmental impact.

■ Promotional Trays

By reducing the amount of plastic in use and creating trays that are more easily recyclable, we are contributing to the reduction of waste products.



The say that a business is only as good as the people who work for it, and at Mandom, we believe that our personnel are a critical resource.

Our personnel development is carried out under the assumption that a company is a place that offers individuals the opportunity to express themselves through their work. We therefore strive to create an environment that maximizes our personnel's talents while at the same time affords them the opportunity to learn and grow. In so doing we work to grow as a company by putting into practice our own corporate ideals.

Mandom is therefore a place where individual talents are maximally fostered; we believe that it is critical to have an environment that stresses the development of both the individual and the company and are involved in realizing both the Shared Ideals and Human Resource Development that guides our personnel development as well as the creation of an environment that is conducive to work.

Structural Support for Shared Ideals and Human Resource Development

When all of our employees understand our corporate history, philosophy and our future directions, we believe that understanding will inform their decisions as they go about their work and develop their own skills and talents.

To that end, Mandom produces MP News (a weekly internal publication), with information on executive decisions and company movements. We have also developed an information card system to share opinions across division lines, a series of personalized notebooks that help new employees to grow with advice and information from more senior personnel and various other ways of sharing our ideals.

In addition, we also stress the importance of on-the-job training (OJT) as critical to learning the specialized skills and business basics needed for our day-to-day work.

At higher levels within the company, we also encourage and support off-the-job training as a supplement to OJT work, including business education specific to our group as a whole, specialized education, industry-level exchange education, support for distance learning and other means for improving individual talents and skills, and therefore further develop the abilities of our employees.

Shared Ideals

MP News (weekly internal publication), Information card system, Mentoring system for new employees (Growth Journals), etc.



Growth Journals

Human Resource Development

Group-level overseas exchange training, Selection- and Application-based group training, Industry-level exchange training (Forum 8), Objective management system, Plant improvement training, Self-development support system (distance education support), Self-initiated study groups, etc.



Group-level overseas exchange training

Involvement in Creating an Environment Conducive to Work

Not only is it important to increase our talents; without their use, evaluation and recognition, we lose motivation. Similarly, without the understanding and support of our employees' lifestyles and plans, we believe there is less encouragement for their work and it becomes harder to continue finding ways to maximize individual talents.

At Mandom, we began with the implementation of a fair personnel system. To create better relationships between individuals and the company, we support the faster, more beneficial improvement of employee talents such that they can lead stable and satisfying lives. When future anxieties are eliminated, we realize an environment that is more conducive to greater initiative and a more positive work experience.

In recent years, our focus has been on the implementation of systems for formulating life plans and for better work-life balance for our employees.

Involvement in Environments Conducive to Work

"Always Casual Wear" policy, Sport and beauty treatment subsidies, Jury Duty Time, Babysitter Child Care Support, Care-giving Time, Self-reporting System, Company Housing, etc.

Childcare at Work

Employees find that it is most difficult, yet most important, to achieve a work-life balance when raising children.

By setting standards that go beyond those required by law, Mandom's childcare at work system allows employees with school-age children to determine their working hours with greater flexibility, which provides an environment more conducive to work.

Maternity/Care-giving Leave Act Standards

Up to age three

Mandom's Standards

Up to the end of the third year of elementary school

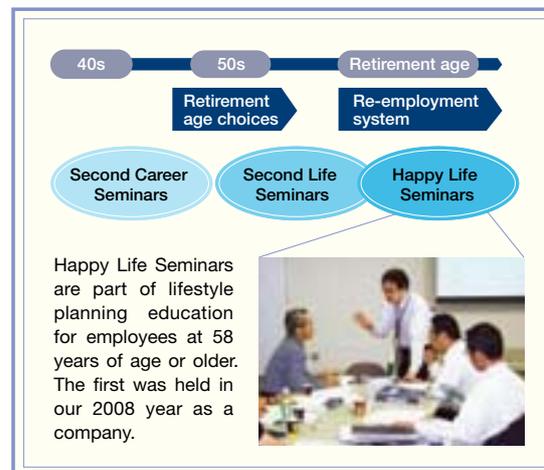
Second Life Formulation Support

When employees reach their forties and beyond, and as their roles and responsibilities for the company increase, we believe that they enter into a critical period to consider how their future should look (in terms of both their work life and their private life).

At Mandom, by removing the anxiety over an unknown future, and by encouraging individuals to formulate their own plans and course for the future, we find that our employees have a greater sense of that future and are willing to take on more challenging work as a result.

To that end, middle-aged employees are encouraged to participate in lifestyle planning education (Second Life Seminars) that specifically target their age groups using a three-step process. Older employees then participate in new life planning a year prior to retirement. These programs are part of our support for second life planning and include Mandom's re-employment system that values employee intent when planning retirement.

Second Life Formulation Support System



Management's Discussion and Analysis

Mandom CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	2008/3	2007/3	2006/3	2005/3	2004/3	2003/3
For the Year:						
Net Sales	56,289	51,250	47,923	47,546	45,364	45,434
Japan	37,957	36,025	35,003	35,635	35,711	36,652
Asia	18,331	15,225	12,920	11,910	9,652	8,782
Selling, General and Administrative Expenses	25,521	23,820	21,742	21,397	19,958	20,267
Operating Income	6,837	5,195	6,065	6,700	6,680	6,322
Japan	4,235	3,288	4,399	4,935	5,256	5,037
Asia	2,599	1,904	1,663	1,762	1,422	1,282
Net Income	3,499	2,488	3,099	3,211	3,253	2,988
Research and Development	2,024	1,866	1,668	1,888	1,574	1,482
At Year-end						
Total Assets	54,218	51,620	51,320	47,397	45,474	43,868
Total Shareholders' Equity	45,868	44,182	40,568	38,168	36,687	34,714
Per Share Data (Yen):						
Total Shareholders' Equity	1,779.67	1,727.55	1,677.82	1,577.94	1,516.70	1,434.94
Earning per Share (EPS)	147.13	104.28	124.36	128.73	130.83	128.32
Cash Dividends	80.00	60.00	60.00	55.00	50.00	50.00
Ratio (%):						
Shareholders' Equity Ratio	78.1	79.6	79.1	80.5	80.7	79.1
Return on Equity (ROE)	8.4	6.1	7.9	8.6	9.1	9.3
Payout Ratio	54.4	57.5	48.2	42.7	38.2	39.0



Director Managing Executive Officer
Yoshiaki Saito

Analysis of Financial Position and Management Performance

1. Results

For the fiscal year under review, the Group's consolidated net sales increased by 5,038 million yen over the previous fiscal year to 56,289 million yen (a 9.8% increase). Gross profit increased by 3,341 million yen to 32,358 million yen (an 11.5% increase). Operating income increased by 1,641 million yen to 6,837 million yen (a 31.6% increase). Ordinary income increased by 1,594 million yen to 6,704 million yen (a 31.2% increase). Net income increased by 1,011 million yen to 3,499 million yen (a 40.6% increase).

These results set new records for net sales, and profits at all levels.

2. General Description of Operating Results by Region

(1) Japan

Net sales in Japan reached 37,957 million yen (up by 5.4% over the previous fiscal year). For the core brand *Gatsby*, the increase in sales was driven primarily by hair wax (*Moving Rubber*) and paper products (facial paper and body paper). The increase was also helped by the launch of Mandom's new *Produce* brand of women's hair color for gray hair.

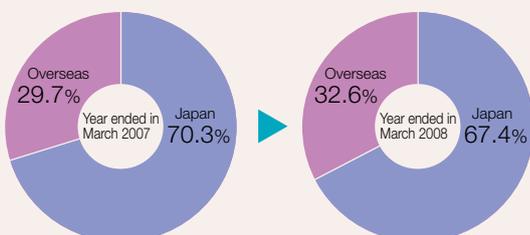
Even though there was an increase in research and development expenses, this was exceeded by positive effects such as increased income due to sales growth, and improved rate of return due to cost reduction efforts, and there was a major increase in operating income to 4,235 million yen (a 28.8% increase over the previous year).

(2) Other Asian Countries and Regions

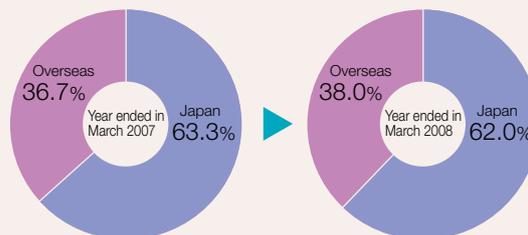
Net sales in Asia were 18,331 million yen (a 20.4% increase from the previous fiscal year). Despite sluggish sales of *Gatsby* products in some regions, growth was smooth due to increased sales of hair styling agents in all regions of Asia, and steady sales of women's cosmetics by our Indonesian subsidiary. As a result, the sales weight for all of Asia for the fiscal year under review was 32.6%.

Despite active spending on marketing to boost sales (sales promotion expenses), cost reductions in response to soaring oil prices at Mandom's Indonesia subsidiary, and appreciation of the local currency relative to the dollar and yen for imported raw materials and products throughout Asia, contributed to reduction of costs, and consequently operating income increased dramatically to 2,599 million yen (a 36.5% increase).

■ Breakdown of consolidated operating income by region



■ Breakdown of consolidated net sales by region



3. Current Status of Assets, Liabilities and Total Equity

(1) Assets

The Group's total assets increased by 2,598 million yen from the beginning of the fiscal year, reaching 54,218 million yen. This was due primarily to the fact that cash and deposits increased by 1,173 million yen, and fixed assets increased by 1,241 million yen. The increase in cash and deposits mainly reflects the extended scope and scale of operations of the Group's Indonesian subsidiary (PT Mandom Indonesia Tbk) and other consolidated overseas subsidiaries. The increase in fixed assets was chiefly due to an increase in investment securities as part of the Company's financial asset management.

(2) Liabilities

Liabilities increased by 911 million yen from the beginning of the fiscal year. This was mainly due to a 946 million yen increase in accrued income taxes, but that in turn was due to an increase in the Company's profits.

(3) Total Equity

Total equity increased by 1,686 million yen over the beginning of the fiscal year, to 45,868 million yen. This was chiefly due to a 2,180 million yen increase in retained earnings, and a 531 million yen reduction in the investment securities valuation difference.

4. Status of Cash Flows

The balance of cash and cash equivalents at the end of the consolidated fiscal year under review increased by 1,007 million yen to 9,791 million yen. The status of the various cash flows is described below.

(1) Cash Flows from Operating Activities

The net cash amount provided by operating activities grew by 4,202 million yen to 7,614 million yen. This is mainly due to the fact that the income before income taxes and minority interests increased by 1,583 million yen to 6,665 million yen; the increase in receivables increased by 1,409 million yen to 789 million yen; and the payment of income taxes decreased by 800 million yen to 1,799 million yen. Compared with the previous fiscal period, the depreciation and amortization rose by 379 million yen to 2,236 million yen during the fiscal year under review.

(2) Cash Flows from Investing Activities

The net cash amount used in investing activities was 5,040

million yen, a 3,920 million yen decrease from the previous fiscal year. This was caused by the income and losses from purchase, redemption or sale of securities decreasing from the previous fiscal year by 4,022 million yen.

(3) Cash Flows from Financing Activities

The net cash amount used in financing activities turned out to be 1,659 million yen due to the use of 1,657 million yen for shareholder dividends, including payment of dividends to minority shareholders.

Issues to be Addressed

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

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

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

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

Results for the overseas business of the Mandom Group are highly dependent on the Group's Indonesian subsidiary. The Group is closely watching the current growth in market scale, and has a growth strategy for raising the results of our overseas subsidiaries in the five countries of ASEAN (Thailand, Philippines, Malaysia), South Korea and China above the results of Mandom's Indonesian subsidiary.

(3) Response to Rising Costs due to Rising Prices for Crude Oil and Resources

Costs are rising due to soaring oil and resource prices, and this price inflation is expected to continue in the future. In order to control the rise in costs, the Mandom Group is taking urgent steps to promote in-Group manufacturing using overseas production sites, implement local procurement, expand overseas suppliers and improve the operating rate of the new factory of the Indonesian subsidiary.

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

In the Mandom Group, it is well understood that corporate growth is impossible without growth of our individual employees, and our management has been consistently based on getting the most out of people. The Group will continue to develop human resources from the perspective

of Group management, and work to create a framework where employees can learn the adaptation and innovation skills needed to cope with the rapid and large changes in conditions facing our company.

(5) Strengthening Efforts to Contribute to Society through Quality Assurance and Environmental Protection

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

(6) Improvement of Capital Efficiency

Having just finished the eighth Middle-range Planning (year ended March 2006 to year ended March 2008), Mandom is keenly aware that improvement of capital efficiency is an important management issue. However, in Japan the market is shrinking due to a falling birthrate, aging society and declining population, and competition between companies is intensifying. Competition between firms is also heating up overseas in the rapidly growing markets of Southeast Asia, so competition is becoming increasingly fierce both inside and outside Japan. On top of this, there is the rise in costs due to soaring oil and resource prices, and thus the Company is in a situation where it is difficult to achieve short-term improvement in capital efficiency by reducing or cutting costs. Therefore Mandom's approach is to take a long-term view, and work to achieve greater capital efficiency in a step-by-step fashion, while making growth in the scale of the Group's business a top priority.

Risks to Business etc.

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

1. Profitability Fluctuation Factors

(1) Business Environment

The business environment surrounding the Group is marked by intense competition, and although there are signs that deflation is ending in Japan, there are inherent factors which drive down profit margins, such as falling sale prices and pressure to increase sales expenditures due to competition in a mature market.

(2) Life Cycle of Key Products

Since the life cycle of Mandom's key product lines is short, the success or failure of new products is a major factor underlying fluctuating results. At Mandom, we always carry out brand renewal before the end of the product life cycle, and develop and market new products based on the latent preferences (wants) of consumers.

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

Given the fact that the cosmetics market in Japan appears to have matured to a great extent, it is deemed essential for cosmetic manufacturers to introduce new products, new product models and other innovations for the purpose of maintaining and improving their individual brand images.

In light of this, Mandom Group launches new products, new product models and additional items both in spring and autumn every year. With a view to promoting new products to achieve penetration in the market, the Group regards any excess of standard products that retailers may find no longer necessary as a result of rearranging their merchandise display or any inventory of old model products replaced with new model products as returnable merchandise for acceptance by way of the Group's agents. For this reason, the amount of such acceptance may exert an impact on the Group's consolidated financial performance.

The acceptance of returned merchandise for the past two years turned out to be 1,926 million yen and 1,294 million yen respectively for the fiscal year ended March 31, 2007 and the fiscal year ended March 31, 2008.

These figures respectively accounted for 5.3% and 3.3% of the sales recorded by Mandom Corporation.

(4) Inventory

Since inventory relevant to the Group's continued operations is produced mainly based on the estimate of future demand and the market trend projection, this method may, depending on actual demand or unanticipated changes in the market trend, require disposal of stagnant inventory, adversely affecting the Group's performance as cost of sales. It is Mandom Group's policy to follow internal rules and dispose such inventory immediately after confirming the relevant market value declining, instead of postponing such disposal. For the consolidate fiscal year under review, the inventory disposal loss turned out to be 486 million yen, an increase of 94 million yen from the previous fiscal year.

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

For the fiscal years ended March 31, 2007 and March 31, 2008, there were two wholesalers on which Mandom Corporation relied for more than 10% of the Group's consolidated net sales: the Paltac Corporation in Japan (28.7%), and PT Asia Paramita Indah in Indonesia (15.3%). The Mandom Corporation and PT Mandom Indonesia Tbk have had long-term, stable and continuous business relationships with the above two companies. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This may lead to a further increase in dependence on specific distributors who are likely to provide earnings accounting for relatively large portions of the Group's sales.

2. Legal Regulations

The Mandom Group manufactures (imports, in some cases) and markets quasi-drugs and cosmetics regulated by the Pharmaceutical Affairs Law. This Law mandates the various

approvals and filings required for the manufacture/import of quasi-drugs and cosmetics. The Group legally and properly imports and manufactures products, in compliance with the Pharmaceutical Affairs Law. In all labeling and advertising, we abide by this Law and all other relevant regulations to ensure compliance of the content.

3. Foreign Exchange and Resource Price Fluctuations

The Mandom Group is focused on business in the Asian region, where solid market growth is expected in the future, and has affiliated companies in eight countries and one region. Overseas net sales accounted for 31.1% and 33.4%, respectively, of consolidated net sales in the fiscal years ended March 2007 and March 2008, and the weight of overseas business is expected to increase in the future. Regarding foreign exchange-related risks, the Group adjusts the balance of foreign currency-dominated import and export transactions and employs other necessary risk-hedge methods. However, there still remain possibilities of exchange rate fluctuations, which may have impacts on the Group's consolidated financial performance and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance, when translated into yen.

In terms of resource prices, the costs of procuring imported raw materials at production sites in Indonesia and China may have an effect on Group competitiveness due to the rise in prices of materials refined from oil caused by foreign exchange fluctuations or rising crude oil prices.

Given the fact that the Group carries out the entire overseas operations within Asia, some relevant area represents Event Risks (namely, possible changes of the existing legal system and economy) arising as a result of or in connection with any dramatic and rapid change in the political system, and may have an impact on the Group's management and financial performance.

Management's Awareness of Challenges and Policy Going Forward

Mandom Corporation's management is striving to formulate optimal management policies based on the current business environment and any available data and information. Their most important theme is to sustain business development. Since it is understood that the engine for business growth consists in overseas business, efforts will be made to develop the Southeast Asian market, which is likely to show increasing demand for Mandom products, as well as to develop a new market in other Asian regions, with a view to realizing the continued business development. Up until the previous fiscal year, the Group has been consolidating a foundation for growth of its women's cosmetics business. In the future, this will be positioned as a new growth area, and the Group will be building a growth path.

The Group's management is always aware of the importance of promoting capital efficiency. The Group will work to achieve greater capital efficiency by treating increased ordinary dividends as an important capital policy, returning profits to shareholders, and curbing increases in equity (retained earnings).

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
MARCH 31, 2008 AND 2007

ASSETS	Millions of Yen	
	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	¥ 9,791	¥ 8,784
Short-term investments (Note 3)	2,728	2,406
Receivables:		
Trade notes and accounts	5,607	6,279
Unconsolidated subsidiaries and associated companies	82	89
Other	113	113
Allowance for doubtful accounts	(14)	(15)
Inventories (Note 4)	6,690	6,282
Deferred tax assets (Note 8)	750	525
Prepaid expenses and other current assets	524	451
Total current assets	26,271	24,914
PROPERTY, PLANT AND EQUIPMENT:		
Land	1,874	1,877
Buildings and structures	19,189	17,951
Machinery and equipment	13,733	12,572
Construction in progress	212	952
Total	35,008	33,352
Accumulated depreciation	(19,649)	(18,071)
Net property, plant and equipment	15,359	15,281
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Note 3)	9,790	8,530
Investments in and advances to unconsolidated subsidiaries and associated companies (Note 5)	1,031	874
Long-term loans (Note 6)	459	552
Deferred tax assets (Note 8)	90	75
Other assets	1,219	1,394
Total investments and other assets	12,589	11,425
TOTAL	¥ 54,219	¥ 51,620

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen	
	2008	2007
CURRENT LIABILITIES:		
Payables:		
Trade notes and accounts	¥ 3,514	¥ 3,604
Unconsolidated subsidiaries and associated companies	1	31
Other	26	27
Accrued income taxes (Note 8)	1,435	488
Accrued expenses	1,121	875
Other current liabilities	620	504
Total current liabilities	6,717	5,529
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 7)	467	479
Deferred tax liabilities (Note 8)	67	306
Other long-term liabilities (Note 9)	1,099	1,124
Total long-term liabilities	1,633	1,909
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)		
EQUITY (Notes 11 and 14):		
Common stock, authorized, 81,969,700 shares; issued, 24,134,606 shares in 2008 and 2007	11,395	11,395
Capital Surplus	11,235	11,235
Retained earnings	23,129	20,949
Unrealized gain on available-for-sale securities	156	688
Foreign currency translation adjustments	(2,627)	(2,219)
Treasury stock-at cost 346,551 shares in 2008 and 345,687 shares in 2007	(953)	(951)
Total	42,335	41,097
Minority interests	3,534	3,085
Total equity	45,869	44,182
TOTAL	¥ 54,219	¥ 51,620

CONSOLIDATED STATEMENTS OF INCOME

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2008 AND 2007

	Millions of Yen	
	2008	2007
NET SALES (Note 13)	¥ 56,289	¥ 51,250
COST OF SALES (Note 13)	23,931	22,233
Gross profit	32,358	29,017
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	25,521	23,821
Operating income	6,837	5,196
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 13)	212	227
Loss on disposal of property and equipment	(49)	(39)
Loss on disposal of inventories	(486)	(392)
Other-net	151	89
Other expenses - net	(172)	(115)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,665	5,081
INCOME TAXES (Note 8)		
Current	2,738	1,937
Deferred	(123)	172
Total income taxes	2,615	2,109
MINORITY INTERESTS IN NET INCOME OF SUBSIDIARIES	550	484
NET INCOME	¥ 3,500	¥ 2,488
		Yen
PER SHARE OF COMMON STOCK (Note 2.n):		
Net income	¥ 147.13	¥ 104.28
Cash dividends applicable to the year	80.00	60.00

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

Consolidated Statements of Changes in Equity

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	24,120	¥11,395	¥11,235	¥19,997	¥725	¥(2,749)	¥(34)	¥40,569		¥40,569
Reclassified balance as of March 31, 2006 (Note 2.)									¥2,560	2,560
Net income				2,488				2,488		2,488
Cash dividends, ¥60 per share				(1,436)				(1,436)		(1,436)
Bonuses to directors and corporate auditors				(100)				(100)		(100)
Purchase of treasury stock	(331)						(917)	(917)		(917)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(37)	530		493	525	1,018
BALANCE, MARCH 31, 2007	23,789	11,395	11,235	20,949	688	(2,219)	(951)	41,097	3,085	44,182
Adjustment of retained earnings for newly consolidated subsidiaries				108				108		108
Net income				3,500				3,500		3,500
Cash dividends, ¥60 per share				(1,428)				(1,428)		(1,428)
Purchase of treasury stock	(1)						(2)	(2)		(2)
Disposal of treasury stock	0		0				0	0		0
Net change in the year					(532)	(408)		(940)	449	(491)
BALANCE, MARCH 31, 2008	23,788	¥11,395	¥11,235	¥23,129	¥156	¥(2,627)	¥(953)	¥42,335	¥3,534	¥45,869

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2008 AND 2007

	Millions of Yen	
	2008	2007
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 6,665	¥ 5,081
Adjustments for:		
Income taxes - paid	(1,799)	(2,600)
Depreciation and amortization	2,291	1,911
Provision for retirement benefits	16	(58)
Loss on disposal of property and equipment	48	39
Changes in assets and liabilities		
Decrease(increase) in receivables	790	(620)
Increase in inventories	(285)	(180)
Increase(decrease) in prepaid expenses and other assets	(53)	77
Decrease in payables	(181)	(800)
Increase in accrued expenses and other liabilities	124	513
Other - net	(2)	49
Total adjustments	949	(1,669)
Net cash provided by operating activities	7,614	3,412
INVESTING ACTIVITIES:		
Payments for deposits	(240)	(11)
Decrease in time deposits	61	5
Acquisition of property and equipment	(2,017)	(2,689)
Proceeds from sales and redemptions of investment securities	4,665	2,459
Payments for purchases of investment securities	(7,333)	(1,505)
Proceeds from sales and redemptions of short-term investment securities	1,810	4,300
Payments for purchases of short-term investment securities	(1,509)	(3,599)
Payments for acquisition of additional shares of associated company	(577)	
Other - net	99	(81)
Net cash used in investing activities	(5,041)	(1,121)
FINANCING ACTIVITIES:		
Payments for purchases of treasury stock-net	(2)	(916)
Dividends paid	(1,658)	(1,638)
Net cash used in financing activities	¥ (1,660)	¥ (2,554)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	¥ (70)	¥ 63
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	843	(200)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	164	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,784	8,984
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,791	¥ 8,784

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANDOM CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31, 2008 AND 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation Policy - The consolidated financial statements as of March 31, 2008 include the accounts of MANDOM CORPORATION (the "Company") and its ten (nine in 2007) significant subsidiaries (together, the "Group"). Investments in one (one in 2007) associated company are accounted for by the equity method. Investments in the remaining three unconsolidated subsidiaries (four in 2007) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

The excess of cost over the net assets of subsidiaries acquired is amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation.

Additionally, a material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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

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

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

d. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and mutual funds investing in bonds representing short-term investments, all of which mature or become due within three months of the date of acquisition.

e. Short-term Investments and Investment Securities - Securities included in short-term investments and investment securities are classified and accounted for, depending on management's intent, as follows:

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

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

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

Compound financial instruments are exposed to credit-related losses in the event of non-performance by counterparties, but the Company does not anticipate any losses arising from credit risk, as the counterparties are limited to major international financial institutions. Such transactions have been made in accordance with internal policies which regulate the authorization and credit limit amount. The conditions and results of such transactions are regularly communicated to the Management Committee.

f. Inventories - Inventories are stated at average cost.

g. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment.

The straight-line method is principally applied to the property and equipment of consolidated foreign subsidiaries.

h. 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.

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

j. Presentation of Equity - On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

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

l. Leases - Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

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

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

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

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

o. New Accounting Pronouncements

Measurement of Inventories - Under "Japanese GAAP", inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting - On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material.

- (1)Amortization of goodwill
- (2)Actuarial gains and losses of defined benefit plans recognized outside profit or loss
- (3)Capitalization of intangible assets arising from development phases
- (4)Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
- (5)Retrospective application when accounting policies are changed
- (6)Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen	
	2008	2007
Short-term investments:		
Time deposits other than cash equivalents	¥ 280	¥ 113
Government, corporate and other bonds	2,448	2,293
Total	¥2,728	¥ 2,406
Investment securities:		
Marketable equity securities	¥5,110	¥ 3,076
Non-marketable equity securities	12	38
Government and corporate bonds and other bonds	1,730	4,363
Trust fund investments and other	2,938	1,053
Total	¥9,790	¥ 8,530

Information regarding the securities classified as available-for-sale at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Equity securities	¥ 4,850	¥ 632	¥ 372	¥ 5,110
Debt securities	4,200	0	22	4,178
Other	2,911	32	5	2,938
March 31, 2007				
Equity securities	¥ 1,909	¥ 1,192	¥ 25	¥ 3,076
Debt securities	6,695	0	39	6,656
Other	1,017	38	2	1,053

“Debt securities” in the above table include the compound financial instruments at fair value of ¥384 million and ¥399 million at March 31, 2008 and 2007, respectively.

The carrying amounts of available-for-sale securities, whose fair value was not readily determinable as of March 31, 2008 and 2007, were as follows:

	Carrying amount	
	Millions of Yen	
	2008	2007
Equity securities	¥ 12	¥ 29

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥2,464 million and ¥1,251 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥7 million and ¥58 million respectively, for the year ended March 31, 2008 and gross realized gains and losses were ¥3 million and ¥1 million for the year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2008 were as follows:

	Millions of Yen	
	Carrying amount	
	2008	2007
Due in one year or less	¥ 2,448	
Due after one year through five years	1,730	
Total	¥ 4,178	

4. INVENTORIES

Inventories at March 31, 2008 and 2007 were consisted of the following:

	Millions of Yen	
	2008	2007
Merchandise	¥ 1,453	¥ 1,462
Finished products	3,367	2,663
Work in process	269	307
Raw materials and supplies	1,601	1,850
Total	¥ 6,690	¥ 6,282

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

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	2008	2007
Investments	¥ 1,007	¥ 845
Advances	24	29
Total	¥ 1,031	¥ 874

6. LONG-TERM LOANS

The annual interest rates applicable to the long-term loans to employees representing primarily housing loans to employees ranged from 0% to 3.5 % at March 31, 2008 and 2007, respectively.

7. RETIREMENT BENEFITS AND PENSION PLANS

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

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

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen	
	2008	2007
Projected benefit obligation	¥ 3,014	¥ 2,893
Fair value of plan assets	(2,060)	(2,395)
Unrecognized actuarial loss	(263)	305
Unrecognized prior service obligation	(224)	(324)
Prepaid pension expenses		
Net liability	¥ 467	¥ 479

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	2008	2007
Service Cost	¥ 185	¥ 184
Interest Cost	102	90
Expected return on plan assets	(81)	(74)
Amortization of prior service cost	62	62
Recognized actuarial loss	(107)	(149)
Subtotal	161	113
Contribution for the multi - employer pension plan	259	254
Contribution for the defined contribution pension plan	78	78
Net periodic retirement benefit costs	¥ 498	¥ 445

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.0%
Amortization period of prior service cost	7 years	7 years
Recognition period of actuarial gain / loss	7 years	7 years

The Company and certain of its consolidated subsidiaries participate in a contributory multi-employer pension plan ("the Plan") covering substantially all of their employees. The pension fund asset available for benefits under this plan at March 31, 2007 was approximately ¥3,494 million.

Contribution for the Plan is expensed as retirement benefit costs. Based on the Company's salary expense in comparison to the total salary expenses of all employers which participate in the plan, the Company's share of the plan is 9% at March 31, 2007, however the share is not equal to the actual contribution percentage of the Company.

The financial statements of the Plan at March 31, 2007 is as follows:

	Millions of Yen
	2007
Fair Value of plan assets	41,151
Projected benefit obligation	(50,821)
NET	(9,670)

<NOTE>

The main reason for the difference between the fair value of plan assets and the projected benefit obligation represented the prior service obligation of ¥15,179 million. The prior service obligation is evenly amortized over 14 years and 9 months. The Company and certain of consolidated subsidiaries recognized ¥113 million of special contribution expense for the year ended March 31, 2007.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.64% for the years ended March 31, 2008 and 2007. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	2008	2007
Deferred Tax Assets :		
Accrued bonuses	¥ 293	¥ 280
Enterprise tax	112	50
Inventories	126	115
Pension and severance costs	156	164
Long-term liabilities	281	282
Allowance for sales return	50	39
Devaluation of land	101	101
Property and equipment	34	34
Depreciation	108	110
Other	474	218
Deferred tax assets subtotal	1,735	1,393
Valuation allowance	(2)	(5)
Deferred tax assets	1,733	1,388
Deferred Tax Liabilities:		
Unrealized gain on available-for-sale securities	269	499
Depreciation	29	37
Undistributed earnings of associated companies	641	536
Other	21	22
Deferred tax liabilities	960	1,094
Net deferred tax assets	¥ 773	¥ 294

9. OTHER LONG-TERM LIABILITIES

Other long-term liabilities at March 31, 2008 and 2007 are consisted of the following:

	Millions of Yen	
	2008	2007
Deposits received	¥ 387	¥ 414
Liabilities for retirement benefits to directors and corporate auditors	691	695
Retirement allowances for directors and corporate auditors	21	15
Total	¥ 1,099	¥ 1,124

10. RESEARCH AND DEVELOPMENT

Research and development costs charged to income for the years ended March 31, 2008 and 2007 were ¥2,025 million and ¥1,866 million, respectively.

11. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

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

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law 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 Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law 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.

12. LEASES

The Company leases office space, office equipment and certain other assets under operating leases and finance lease arrangements.

Total rental expenses for the years ended March 31, 2008 and 2007 were ¥1,045 million and ¥982 million, respectively, including ¥20 million and ¥28 million of lease payments under finance leases.

Pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	Machinery and equipment	Machinery and equipment
	2008	2007
Acquisition cost	¥ 104	¥ 132
Accumulated depreciation	83	98
Net leased property	¥ 21	¥ 34

Obligations under finance leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	2008	2007
Due within one year	¥ 7	¥ 20
Due after one year	14	14
Total	¥ 21	¥ 34

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

Depreciation expense, which is not reflected in the accompanying statements of income, computed by the straight-line method was ¥20 million and ¥28 million for the years ended March 31, 2008 and 2007, respectively.

13. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and associated companies for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen	
	2008	2007
Sales	¥ 686	¥ 870
Purchases		471
Interest and dividend income	30	64
Other expenses-net	(241)	(270)

14. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Company for the year ended March 31, 2008 were approved at the shareholders' meeting held on June 24, 2008:

	Millions of Yen
Cash dividends, ¥50 per share	¥ 1,189

15. SEGMENT INFORMATION

Information about operations in different industry segments, foreign operations and sales to foreign customers of the Group for the years ended March 31, 2008 and 2007 was as follows:

(1) Operations in Different Industries

Sales of cosmetics represent more than 90% of the Group's operations.

(2) Geographical Segments

The Geographical Segments of the Group for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen			
	2008			Consolidated
	Japan	Asia	Eliminations/ Corporate	
Sales to customers	¥ 37,957	¥ 18,332		¥ 56,289
Inter-area transfer	2,836	650	¥ (3,486)	
Total sales	40,793	18,982	(3,486)	56,289
Operating expenses	36,557	16,383	(3,488)	49,452
Operating income	¥ 4,236	¥ 2,599	¥ 2	¥ 6,837
Assets	¥ 22,915	¥ 12,892	¥ 18,412	¥ 54,219

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

	Millions of Yen			
	2007			Consolidated
	Japan	Asia	Eliminations/ Corporate	
Sales to customers	¥ 36,025	¥ 15,225		¥ 51,250
Inter-area transfer	2,383	256	¥ (2,639)	
Total sales	38,408	15,481	(2,639)	51,250
Operating expenses	35,119	13,576	(2,641)	46,054
Operating income	¥ 3,289	¥ 1,905	¥ 2	¥ 5,196
Assets	¥ 23,415	¥ 11,436	¥ 16,769	¥ 51,620

Corporate assets of ¥17,271 million, included in "Eliminations / Corporate," are principally marketable and investment securities.

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 amounted to ¥18,824 million and ¥15,929 million, respectively.

INDEPENDENT AUDITORS' REPORT



Deloitte Touche Tohmatsu
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3-5, Isogami-dori 8-chome,
Chuo-ku, Kobe 651-0086
Japan
Tel: +81 (78) 221 8161
Fax: +81 (78) 221 8225
www.deloitte.com/jp

To the Board of Directors and Shareholders of
MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheets of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

June 25, 2008

Deloitte Touche Tohmatsu

Outline of the Company (As of March 31, 2008)

Company Name	Mandom Corporation	Fiscal Year-end	March 31
Head Office	5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan	General Meeting of Shareholders	Ordinary General Meeting of Shareholders Every June
Established	December 23, 1927	Independent Auditor	Deloitte Touche Tomatsu
Paid-in Capital	¥11,394,817,459		
Number of Employees	2,195(Consolidated) 517(Non-consolidated)		

Board of Directors & Executive Officers (As of June 24, 2008)

Position title	Name
Representative Director President Executive Officer Director in charge of Internal Control Promotion Div.	Motonobu Nishimura
Representative Director Vice President Executive Officer Director in charge of Corporate Planning Div.	Hiroshi Kamei
Director Senior Managing Executive Officer Director of International Operations Div.	Yoshikatsu Nishiumi
Director Managing Executive Officer Director of Production/Distribution, in charge of Logistics Div. and Production Engineering Div.	Kenji Yamada
Director Managing Executive Officer Director of R&D, in charge of Product Development DEPT. SEC. III.	Masayoshi Momota
Director Managing Executive Officer: Director in charge of Resource Management, General Administration Div. Legal Affairs Div. Executive Secretarial Office, Corporate Communications & Investors Relations Div. Quality Assurance Div. and Environmental Initiatives Div.	Yoshiaki Saito
External Director	Tsutomu Tsukada
External Director	Toshikazu Tamura
Corporate Auditor	Toshihito Higuchi
External Corporate Auditor	Kazuya Kotera
External Corporate Auditor	Susumu Takagi

Group Companies

(As of May 31, 2008)

Japan	Company Names	Main Businesses	Voting Rights
	Piacelabo Corporation	Sales of cosmetic products	100.0% consolidated subsidiary
	Guinot Japan Corporation	Sales of cosmetic products	100.0% consolidated subsidiary
	Beaucos Corporation	Quality management of products handled by domestic Group companies	100.0% consolidated subsidiary
	Mandom Business Service Corporation	Provides life and non-life insurance, staffing, and general services	100.0% non-consolidated subsidiary

(As of May 31, 2008)

Overseas	Company Names	Location	Main Businesses	Voting Rights
INDONESIA				
	PT Mandom Indonesia Tbk	Indonesia	Manufacture and sales of cosmetic products	60.7% consolidated subsidiary
ASEAN3				
	Mandom Corporation (Thailand) Ltd.	Thailand	Sales of cosmetic products	100.0% consolidated subsidiary
	Mandom Philippines Corporation	The Philippines	Sales of cosmetic products	100.0% consolidated subsidiary
	Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sales of cosmetic products	97.6% consolidated subsidiary
NIES 4				
	Mandom Corporation (Singapore) Pte Ltd	Singapore	Sales of cosmetic products	100.0% consolidated subsidiary
	Mandom Taiwan Corporation	Taiwan	Sales of cosmetic products	100.0% consolidated subsidiary
	Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sales of cosmetic products	44.0% equity-method affiliate
	Mandom Korea Corporation	Korea	Sales of cosmetic products	100.0% consolidated subsidiary
CHINA				
	Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sales of cosmetic products	58.4% consolidated subsidiary
	Mandom China Corporation	China (Shanghai)	Sales of cosmetic products	100.0% consolidated subsidiary

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

Stock Information (As of March 31, 2008)

Number of shares authorized for issue 81,969,700 shares

Shares of Common Stock Issued and Outstanding 24,134,606 shares

Number of Shareholders 14,744

Stock listing First Section, Tokyo Stock Exchange

Securities code 4917

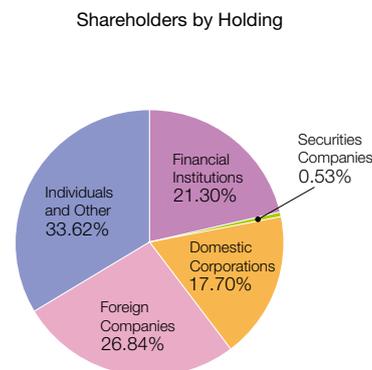
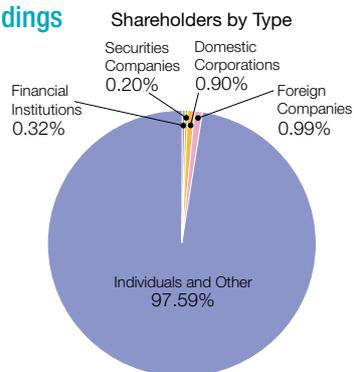
Transfer agent The Sumitomo Trust and Banking Co., Ltd.
5-33, Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan

Major Shareholders

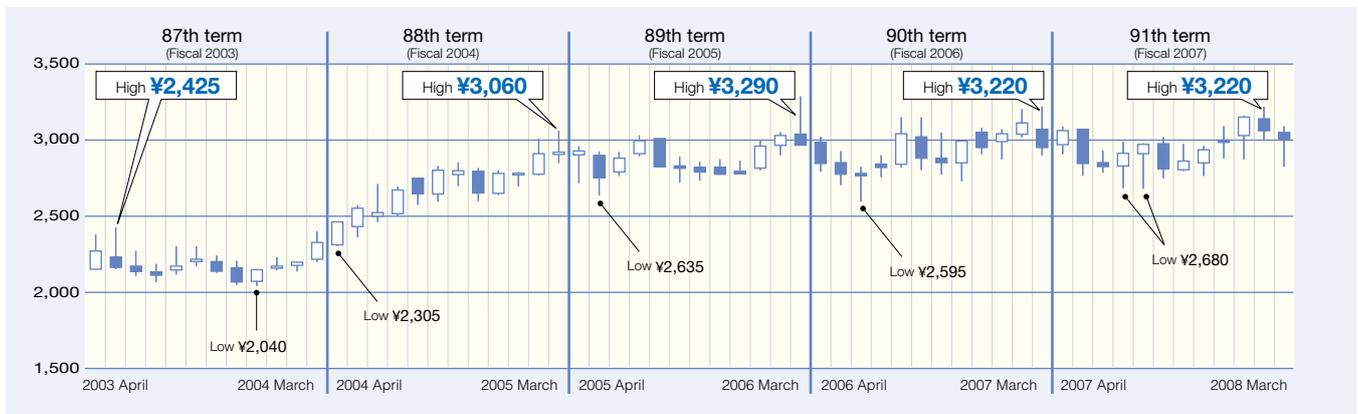
Shareholder	No. of Shares (Thousands)	Holding (%)
Nishimura International Scholarship Foundation	1,800	7.46
The Master Trust Bank of Japan, Ltd. (trust account)	1,361	5.64
Japan Trustee Services Bank, Ltd. (trust account)	1,182	4.90
State Street Bank and Trust Company	1,115	4.62
Motonobu Nishimura	1,005	4.16
Teruhisa Nishimura	801	3.32
Trust & Custody Services Bank, Ltd. (securities investment trust account)	695	2.88
Mandom Employee Shareholding Association	629	2.61
BNP Paribas Sec Service London Jas Aberdeen Asset Management PLC Agency Lending	487	2.02
Mandom Corporation	346	1.44

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

Common Stock Holdings



Stock Price and Transaction Volume



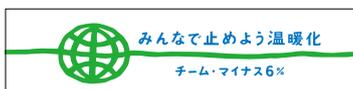
Corporate IR Activities

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

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

mandom corp.

Securities Code:4917



Mandom Corporation has acquired ISO 14001 certification for Fukusaki Factory and ISO 9001 certification for Head Office and Fukusaki Factory.

This annual report is printed using environmentally friendly soybean oil ink on recycled paper.

Printed in Japan



mandom / Human & Freedom

Company Profile 2008





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The Philosophy of the Mandom Group

Our Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

Our Values

Creating Lifestyle Value With Consumers, For Consumers
Active employee participation
Social Responsibility and Sustainability

Our Principles

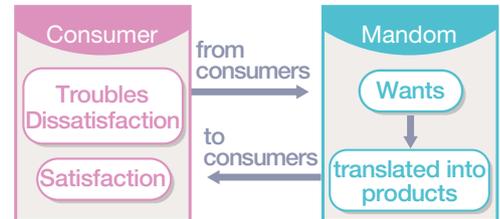
- 1 "*KohDoh*" for Value Maximization
- 2 "*KohDoh*" for Self-actualization
- 3 "*KohDoh*" for Profitability Enhancement
- 4 "*KohDoh*" for Good Ethics
- 5 "*KohDoh*" for Successful Business Partnerships
- 6 "*KohDoh*" for Environmental Preservation
- 7 "*KohDoh*" for Philanthropy

NB: *KohDoh* means "Thoughtful Work".



Product Development at the Mandom Group

Mandom ensures consumer satisfaction by providing products based on our philosophy of "creating lifestyle value with consumers, for consumers". With this approach, we infer consumer needs and wants from their troubles and dissatisfactions, and then offer consumers attractive products and services which meet those needs. As trends and consumer lifestyles change, the needs and wants that consumers have for products also change. To ensure that we can always meet those needs and wants, our product development efforts are based on a cyclic process of research, design and verification, all conducted from the consumer's perspective.



Research

We search not only for needs which arise due to the troubles and dissatisfactions consumers actually experience in their daily lives, but also for hard-to-articulate, latent wants. We uncover the subtle signs of big trends by conducting exhaustive research on changing consumer lifestyles, awareness and preferences, market and products trends, and stores.



Market research



Group interview

Design

Our products are designed based on product concepts derived from needs and wants discovered through research. Mandom is constantly working to achieve maximal product quality, and to design unique, appealing products to ensure a high level of consumer satisfaction with all aspects of the final product -- content formula, package design, packaging material specifications and price.



Design meeting

Verification

Even after a product goes on sale, we analyze consumer reactions and store/market trends to check if there is any gap between consumer expectations and the actual product. The verification process includes determining whether the product satisfies consumers and matches the market. Mandom is constantly working to provide better products based on those results -- finding points where products can be improved, realizing those quality improvements through renewal, discovering new wants, and using those wants as clues for developing new products.



Collecting store data using information cards from employees



Checking survey data

Research in the Mandom Group

At Mandom, we are in constant pursuit of functionality, effectiveness and safety, based on our Mission Statement of "serving the consumer". Our research and development efforts are focused on realizing comfort and novelty for consumers, and our aim is to combine technology with sensibility.

Basic research

To provide consumer value, Mandom focuses on three areas -- hair, skin and body odor -- in a constant search for "what is new". We work to accumulate technology for achieving novelty by elucidating mechanisms and developing proprietary technology.



Observing hair using an electron microscope Observing the inner tissues of skin

Quality evaluation

In order to develop products which can be used with greater peace-of-mind and comfort, and thus provide greater consumer value, Mandom is working to establish evaluation technology and improve safety based on techniques for evaluating quality from the consumer's viewpoint.



Patch test

Development research

In our endless search for greater consumer value, Mandom is always asking: "What is new?" and "What is comfortable?" We work to create new value and improve our advantage in terms of how products feel during use by considering how consumers actually use each product.



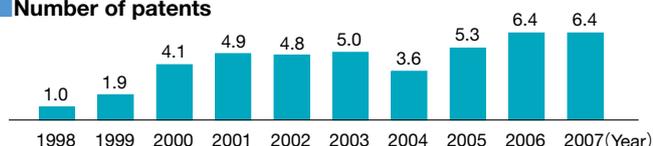
Thermostatic chamber

Homo mixer

Research management

In research and development, we secure intellectual property for maintaining our technological dominance, and comply with the Pharmaceutical Affairs Law and all other laws and regulations. At the same time, Mandom is working to formulate a research and technology development strategy for the future to achieve comfort and novelty as forms of consumer value.

Number of patents



Index taking the number of patents in 1998 to be 1.

Mandom conducts research and development with the aim of establishing evaluation techniques to shed light on the nature of "comfort" and "discomfort", and thereby pursue greater comfort for consumers. As part of that research, we have established the following evaluation methods.

Established sensory evaluation method for the refreshing effect

The cool sensation may be unpleasant, with a feeling of pain or burning, depending on the active ingredients and their balance with other blended ingredients. To enable more consumers to experience the refreshing effect in comfort, we have established a highly precise evaluation method which defines a "comfort zone" where the refreshing effect can be comfortably perceived. As an application of this technology, we have developed a long-lasting deodorant spray which gives a comfortable refreshing effect.

Established method of evaluating sensory irritation

As consumers have grown increasingly aware of safety and peace-of-mind relating to cosmetics, infrequent but uncomfortable forms of sensory irritation such as tingling or stinging have become an important factor affecting product usability. Previously, this kind of sensory irritation has been evaluated with methods employing human skin, but there have been problems, such as significant variation between subjects, and inadequate understanding of the irritation mechanism. As a result of struggling with these technical issues, Mandom successfully established a method enabling evaluation of uncomfortable irritation without using human skin, based on a perceptual mechanism employing irritant receptors. This technique is currently being used to develop cosmetics with greater safety and peace-of-mind.



R&D Building

R&D building whose purpose is to link and strengthen research and development

Production at the Mandom Group

Within the Mandom Group, we produce about 800 million products every year at our Group's three production sites. We are working to establish mass production technology and reduce costs so that we can supply safe, high-quality products at a reasonable price to as many of the world's consumers as possible.

Production Technology

Mandom has established mass production technology to enable stable high volume production, with the same quality as products formulated at the research stage. We aim to further improve and equalize technological capabilities at our production sites, focusing in particular on the Fukusaki Factory.



Prototyping in a beaker



Prototyping using a compact vacuum emulsifier



Full-scale production



Production System

We have built an integrated, automatic production system, which includes an aerosol line and covers everything from content filling to finishing and packaging, and we are working to reduce costs by shifting to in-house manufacturing of paper products and other high-cost products. In Indonesia, we also have a container molding factory, and have built an integrated production system covering everything from container molding to filling and finishing. This system produces and supplies products for overseas markets.



Content filling



Gas leak testing



Packing in three product inner boxes



Packing in outer boxes



Stacking on pallet

Group's production sites

Fukusaki Factory (JAPAN)



- Site area : 71,058 m²
- Yearly production volume : 133,069 (thousand units)
- Number of employees : 254

Sunter Factory (INDONESIA)



- Site area : 36,153 m²
- Yearly production volume : 637,295 (thousand units)
- Number of employees : 737

Cibitung Factory (INDONESIA)



- Site area : 54,442 m²
- Number of employees : 212
- Container molding factory

Zhongshan Factory (CHINA)



- Site area : 27,253 m²
- Yearly production volume : 10,099 (thousand units)
- Number of employees : 113

Marketing at the Mandom Group

To ensure complete satisfaction of consumers using our products, we strive to maximize contact with them through cross media communication. This makes Mandom products seem more familiar, and is effectively linked with communication in stores to directly stimulate the desire to buy.

Cross Media Communication

In order to enhance consumer recognition, understanding and affinity with Mandom brands and products, and strengthen the ties consumers have with our brands, we do in-depth studies of consumer lifestyles, and use an effective cross media approach employing TV commercials, mobile phone and web sites, magazines and other media to blend into the daily lives of our core target. In this way, we showcase product concepts and functions, express the world-view of our brands, and propose new styles and other types of added value.

Recognition and understanding



Web site



Advertising in all types of media



Mobile site

Affinity



Video contest "GATSBY Student Commercial Prize"



Ringtone contest "GATSBY MUSIC REMIX CONTEST"



Simulation of shelf allocation

Information Card System

In the information card system, all employees fill out cards describing impressions from their own perspectives, or information they have obtained, and send them to the various departments within the company. The information on the cards ranges widely in content, from products to management, and is shared within the company for use in each of Mandom's businesses.



Information card

Communication in stores

Stores are the only place where consumers and products make direct contact. Our communication approach is based on creating value with stores, for stores -- to realize "buying spaces" where it is easy for consumers to see, choose and pick up products. Through collaboration with distributors and dealers, we work to increase opportunities for contact between Mandom products and consumers in stores, by, for example, obtaining predominant display locations in stores, and organizing special promotion events. We conduct category management and make shelving allocation proposals based on consumer behavior and our database of POS and market data. We also stimulate the desire to purchase by using in-store marketing linked with cross media communication, and creating "buying spaces" where it is easy for consumers to see, choose and pick up Mandom products.

We also gather various types of information from stores, using information cards and other techniques, to provide feedback inside our company, and improve product development, marketing and other aspects of our business.

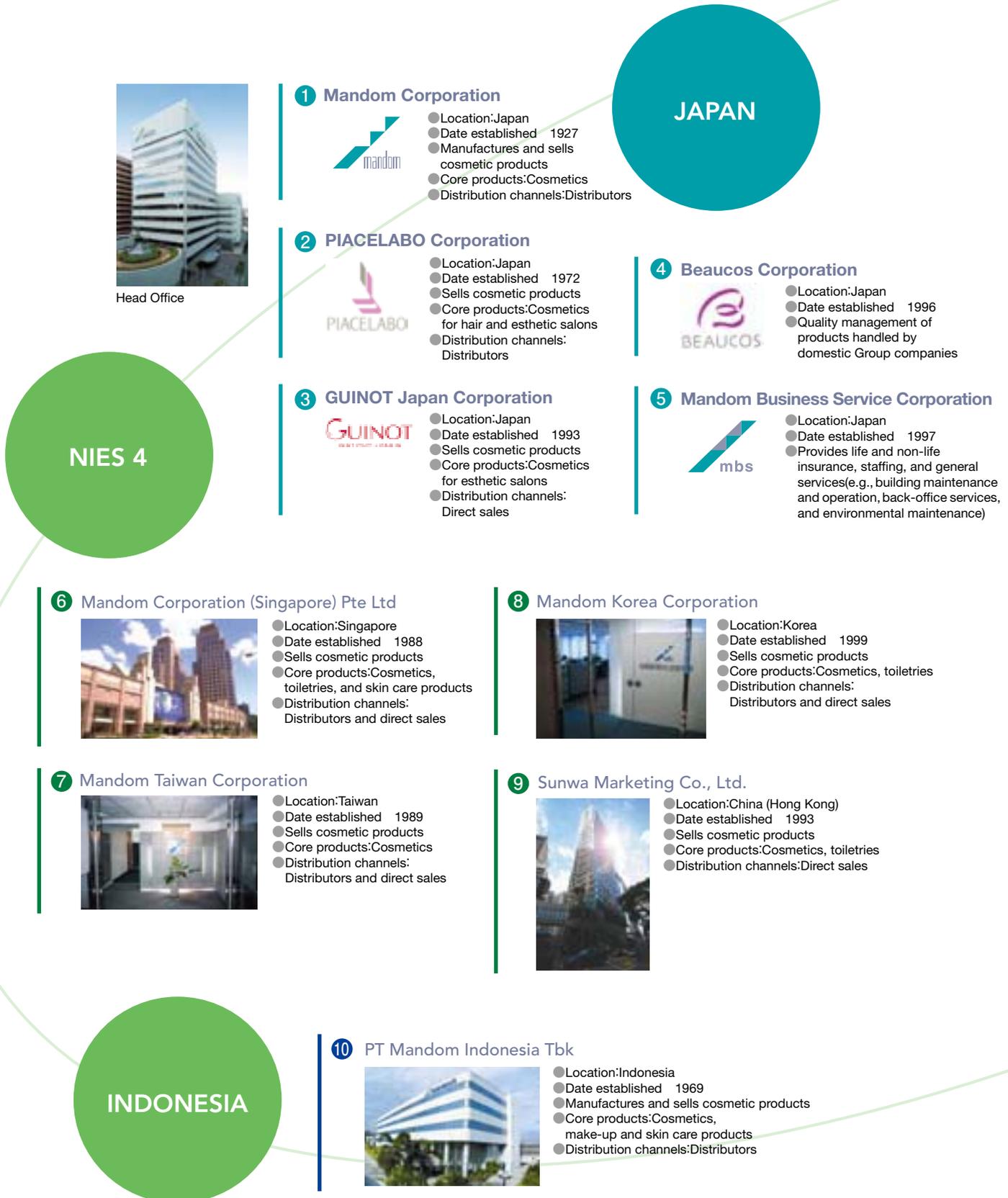


Store display

Market-focused approach of the Mandom Group

The Mandom Group develops and markets products to suit market characteristics and integrate well into the local community.

With 5 Group companies in Japan and 10 overseas, our various companies develop business through organic collaboration, and strive to be of service by harnessing Group resources.





ASEAN 3

11 Mandom (Malaysia) Sdn.Bhd.



- Location:Malaysia
- Date established 1997
- Sells cosmetic products
- Core products:Cosmetics, toiletries, and skin care products
- Distribution channels:Distributors and direct sales

12 Mandom Corporation (Thailand) Ltd.



- Location:Thailand
- Date established 1990
- Sells cosmetic products
- Core products:Cosmetics, toiletries, and skin care products
- Distribution channels:Distributors and direct sales

13 Mandom Philippines Corporation



- Location:The Philippines
- Date established 1992
- Sells cosmetic products
- Core products:Cosmetics
- Distribution channels:Distributors

CHINA

14 Zhongshan City Rida Fine Chemical Co.,Ltd.



- Location:China (Zhongshan)
- Date established 1996
- Manufactures and sells cosmetic products
- Core products:Cosmetics
- Distribution channels: Distributors and direct sales

15 Mandom China Corporation



- Location:China (Shanghai)
- Date established 2008
- Sells cosmetic products
- Core products:Cosmetics
- Distribution channels: Distributors and direct sales

Product Development of the Mandom Group

The Mandom Group develops and markets products from 3 categories, in 5 geographical areas. Our products are designed to meet consumer wants in each country and region.

Cosmetries

Cosmetries, which include hair styling, facial and body care products, are for day-to-day grooming and looking good.

In Japan, they are sold through distributors to drug stores, convenience stores and other "self-service"-style stores. Overseas, Mandom distributes products that satisfy local customers' wants through distributors and directly operated stores.

Women's Cosmetics

In this category, we offer beauty products to enrich women's lives, mainly skin care and make-up products. In Japan, we are expanding sales channels for brands developed by Mandom to outlets such as drug stores, and selling products at self-service stores. Overseas, we promote sales of these products over the counter through beauty consultants.

Products for Salon Use

Mandom develops exclusive brands at domestic hair salons and esthetic salons. In 1972, we were first in Japan to launch a French brand for esthetic salon use, and in 1982 we entered the hair salon market. We offer products, treatment, application techniques and related services.

Major brands and markets

Men's Cosmetics

GATSBY

Full product line of grooming products for young men

JAPAN INDONESIA ASEAN 3 NIES 4 CHINA

GB

Grooming device for trimming eyebrows and so on

JAPAN

LÚCIDO

Product line for men of middle-to-mature age

JAPAN

mandom

Everyday products with the emphasis on function, volume and price

JAPAN ASEAN 3 NIES 4 CHINA

MANDOM

Product line of cosmetics unified by musky fragrances

JAPAN INDONESIA

TANCHO

Hair styling product line for mature consumers

JAPAN INDONESIA ASEAN 3 NIES 4

SPALDING

Full product line of cosmetics for active young men

INDONESIA ASEAN 3



Women's Cosmetics

LÚCIDO-L

"Hair make-up" products brand with an emphasis on creating your own hair styles

JAPAN ASEAN 3 NIES 4 CHINA

Produce

Product line for beautiful hair of middle-aged women

JAPAN

Simplify

"Clean and etiquette" product line to eliminate perspiration and odors

JAPAN NIES 4

mandom

Everyday Products with the emphasis on function, volume and price

JAPAN NIES 4

Pucelle

Fragrance products for teenage girls taking an interest in fashion for the first time

INDONESIA ASEAN 3 CHINA

MIRATONE

Hair color product brand for stylishly dyeing black or gray hair

INDONESIA ASEAN 3



JOHNNY ANDRÉAN

Brand of hair styling products produced by Johnny Andréan, a famous Indonesian hair stylist

INDONESIA



LOVILLEA

Fragrance line that offers healing effects to sophisticated women

INDONESIA ASEAN 3 NIES 4

Style Up

Basic hair styling product line for young women

ASEAN 3



Women's Cosmetics

PERFECT ASSIST24

Moisturizing cream that last for 24 hours

JAPAN

cleansing express

Quick and amazing water-based cleansing

JAPAN

Barrier Repair

Adult skin care series for baby-like skin

JAPAN

vanity freak

Cosmetics to satisfy those who love make up

JAPAN

PIXY

Total cosmetics brand for sophisticated women

INDONESIA ASEAN 3



RoC

Hypoallergenic skin care product line developed by a French pharmacist

INDONESIA ASEAN 3 NIES 4



Products for Salon Use

Dr RENAUD

Facial care products containing a plant extract formula developed by Dr. Renaud of France

JAPAN

GUINOT

Facial and body care cosmetics used with the latest French beauty equipment

JAPAN

formulate

Hair color product line for adding high-quality colors and textures to hair

JAPAN

ARISTIA

Lineup of perm products for creating beautiful permanent waves and straight hair

JAPAN

CHEMICAL SUPPORT

Lineup of advanced-function treatments for restoring hair from the inside

JAPAN

DIRECTION

Hair styling products that satisfy professionals offering styles ranging from basic to mode

JAPAN

Lumisheer

Hair care product line for salon and home use designed to bring new shine and luster to hair

JAPAN



GATSBY

JAPAN

A perennial trendsetter in Asia, the *Gatsby* series caters to all the grooming needs of young men. Since the launch of the *Moving Rubber* series, we have used Mr. Takuya Kimura as our character in TV commercials to further solidify the brand image.



NIES 4

In the NIES region, where fashion trends spread almost simultaneously with Japan, Mandom uses the same products and advertisements as domestically. In the case of body care products and fragrances, we are also developing some products made in Indonesia to suit local preferences.



INDONESIA·ASEAN 3

Here, our product line is designed to suit the local market and preferences. Mandom mainly offers a range of Indonesian-made products, as well as some hair waxes from Japan. We also market the same product in different sized packaging, and hair styling products in single-use sachets are popular.



CHINA

With the launch of the *Moving Rubber* series, we have been working to further expand recognition by holding large events in Guangzhou and Shanghai.



History of the Gatsby brand

We are approaching the 31st year since *Gatsby* first went on sale in 1978, and the brand has undergone renewal 6 times. Even as times change, *Gatsby* continues to appeal to young men, as the standard in men's grooming cosmetics.

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

LÚCIDO-L

JAPAN

In 2008, Mandom completed a total renewal of this brand, focusing on the popular wax series for fashionable women. At the same time, we adopted a new communication approach, using Ms. Kaela Kimura as our new character in TV commercials, and working to develop a new brand image. We are also gradually expanding our sales area overseas.



NIES 4

In a tough market where international brands compete, Mandom is developing *Lúcido-L* as a hair styling brand from Japan. Interest in hair care is high in the region, and styling products including wax and foam, as well as hair treatments made in China, are popular.



CHINA

In China also we are developing *Lucido-L* as a hair styling brand from Japan. With various hairstyles increasingly in vogue, awareness of hair care is rising, and hair treatment is becoming popular.



History of the *Lúcido-L* brand

It has now been more than 15 years since *Lúcido-L* began as a fragrance-free styling series for women. The brand continues to evolve to match women's values and hair style awareness.



1993~



1996~



1999~



2001~



2005~



2008~

LÚCIDO

Mandom is developing this brand primarily in Japan. It was originally marketed as the industry's first fragrance-free personal care product line for men. It comprises hair styling, dyes to conceal gray hair, and skin care products. *Lúcido* is a brand for adults focused on people aged in their thirties and above.



Produce

プロデュース

This is a line of hair colors for gray hair and other hair care products for middle-aged women. Mandom developed these products to address the changes in hair due to aging.

Pucelle

Mandom is developing and marketing the *Pucelle* brand in Asia, mainly in Indonesia. Fragrances have become a part of daily life in the ASEAN region, and the Mandom lineup comprises colorful, decorative items centered on fragrances and body care products that target teenage girls.



Domestic Development

Based on the keywords "fun", "beauty" and "gentle on skin", we are developing products with our proprietary technology, and expanding into new categories like cleansing, skin care and mascara.



Overseas Development

Mandom is marketing the Indonesian-made Pixy brand of products primarily within Indonesia itself as a total cosmetics brand that includes make-up, foundation, and skin care products. The marketing approach is based primarily on counseling sales.



Hair care products

Mandom offers all the products, techniques, and services that hair salons need. Drawing on many years of research into hair science and techniques, we offer hair care products that meet the high quality hair salons demand, and cater to the latest trends at salons.



Esthetic salon products



Dr. Renaud is a traditional French esthetic brand for salon use. In Japan it has been a pioneering brand in facial treatments, and it has gained recognition through approximately 1,000 outlet salons.



Guinot boasts the top market share in the French beauty industry. *Guinot* products are designed to offer optimal facial and body treatments using proprietary esthetic equipment in combination with cosmetics.

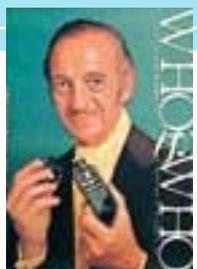


History



- 1927. 12** Established Kintsuru Perfume Corporation
- 1933. 4** Launched *Tancho Tique*, a hit product which laid the foundation for future success
- 1949. 4** Shinpachiro Nishimura (president) appointed to the chief post of Kinki Cosmetic Industry Association
- 1958. 4** Kintsuru Perfume formed a technical tie-up with a local company in Manila, the Philippines, and began operations. This marked the first step in overseas expansion.
- 1959. 4** Company name was changed to Tancho Corporation
- 1961. 5** Mr. Hikoji Nishimura appointed president of Tancho Corporation
- 1966. 11** Chairman Shinpachiro Nishimura passed away on November 3
- 1969. 11** Started a joint venture P.T. Tancho Indonesia in Jakarta, Indonesia (now consolidated subsidiary PT Mandom Indonesia Tbk)
- 1970. 6** Awarded "Excellence in Export Contributions" by the Ministry of Trade and Industry in Japan. The same recognition was received in 1971 and 1972
 - 7** Launched the "*Mandom series*," announcing 10 products in 9 categories
Featured a Hollywood star (Mr. Charles Bronson) for the first time in Japanese advertisement
- 1971. 4** Company name was changed to Mandom Corporation
- 1972. 10** Established Japan Doctor Renault Cosmetics Company (now consolidated subsidiary Piacelabo Corporation)
- 1976. 3** Construction of Fukusaki Factory completed. Commenced operations
- 1978. 5** Switched from distributors to direct sales
 - 7** Launched the new *Gatsby* and *Spalding* product lines, the first time in Japan's cosmetics industry two major lines were introduced simultaneously
- 1980. 4** Switched from direct sales to distributors
 - 5** Mr. Hikoji Nishimura appointed chairman of Kinki Cosmetic Industry Association
 - 8** Mr. Ikuo Nishimura appointed president
- 1982. 4** Commenced Mandom Corporation's 1st 5-year Middle-range Planning (MP Project)
 - 9** Commenced sale of *Pagliacci* lineup through beauty salons throughout Japan
- 1983. 4** Introduced new CI system. Changed company logo
- 1984. 4** Adopted information card system
 - 7** Introduced *Pucelle My Lip*, the company's first product geared to the women's cosmetics market
- 1985. 2** Established Mic Corporation
 - 3** Launched *Hi Funk Gatsby* series of men's hair foam and other products
- 1986. 1** Established External Corporate Auditors
 - 9** Completed construction of a factory specializing in aerosol products at the Fukusaki Factory
- 1987. 4** Commenced 2nd 3-year Middle-range Planning
- 1988. 2** Started a joint venture in Singapore (now consolidated subsidiary Mandom Corporation (Singapore) Pte Ltd)
 - 11** Mandom Corporation shares traded on the over-the-counter market
Issued 500,000 shares, increasing capital
- 1989. 3** Received ECO Mark certification to foam products from the Japan Environment Association
 - 9** Introduced *Lūcido*, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry
 - 12** Started a joint venture in Taiwan (now consolidated subsidiary Mandom Taiwan Corporation)
- 1990. 4** Commenced 3rd 3-year Middle-range Planning
Started a joint venture in Thailand (Mandom Corporation (Thailand) Ltd.)
 - 7** Prices revised due to abolishment of sales subsidies
- 1991. 4** Completed construction of Mandom Tokyo Building
- 1992. 2** Started a joint venture in the Philippines (now consolidated subsidiary Mandom Philippines Corporation)
 - 9** Established M-ZA Corporation, a company with cosmetics procured through selective distribution
- 1993. 2** Construction completed on the first stage of new Head Office building. Commenced operations in the new building
 - 4** Commenced 4th 3-year Middle-range Planning Mr. Hikoji Nishimura decorated with Japan's Fourth Class Order of the Rising Sun
 - 7** Started a joint venture in Hong Kong (now an equity-method affiliate Sunwa Marketing Co., Ltd.)
 - 9** Launched *Lūcido L*, a lineup of fragrance-free products for women
P.T. Tancho Indonesia listed on the Jakarta Stock Exchange (Currently the Indonesia Stock Exchange)
 - 10** Established Guinot Japan Corporation (consolidated subsidiary), a sales company that distributes French cosmetics for esthetic salons
- 1994. 6** The second phase of the construction of a new Head Office ended, completing the construction of the building
- 1995. 6** Mr. Motonobu Nishimura appointed president of Mandom Corporation
Established External Director
- 1996. 4** Commenced 5th 3-year Middle-range Planning
Established Beaucos Corporation (consolidated subsidiary), that imports and processes cosmetics for group companies
Launched "Mandom World", the Group's website on the Internet





- 12 Established Zhongshan City Rida Fine Chemical Co., Ltd., a joint venture in China
- 1997. 1 Started a joint venture in Malaysia (now consolidated subsidiary Mandom (Malaysia) Sdn. Bhd.)
- 4 Established Konan Service Corporation (now Mandom Business Service Corporation)
- 1998. 8 Repurchased 1.7 million shares of Mandom common stock
- 12 Became the first Japanese cosmetics manufacturer to receive certification of its Head Office, research laboratories, plant and Logistics Center to ISO 9001 standards, the international standard governing quality assurance
- 1999. 1 Launched *System E/O*, a line of skin treatment for women with sensitive skin through mail-order sales
- 3 Achieved ¥10 billion sales of *Gatsby* products, a first in the Japanese cosmetics industry for men's products
- 4 Commenced 6th 3-year Middle-range Planning
- 8 Started a joint venture in Korea (now consolidated subsidiary Mandom Korea Corporation)
- 2000. 5 Mr. Ikuo Nishimura, Director and Corporate Advisor of Mandom Corporation, passed away on May 23
- 8 Mandom Corporation's share trading unit lowered from 1,000 shares to 100 shares
- 11 Fukusaki Factory and Logistics Center certified to ISO 14001, the international standard for environmental management systems
- 2001. 3 Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory
- Launched *Gatsby Hair Color* series, developing a market for men's hair color products
- 6 Adopted Executive Officer system
- 8 Repurchased 2.33 million shares of Mandom common stock on the open market
- 2002. 1 Listed on the Second Section of the Tokyo Stock Exchange
- 3 Completed construction of the Mandom Group's Tokyo Nihonbashi Building
- Gatsby Hair Color* commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area
- 4 Commenced 7th 3-year Middle-range Planning
- 5 Started marketing *Gatsby* and *Lūcido L* simultaneously overseas
- 2003. 1 Honorary Advisor Hikoji Nishimura passed away on January 25
- 2 Launched *Lūcido L Prism Magic Hair Color* series, entering the market for women's hair color products
- 3 Designated for listing on the First Section of the Tokyo Stock Exchange
- Capital increase effected through public offering of 1.65 million shares
- 9 Launched men's hair color for gray hair in the *Lūcido* brand
- 10 Achieved "zero emission" status at the Fukusaki Factory
- PT Mandom Indonesia Tbk won the Economic Value Added (EVA) Award in Indonesia
- 2004. 2 Recalled *Gatsby Ex Hi-Bleach*, a Mandom product, due to a burn injury accident (a first recall in the Company's history)
- 3 Acquired Occupational Health and Safety Management System (OHSAS 18001) certification at the Fukusaki Factory, Logistics Center, and Production Engineering Division
- 10 Outsourced logistics operations to Nippon Express Co., Ltd.
- 2005. 2 Acquired M-ZA Corporation, a wholly owned subsidiary
- 3 Transferred all the stocks of Mic Corporation, a wholly owned subsidiary, to BHL SA.
- 4 Commenced 8th 3-year Middle-range Planning
- 6 Terminated retirement benefits for directors and corporate auditors
- 11 Developed an preservative-free product incorporating "alkanediol"
- Launched *Perfect Assist 24*, Mandom's first proprietary cosmetic product for women
- 2006. 3 Received authorization to use the Privacy Mark from the Japan Information Processing Development Corporation (JIPDEC)
- 8 Launched *Gatsby Moving Rubber*. Commenced the 6th round of full-scale renewal of the *Gatsby* brand.
- Repurchased 330,000 shares of Mandom common stock on the open market
- 11 R&D building completed on Mandom headquarters site
- 2007. 1 Revised work rules in response to the introduction of the citizen judge system which will start from 2009.
- 2 Received a 12th (2006) Best Disclosure Award from the Tokyo Stock Exchange
- 8 Launched *Produce*, entering the market for women's hair color for gray hair
- 12 Established new Mission Statement to mark the 80th year since our founding
- PT Mandom Indonesia Tbk achieved annual sales of 1 trillion rupiah



Outline of the Company

Company Name: MANDOM CORPORATION

Description of business: Manufacture and sale of cosmetic products, manufacture and sale of quasi-drugs

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: 2,195 (Consolidated), 517 (Non-consolidated)

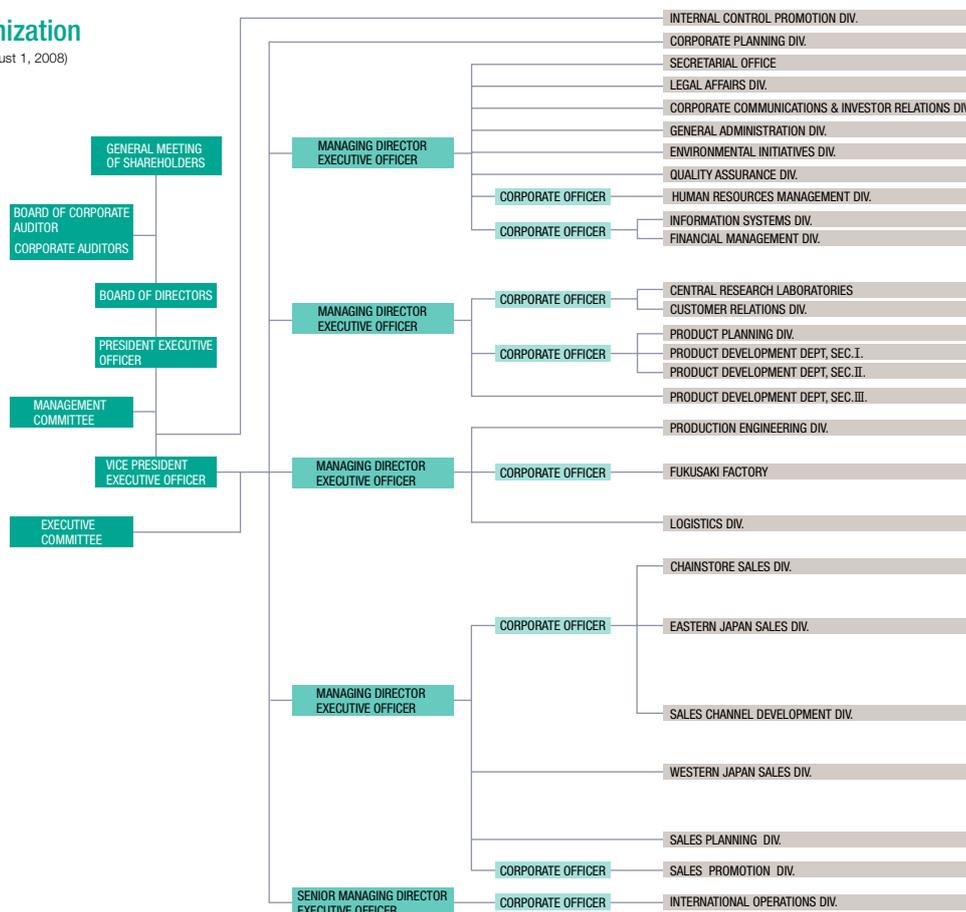
Executive Officers

(As of June 24, 2008)

Representative Director President Executive Officer:	Motonobu Nishimura
Representative Director Vice President Executive Officer:	Hiroshi Kamei
Director Senior Managing Executive Officer:	Yoshikatsu Nishiumi
Director Managing Executive Officer:	Kenji Yamada
Director Managing Executive Officer:	Masayoshi Momota
Director Managing Executive Officer:	Yoshiaki Saito
External Director:	Tsutomu Tsukada
External Director:	Toshikazu Tamura
Corporate Auditor:	Toshihito Higuchi
External Corporate Auditor:	Kazuya Kotera
External Corporate Auditor:	Susumu Takagi

Organization

(As of August 1, 2008)



Key Domestic Business Locations:

Head Office	5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan
Tokyo Building	2-6-3, Shibazono, Narashino-shi, Chiba 275-0023, Japan
Nihonbashi Building	2-16-6, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Fukusaki Factory	290-28, Takahashi, Fukusaki-cho, Kanzaki-gun, Hyogo 679-2216, Japan



Head Office



Tokyo Building

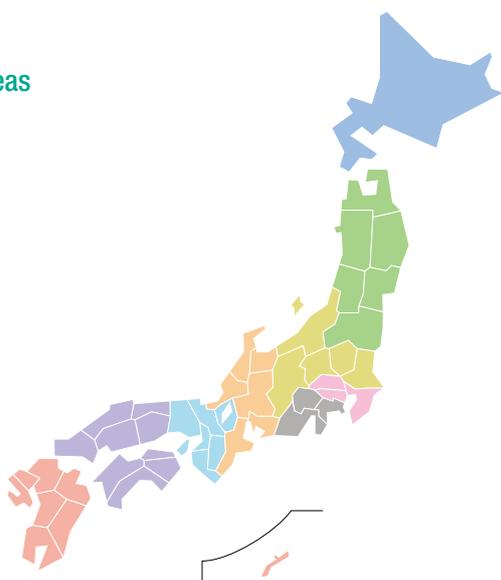


Nihonbashi Building



Fukusaki Factory

Sales Areas



Sales Bases

- Sapporo sales office
- Sendai sales office
- North Kanto sales office
- Tokyo sales office
- South Kanto sales office
- Nagoya sales office
- Osaka sales office
- Hiroshima sales office
- Fukuoka sales office

Group Companies

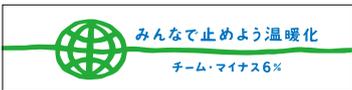
(As of May 31, 2008)

Japan	Company Names	Main Businesses
	Piacelabo Corporation	Sales of cosmetic products
	Guinot Japan Corporation	Sales of cosmetic products
	Beaucos Corporation	Quality management of products handled by domestic Group companies
	Mandom Business Service Corporation	Provides life and non-life insurance, staffing and general services

(As of May 31, 2008)

Overseas	Company Names	Location	Main Businesses
	PT Mandom Indonesia Tbk	Indonesia	Manufacture and sales of cosmetic products
	Mandom Corporation (Singapore) Pte Ltd	Singapore	Sales of cosmetic products
	Mandom Taiwan Corporation	Taiwan	Sales of cosmetic products
	Mandom Corporation (Thailand) Ltd.	Thailand	Sales of cosmetic products
	Mandom Philippines Corporation	The Philippines	Sales of cosmetic products
	Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sales of cosmetic products
	Zhongshan City Rida Fine Chemical Co., Ltd.	China (Zhongshan)	Manufacture and sales of cosmetic products
	Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sales of cosmetic products
	Mandom Korea Corporation	Korea	Sales of cosmetic products
	Mandom China Corporation	China (Shanghai)	Sales of cosmetic products

mandom corp.



Mandom Corporation has acquired ISO 14001 certification for Fukusaki Factory and ISO 9001 certification for Head Office and Fukusaki Factory.

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