mandom／Human & Freedom

Annual Report 2012

For a Unique Company Focusing on Asia

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 Mission

Aiming to Provide a Comfortable Lifestyle Supported by Health and Beauty

Our Values

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

Creating Lifestyle Value With Consumers, For Consumers

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

Active Employee Participation

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

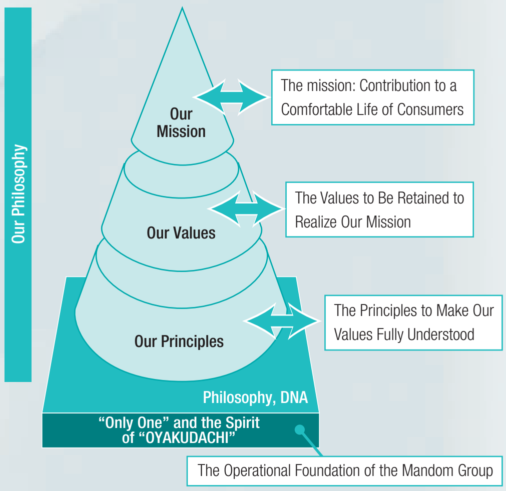
Social Responsibility and Sustainability

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

Our Principles

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

The Concept of Our Philosophy



Contents

Cautionary Statement with Respect to Forward-Looking Statements

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

All amounts have been rounded to the nearest whole unit.

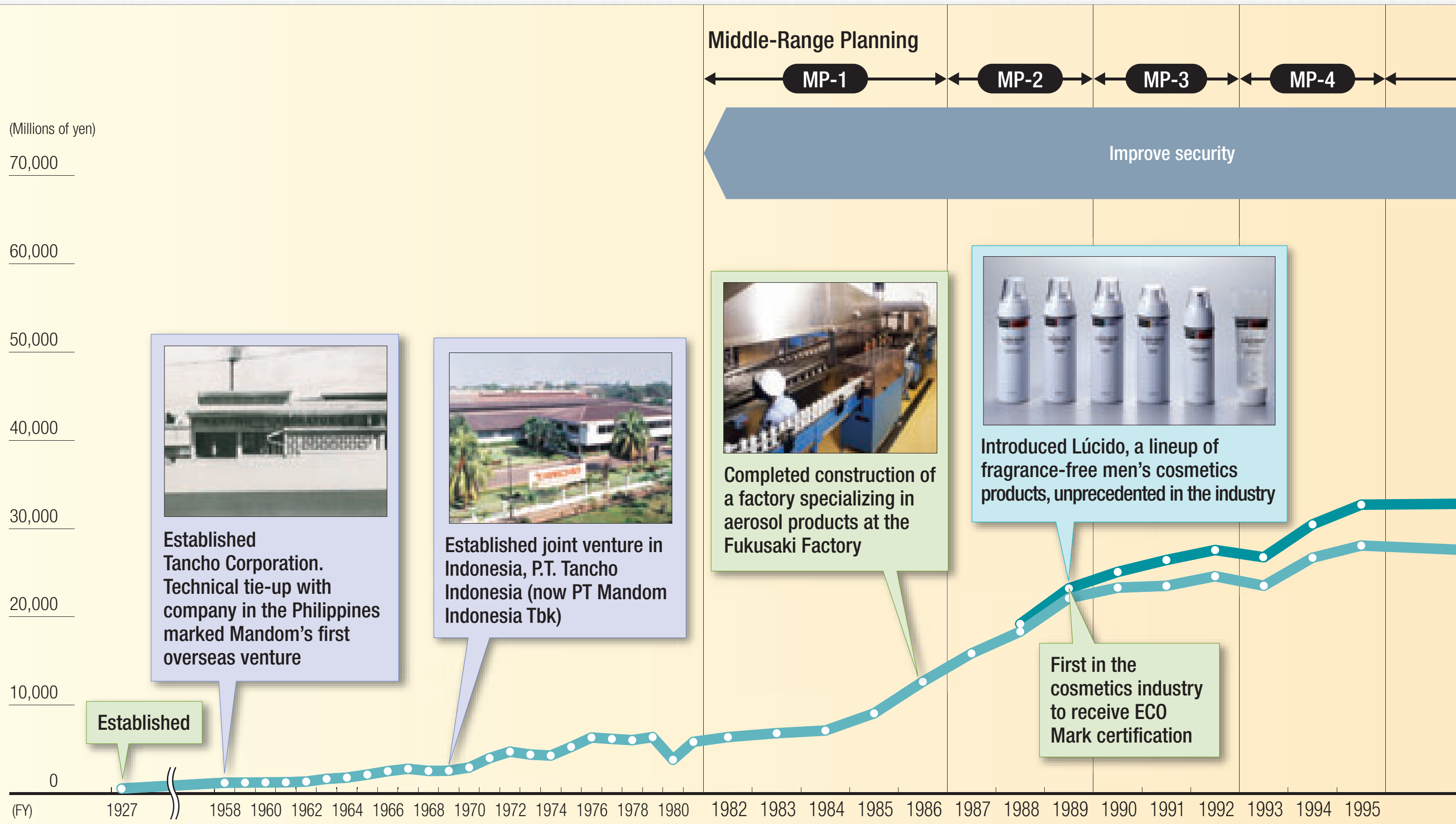
To Be of Use to Consumers

"We must always improve on, or relinquish the desires and trends of a society/era. If we consider the state of affairs objectively, as well as always raising quality, everything from design to appearance and packaging must reflect the tastes of that era, that people".

As Shinpachiro Nishimura (president at time of founding) said in his annual address in 1933, since its foundation Mandom has developed its business based on "the spirit of excellence at a low price", contributing to society by bringing quality goods to the masses. "Satisfy the average sense of style, bring style to the average consumer". Such a mission continues to be passed on, eight and a half decades after the Company was established.

Aiming to Be an "Only One" Company

Since its foundation, Mandom has weathered two management crises. The second one in particular was a serious situation that threatened the very existence of the Company. This provided the impetus to seek out a unique style of management worthy of Mandom, leading to a switch to management that exemplified the essence of the Company. We are devoted in our mission to become an "Only One" Company that possesses distinct products, distinct publicity, distinct marketing and distinct management systems, all in abundance.



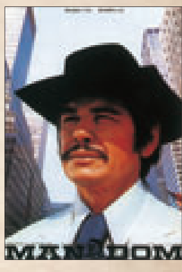
Tancho Tique

Launched in 1933, Tancho Tique took the hairdressing product industry by storm. Although at that time Tique took over a significant demand from fragrant hair oil, manufacturing technology issues meant the market was dominated by imported goods. However, the audacious idea of using the first vegetable oil ever produced in Japan as a base together with a balmy and dignified lavender scent and shiny container with transparent celluloid coating immediately conquered the market, going on to occupy a 90% share, despite being more expensive than imported goods.

Mandom Series

Launched in 1970, the Mandom Series offered new value to consumers due to its "manly aroma" exemplifying male body scent, totally novel product design featuring a convention-defying large cap, coupled with television commercials featuring Hollywood star Charles Bronson.

This marked a new departure that was not shackled by existing social etiquette and values. This sort of product that combined the contemporary male ideals of cool savvy with a wild dynamism and humanity enjoyed explosive popularity in under a month.

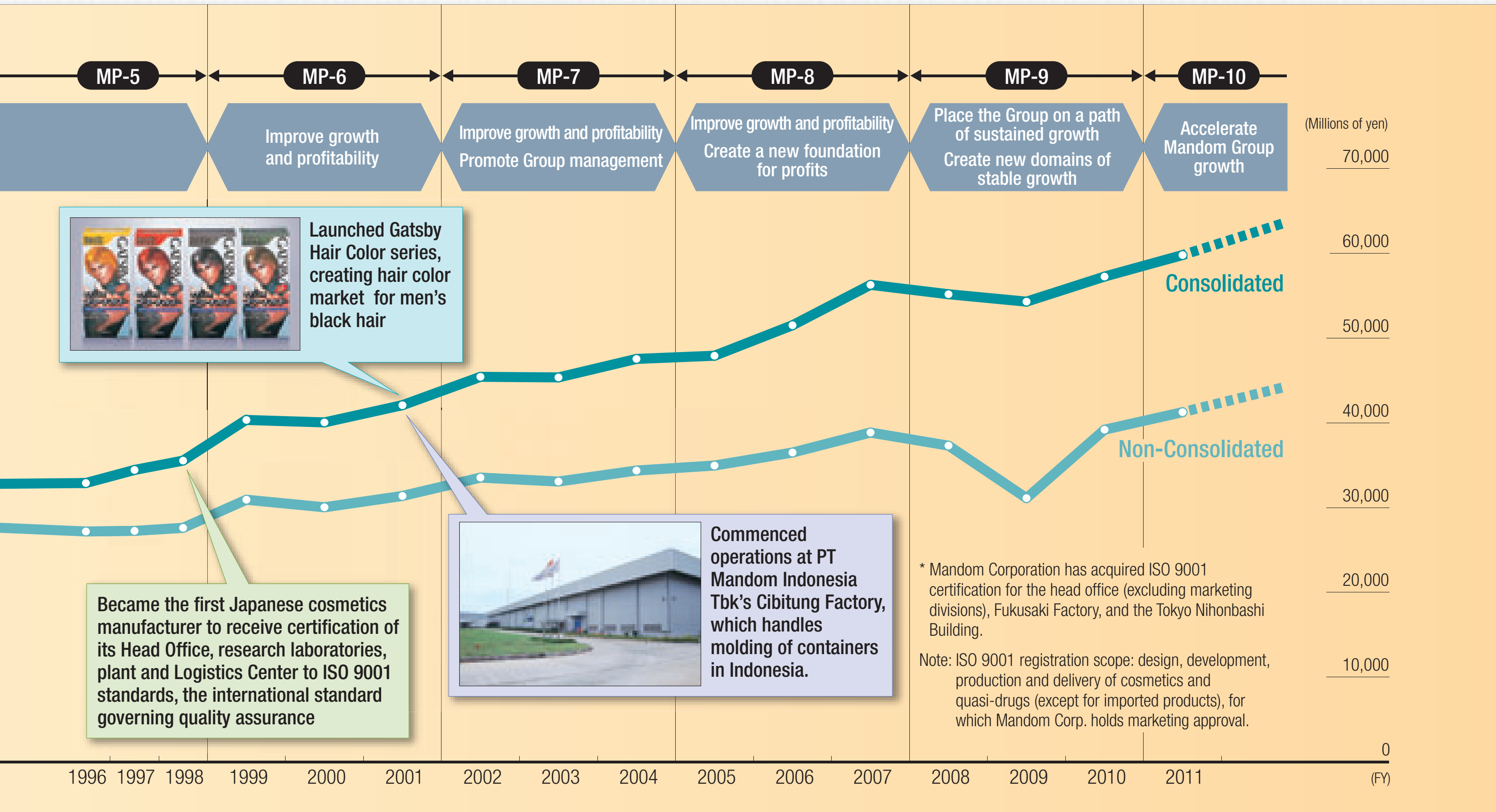


Overseas Expansion Rooted in Local Regions

Overseas expansion began for Mandom in 1958, with the establishment of a technical tie-up in the Philippines. Since then, in an effort to understand consumers, we have focused our efforts on integrating ourselves into local lifestyles in a real sense to thoroughly get to grips with local cultural norms and customs. In each country where we expand our business, we carry through a basic management stance that is rooted in the local area and that allows us to contribute to the consumers of that country.

In Asia, Personnel Who Can Take the Global Stage

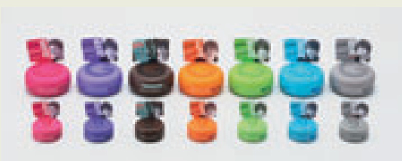
At Mandom, we perceive our people not as a cost, but as resources and assets, which we call Jinzai ("human treasure"). We are aiming to create a company whereby people grow in tandem with corporate expansion. As we augment our business hinging on Asia, we will cultivate talented employees who understand and respond sensitively the diverse value systems of that continent.



Gatsby Moving Rubber Series

The first hair wax appeared in the personal care market in 1996. Since then, it has been used by the young adult segment and is now the main styling product in the hairstyling market.

Launched in 2006, the Gatsby Moving Rubber series responded to various consumer wants and design preferences. As a result, it currently occupies market shares in excess of 15% in the hairstyling market and 65% in the hair wax market. This is a product that has found favor with a wide range of consumers, centered on the young adult segment.



Gatsby Facial Paper Series

In the 1990s facial wash became a daily habit for men, and interest rose toward cleanliness. This was typified by a shift from awareness about etiquette toward others to knowledge about personal cleanliness/comfort, with consumers wanting a product that was not only comfortable and usable but also would retain its comfort after being applied. Gatsby Facial Paper, released in 1996, created a new market as a product reflecting the wants of young men who want to clean their face while out and about or who need to deal with greasy skin. It is still making waves to this day.

Pixy Two Way Cake

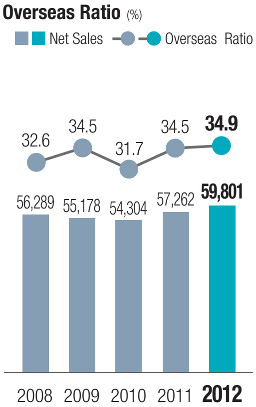
In the 1990s, the scale of the foundation market within the Indonesian women's mass cosmetics market was still very small. Launched in 1995, Pixy Two Way Cake was a vanguard foundation product that afforded consumers a choice of different results and feelings depending on how it was applied. On top of this, the release of a low-priced refillable container resulted in explosive popularity. It has entrenched its position in the expanding foundation market where it continues to enjoy significant growth.

(Years ended March 31)

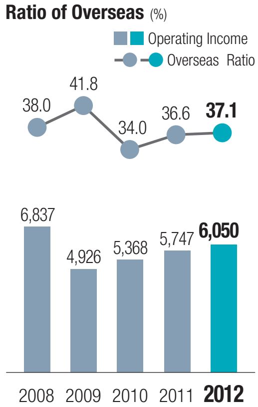
	2003	2004	2005	2006
Operating Results	Millions of yen			
Net Sales	45,434	45,364	47,546	47,923
Overseas Ratio	19.3%	21.3%	25.0%	27.0%
Operating Income	6,322	6,680	6,700	6,065
Overseas Ratio	20.3%	21.3%	26.3%	27.4%
Ordinary Income	5,976	6,304	6,281	6,120
Net Income	2,988	3,253	3,211	3,099
Capital Investment	1,065	1,042	1,791	2,862
Depreciation	1,730	1,694	1,632	1,653
Research and Development	1,482	1,574	1,888	1,688
Financial Position	Millions of yen			
Total Assets	43,868	45,474	47,397	51,320
Liabilities	7,540	7,087	7,329	8,190
Net Assets	34,714	36,687	38,168	40,568
Cash Flows	Millions of yen			
Cash Flows from Operating Activities	5,466	4,396	6,061	4,911
Cash Flows from Investing Activities	(3,194)	(1,810)	(6,919)	(2,444)
Cash Flows from Financing Activities	1,845	(1,456)	(1,345)	(1,196)
Per Share Data	Yen			
Book Value per Share (BPS)	1,434.94	1,516.70	1,577.94	1,677.82
Earnings per Share (EPS)	128.32	130.83	128.73	124.36
Cash Dividends per Share	50.00	50.00	55.00	60.00
Financial Index				
Operating Income Margin	13.9%	14.7%	14.1%	12.7%
Shareholders' Equity Ratio	79.1%	80.7%	80.5%	79.1%
Return on Equity (ROE)	9.3%	9.1%	8.6%	7.9%
Return on Assets (ROA)	14.5%	14.1%	13.5%	12.4%
Payout Ratio	39.0%	36.3%	42.7%	48.2%

Financial Highlights

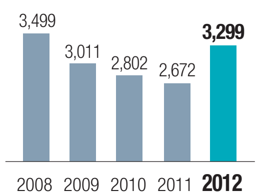
Net Sales (Millions of yen) **/ Overseas Ratio** (%)



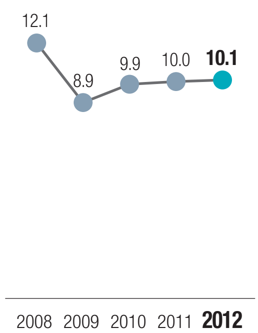
Operating Income (Millions of yen) **/ Ratio of Overseas** (%)



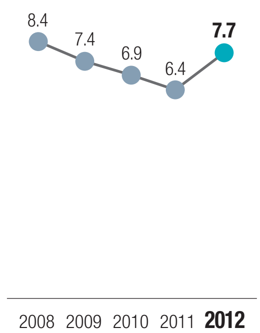
Net Income (Millions of yen)



Operating Income Margin (%)



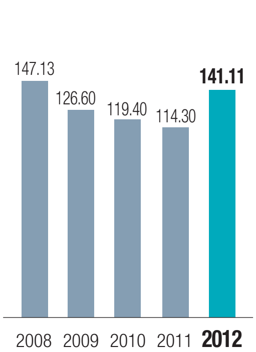
ROE (%)



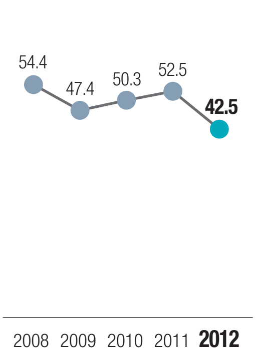
(Years ended March 31)

	2007	2008	2009	2010	2011	2012
						Millions of yen
	51,250	56,289	55,178	54,304	57,262	**59,801**
	29.7%	32.6%	34.5%	31.7%	34.5%	**34.9%**
	5,195	6,837	4,926	5,368	5,747	**6,050**
	36.7%	38.0%	41.8%	34.0%	36.6%	**37.1%**
	5,109	6,704	5,175	5,715	6,006	**6,308**
	2,488	3,499	3,011	2,802	2,672	**3,299**
	2,541	2,096	2,039	3,221	1,696	**2,157**
	1,856	2,236	2,353	2,125	2,394	**2,242**
	1,866	2,024	2,037	1,846	1,850	**1,921**
						Millions of yen
	51,620	54,218	49,078	54,182	53,328	**55,600**
	7,438	8,349	6,698	9,123	8,036	**8,517**
	44,182	45,868	42,379	45,058	45,291	**47,082**
						Millions of yen
	3,411	7,614	3,458	7,766	4,063	**3,692**
	(1,120)	(5,040)	(1,204)	(5,111)	(1,408)	**(2,694)**
	(2,554)	(1,659)	(2,045)	(2,291)	(1,661)	**(1,668)**
						Yen
	1,727.55	1,779.67	1,661.94	1,774.64	1,785.56	**1,861.01**
	104.28	147.13	126.60	119.40	114.30	**141.11**
	60.00	80.00	60.00	60.00	60.00	**60.00**
	10.1%	12.1%	8.9%	9.9%	10.0%	**10.1%**
	79.6%	78.1%	80.5%	76.6%	78.3%	**78.3%**
	6.1%	8.4%	7.4%	6.9%	6.4%	**7.7%**
	9.9%	12.7%	10.0%	11.1%	11.2%	**11.6%**
	57.5%	54.4%	47.4%	50.3%	52.5%	**42.5%**

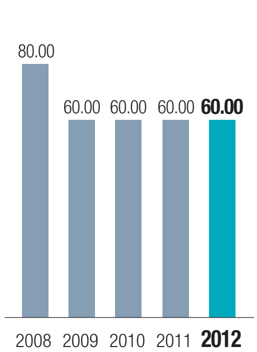
EPS (Yen)



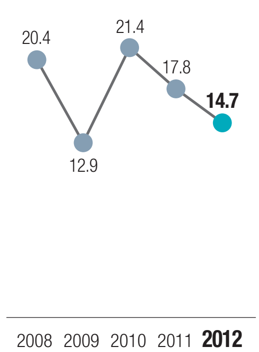
Payout Ratio (%)



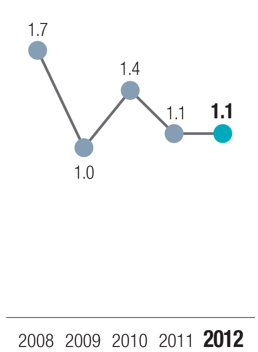
Cash Dividends per Share (Yen)



Price to Earnings Ratio (%)



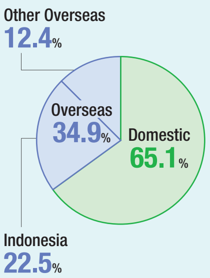
Price-Book Value Ratio (%)



(Years ended March 31)

Area Development

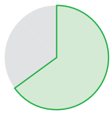
Domestic/Overseas Ratio of Consolidated Net Sales



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

Domestic

[Japan]



●Area Ratio **65.1**%

●Net Sales **38,940** million yen

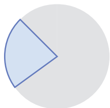
●**3.9**% increase
compared with previous fiscal year

While there are evident areas of growth due to changes in lifestyle, growth in the domestic market remains restrained due to factors including an increasingly low birthrate and aging society coupled with price reductions. With companies in other industries entering the field, these factors all point towards intensifying competition.

In men's cosmetics, Mandom has a high market share and drives the market as its leader, and can maintain and expand this share to peg steady growth. For women's cosmetics, Mandom will leverage a convenient and high-quality line of products that meet consumer wants.

Overseas

[Indonesia]



●Area Ratio **22.5**%

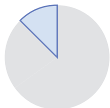
●Net Sales **13,457** million yen

●**4.0**% increase
compared with previous fiscal year

In Indonesia, the core of Mandom's overseas business, there is significant economic growth with further market growth expected in line with increasing consumer purchasing power.

In addition to its existing product range, Mandom will leverage a line-up that reflects the changes in likes, lifestyles and buying behavior brought about by higher purchasing power of consumers, with a view to expanding sales in a growing market.

[Other Overseas]



●Area Ratio **12.4**%

●Net Sales **7,403** million yen

●**8.5**% increase
compared with previous fiscal year

Asia is the business area that will drive growth in the future. Increasing populations and higher lifestyle standards stemming from economic growth in each country point toward a market that will continue to grow.

In men's hair-care products, Mandom plans to build and drive the market, while in other product areas we will increase sales through leveraging a product line-up that reflects the characteristics of each area.

Area Segmentation/ Product Supply System

Mandom has put in place a product supply system that facilitates the leveraging of products befitting the likes, lifestyles and buying power of consumers, which change according to the country and in line with the times.

CHINA

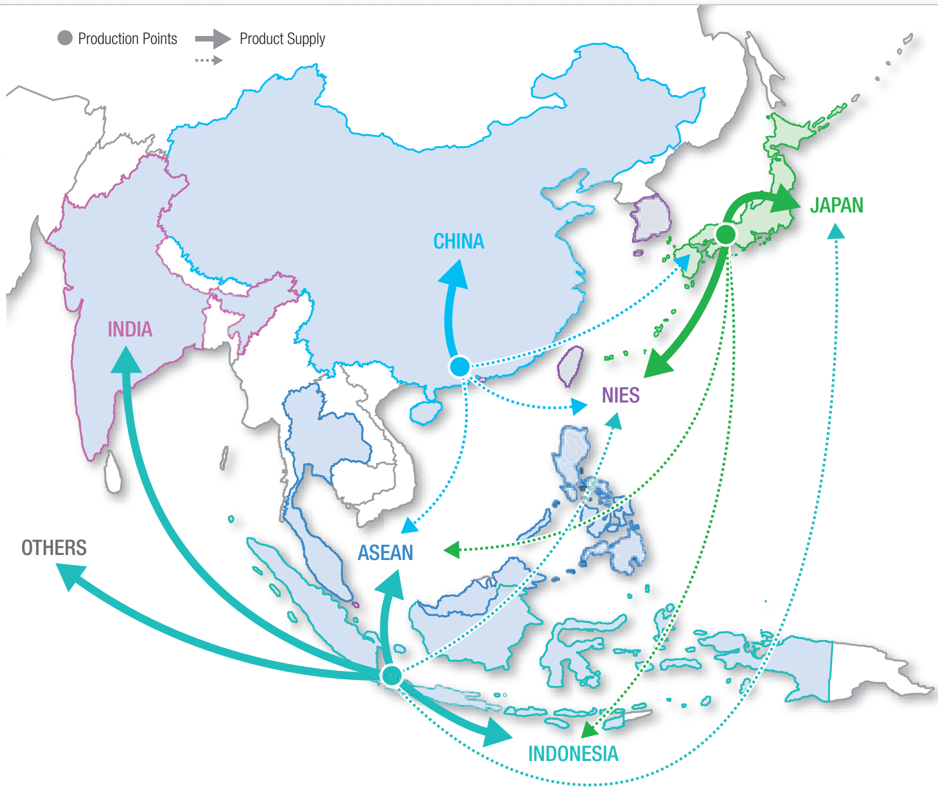
The time lag in trends compared to Japan is short. Receptivity to new products and purchasing power are relatively high in some areas, but as the market for men's cosmetics and hair styling products has not yet matured, this market offers ample potential for growth going forward.

ASEAN (Thailand, the Philippines, Malaysia)

This is an area where, as in Indonesia, awareness of personal style and cosmetics is increasing. Because there are disparities in consumers' purchasing power as well as a wide range of lifestyles and preferences, Mandom supplies products with sizes and prices that suit the lifestyles of consumers in each country, lifestyle, and income group. Mandom also provides products that reflect the characteristics of the country where it is expanding, centered on products made in Indonesia and some products made in Japan.

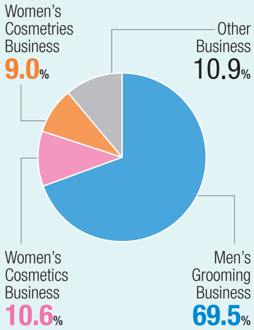
INDIA

This is an area where consumers have a high awareness of personal style and cosmetics. The men's cosmetics and hairstyling markets are undeveloped, with room for significant growth in future. Products supplied in India are produced in Indonesia.



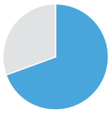
Product Expansion

Consolidated Net Sales – Ratio of Each Business



The Mandom Group has six strategic business units, including the men's grooming business, the women's cosmetics business, and the women's cosmetries business. Development of these businesses hinges directly on the precise wants of consumers in each domain.

Men's Grooming Business

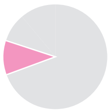


- Business Ratio **69.5%**
- Net Sales **41,586** million yen
- **5.6%** increase compared with previous fiscal year

This business handles a product range that includes men's daily grooming and hair styling products, centering on the Gatsby and Lúcido brands.

Mandom considers the men's grooming business its core business, and will leverage its steady growth to construct a sturdy management foundation.

Women's Cosmetics Business

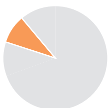


- Business Ratio **10.6%**
- Net Sales **6,312** million yen
- **16.9%** increase compared with previous fiscal year

This business handles a range of make-up and skin care products that lend variety to women's beauty routines, centered on the Pixy and Bifesta brands.

Mandom will extend and intensify the women's cosmetics business with a view to enlarging the scope of sales.

Women's Cosmetries Business



- Business Ratio **9.0%**
- Net Sales **5,378** million yen
- **7.4%** decrease compared with previous fiscal year

This business comprises a range of products that includes hair styling and facial and body care items that are used for everyday personal maintenance and general styling, centered on the Lúcido-L and Pucelle brands.

In the women's cosmetries business, Mandom aims to strengthen its base by reconstructing each of these brands.

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

JAPAN

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

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

This is an area where awareness of individual style and cosmetics is increasing, and it lags only slightly behind Japan in terms of trends. As receptivity to new products and purchasing power are relatively high, Mandom provides highly functional, high-quality products that reflect trends. Mandom also provides products that reflect the characteristics of the country where it is expanding, centered on products made in Japan and some products made in Indonesia.

INDONESIA

Awareness of personal style and cosmetics is on the rise in Indonesia. Due to disparities in consumers' purchasing power as well as a wide range of lifestyles and preferences, in this area Mandom focuses on supplying products with sizes and prices adapted to different consumer lifestyles.

● Japan
Fukuzaki Factory

Boasting sophisticated production technology and the latest facilities, the Fukuzaki Factory turns out highly functional and high-quality products that directly address the latest trends and consumer wants in Japan. This factory primarily supplies products to the Japan and NIES areas.

● Indonesia
Sunter Factory, Cibitung Factory

Through a product system that encompasses everything from container manufacture to productization and an efficient distribution structure, these factories possess a competitive edge in both quality and cost, and produce a rich variety of products catering to the broad range of buying power among consumers in Indonesia. These factories primarily supply the Indonesia, ASEAN and India areas.


▲ Sunter Factory


▲ Cibitung Factory

● China
Zhongshan Factory

With development and production know-how transferred from Japan, The Zhongshan Factory turns out products with a level of quality equivalent to Japan. Primarily supplying products to the China area, this factory also provides product supplements for Group companies.

To become an "Only One" company whose strength lies in its global management with a focus on Asia, we will further promote our 10th three-year Middle-Range Planning, which provides the thrust for the Group's growth.

In the fiscal year ended March 31, 2012, the first fiscal year of our 10th three-year Middle-Range Planning (fiscal year ended March 31, 2012–fiscal year ending March 31, 2014, "MP-10"), we expected results to be impacted by various factors including a slowdown in the domestic consumer mindset following the Great East Japan Earthquake, the rising price of raw materials, and foreign exchange translation differences. Despite these factors, we focused on our strategic measures and reduced costs through an efficiency drive, in order to raise profitability and accelerate growth. As a result of these initiatives, we posted increased revenues and profits, significantly surpassing our initial projections.

In the fiscal year ending March 31, 2013, aiming to accelerate Group growth under the aims of MP-10, we will expand our scope of business and aim to post record sales and income (net income for the year). The entire Mandom Group will work together as one to be a unique company whose strength lies in its global management with a focus on Asia.

Motonobu Nishimura
Representative Director
President Executive Officer

Overview of Fiscal 2012

Consolidated Net Sales	¥59,801 million	(4.4% increase on previous period)
Consolidated Operating Income	¥6,050 million	(5.3% increase)
Consolidated Ordinary Income	¥6,308 million	(5.0% increase)
Consolidated Net Income	¥3,299 million	(23.4% increase)

Market Environment for Fiscal 2012

In a tough domestic market environment, the men's face and body market grew significantly, with strong sales also in the overseas market.

The Great East Japan Earthquake resulted in very difficult circumstances for the Japanese economy during the consolidated fiscal year under review. We are presently working to repair our supply chain. While business has started to recover, the slow global economy and protracted high yen valuation point to a sense of uncertainty about the future. In line with this, tough conditions remain in the cosmetics market. Against this backdrop, the men's face and body market grew significantly. Asia is the main area for our Group's overseas business. The economy of this region remains strong, despite the lackluster global economy. At the same time, the cosmetics market experienced significant growth.

Facing such market conditions, the Group worked toward sustained growth through our strategic measures of achieving stable growth in the core men's grooming business, stepping up efforts in women's cosmetics and continuing to expand overseas operations with Asia as the engine of growth. We also improved profitability by reducing costs, through ongoing initiatives to reduce cost price and increased efficiency.

Overview of Fiscal 2012

With significant domestic and overseas growth, we recorded increased profits and revenues and achieved our highest net sales ever.

As a result of these efforts, we achieved positive results in getting back on the road to recovery. Net sales were ¥59,801 million, up 4.4% over the previous year, operating income was ¥6,050 million, up 5.3%, ordinary income was ¥6,308 million, up 5.0%, and net income was ¥3,299 million, up 23.4%. As well as increased profits and revenues, we recorded our highest net sales ever.

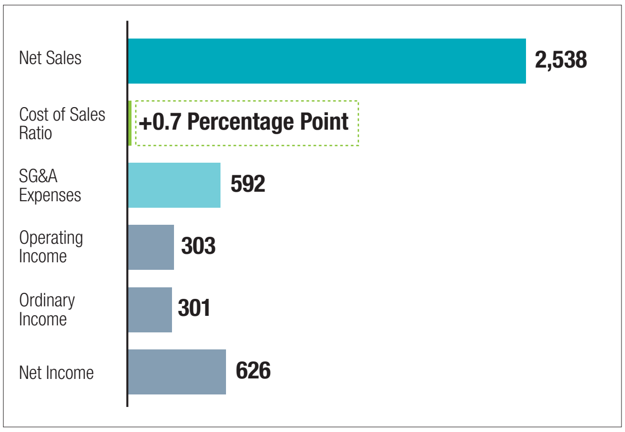
Due to higher interest in care, growth in the domestic men's face and body category was the driving force behind revenue growth.

With regard to net sales, in Japan this increase was mainly due to summer season sales growth in our core domestic Gatsby line of products, as well as strong sales of women's cosmetics at our Indonesia subsidiary, in addition to increased sales at other overseas subsidiaries as a whole. In particular, the domestic men's face and body category grew significantly due to higher interest in cleanliness and the impact of electricity conservation, with increased summer sales for Gatsby products contributing to higher takings.

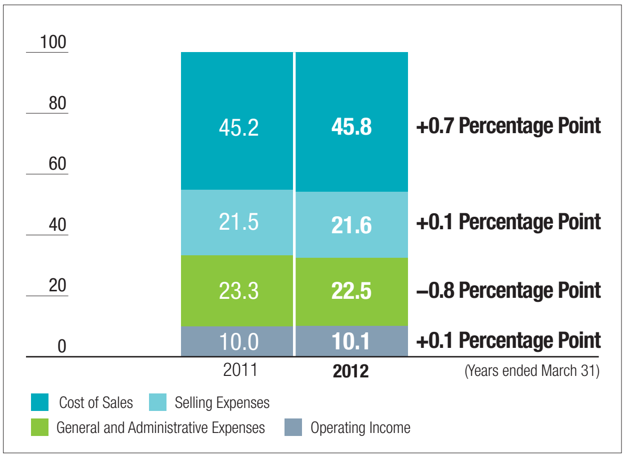
Despite an increase in the cost of sales, profits increased due to cost reduction measures through an efficiency drive and increased revenues.

From a profit perspective, the cost of sales ratio rose due to higher external processing costs stemming from an increased ratio of domestic products with high cost of sales and a major increase in demand for summer season products, together with an increased product return rate and cheaper local currencies overseas. Despite these factors, earnings increased due to increased revenues coupled with greater efficiency in both marketing outlay and sales, general and administrative (SG&A) expenses. Net income for the period increased significantly due to the impact of a decrease in corporate tax for prior periods.

Fiscal 2012 Main Expenses: Breakdown of Increase/Decrease over Fiscal 2011 (Millions of yen)



Ratio of Operating Expenses to Net Sales / Operating Income (%)



Progress in the First Fiscal Year of MP-10

In its first fiscal year, MP-10 got off to a solid start.

We recently embarked on MP-10, a three-year Middle-Range Planning for accelerating Mandom Group growth. We commenced this plan aiming to accelerate growth through continued strengthening of overseas business, stable growth of the men's grooming business and bolstering expansion for the women's cosmetic business, while remaining mindful of improving profitability and maintaining high and consistent shareholder dividend payouts.

Results for First Fiscal Year of MP-10

Growth and profitability surpassed initial plans.

The first fiscal year of MP-10, as described previously, was extremely encouraging with both growth and profitability surpassing our initial projections. This was due to outperforming our goals for MP-10 in its first fiscal year, recording higher-than-expected growth leading to higher profits. In addition, we improved profitability beyond our expectations due to increased efficiency and a review of sales, general and administrative expenses. In particular, MP-10 was able to outperform initial growth projections principally due to higher-than-expected sales for core Gatsby brand summer products, on the back of significant growth in the men's face and body market due to a major increase in awareness in Japan toward cleanliness, and the impact of electricity conservation.

Evaluating MP-10 in its First Fiscal Year

Consistently deploying fundamental initiatives, we outperformed our targets.

For the first fiscal year of MP-10, we succeeded in outpacing our initial projections. This was due not only to the impact of external factors, but also to our promoting three areas* in every country, including Japan. Launching products that reflect consumer wants, we present them in a straightforward way easily understood by everyone involved with the product. In stores, we have carefully

Overview of 10th Three-Year Middle-Range Planning (MP-10)

Middle-Range Planning Aimed at Accelerating Group Business Growth

Growth Potential

Endeavoring to expand sales by focusing on efforts that help secure stable core business growth while bolstering business development in growth fields

Target: Consolidated net sales of ¥**66.0** billion or higher

■ Products
- Stable growth in the men's grooming business
- Increased activity in the women's cosmetics business

■ Geographic Area
- Continued emphasis on Asia as a growth engine

Profitability

Engaging in marketing investments designed to accelerate growth while increasing profitability

Target: Operating income margin of **10**% or higher

1. **Proactive Market Investment Aimed at Enhancing Growth Potential**
   Striving to enhance growth potential by proactively undertaking marketing investment in core businesses and growth fields
2. **Improving Profit Margins by Increasing Profitability**
   Endeavoring to improve profit margins by conducting ongoing comprehensive reviews of the Group's cost structure in an effort to increase profitability

Shareholder Returns

Stable high levels of shareholder returns

Ongoing target: Payout ratio of **40**% or higher

While prioritizing growth-oriented investment, ensure stable high levels of shareholder returns

Progress Status of 10th Three-Year Middle-Range Planning (MP-10)

Progress in the First Year of MP-10

Slight Shift above Initial Plan

Growth Potential

First-year consolidated net sales: up 4.4%
(First-year projection: up 2.2%)

■ Initiatives
MP-10 themes put into motion generally as/better than projected.
+) Continued overseas business reinforcement on local currency basis
+) Stable growth of men's grooming, core business
±) Reinforced development of women's cosmetics

■ External Factors
+) Impact of power-saving in Japan
–) Sluggish men's hair styling market in Japan
–) Yen stronger vis-à-vis other Asian currencies

Profitability

First-year consolidated operating income: up 5.3%
(First-year projection: down 3.4%)

Consolidated operating income rate: 10.1%
(First-year projection: 10% or above)

■ Initiatives
+) Increased profits/profit rate following increased income
+) Continued sales cost streamlining and GA cost review
–) Increased domestic COGS due to increased returns

■ External factors
+) Lower raw material price due to stronger local currency in Indonesia
–) Stronger than expected Yen vis-à-vis other Asian currencies

Shareholder Returns

First-year consolidated dividend payout ratio: 42.5%

deployed basic initiatives one by one to ensure a shopping experience where products are easy to see, easy to hold, and easy to select. We are giving a certain degree of evaluation to these initiatives in precipitating results that outpaced our initial projections.

* The three areas of Lifestyle, Brand, and Business Partner form the crux of Mandom's marketing KohDoh ("thinking and working").

Future Initiatives

To become a "Only One" company whose strength lies in its global management with a focus on Asia, we will implement the strategic themes outlined in MP-10.

Initiatives beyond the Second Fiscal Year of MP-10

We will make investments to achieve growth that surpasses our initial projections.

From the second fiscal year of MP-10, we will continue our initiatives with out altering our initial aims, despite the strong yen's minus impact on foreign exchange. We will further advance marketing investment in overseas businesses without any alteration to our policies for profitability and shareholder dividends, as we pursue growth that outpaces our initial projections.

Initiatives beyond the Second Year of MP-10

Further Increase Investment Toward Growth

Growth Potential

Growth as projected in initial plan on local currency basis
(lower than projected on yen basis due to exchange rate influence)

■Initiatives
Further promotion of MP-10 themes

■External Factors (Risks)
· Yen stronger than projected in initial plan
· Sluggish men's hair styling market in Japan

Profitability

Work on attaining target operating income rate, despite concentrated overseas investment, through actions aimed at reducing COGS rate

■Initiatives
· Actions to reduce COGS rate
· Further investment in marketing for overseas business

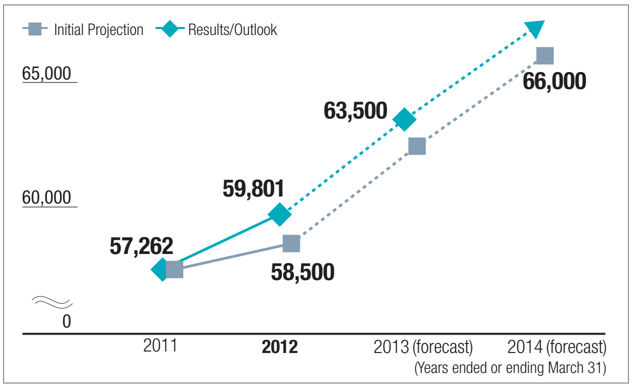
■External Factors (Risks)
· Raw material prices remaining high
· Yen stronger than projected in initial plan

Shareholder Returns

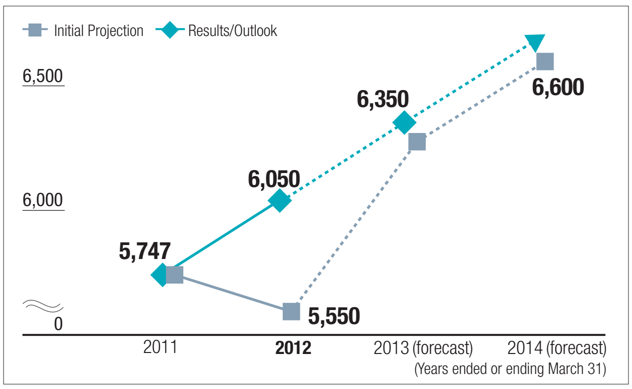
Attaining ongoing target

Initial Targets and Results/Outlook for MP-10

Net Sales (Millions of yen)



Operating Income (Millions of yen)



Forecast of Consolidated Business Results for Fiscal 2013

Consolidated Net Sales	¥63,500 million	(6.2% increase on previous period)
Consolidated Operating Income	¥6,350 million	(5.0% increase)
Consolidated Ordinary Income	¥6,550 million	(3.8% increase)
Consolidated Net Income	¥3,500 million	(6.1% increase)

In fiscal 2013, we aim to post increased revenues and profits, together with record net sales and net income.

In the fiscal year ending March 31, 2013, while we expect a gradual improvement in Japan's economy, the future is likely to remain uncertain due to limitations on electricity supplies and soaring oil costs. Meanwhile, we project that the economies of Asia will continue to grow, even considering the impact of the financial issues in Europe.

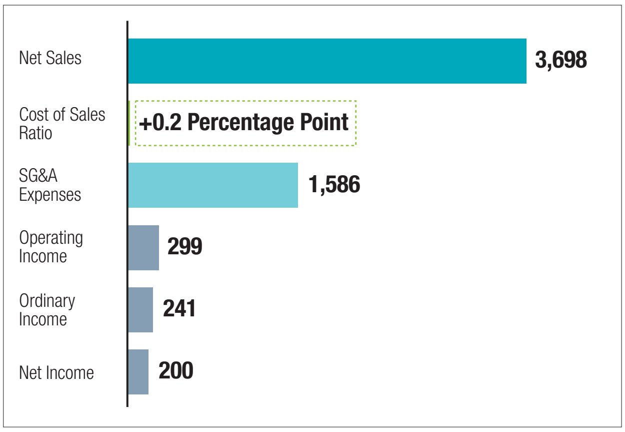
Given these circumstances, the Mandom Group as a whole will be engaged in a number of initiatives, both domestically and internationally, toward sustained Group growth. At the same time, we will focus on addressing issues that emerged during the previous fiscal year.

We believe that we will be able to secure revenue growth through stable expansion in the men's grooming business, stronger initiatives in the women's cosmetics business, and continuing increases in our overseas business, particularly in Asia.

We also foresee profit growth in all stages as we invest more aggressively in marketing overseas and in women's products. While there are concerns about rising raw materials expenses due to higher oil costs, we will continue to reduce costs and conduct programs for more efficient SG&A expenses. Regarding in particular the domestic sales cost ratio, which rose significantly in the previous fiscal year, we will work to curtail outsourcing costs (a causal factor) and to bring down the return rate primarily for summer season goods, as well as other continuous initiatives to reduce cost price.

Forecasts for fiscal 2013 are for net sales of ¥63,500 million, up 6.2% over the previous year, operating income of ¥6,350 million, up 5.0%, ordinary income of ¥6,550 million, up 3.8%, and net income of ¥3,500 million, up 6.1%.

Fiscal 2013 Outlook of Main Expenses: Breakdown of Increase/Decrease over Fiscal 2012 (Millions of yen)



Future Initiatives

In a rapidly changing Asian market, innovation is indispensible.

When I visit countries in other parts of Asia, I am struck by the palpable enthusiasm of the people there the minute I step onto the tarmac. Walking into town, I am alarmed by the increase in the amount of road traffic, such as motorbikes and cars. Every time I encounter this animated situation, I am reminded of how the center of the global economy has shifted to emerging countries. In terms of global competition also, rapidly growing global corporations are now participating in these emerging countries and dramatically changing the competitive landscape. As a result of this and other factors, Mandom faces a changing environment.

In such a market where such speedy, diverse and discontinuous change is becoming the norm, for Mandom to become a unique company whose strength lies in its global management with a focus on Asia, it must innovate by relinquishing existing preconceptions, values and past successes and newly construct a system and set of concrete methods that reflect the changes of the era.

While advancing the global nature of our management itself, we will raise the uniqueness of our products.

Asia is typified by its extremely wide variation in religions, customs, manners and cultures. One must be receptive to such diversity. By nurturing a large number of employees who are receptive to diversity, our management will by extension become more global. In addition, we will be sensitive to consumer needs and wants to offer high-quality, ever more unique products, while adjusting product prices to affordable levels.

In fiscal 2013, while formulating a marketing and production system that sensitively responds to consumer needs and wants, we will launch a new organization pursuant to advancing new businesses and initiatives in our efforts toward achieving each of our objectives.

Closing Remarks

Fiscal 2013, the second fiscal year of MP-10, is underway. As we redouble our efforts toward meeting the goals of MP-10, all employees of the Group will work together in our aim to be a unique company whose strength lies in its global management with a focus on Asia. We look forward to the further support and guidance of our stakeholders in these endeavors.

July 2012

Motonobu Nishimura
Representative Director
President Executive Officer

Men's Cosmetics

In the fiscal year ended March 31, 2012, Mandom recorded net sales of ¥59,801 million, a record for the Company. This growth was driven by the men's grooming business, which leverages the Gatsby brand. The scale of this business constitutes 70% of consolidated net sales, making it the Company's core business. For many years, Mandom has developed its business centered on men's cosmetics and has continued to provide products that reflect men's awareness of personal style, which changes with each era. Today, Mandom has firmly established its position as a men's cosmetics manufacturer representative of Asia, not just Japan.

This feature will introduce the process leading up to the Company establishing its position together with plans for future development in the men's cosmetics market, for which further growth is expected.

The Unique Evolution of Men's Cosmetics in Japan

The Entrenchment of the Globally Rare "Men's" Cosmetics Market

In the fiscal year ended March 2012, the scale of the men's cosmetics market in Japan stood at some ¥120 billion, establishing it as a market in its own right.

Around the world this is a rare phenomenon, as in other countries the norm is to sub-divide markets into "fragrance" and "shaving". In Japan, many cosmetics products that are clearly stipulated as "male use" have been developed across diverse categories. The "men's cosmetics" market is becoming established as the use of cosmetics by men becomes commonplace.

Further Expansion of Categories and Variation

In Japan, there are currently a diverse range of men's cosmetics categories, encompassing shaving foam, hair styling, face care such as washes and lotions, body care products such as deodorant sprays and body lotions, hair coloring products such as hair bleaches and black hair dye, and products for the scalp, including hair tonics. Amidst such a background and in line with diversifying wants whereby the aims of men's cosmetics behavior have broadened from personal maintenance to care awareness and then beauty awareness, men's cosmetics are showing further expansion including new formulations and variations in each category.

History of Men's Cosmetics in Japan

Developed from Hairdressing Product Uniquely Tailored to Japanese Hair

Since the Edo Period, Japanese men have used hair dressing products simply known as "fragrant hair oil". The culture of maintaining an immaculate personal appearance is well established, alongside other daily lifestyle habits such as taking a bath. Since the Meiji Period, men's hairstyles have tended to get shorter. Hairstyling products developed because Japanese men, who traditionally had thick hair, needed a styling product to manage their hair. Furthermore, the unique Japanese concept of men's cosmetics came into being because Japanese men with their high awareness toward cleanliness also have a high interest in skincare and body care. These became entrenched, and developed in the form of the men's cosmetics market.

Asia—A Rapidly Growing Market

A promising market due to rapidly rising standards of living and expansion of consumerism

Mandom is currently expanding is business centered on Asia, which is the midst of rapid economic growth and is enjoying a greater global presence. Each country is posting double-digit GDP growth, constituting one area amid the global economy that is driving growth. These countries are also experiencing a population boom, resulting in a market with considerable momentum.

In Asian countries such as China, Indonesia and India, rapid economic growth and the onset of urbanization have precipitated a rapid rise in the standard of living of consumers. Further expansion of consumerism is expected through the swelling of the middle class stratum.

Asia has come to be seen not only as a mere production base but as a promising market in its own right.

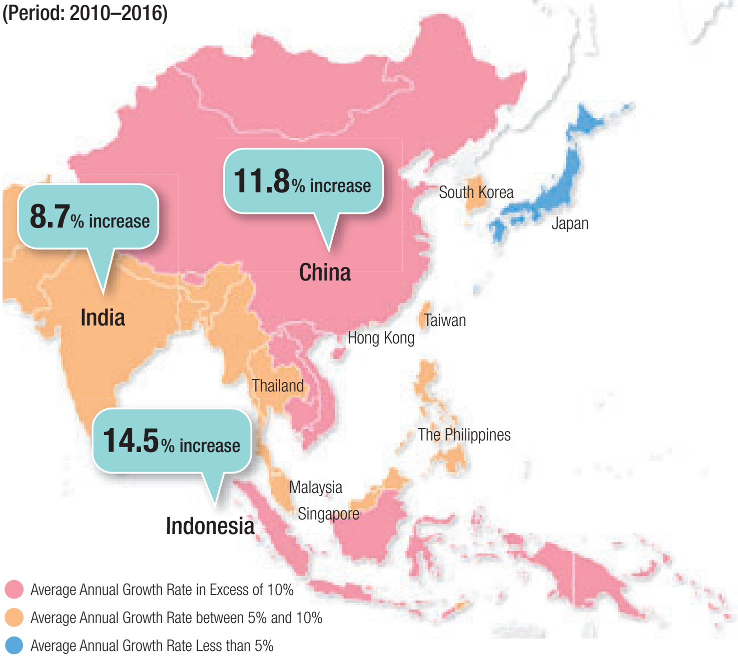
High awareness toward personal care, a culture that enjoys fragrance in daily life

There is an established culture of enjoying fragrance in daily life, centered on South East Asia, whereby men using fragrances and deodorizing products is a normal part of presenting an immaculate image. Coupled with the fact that there has always been a high level of awareness among men toward hairstyles, one can expect expansion of product demand and higher consumer awareness toward personal care in line with the rising incomes of consumers.

Responding to such changes in consumer wants, we will propose new habits and values for men's cosmetics in a market where we anticipate further growth.

Outlook for Annual Average GDP Growth Rate in Asia

(Period: 2010–2016)



* Color coding within map classifies six-year average annual growth rate of nominal GDP (dollar conversion) for major Asian countries until 2016.

Data Source: IMF World Economic Outlook Database, April 2012 version.

An "Only One" Business Cultivating the Men's Cosmetics Market

Mandom currently enjoys the top share of the men's cosmetics market in Japan. We were swift in aggressively developing business overseas, and in Indonesia in particular enjoy an overwhelming market share in a country where like Japan, Mandom is becoming a byword for men's cosmetics.

Our strength today as a unique company in the men's cosmetics company can be attributed to many years of research for which the results and knowledge were accumulated and shared within the Group, allowing the construction of a unique business model.

Cultivating the "men's" cosmetics market by proposing products aligned to male preferences

Initially, men's cosmetics were typified by hairdressing and shaving products, with relatively little variation in formulations. Because the scale of the men's cosmetics market is smaller than that of the women's cosmetics market, in order to grow the men's grooming business, our core business, it is not market share but the expansion of the market itself that is indispensible. To this end, we continually launched cosmetics especially for men that reflect their likes, while proposing new cosmetics habits, without being bound to existing concepts. Increasing products and categories, we transformed the men's cosmetics market into something new, resulting in its expansion.

Furthermore, in Indonesia we raised Indonesian men's awareness toward personal care from an age that lacked the very concept of men's cosmetics, and cultivated and grew the market by proposing cosmetics oriented toward men. These initiatives led to a high level of patronage among men and the capturing of a large market share, establishing our position as the top manufacturer of men's cosmetics.

Proposing new values that are free from preconceived ideas, and the many years of research that underpins this process

In the men's cosmetics market, unfettered by existing cosmetics concepts we created new products that reflected male wants into a reality and released them one after another, including non-typical products, even those that were not yet general or represented in any existing market.

▲ Launched Lúcido, the first-ever fragrance-free men's cosmetics

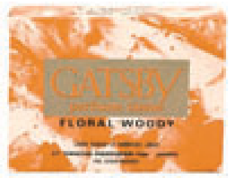
Constantly pursuing all aspects of likes that are specific to men including fragrance, cool sensation, impression from use and packaging, we provide products that reflect precise wants.

▲ The Gatsby Moving Rubber hair wax series, offering a broad-ranging line-up

Income levels differ depending on the area of expansion. Given this factor, we provide products at prices that are aligned to the purchasing power of the consumers who constitute the general public stratum, allowing them to enjoy personal style without breaking the bank.

▲ Size variation in line with consumer buying power

When we develop products in each country, we are not bound by product development in Japan. In line with the notion of responding to local consumer wants, we have developed products to meet the differing wants of each respective region, which has resulted in the Group presiding over a truly diverse product range.



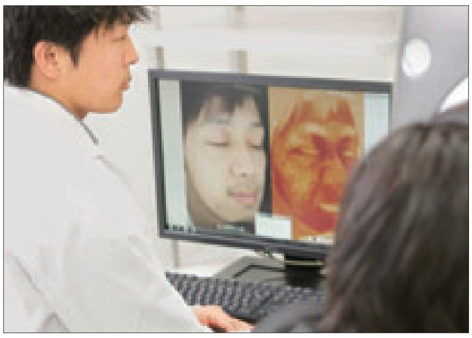
Perfume Tissue
A tissue infused with aqueous fragrance

Talcum Powder
Powder type deodorants

Hair Dye
A powder type product for coloring white hair

▲ Launching products aligned to local consumer wants in each country

In the process of developing men's cosmetic products, we have implemented research over many years and accumulated knowledge about the unique nature of men's cosmetics, encompassing various aspects such as men's hair, skin, feelings and likes.

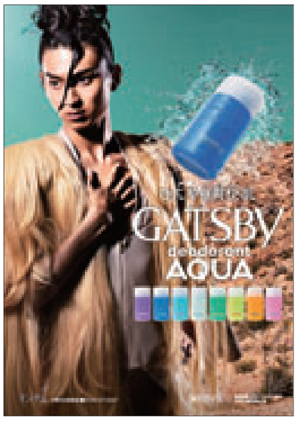


▲ Advancing and accumulating a breadth of research over many years concerning men's cosmetics

Toward further development as the most familiar and stylish cosmetics

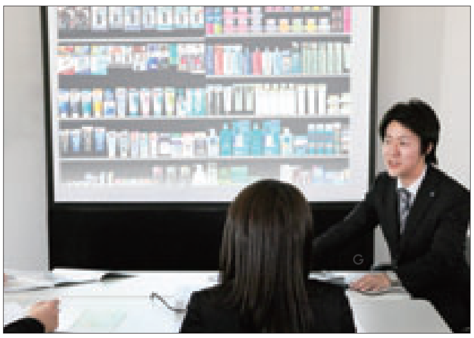
In order to further develop as the most familiar and stylish cosmetics that penetrate the daily lives of consumers, we focus on expanding the contact points between consumers and products.

First and foremost, to ensure consumers know about and are interested in our products, we are expanding recognition and improving product understanding through television commercials and street advertisements, which are very familiar to consumers, as well as expanding cross-media communications including Internet media.



◀▲ Advertising targeting consumers in each country where we expand

While it is important to leverage products through a channel that conforms to consumer purchasing behavior in order to get them to pick up the product and buy it, in the actual stores where consumers encounter our products, we are focusing on creating buying spaces that make it easy to see, select and buy. Together with store promotions to accelerate purchasing and transmit information and proposing shelving allocation at the consumer point of vision, we are implementing category management that facilitates the efficient providing of products in a restricted buying space. These efforts have succeeded in raising the shop front contact ratio between consumers and products and improved efficiency and effectiveness.



▲ Proposing shelving allocation that from the consumer's point of view offers comfortable viewing, ease of selection and ease of purchase

For the general public of each country target area

"Promote among the general public, so that as many people as possible can enjoy high-quality products".

This spirit of promoting quality products at low prices among the general public has been part of Mandom's approach since its foundation. As such, expansion in any area is governed by the fundamental area strategy policy of not deciding on the target along the axis of the product, but by always developing the product by targeting it at the most general sector of the public in each respective area.

Integral to this has been the management philosophy of "creating lifestyle value with consumers, for consumers". Based on our management philosophy of listening to consumers' needs and wants and turning them into attractive products and services, we will polish our ability to understand consumers who form the general public in each respective area in order to develop and propose products.

▲ Products that embody consumers' needs and wants

In conjunction with this ideal, to propose products to consumers who form the general public of each country, we are redoubling our efforts to become localized and to understand everything including culture, religion, climate, lifestyle environment and likes, in order to precisely gauge the wants of local consumers. Rather than viewing the men's cosmetics market as one market, we perceive each country as having its own individual market and as such expend by conforming to each and every aspect of that country, encompassing products, distribution and marketing. Through providing products that match consumer wants at affordable prices in stores within reach of their daily living areas, and by communicating with consumers through mediums that they encounter on a daily basis, we are increasing our local permeation.

▲ Retail through channels that are familiar to consumers

Evolving and Expanding Men's Cosmetics

In addition to Japan, the Company's products are being leveraged by various Group companies in Indonesia, Malaysia, Thailand, the Philippines, Singapore, Taiwan, Hong Kong, South Korea, and China. Beyond Asia, our products are provided to countries all over the world through Dubai, the hub of global trade.

As well as cultivating areas where we have deployed Group companies, we are developing markets in search of new areas for expansion.

Further growth expected in line with rising male awareness toward personal style

In Asian countries including Japan, the men's cosmetics market is still in its infancy compared to the women's market. In Japan, while overall the growth rate is not high, men's beauty care awareness is increasing every year. In the coming years, we look forward to yet more market growth by embodying new wants and expansion of categories and variety by proposing cosmetics habits. In other Asian countries, while rising living standards have led to a higher awareness among men toward personal style, the market itself is still small, and there are many areas that lack the very concept of a men's cosmetics market. There are also areas where awareness toward men's personal style remains low despite economic strength. For that reason alone, we believe that the growth potential for the men's cosmetics market is huge, given our expectation that by proposing products that reflect both the future rising incomes of consumers and their respective areas, we can raise men's awareness toward personal style and engender awareness toward having an immaculate appearance.

India and Indochina—New Areas for Expansion

In March 2012, we established Mandom Corporation (India) Pvt. Ltd., as our 11th overseas Group company and began full-scale development. India is experiencing vigorous economic growth, having doubled its GDP between 2005 and 2011. With a 10% increase in population India constitutes a promising market where further rapid economic growth and market expansion is expected.

In Indochina, we have developed a business in Thailand and are starting to see signs of increasing awareness among consumers toward personal style in the neighboring countries of Myanmar and Vietnam. Given the high growth potential, we are currently developing the market including fully arranging our distribution network.

▲ Strengthening Expansion in India

New Initiatives toward Further Global Expansion

As the Internet further penetrates daily lives and interest in Asian culture grows, interest in the hairstyles of Asian men among their counterparts in the West has thrust the Gatsby hair product into the limelight, with Gatsby users in various countries expanding through personal imports. The fact that Gatsby is becoming increasingly recognized and popular in areas where we are not directly offering products leads us to believe that there is significant potential demand for men's cosmetics products around the world.

Accordingly, in August 2011 we launched the Gatsby global website and created an official Facebook page. Through these websites, we will provide information relating to products and their usage together with information about styling and skin care, with the aim of having as many men as possible discover the enjoyment of personal style, ultimately leading to greater recognition of men's cosmetics and accelerating purchases.

▲ Transmitting information through the Gatsby global website

Feature

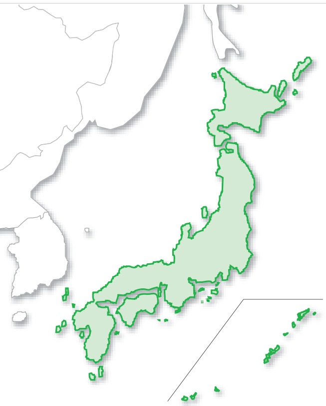
Satisfying the Personal Style of Many Men Around the World

In the global market, the scale of the men's cosmetics market is still extremely small, and is sometimes not even recognized as being worthy of the "cosmetics" label.

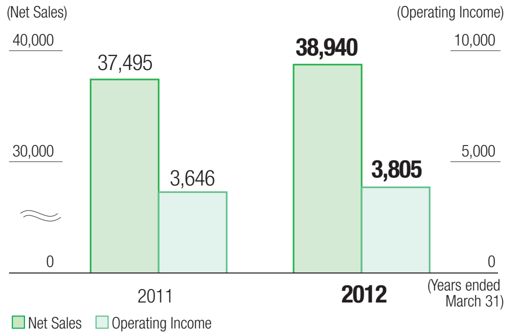
However, the feeling of satisfaction gained from personal style is not limited to women, and is the same for men. For many years, we have seen it as our mission to leverage men's cosmetics as our core business with the specific aims of having men discover the enjoyment of personal style through cosmetics, and gaining a higher sense of satisfaction from personal style.

Fully exploiting our know-how about men's cosmetics accumulated over many years, we will meet the personal style needs of men throughout the world, and redouble our efforts to continue to provide products and prices that offer consumers a higher level of satisfaction.

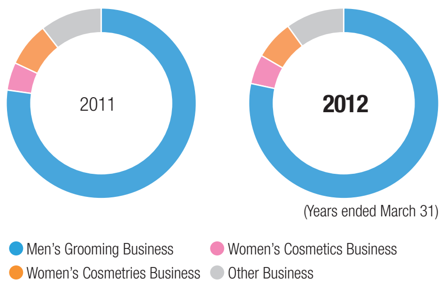
Domestic Operations



Net Sales and Operating Income (Millions of yen)



Net Sales by Business



Japan

This is our key area, constituting over 60% of the Mandom Group's sales.

Operating Results for Fiscal 2012

Net sales increased 3.9%, and operating income 4.4% due to expansion in the core men's grooming business and strong performance in the women's cosmetics business.

Net sales in Japan for fiscal 2012 amounted to ¥38,840 million (3.9% increase year on year). This significant increase was mainly due to summer season sales growth in our core brand Gatsby for face and body products, on the back of higher aspirations toward cleanliess and the effects of electricity conservation. Bifesta in the women's cosmetics business was also strong, making up for limited growth in existing products.

The Group recorded ¥3,805 million in operating income, a 4.4% increase on the previous fiscal year. This was due to effective investments in marketing expenses and increased revenues, and in spite of an increase in cost to sales ratio due to greater sales of summer season products centered on paper products, which have relatively high cost ratios, as well as an increase in product returns.

Men's Grooming Business

Market Environment

While the men's cosmetics market is slowing down somewhat, the face and body care market maintains strong growth.

The scale of the domestic men's cosmetics market is some ¥120 billion, showing an increase despite signs of slowing in recent years.

We believe that one factor is the growth in the face and body care market which, despite a contracting hairstyling market due to a decrease in entry users stemming from a lower birth rate, has seen increasing demand for body care products, due to increased interest and awareness among consumers, together with the extremely hot summers of late.

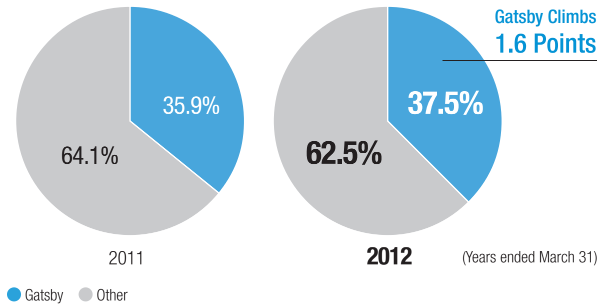
The usage rate of face and body care products in particular is low compared to hairstyling products. We look forward to growth in the face and body care market.

Initiatives in Fiscal 2012

Gatsby posted strong sales due to major increase in summer products.

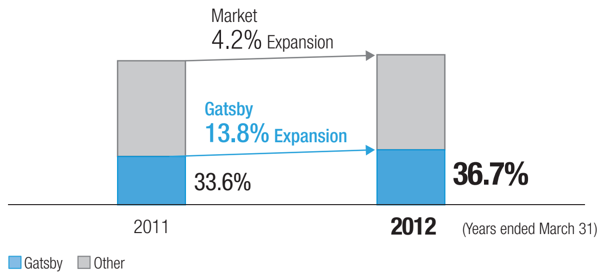
In the year under review, despite an increasingly harsh operating environment for the hairstyling market, the face and body market grew significantly, due in part to the upward trend of recent years together with a sudden increase in demand due to the effects of electricity conservation.

Men's Hairstyling Market Shift in Share of Sales*



* Source: Mandom research

Men's Face and Body Market Scale of Sales and Shift in Share*



* Source: Mandom research

Gatsby increased market share in the hairstyling category. Face and body category also expanded significantly, driving market growth.

In such an environment, in the Gatsby range we strengthened the line-up of the Moving Rubber hair wax series, the main item in the hairstyling category, addressing new consumer wants. Despite the contracting market, we are expanding sales and increasing our market share. In the face and body category, we strengthened our line-up in response to greater demand for summer season products (mainly paper products). We also increased brand recognition and invited usage through advertising and marketing via television commercials, magazines and online media. We bolstered store promotions linked to this publicity in order to stimulate purchasing. Increased demand due to the electricity conservation of last year also played a part, as the face and body care category grew significantly, driving the growth of the market.

▲ Summer products centered on paper products

Lúcido aims to entrench the ageing care habits of men in the middle-to-mature age male segment.

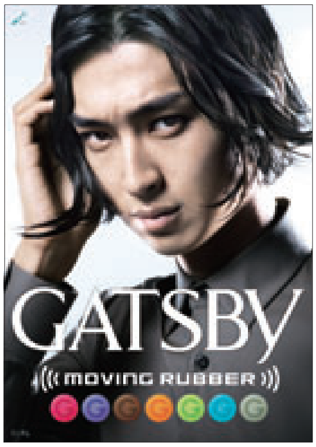
We are also continuing our efforts to nurture the cosmetics market oriented toward middle-to-mature age males, which is expected to increase in line with demographic shifts and increased awareness among consumers toward ageing care. The Lúcido brand that is aimed at this demographic has enabled the Group to renew its face care series (the appeal point of which is aging care), and to establish consumer care behavior through ongoing advertising, the release of the mobile applications, and through building care awareness through sampling and other initiatives.

▲ Advertising emphasizing the benefits of aging care

Future Initiatives

We will respond to new consumer wants together with continuous strengthening of the middle-to-mature age male segment.

In response to a market that is expected to heat up further, we have appointed Shota Matsuda as the face of Gatsby to improve the strength of the brand and to emphasize to consumers the idea of up-to-the minute coolness. Turning to cool products in the body care category that have shown strong growth, we will bolster the line-up by adding items to the existing series and launching the jelly-type body lotion Ice Deo Freezer. We will also launch the new Aqua Body Milk series, and propose care habits for enriched skin in order to expand products in the body care category as we further strengthen our initiatives to nurture the growing market. To meet growing demand for care for damaged hair, we will launch a hair treatment series as we leverage products that respond to consumer wants. We will also continue proposals in the middle-to-mature age male market in our efforts to nurture the market.



▲ Appointed Shota Matsuda as new image character to depict up-to-the minute coolness

Women's Cosmetics Business

Market Environment

While the cleansing market is large in scale, growth has been sluggish in recent years.

In recent years, the women's skin care market has continued to contract gradually, and the cleansing market overall has seen sluggish growth. While a harshly competitive environment continues, the scale of the market is large and is one where we expect to capture a share through proposing new concepts and adding value.

Initiatives in Fiscal 2012

We enhanced recognition in water cleansing through Bifesta to record significantly improved results.

During the year under review, ongoing market contraction saw competition intensify, with each company strengthening its leveraging of the cosmetics market for low-priced goods. Against this backdrop and looking ahead to further strengthening and expanding the skin care category, we renewed Cleansing Express, which offered consumers the new functional value of water base make-up cleansing, as the Bifesta Uruochi Water Cleansing series. For cleansing lotion, which is the leading item within this series, we ran television commercials for the first time in our efforts to increase recognition of and inviting usage of "water cleansing", emphasizing its ability to enrich the skin. In stores, we

▲ Renewal as Bifesta Uruochi Water Cleansing series

leveraged promotions to run alongside television commercials, aiming to increase points of contact with consumers. Through these initiatives, we drove the expansion of the market for lotion-type products in the cleansing market and significantly improved sales.

▲ Emphasizing the benefits of "water cleansing" through television commercials

Future Initiatives

We will strengthen the brand power of Bifesta by bolstering the line-up and proposing new value.

Looking ahead, we will continue to increase recognition of "water cleansing" in the market for make-up cleansing, where we expect further growth, and will also bolster the line-up, including adding sheet-type products. We will also launch the Bifesta Mirai Bihada skin care series, the new skin care series from Bifesta, proposing new value to women in their 30s in the form of simple and sophisticated aging care, and will strengthen the brand power of Bifesta and expand the category.

▲ Bifesta Mirai Bihada, which proposes uncomplicated and sophisticated aging care to women in their 30s

Women's Cosmetries Business

Market Environment

While the women's hair styling market has contracted year after year, the women's body paper market has grown significantly in recent years.

The women's hair styling market is contracting. While hairspray, hair foam and hair wax are all trending downward, we are enjoying increasing sales for other types of hair products such as hair cream and hair milk, a change in trends for hair products.

The women's body care market is also trending upward after year, with the body paper market in particular growing substantially of late.

Initiatives in Fiscal 2012

Sales of Lúcido-L were sluggish, despite proposals responding to hair care awareness.

In the year under review, there were no major changes in the market, which continued to trend slightly downward. For Lúcido-L, we responded to consumer interest in damage care and launched the new hair styling series Hair Make Suppli, that enables hair care together with hair styling, and proposed the new value of "giving supplements to your hair". We deployed magazines and online media to make hair styling proposals hinging on "beautiful hair", which earned an excellent reputation on word-of-mouth websites. Nevertheless, results were stagnant owing to a contraction in the hair styling market.

Future Initiatives

We will enter the body paper market and renew Lúcido-L (core form) hair-wax series.

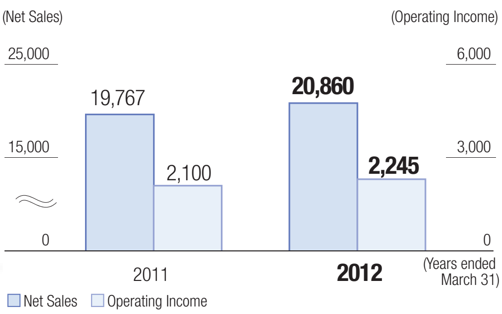
Regarding Lúcido-L, we will renew the hair wax series (the core form) into products that reflect trends, and will strengthen the line-up through adding hair damage care items, to successfully implement brand rebuilding. We will launch body paper products with Disney designs to enter the rapidly growing body paper market, and as well as aiming to capture a share, will strive to raise the level of the women's cosmetries business.

▲ Hair damage care item Lúcido-L Hair Make Suppli

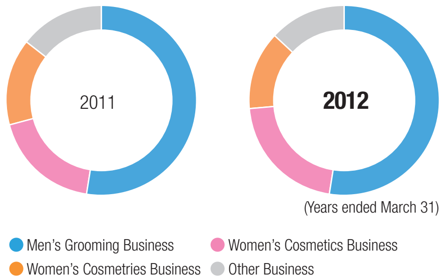
▲ Mandom Body Paper for women

Overseas Operations

Net Sales and Operating Income (Millions of yen)



Net Sales by Business



Indonesia

Indonesia is the Group's largest overseas business area, acting as a key driver for Mandom's overseas business.

Operating Results for Fiscal 2012

Revenue grew 4.0%, and income rose 8.9% due to major expansion in the women's cosmetics business, significant growth in the men's grooming business and effective investments in marketing expenses.

Net sales in Indonesia for the fiscal year ended March 31, 2012, amounted to ¥13,457 million, which represented a year-on-year increase of 4.0%. This was mainly due to strong sales of Pixy in the women's cosmetics business and solid performance by Gatsby, and despite a stagnant women's cosmetries business and a decrease in currency translation on account of the strong yen.

The Group recorded operating income of ¥1,432 million (8.9% year-on-year increase). In addition to the effect of increased revenues and despite the impact of foreign currency translations into yen, this increase was due to foreign currency translations contributing to reduced costs for imported raw materials, combined with effective investments in marketing.

Men's Grooming Business

Market Environment

The men's cosmetics market expanded significantly on the back of a favorable economic environment.

The men's cosmetics business grew significantly, alongside favorable economic growth in the Indonesian economy. Buying behavior and consumer trends are expected to change rapidly in line with shifts in the environment and rising income levels. Rising awareness toward personal style among men and growing purchasing ability suggest that the men's cosmetics market is extremely promising in terms of further growth.

Initiatives in Fiscal 2012

Gatsby performed well, due to strengthening of major items in the hair styling category, and upgrades in the face and body category line-ups.

In the fiscal year ended March 31, 2012, although the market remained healthy, global companies made major advances, further intensifying competition. Against this backdrop, for Gatsby we deployed television commercials to strengthen the Water Gloss series, the mainstay item of the hairstyling category, and strengthened expansion in stores to increase contact points with consumers. In the extremely competitive face and body category, we renewed our face wash and shower gel series and strengthened the line-up to respond to heightened consumer care awareness and diversified wants. In these domains, also we ran television commercials and bolstered store promotions to increase contact points with consumers. As a result, Gatsby performed strongly in the hair styling category.

▲ Investment in television commercials to strengthen mainstay Gatsby Water Gross

▲ Enhanced store promotions for Gatsby Facial Wash Series

▲ Gatsby Facial Wash Series renewal

Future Initiatives

We will leverage products that respond to diversifying and changing wants brought about through increased consumer purchasing power.

We will focus our future initiatives on responding to the diversification of consumer wants due to increased buying power, and to changes in the market. In the hair styling category, we will start expanding the Moving Rubber Series hair wax from the Gatsby range that is currently being leveraged in the Japan and NIES regions, in an attempt to respond to the wants of consumers with a high awareness toward personal style. This will constitute a departure from products made in Indonesia, as we leverage highly functional high-quality products made in Japan in line with the wants of consumers in Indonesia. In doing so, we will bolster initiatives that use the power of the whole Group, to respond deftly to changes in the environment.

Women's Cosmetics Business

Market Environment

While the women's cosmetics market is expanding significantly, an intensely competitive environment prevails due to the market entry of global corporations.

In line with rising income levels among consumers, women's interest in cosmetics is rising. As the skin care and make-up categories expand, more global companies are entering the market. While this would lead one to expect an increasingly intense competitive environment, the cosmetics market is expected to grow even further in the future.

Initiatives in Fiscal 2012

In addition to the buoyant make-up category, Pixy grew significantly due to initiatives to strengthen the skin care category.

In the year under review, while the competitive environment intensified, the scale of the market remained healthy. Against this backdrop and in order to strengthen the skin care category, we renewed the skin care series in the mainstay Pixy brand, and bolstered the lineup by adding the Bright Mat series. As a measure to strengthen the face wash category, we introduced television commercials and enhanced the appeal power and strength of the brand. We also stepped up education of sales staff and improved product proposal capability in stores. Through these initiatives, in addition to the make-up category with a foundation (Two Way Cake) that captures an overwhelming share, we have expanded the skin care category and significantly expanded Pixy.

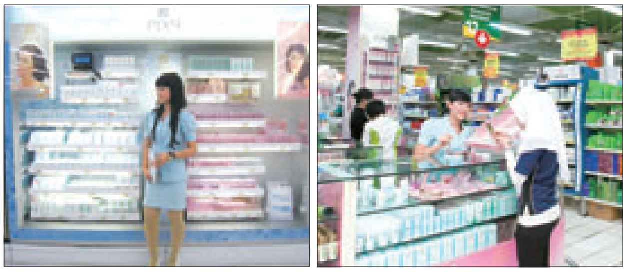
▲ Investment in television commercials to coincide with launch of the Pixy Bright Matte series

▲ Pixy Facial Wash Foam

Future Initiatives

We will strengthen product development by expanding and refreshing one line-up, and educating sales staff to bolster shopfront proposal capabilities.

In response to a rapidly changing market environment and diversifying consumer wants, we will bolster product development by renewing and strengthening our line-up to ensure that it remains fresh. While providing ever more substantial education to sales staff on an ongoing basis, we will deploy our high level of recognition and brand power to attract new consumers and strengthen our proposals to existing consumers.



▲ Ongoing strengthening of development for sales staff, strengthening proposals in stores

Women's Cosmetries Business

Market Environment

Despite significant expansion, a harsh competitive environment in the body care market prevails.

On the back of economic growth, the body care market remains healthy and is a market where we expect to see further growth in future. In particular, in Indonesia where a culture of using scent for personal style has now taken root, light fragrances are a personal style entry item for teenage girls, with a high usage rate in a highly competitive market.

Initiatives in Fiscal 2012

Despite strengthening items in the fragrance category, sales of existing Pucelle brands were sluggish.

In the year under review, the market expanded, precipitating an ever more competitive environment. In the fragrance category, the main category for Pucelle, we strengthened the Japanese Seasons items and launched the Happy Refreshing series, strengthening our product proposals.

Although new products were in good shape, sales of existing brands were sluggish due to increasing competition and stagnation through mis-matching with trends.

▲ Launch of Pucelle Happy Refreshing, strengthening product appeal

Future Initiatives

We will reconstruct the brand by strengthening the line-up and bolstering expansion.

Addressing the stagnation of Pucelle in a fiercely competitive environment, we will launch the new Waterinlip series to attract new consumers and will launch the new Grazel fragrance series to strengthen the lineup. Through such initiatives, we will reconstruct the brand.

Other Overseas

We will drive our overseas business through market development and by cultivating areas with high growth potential.

Operating Results for Fiscal 2012

We posted favorable growth on the whole in countries where we are expanding, despite the negative impact of currency exchange, with revenues and profits up 8.5% and 3.5%, respectively.

In the year under review, net sales in other overseas locations amounted to ¥7,403 million (an 8.5% increase year on year). We attribute this increase primarily to the successful expansion of the scale of our business in other countries, and strong sales of our mainstay Gatsby brand and women's cosmetics business, despite the impact of the high yen on foreign currency translations.

Operating income amounted to ¥812 million (a 3.5% increase year-on-year). This was due to a rise in the cost of sales (of imported products) due to the effects of local currency depreciation in each country and proactive marketing investments to expand sales.

By Area

Aiming for an increased presence in Asian countries with high potential for growth, we are strengthening our position particularly in China, where economic growth is outstanding, but also in Indochina and India.

China

Due to further growth in scale of business, We will cultivate the market through activities to raise men's personal style awareness, and step up expansion of women's cosmetics.

In line with economic growth, while the women's cosmetics market is expanding apace, despite its large potential the men's cosmetics market is growing slowly and due to its as-yet small scale, the market requires education to raise the interest and awareness of men toward personal style.

As well as expanding the distribution network beyond capital cities into regional capitals, we will make hair styling proposals to young males and increase recognition in an attempt to nurture the market.

In the capital region, we will step up expansion of the Japanese skin-care brand Barrier Moist to increase the scale of our business.

Indochina

We are creating a distribution network in promising markets such as Vietnam and Myanmar.

In Indochina, Thailand, Vietnam, and Myanmar are all enjoying economic growth, and while the imminent entry of global corporations is expected to cause competition to intensify, this is a very promising market in terms of growth potential.

Broadening our market development outward from Thailand to the bordering countries of Vietnam and Myanmar, we aim to expand the scale of our business in Indochina.

India

We established a local subsidiary in March 2012, which is preparing for a full-scale launch.

On the back of rapid economic growth, male interest in personal style is rising, making this a promising market where we foresee further growth. We have successfully increased our position in India as a trading business area of Indonesia, and have established a distribution network. To further bolster expansion, we established Mandom Corporation (India) Pvt. Ltd. in March 2012, which we will now roll out in full.

Social Contribution Initiatives

With growing expectations for the delivery of corporate social responsibility (CSR), the Group considers CSR activities to be a high-priority issue.

We will continue to redouble our initiatives toward quality assurance and to address environmental issues. We will also create a CSR framework that enables the Group as a whole to play its proper part in CSR activities as a good corporate citizen.

Quality Assurance

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

In 1998, we established the Mandom Quality Philosophy and the Fundamental Quality Policy. The purpose of these guidelines is to achieve a common understanding of the philosophy and policy of quality at Mandom, while simultaneously making use of a system that draws on checks and balances provided by consumer input and objective standpoints, with a view to maintaining and improving quality.

Philosophy and Policy

Mandom Quality Philosophy

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

Fundamental Quality Policy

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

Quality Assurance Activities

• Planning and Design

In the planning/design process, we gauge and analyze consumer wants based on consumer opinions and research findings so that we can see things from the consumers' point of view and thus accurately incorporate the functions that consumers want into product concepts.

Furthermore, with the precondition of establishing safety, we create products that are user friendly by pursuing and assessing functionality and effect by incorporating our advanced proprietary technologies. In each and every aspect of product design this helps us design high-quality, attractive, and unique products that bring consumers satisfaction from the moment they purchase them.

• Production

In the production phase, we are building a production framework that allows the efficient and stable supply of products at a level of quality that will satisfy consumers in each country where we leverage our products, from the three production bases of Japan, Indonesia and China.

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

The Fukusaki Factory, which uses advanced production technologies and production control systems to satisfy increasingly sophisticated and diversified consumer requirements, provides technical guidance and assistance with the transfer of equipment to plants in Indonesia and China. By sharing technology, the plants seek to enhance quality throughout the Group as a whole.

Behind Our Quality Assurance Activities

• Converting Consumer Responses into Feedback

We store and accumulate consumer opinions and requests received through the consumer consultation office, which are then swiftly channeled in the form of feedback to the relevant departments. By building such a system into our quality assurance initiatives, we are striving toward maintaining and further improving quality.

• Checks and Balances through Objective Standpoints

Not only do we have our own quality management system; we also ensure objective inspection by undergoing third-party audits aiming to maintain and further improve quality, and gaining the trust of consumers.

The Fukusaki Factory (excluding marketing divisions) obtained certification in the ISO 9001 international standard for quality management systems in 1998, and the factory in China obtained certification in 2002. The factory in Indonesia obtained certification in the Indonesian CPKB standard concerning cosmetics manufacture and quality control in 2005.

Environmental Initiatives

As a company in the cosmetics manufacturing sector, the Mandom Group is aware of the importance of its social duty to ensure environmental consideration and is redoubling its efforts toward environmental preservation in each of the processes involved in the manufacture and sales of cosmetics encompassing design, production, distribution and marketing.

As well as attaining a common standard of awareness within the Group, in 1999 we formulated the Mandom Group's Environmental Philosophy and Fundamental Environmental Policy, which enable the construction of an environmental management system that will contribute toward initiatives for ever more substantial environmental preservation activities.

Philosophy and Policy

Mandom Environmental Philosophy "Eco-Policy"

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

Fundamental Environmental Policy "Eco-Activity Guide"

- **Production and Development**
  Mandom carries out the 3Rs (reduce, reuse, and recycle) in its design and production process, and tries to reduce an adverse impact on the environment.
- **Total Business Processes**
  Mandom collectively adopts the following articles in its manufacturing, marketing, administrative, as well as in other divisions within Mandom.

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

Environmental Protection

• Product Design

In the product design phase, we strive for design that reduces the environmental impact of products through the 3Rs (reduce, reuse, and recycle) while at the same time bringing customers quality, functionality, and good design.

• Production

The production stage uses the most resources and energy, and generates the most waste. At this stage, we are striving to reduce CO_2 emissions, conserve energy and decrease waste products along the themes of promoting the preservation of the earth's environment and a recycling-oriented society.

• Distribution

We also protect the environment through more efficient transportation in the distribution phase, outsourcing distribution logistics operations to 3PL providers and by shifting to forms of transport that allow greater volumes to be shipped, such as railways and ships. We are striving to reduce CO_2 emissions and to conserve energy wherever possible.

• Marketing

In marketing, we conduct many sales promotions in stores to communicate our products to consumers. We strive to reduce the number of these promotions and to reuse them as much as possible, and use minimal packaging materials in order to reduce our environmental impact.

Behind our Environmental Preservation Activities

• Checks and Balances through Objective Standpoints

Not only do we have our own environmental management system; we also ensure objective inspection by undergoing third-party audits with the objective of continually improving the system and redoubling our efforts to promote environmental preservation activities.

In 2000, the Fukusaki Factory received certification under the ISO 14001, the international standard for environmental management systems.

Other Social Contribution Activities

The Mandom Group strives towards harmony and integration with society as a "good corporate citizen". Aiming to contribute to developing this focus, we are advancing social contribution activities that hinge on measures that harness our businesses.

We are promoting social contribution activities through measures including providing details of our social contribution activities in our principles.

Corporate Social Responsibility Activities that Leverage Our Business

• JAPAN

Convened "GATSBY DANCE COMPETITION" and "GATSBY Student Commercial Awards" to support the creative endeavors of young people.	Provided young people, the main target of the GATSBY brand, with opportunities for self-expression (dance competitions, commercial video contests).
Ran "Science Experiment Classes" for elementary school students.	Cooperated with the Osaka Chamber of Commerce's "Osaka Loves Science Development Business". 
Held "Personal Grooming Classes".	Provided instruction about how to use men's cosmetics at special needs education schools in the Osaka Metropolitan Area.
Supported "reduced clothing shopping".	Participated in project to promulgate a shopping standard for choosing products with minimal packaging waste.
Conducted "Workplace Experience Learning" for middle and high school students.	Provided opportunities for several local middle and high school students to experience work at the Fukusaki Factory.

• Indonesia

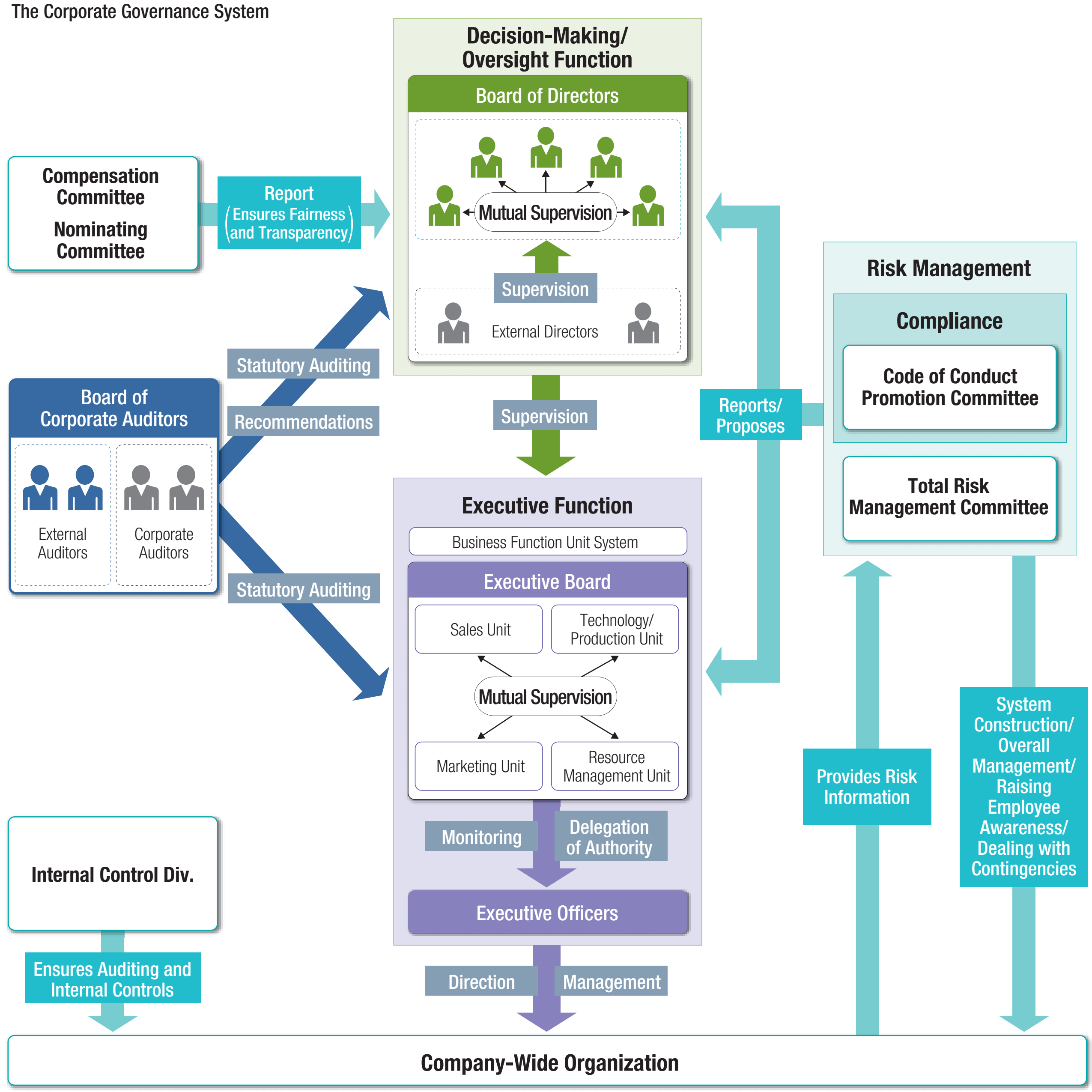
Held beauty seminars for women.	Cooperated in women's social empowerment initiatives, promoted by the Indonesian government's Women's Empowerment and Child Protection Ministry.
Organized practical training for students at occupational high schools.	Provided opportunities for practical training as beauty advisors and retail staff.
Opened "Fashion Model School" in Kidzania Jakarta.	Provided children with career experience opportunities as fashion models.

Corporate Governance

We believe the mission expected of the Company by society is to generate high-quality profits and to achieve sustainable, sound growth together with its stakeholders, including society, by pursuing efficiency (performance), based on the principle of ensuring soundness (compliance) in management.
To this end, the entire Group is working to broaden and strengthen its corporate governance.

Mandom employs the board of auditors system of corporate governance, and rigorous legal audits by the corporate auditors form the foundation of the Company's corporate governance. We ensure fairness and transparency in management by separating the decision-making and oversight functions from the business execution function. To this end, we have combined the appointment of external directors with an executive officer system and the business function unit system to form a single integrated framework.

The Corporate Governance System



Rigorous Legal Audits

Mandom is strengthening its rigorous legal auditing function based on an independent standpoint by appointing a lawyer who is an expert on corporate legal affairs and personnel with abundant administrative leadership experience as external auditors. In addition, the Company has ensured effectiveness in auditing by the corporate auditors by establishing the Regulations to Ensure Effective Statutory Audits, putting in place a reporting system for the corporate auditors, and clearly defining statutory audit obligations and methods.

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

After introducing an executive officer system in June 2001, Mandom abolished the system of executive directors with special titles in June 2004 and shifted to a system of executive officers with special titles, whereby authority for business execution is delegated to executive officers.

In this way, the Company makes it possible for directors with equal standing on the Board of Directors to delegate authority to the executive officers and devote themselves to mutual supervision, oversight of business execution, and decision-making optimal for the Group as a whole. Furthermore, in June 2003, Mandom shortened the term of office of directors to one year, clarified their management responsibility, and developed a framework to enable the creation of a flexible management structure catering for changes in the management environment.

This has enabled us to clearly define the responsibility of executive officers, including executive officers with special titles, and ensure flexibility in business execution through the adoption of a system of executive officers with special titles and the delegation of authority. We also introduced the business function unit system, under which we clarify the executive functions and responsibilities in each unit, and ensure that these are appropriate throughout the entire Group by conducting effective execution in each unit and strategic collaboration and mutual supervision between units.

Appointment of External Officers

Mandom recognized from an early stage that appointing external officers contributes to the reinforcement of corporate governance. Accordingly, we appointed an external auditor from 1986, in advance of legislation providing for such appointments, and we appointed an external director from 1995. Mandom currently has two external directors and two external auditors.

Mandom's external officers are independent from the Company's management team and adequately fulfill their duties from the standpoint of protecting the interests of general shareholders.

Establishment of the Compensation Committee and Nominating Committee

Mandom has established the Compensation Committee and the Nominating Committee, advisory panels to the Board of Directors that have external corporate officers comprising at least half their members.

The Compensation Committee helps to ensure fairness and transparency in the executive compensation system by making recommendations to the Board of Directors from an objective shareholder perspective concerning the establishment of the executive compensation system, the formulation of executive performance evaluation standards, and the decision process relating to amounts of executive compensation.

The Nominating Committee helps to ensure fairness and transparency in the executive selection process by making recommendations to the Board of Directors from an objective shareholder perspective concerning director and corporate auditor candidate decisions and the selection of representative directors and executive officers with titles.

Development and Operation of Internal Controls Related to Financial Reporting

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

Year	Item Enacted
1986	Installed external company auditors.
1995	Installed external executive officers.
1999	Established the Mandom Group Code of Conduct.
	Adopted Business Function Unit system.
2001	Adopted executive officer system.
2002	Revised the Mandom Group Code of Conduct (1st revision).
	Established Code of Conduct Promotion Committee.
	Adapted internal reporting system (Helpline System).
2003	Reduced period of office for executive directors to one year.
2004	Abolished the system of executive directors with special titles and shifted to a system of executive officers with special titles.
2005	Established Compensation Committee.
2006	Established Regulations to Ensure Effective Statutory Audits.
2007	Expanded scope of internal reporting system (Helpline System) to include clients.
	Revised the Mandom Group Code of Conduct (2nd revision).
2008	Established internal control unit under direct control of company president and operating officer.
	Established Nominating Committee.
2009	Established Total Risk Management Committee.
2011	Revised the Mandom Group Code of Conduct (3rd revision).

Risk Management

Mandom is managing risks throughout the Company through the establishment of a total risk management system. This system is designed to avoid and minimize risks that impede the enhancement of corporate value and the achievement of sustainable, sound growth in tandem with stakeholders.

To that end, based on the Total Risk Management Promotion Regulations, we have established the Total Risk Management Committee, which is chaired by the President Executive Officer. It performs supervision and management of the development and operation of our risk management systems.

This committee regards the management of risks that have a severe impact on business continuity and risks that hinder the reliability and appropriateness of financial reporting as an important issue. It is therefore putting priority on performing risk management related to this important issue by promoting the creation of manuals for the implementation of risk management.

Compliance

The Mandom Group's compliance is rooted in Our Philosophy (Contribute to a comfortable life for consumers) and our Management Philosophy (Be honest with the public).

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

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

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

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

Comment from an External Executive Officer

Tsutomu Tsukada External Director

(Profile)

April	1963	Entered Toyota Motor Manufacturing Corporation (currently Toyota Motor Corporation)
February	1988	Departmental Manager of Said Corporation
June	1993	Executive Director, International Digital Communications Inc. (Currently Softbank Telecom Corp.)
June	2000	Managing Director, Aero Asahi Corporation
June	2004	Chairman of Board of Directors (Present Post), WBC Corp.
August	2006	Consultant to Mandom Corp.
June	2007	External Director, Mandom Corp. (Present Post)

For corporations these days, it is becoming imperative to have transparency and accountability. We are aware of the importance of these elements; the absence of either can call into question the merit of a company's very existence.

Mandom is permeated by a climate of fairness and transparency and has never experienced a scandal that damaged our corporate value. However, we are aware that we must never deny the possibility of such a scandal occurring. Based on this awareness and drawing on our standpoint as external officers with some distance from the internal organization, we will accomplish our role in ensuring and reinforcing corporate governance through a three-point approach, coming into contact with internal information, taking steps to obtain internal information and proactively providing our opinions.

In addition to the foundation provided by the existing corporate culture, we believe that improving awareness of different cultures and values will help us grow as individuals and more so as a corporation, taking us closer to where we want to be.

In line with such a qualitative improvement of management as this, we will draw on our collective experience in corporate management to offer proposals based on our external viewpoints, ways of thinking and values.

Executives and Auditors (As of June 22, 2012)

Directors

Back row, from left: Kazuyoshi Okada, Yoshiaki Saito, Tsutomu Tsukada, Toshikazu Tamura
Front row, from left: Ryuichi Terabayashi, Motonobu Nishimura, Masayoshi Momota

Motonobu Nishimura
Representative Director
President Executive Officer

Masayoshi Momota
Director
Senior Managing Executive Officer

Ryuichi Terabayashi
Director
Senior Managing Executive Officer

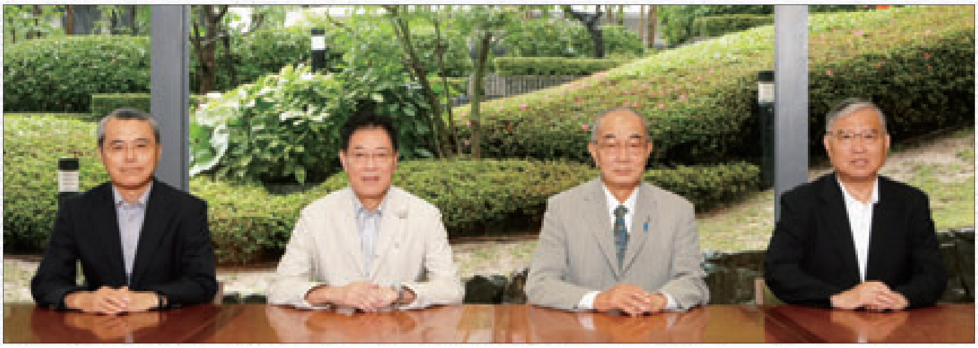
Yoshiaki Saito
Director
Managing Executive Officer

Kazuyoshi Okada
Director
Managing Executive Officer

Tsutomu Tsukada
External Director

Toshikazu Tamura
External Director

Auditors



From left: Takaji Matsuo, Hiroshi Yasui, Kazuya Kotera, Masatoshi Tsuda

Hiroshi Yasui
Corporate Auditor

Takaji Matsuo
Corporate Auditor

Kazuya Kotera
External Corporate Auditor

Masatoshi Tsuda
External Corporate Auditor

Executive Officers (Excluding Company Directors Holding Two Posts Concurrently)

Norio Fujiwara
Managing Executive Officer

Tatsuyoshi Kitamura
Managing Executive Officer

Akira Tanaka
Executive Officer

Hironao Suzuki
Executive Officer

Mitsuhiro Yamashita
Executive Officer

Shinichiro Koshiba
Executive Officer

Yasuaki Kameda
Executive Officer

Norikazu Furubayashi
Executive Officer

Hiroshi Kanayama
Executive Officer

Kazunori Koshikawa
Executive Officer

Yoshiaki Saito
Director
Managing Executive Officer

Analysis of Operating Results

The Great East Japan Earthquake precipitated severe circumstances for the economy of Japan during the fiscal year under review. We are presently working to repair our supply chain. While business has started to recover, the slow global economy and high valuation of the Japanese yen mean that a sense of uncertainty about the future prevails. Asia is the main area for our Group's overseas business. Despite the slow nature of the global economy overall, the economy of Asia is still in firm shape. Such being the economic backdrop, the Group directed efforts to achieve sustained growth by reinforcing the core business area of men's grooming. We also stepped up the offensive in women's cosmetics, and continued to expand overseas operations with Asia as the engine of growth.

As a result, consolidated net sales increased 4.4% year on year to 59,801 million yen. Consolidated net income, on the other hand, declined 23.4% to 3,299 million yen.

(1) Net Sales and Cost of Sales

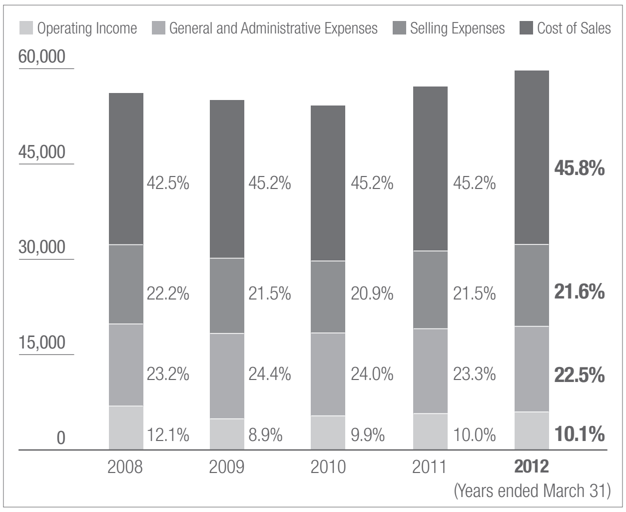
Consolidated net sales for the year ended March 31, 2012, totaled 59,801 million yen, up 2,538 million yen, or 4.4%, year on year, rewriting our record sales figure. This increase was due to factors including higher summer sales in our core domestic Gatsby line of products, coupled with strong sales of women's cosmetics products at our Indonesia subsidiary (PT Mandom Indonesia Tbk), in addition to increased sales at other overseas subsidiaries.

The cost of sales was 27,409 million yen, an increase of 1,541 million yen, or 6.0%, year on year. This was largely due a rise in cost of sales together with increased sales both in Japan and overseas. Thus gross profit totaled 32,392 million yen, up 3.2% year on year.

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

Sales and general administration costs totaled 26,341 million yen, up 2.7% year on year. This result was mainly due to effective investments in domestic marketing (sales promotion) and foreign exchange translation differences for SG&A expenses among our overseas subsidiaries. As a result, operating income amounted to 6,050 million yen, an increase of 303 million yen (5.3%) over the previous fiscal year.

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



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

Non-operating profit and loss decreased 1 million yen year on year. This was due to the increase in non-operating expenses surpassing the increase in non-operating profit. Despite posting 80 million yen in extraordinary profit and loss, we recorded 269 million yen in loss on sales and retirement of fixed assets and the loss of investment securities, Accounting for the aforementioned, income before income taxes and minority interests increased 306 million yen, or 5.3% year on year, to 6,119 million yen. This also reflected the increase of 301 million yen, or 5.0%, to 6,308 million yen.

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

Income and other taxes decreased by 281 million yen, or 10.7%, down to 2,354 million yen, due in the main to a decrease in corporate tax for prior periods and other tax liabilities.

Taking into account the decrease in net income of a subsidiary in Indonesia, minority interest climbed 39 million yen year on year to 465 million yen.

On this basis, net income for the period under review contracted 23.4% year on year to 3,299 million. For the fiscal year ended March 31, 2012, the Mandom Group therefore reported an increase in revenue and decrease in earnings.

Analysis of Financial Position

1. Current Status of Assets, Liabilities and Total Equity

(1) Assets

Total assets during the fiscal year ended March 31, 2012 increased 2,272 million yen compared to the end of the previous fiscal year, reaching 55,600 million yen. This increase was primarily due to a 1,720 million yen increase in inventories, as well as a 1,162 million yen increase in securities and investment securities.

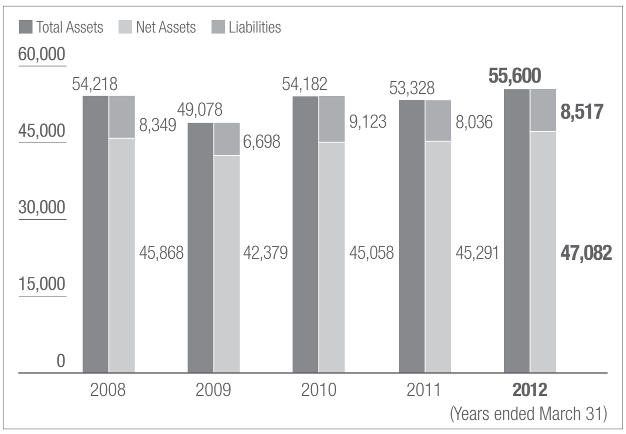
(2) Liabilities

Liabilities increased by 481 million yen over the previous fiscal year, amounting to 8,517 million yen. This increase was mainly due to an increase of 505 million yen in payables.

(3) Net Assets

Net assets increased by 1,791 million yen over the end of the previous fiscal year, amounting to 47,082 million yen. This increase was mainly due to an increase of 1,896 million yen in accumulated income.

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

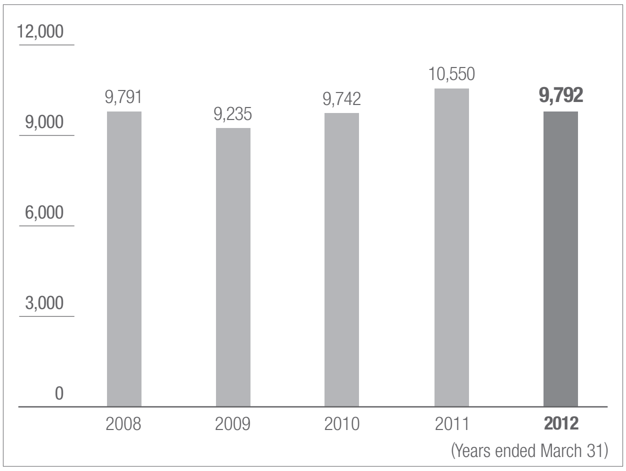


2. Status of Cash Flows

Cash and cash equivalents as of the end of the consolidated fiscal year under review decreased overall year on year. Although the Group recorded net positive changes in income before income taxes and minority interests under cash flows from operating activities compared to the previous period, purchases of investment securities and proceeds from sales and redemptions of securities led to a decrease in payments and receipts. This resulted in Cash and cash equivalents of 9,792 million yen as of the end of the consolidated fiscal year, a decrease of 758 million yen compared to the end of the previous fiscal year.

Balance of Cash and Cash Equivalents at End of Period

(Millions of yen)



(1) Cash Flows from Operating Activities

Net cash provided by operating activities decreased 371 million yen compared to the previous fiscal year, to 3,692 million yen. This was mainly due to an increase in accounts payable of 634 million yen compared to the previous fiscal year, resulting in net cash inflows of 185 million yen, and 843 million yen less in comparative payments of Income and other taxes, resulting in net cash outlays of 2,215 million yen. Meanwhile, inventories decreased 1,428 million yen, leading to net cash outlays of 1,904 million yen. A comparative decrease in accounts receivable of 638 million yen resulted in net cash outlay of 1,131 million yen. Depreciation and amortization amounted to 2,242 million yen, a year-on-year decrease of 151 million yen.

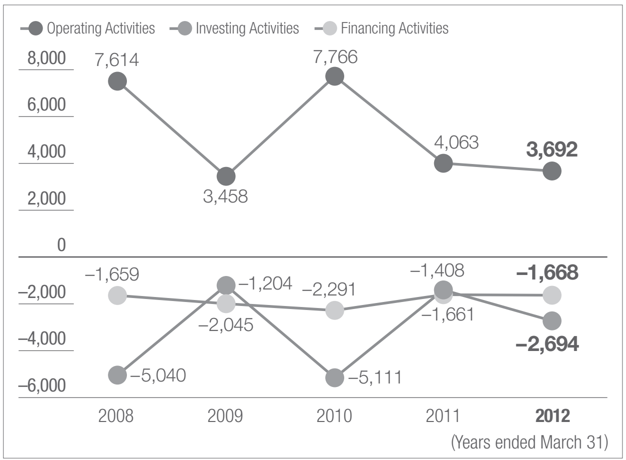
(2) Cash Flows from Investing Activities

Cash provided by investment activities decreased 1,286 million yen compared to the previous year, leaving a negative balance of 2,694 million yen. This was mainly due to net cash outlay used for purchases of securities and proceeds from sales and redemptions of securities in the amount of 835 million yen, which was a decrease of 1,486 million yen compared to the previous fiscal year.

(3) Cash Flows from Financing Activities

Cash flow from financing activities decreased by 6 million yen compared to the previous year and ended in a negative balance of 1,668 million yen. Notably, despite payout in shareholder dividend including payment of dividends to minority shareholders decreasing by 7 million yen compared to the previous year and leaving a negative balance of 1,658 million yen.

Cash Flows (Millions of yen)



Risks to Business, etc.

With regard to management results and financial constitution, the following are items which could have a significant impact on the judgment of investors. Forward-looking statements are based on the judgment of the Mandom Group as of the end of the fiscal year under review.

1. Aligning with Customer Needs

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

2. Extent of Mandom's Reliance on Specific Partners

During the fiscal years ended March 31, 2011 and 2012, there were two wholesalers on which the Mandom Group relied for more than 10% of its consolidated net sales: Paltac Corporation in Japan (29.9% in fiscal 2011, 30.2% in fiscal 2012) and PT Asia Paramita Indah in Indonesia (17.5% in fiscal 2011, 18.5% in fiscal 2012). Mandom and PT Mandom Indonesia Tbk have long-term, stable and continuous business relationships with the above two companies. In the future distribution of cosmetics and other products, there will be a stronger market tendency to allow the dominance of a few large-scale wholesalers. This may lead to a further increase in dependence on specific distributors who are likely to provide earnings accounting for relatively large portions of the Group's sales.

3. Legal Regulations

The Mandom Group manufactures (imports in some cases) and sells quasi-drugs and cosmetics in accordance with various acts including the Pharmaceutical Affairs Law as well as standards relating to quality and the environment. In the event, however, of a major breach of statutory or regulatory requirements, potential exists for difficulties to arise with respect to production and by association impediments to the ongoing viability of the subject business. Moreover, restrictions may be placed on the Company's business due to revisions to existing legislation or the enactment of new laws. In the event that Mandom incurs increased costs in its efforts to comply with statutory and regulatory requirements, its operating performance may be affected.

4. Foreign Exchange Rate Fluctuations

The Mandom Group is focused on business in Asia, where solid market growth is expected in the future. Overseas net sales accounted for 35.5% and 35.8% of consolidated net sales in the fiscal years ended March 31, 2011 and March 31, 2012, respectively, and the weight of overseas business is anticipated to increase in the future. Accordingly, fluctuations in foreign exchange rates have the potential to impact the Group's performance, and prevent the operating results of overseas Group companies from being accurately represented in the Group's business performance when translated into yen.

5. Overseas Business Development

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

6. Factors Causing Fluctuation in Profitability

The business environment surrounding the Group is marked by intense competition and continuing mild deflation in Japan.

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

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

7. Foreign Exchange and Resource Price Fluctuations

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

Issues to be Addressed

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

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

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

2. Addressing Cost Rises Due to Crude Oil Price Increases

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

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

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

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

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

Management's Awareness of Challenges and Policy Going Forward

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

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

1. Current Status of Management Strategies and Outlook

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

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

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

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

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

(3) Ongoing expansion of our overseas business

In our effort to achieve the expansion of our overseas business, Indonesia and China will be our primary targets. These are the most important areas for our initiatives among countries where we have a presence. We will develop the market more deeply through a heavy input of resources including marketing investment in men's styling, alongside stronger nurturing of women's skincare products. We have identified Indochina and India as areas of high importance for our initiatives, and in the former, have established and expanded our distribution network through which we will steadily implement new market expansion. In the Indian market where growth is promising, we will leverage the market through our overseas subsidiary company. We established this company in March 2012 to create the foundation of our cosmetics business and then to expand its scale.

2. Financial Policies

The Mandom Group's financial policies entail maintaining a sound balance sheet and the liquid assets necessary to pursue its business.

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

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

3. Earnings Distribution Policy

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

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

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet
As of March 31, 2012

	Millions of Yen	
ASSETS	2012	2011
CURRENT ASSETS:		
Cash and cash equivalents (Note 14)	¥ 9,793	¥ 10,551
Short-term investments (Notes 3 and 14)	9,804	8,669
Receivables (Note 14):		
Trade notes and accounts	7,092	6,105
Unconsolidated subsidiaries and associated companies	97	136
Other	71	78
Allowance for doubtful accounts	(17)	(20)
Inventories (Note 4)	8,273	6,552
Deferred tax assets (Note 9)	704	824
Prepaid expenses and other current assets	727	759
Total current assets	36,544	33,654
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	511
Buildings and structures	16,945	17,156
Machinery and equipment	12,147	11,550
Furniture and fixtures	3,942	3,991
Lease assets	45	44
Construction in progress	325	158
Total	33,915	33,410
Accumulated depreciation	(22,002)	(21,320)
Net property, plant and equipment	11,913	12,090
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 14)	4,243	4,060
Investments in unconsolidated subsidiaries and associated companies	183	193
Goodwill	38	120
Deferred tax assets (Note 9)	704	991
Other assets (Note 5)	1,976	2,220
Total investments and other assets	7,144	7,584
TOTAL	¥ 55,601	¥ 53,328

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheet
As of March 31, 2012

	Millions of Yen	
LIABILITIES AND EQUITY	2012	2011
CURRENT LIABILITIES:		
Payables (Note 14):		
Trade notes and accounts	¥ 3,976	¥ 3,242
Unconsolidated subsidiaries and associated companies	7	1
Other	81	142
Accrued income taxes (Notes 9 and 14)	703	813
Accrued expenses	1,242	1,268
Other current liabilities	430	514
Total current liabilities	6,439	5,980
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 6)	1,046	1,050
Deferred tax liabilities (Note 9)	4	4
Other long-term liabilities (Note 7)	1,029	1,002
Total long-term liabilities	2,079	2,056
COMMITMENTS (Note 13)		
EQUITY (Notes 8 and 17):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2012 and 2011	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	28,629	26,733
Treasury stock - at cost 753,967 shares and 753,667 shares in 2012 and 2011, respectively	(1,849)	(1,848)
Accumulated other comprehensive loss:		
Unrealized loss on available-for-sale securities	(336)	(560)
Foreign currency translation adjustments	(5,562)	(5,207)
Total	43,512	41,748
Minority interests	3,571	3,544
Total equity	47,083	45,292
TOTAL	¥ 55,601	¥ 53,328

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Income
For the Year Ended March 31, 2012

	Millions of Yen	
	2012	2011
NET SALES (Note 16)	¥59,802	¥ 57,263
COST OF SALES	27,410	25,869
Gross profit	32,392	31,394
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10 and 11)	26,342	25,647
Operating income	6,050	5,747
OTHER INCOME (EXPENSES):		
Interest and dividend income (Note 16)	218	200
Foreign exchange loss	(56)	(19)
Loss on disposal of property, plant and equipment	(72)	(32)
Loss from lawsuits (Note 12)	(90)	
Loss on sales of investment securities	(88)	
Other - net (Note 16)	157	(83)
Other income - net	69	66
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,119	5,813
INCOME TAXES (Note 9):		
Current	2,028	2,196
Prior years	127	381
Deferred	200	59
Total income taxes	2,355	2,636
NET INCOME BEFORE MINORITY INTERESTS	3,764	3,177
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	465	504
NET INCOME	¥ 3,299	¥ 2,673

	Yen	
PER SHARE OF COMMON STOCK (Note 2.m):	2012	2011
Basic net income	¥ 141.11	¥ 114.30
Cash dividends applicable to the year	60.00	60.00

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

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income
For the Year Ended March 31, 2012

	Millions of Yen	
	2012	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 3,764	¥ 3,177
OTHER COMPREHENSIVE LOSS (Note 15):		
Unrealized gain (loss) on available-for-sale securities	223	(285)
Foreign currency translation adjustments	(532)	(977)
Share of other comprehensive loss in associates	(7)	(26)
Total other comprehensive loss	(316)	(1,288)
COMPREHENSIVE INCOME (Note 15)	¥ 3,448	¥ 1,889
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15):		
MANDOM CORPORATION	¥ 3,167	¥ 1,658
Minority interests	281	231

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity
For the Year Ended March 31, 2012

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2010	23,381	¥ 11,395	¥ 11,235	¥ 25,464	¥ (1,848)
Net income				2,673	
Cash dividends, ¥60 per share				(1,404)	
Purchase of treasury stock	(0)				(0)
Net change in the year					
BALANCE, MARCH 31, 2011	23,381	11,395	11,235	26,733	(1,848)
Net income				3,299	
Cash dividends, ¥60 per share				(1,403)	
Purchase of treasury stock	(0)				(1)
Disposal of treasury stock	0		(0)	(0)	0
Net change in the year					
BALANCE, MARCH 31, 2012	23,381	¥ 11,395	¥ 11,235	¥ 28,629	¥ (1,849)

	Millions of Yen				
	Accumulated Other Comprehensive Loss				
	Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	¥ (273)	¥ (4,480)	¥ 41,493	¥ 3,566	¥ 45,059
Net income			2,673		2,673
Cash dividends, ¥60 per share			(1,404)		(1,404)
Purchase of treasury stock			(0)		(0)
Net change in the year	(287)	(727)	(1,014)	(22)	(1,036)
BALANCE, MARCH 31, 2011	(560)	(5,207)	41,748	3,544	45,292
Net income			3,299		3,299
Cash dividends, ¥60 per share			(1,403)		(1,403)
Purchase of treasury stock			(1)		(1)
Disposal of treasury stock			0		0
Net change in the year	224	(355)	(131)	27	(104)
BALANCE, MARCH 31, 2012	¥ (336)	¥ (5,562)	¥ 43,512	¥ 3,571	¥ 47,083

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries

Consolidated Statement of Cash Flows
For the Year Ended March 31, 2012

	Millions of Yen	
	2012	2011
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 6,119	¥ 5,813
Adjustments for:		
Income taxes paid	(2,216)	(3,059)
Depreciation and amortization	2,324	2,503
Provision for retirement benefits	19	229
Loss on sales of investment securities	88	
Loss on disposal of property, plant and equipment	60	32
Changes in assets and liabilities:		
Increase in receivables	(1,131)	(493)
Increase in inventories	(1,904)	(476)
Increase (decrease) in payables	375	(444)
Other - net	(41)	(41)
Total adjustments	(2,426)	(1,749)
Net cash provided by operating activities	3,693	4,064
INVESTING ACTIVITIES:		
Increase in time deposits other than cash equivalents	(1,538)	(1,084)
Decrease in time deposits other than cash equivalents	1,414	1,034
Acquisition of property, plant and equipment	(1,711)	(2,094)
Proceeds from sales and redemptions of investment securities	331	400
Payments for purchases of investment securities	(376)	(158)
Proceeds from sales and redemptions of short-term investment securities	32,500	23,800
Payments for purchases of short-term investment securities	(33,291)	(23,391)
Other - net	(24)	85
Net cash used in investing activities	(2,695)	(1,408)
FINANCING ACTIVITIES:		
Payments for purchases of treasury stock - net	(1)	(0)
Dividends paid	(1,659)	(1,651)
Other - net	(8)	(10)
Net cash used in financing activities	(1,668)	(1,661)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(88)	(187)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(758)	808
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,551	9,743
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,793	¥ 10,551

See notes to consolidated financial statements.

MANDOM CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
As of March 31, 2012

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2012, include the accounts of the Company and its eleven (ten in 2011) significant subsidiaries (collectively, the "Group").

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

Investment in one (one in 2011) associated company is accounted for under the equity method.

Investments in the remaining two unconsolidated subsidiaries (two in 2011) 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.

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

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

b. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and bond fund, all of which mature or become due within three months of the date of acquisition.

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

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

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

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiary is computed substantially by the declining-balance method, while the straight-line method is applied to buildings of the Company acquired after April 1, 1998, and lease assets of the Company and its consolidated domestic subsidiary. The straight-line method is principally applied to the property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 4 to 5 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

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

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

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

i. Leases - In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning April 1, 2008.

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

In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date.

All other leases are accounted for as operating leases.

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

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

l. *Foreign Currency Financial Statements* - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive loss in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

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

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

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

n. *Accounting Changes and Error Corrections* - In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

o. *New Accounting Pronouncements*

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

Major changes are as follows:

(a) Treatment in the balance sheet

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

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

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

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

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen 2012	2011
Short-term investments:		
Time deposits other than cash equivalents	¥ 903	¥ 756
Short-term treasury securities	6,098	6,799
Government, corporate, and other bonds	299	101
Commercial paper other than cash equivalents	999	997
Certificates of deposits	1,500	
Trust fund investment	5	16
Total	¥ 9,804	¥ 8,669
Investment securities:		
Marketable equity securities	¥ 4,230	¥ 4,049
Nonmarketable equity securities	13	11
Total	¥ 4,243	¥ 4,060

Information regarding the securities classified as available-for-sale as of March 31, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	¥ 4,767	¥ 181	¥ (718)	¥ 4,230
Debt securities	7,397	0	(1)	7,396
Other	1,505		(0)	1,505

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

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2012 and 2011, were as follows:

	Millions of Yen 2012	2011
Equity securities	¥ 13	¥ 11

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011, were ¥231 million and nil, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were nil and ¥88 million for the year ended March 31, 2012.

4. INVENTORIES

Inventories as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen 2012	2011
Merchandise	¥ 1,772	¥ 1,535
Finished products	3,727	2,778
Work in process	386	367
Raw materials and supplies	2,388	1,872
Total	¥ 8,273	¥ 6,552

5. OTHER ASSETS

Other assets as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen 2012	2011
Long-term prepaid expenses	¥ 660	¥ 749
Guarantee deposits	497	523
Long-term loans	199	250
Software	284	346
Other	336	352
Total	¥ 1,976	¥ 2,220

Long-term loans are primarily housing loans to employees bearing interest at annual rates which ranged from 0% to 3% at March 31, 2012 and 2011, respectively.

6. RETIREMENT BENEFITS AND PENSION PLANS

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

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

The liability for employees' retirement benefits as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen	
	2012	2011
Projected benefit obligation	¥ 3,321	¥ 3,162
Fair value of plan assets	(2,001)	(1,794)
Unrecognized actuarial loss	(456)	(472)
Unrecognized past service cost	181	153
Net liability	¥ 1,045	¥ 1,049
Attributed to:		
Prepaid pension expense	¥ (1)	¥ (1)
Liability for retirement benefits	1,046	1,050

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen	
	2012	2011
Service cost	¥ 218	¥ 209
Interest cost	104	111
Expected return on plan assets	(42)	(64)
Amortization of past service cost	27	50
Recognized actuarial loss	102	88
Subtotal	409	394
Loss on transfer of retirement benefit plan		48
Contribution for the multiemployer pension plan	271	269
Contribution for the defined contribution pension plan	85	85
Net periodic retirement benefit costs	¥ 765	¥ 796

Assumptions used for the years ended March 31, 2012 and 2011, are set forth as follows:

	2012	2011
Discount rate	1.5%	1.8%
Expected rate of return on plan assets	2.0%	3.0%
Amortization period of prior service cost	7 years	7 years
Recognition period of actuarial gain/loss	7 years	7 years

The Company and certain consolidated subsidiaries participate in a contributory multiemployer pension plan (the "Plan") covering substantially all of their employees. The pension fund assets available for benefits under this plan at March 31, 2012 and 2011, were approximately ¥3,844 million and ¥3,771 million, respectively.

Contributions to the Plan are expensed as retirement benefit costs. Based on the Group's salary expense in comparison to the total salary expense of all employers who participate in the plan, the Group's share of the plan is 12% at March 31, 2012. However, the share is not equal to the actual contribution percentage of the Group.

The financial statement of the Plan as of March 31, 2011 is as follows:

	Millions of Yen
Fair value of plan assets	¥ 30,822
Projected benefit obligation	(43,520)
Net	¥ (12,698)

<Note>

The main reason for the difference between the fair value of plan assets and the projected benefit obligation represented the past service obligation of ¥14,194 million. The past service obligation is evenly amortized over 18 years. The Company and certain consolidated subsidiaries recognized ¥123 million of special contribution expense for the year ended March 31, 2012.

7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen	
	2012	2011
Deposits received	¥ 344	¥ 356
Liabilities for retirement benefits to directors and corporate auditors	572	592
Other	113	54
Total	¥ 1,029	¥ 1,002

8. EQUITY

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

(a) Dividends

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

9. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.63% for the years ended March 31, 2012 and 2011. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The amount ¥127 million and ¥381 million of prior years' income tax were included in the consolidated statements of income for the years ended March 31, 2012 and 2011, respectively, which resulted primarily from the amendment of prior-year income tax return at the Company and the uncollectible prepaid income tax at the consolidated foreign subsidiary for the year ended March 31, 2012, and the correction of transfer pricing taxation between the Company and foreign consolidated subsidiaries for the year ended March 31, 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011, are as follows:

	Millions of Yen	
	2012	2011
Deferred tax assets:		
Accrued bonuses	**¥ 281**	¥ 294
Enterprise tax	**56**	72
Inventories	**142**	133
Retirement benefit costs	**343**	368
Long-term liabilities	**192**	231
Property, plant and equipment	**34**	34
Devaluation of investment securities		116
Unrealized loss on available-for-sale securities	**273**	455
Other	**386**	537
Less valuation allowance	**(107)**	(247)
Total	**1,600**	1,993
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**67**	51
Undistributed earnings of overseas subsidiaries and associated companies	**113**	110
Other	**16**	21
Total	**196**	182
Net deferred tax assets	**¥ 1,404**	¥ 1,811

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2012 and 2011, respectively is as follows:

	2012	2011
Normal effective statutory tax rate	**40.63%**	40.63%
Expenses not deductible for income tax purposes	**2.55**	1.41
Adjustment of undistributed earnings of overseas subsidiaries and associated companies	**0.04**	0.25
Dividends not taxable for income tax purposes	**(3.24)**	(3.43)
Tax credit for research and development costs and others	**(1.43)**	(1.56)
Change in valuation allowance	**(1.97)**	1.75
Income taxes for prior periods	**2.00**	6.64
Capital levy on inhabitant tax	**0.36**	0.39
Decrease adjustment of deferred tax assets for changing the tax rate	**1.46**	
Other - net	**(1.92)**	(0.74)
Actual effective tax rate	**38.48%**	45.34%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.63% to 37.96% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.59% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012, by ¥105 million and to increase unrealized loss on available-for-sale securities as then by ¥15 million and income taxes - deferred in the consolidated statement of income for the year then ended by ¥90 million.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2012 and 2011, were ¥1,922 million and ¥1,851 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2012 and 2011 were ¥3,169 million and ¥3,165 million, respectively.

12. LOSS FROM LAWSUITS

On August 20 and December 1, 2010, lawsuits were brought against the Company in Tokyo District Court by Shiseido Company, Limited, who alleged that some items of the Company infringed their patents. The complainant filed claims to seek an injunction against producing and selling the items and ¥100 million in compensation. However, the lawsuits finally reached an out-of-court settlement. The payments of the settlement and the fee to attorney were charged to income for the year ended March 31, 2012.

13. LEASES

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

Total rental expenses for the years ended March 31, 2012 and 2011, were ¥1,411 million and ¥1,320 million, respectively.

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

	Millions of Yen			
	2012		2011	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	**¥ 8**	**¥ 145**	¥ 8	¥ 145
Due after one year	**14**	**865**	17	1,010
Total	**¥ 22**	**¥ 1,010**	¥ 25	¥ 1,155

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

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

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

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

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

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

(3) Risk management for financial instruments

Credit risk management

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

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

Market risk management

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

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

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

Liquidity risk management

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

(4) Concentration of credit risk

As of March 31, 2012, 49.8% of total receivables are from specific major customers of the Group.

(5) Fair values of financial instruments

(a) Fair value of financial instruments

The carrying amount and fair value as of March 31, 2012 and 2011, were as follows:

	Millions of Yen	
March 31, 2012	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 9,793	¥ 9,793
Short-term investments and investment securities	14,034	14,034
Receivables	7,243	7,243
Total	¥ 31,070	¥ 31,070
Payables	¥ 4,064	¥ 4,064
Accrued income taxes	703	703
Total	¥ 4,767	¥ 4,767

	Millions of Yen	
March 31, 2011	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 10,551	¥ 10,551
Short-term investments and investment securities	12,718	12,718
Receivables	6,299	6,299
Total	¥ 29,568	¥ 29,568
Payables	¥ 3,385	¥ 3,385
Accrued income taxes	813	813
Total	¥ 4,198	¥ 4,198

Cash and cash equivalents

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

Short-term investments and investment securities

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

Receivables, payables and accrued income taxes

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

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

	Millions of Yen	
	2012	2010
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 13**	¥ 11

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

March 31, 2012	Millions of Yen Due in 1 Year or Less
Cash and cash equivalents	¥ 9,793
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	7,396
Other	2,408
Receivables	7,243
Total	¥ 26,840

March 31, 2011	Millions of Yen Due in 1 Year or Less
Cash and cash equivalents	¥ 10,551
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	7,896
Other	772
Receivables	6,299
Total	¥ 25,518

15. COMPREHENSIVE INCOME

The components of other comprehensive loss for the year ended March 31, 2012, were as follows:

	Millions of Yen
Unrealized gain on available-for-sale securities:	
Gains arising during the year	¥ 334
Reclassification adjustments to profit or loss	87
Amount before income tax effect	421
Income tax effect	(198)
Total	¥ 223
Foreign currency translation adjustments -	
Adjustments arising during the year	¥ (532)
Total	¥ (532)
Share of other comprehensive loss in associates -	
Losses arising during the year	¥ (7)
Total	¥ (7)
Total other comprehensive loss	¥ (316)

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

16. RELATED PARTY TRANSACTIONS

Major transactions with unconsolidated subsidiaries and an associated company for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen	
	2012	2011
Sales	¥ 493	¥ 520
Interest and dividend income	23	22
Other expenses – net	(299)	(218)

17. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriations of retained earnings of the Group for the year ended March 31, 2012, were approved at the shareholders' meeting held on June 22, 2012:

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

18. SEGMENT INFORMATION

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

1. Description of reportable segments

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

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

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

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

	Millions of Yen					
	2012					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 38,941	¥ 13,458	¥ 7,403	¥ 59,802		¥ 59,802
Intersegment sales or transfers	3,705	1,578	274	5,557	¥ (5,557)	
Total	¥ 42,646	¥ 15,036	¥ 7,677	¥ 65,359	¥ (5,557)	¥ 59,802
Segment profit	¥ 3,805	¥ 1,432	¥ 813	¥ 6,050		¥ 6,050
Segment assets	41,148	9,387	5,066	55,601		55,601
Other:						
Depreciation	1,577	594	71	2,242		2,242
Amortization of goodwill			82	82		82
Investments in associated company under the equity method			159	159		159
Increase in property, plant and equipment and intangible assets	1,423	748	53	2,224		2,224

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

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

4. Information about products and services

	Millions of Yen			
	2012			
	Products for Men	Products for Women	Other	Total
Sales to external customers	**¥ 41,587**	**¥ 11,690**	**¥ 6,525**	**¥ 59,802**

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

5. Information about geographical areas

(1) Sales

Millions of Yen				Millions of Yen			
2012				2011			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 38,382	**¥ 11,077**	**¥ 10,343**	**¥ 59,802**	¥ 36,926	¥ 10,626	¥ 9,711	¥ 57,263

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

(2) Property, plant and equipment

Millions of Yen				Millions of Yen			
2012				2011			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 8,763	**¥ 2,899**	**¥ 251**	**¥ 11,913**	¥ 8,931	¥ 2,887	¥ 272	¥ 12,090

6. Information about major customers

	Millions of Yen	
	2012	
Name of Customers	Sales	Related Segment Name
Paltac Corporation	**¥ 18,039**	**Japan**
PT Asia Paramita Indah	**11,039**	**Indonesia**

	Millions of Yen	
	2011	
Name of Customers	Sales	Related Segment Name
Paltac Corporation	¥ 17,093	Japan
PT Asia Paramita Indah	10,148	Indonesia

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheet of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 15, 2012

Member of
Deloitte Touche Tohmatsu Limited

Company Outline

Company Name	Mandom Corporation
Head Office	5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan
Established	December 23, 1927
Paid-in Capital	¥11,394,817,459
Number of Employees	2,256 (Consolidated) 544 (Non-consolidated)
Fiscal Year-end	March 31
General Meeting of Shareholders	Ordinary General Meeting of Shareholders Every June
Independent Auditor	Deloitte Touche Tomatsu LLC

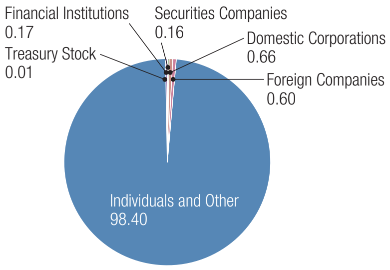
Group Companies

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

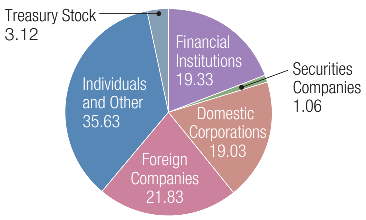
Equity and Shareholder Information

Number of Shares Authorized for Issue
81,969,700 shares
Shares of Common Stock Issued and Outstanding
24,134,606 shares
Number of Shareholders
22,798
Stock Listing First Section, Tokyo Stock Exchange
Securities Code 4917
Transfer Agent The Mitsui Sumitomo Trust and Banking Co., Ltd.

Common Stock Holdings



Shareholders by Type (%)



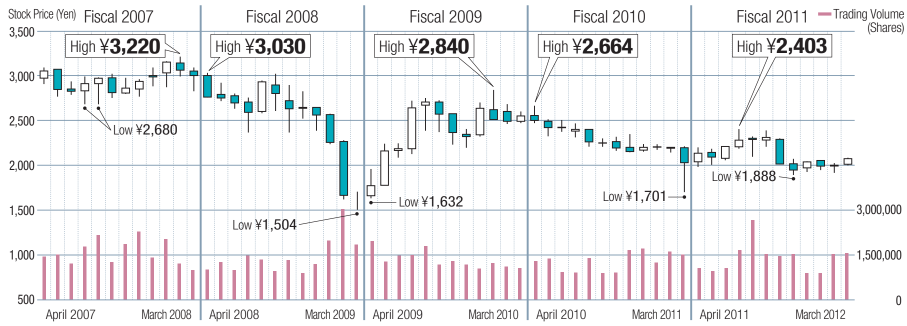
Shareholders by Holding (%)

Major Shareholders

Shareholder Name or Title	No. of Shares Owned (Thousands)	Ratio of Share Ownership (%)
Nishimura International Scholarship Foundation	1,800	7.46
The Master Trust Bank of Japan, Ltd. (trust account)	1,150	4.77
Japan Trustee Services Bank, Ltd. (trust account)	1,134	4.70
Mandom Employee Shareholding Association	767	3.18
Mandom Corporation	753	3.12
Motonobu Nishimura	720	2.98
STATE STREET BANK AND TRUST COMPANY	635	2.63
BNP Paribas Sec Svc London/Jas/Aberdeen Investment Funds Icvc/ Agency Lending	559	2.32
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	478	1.98
BNP Paribas Sec Service Luxembourg /JASDEC/ Aberdeen Global Client Assets	395	1.64

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

Stock Price and Transaction Volume



Mandom Group Corporate IR Activities

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

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

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

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

Note: ISO 9001 Registration Scope: Design, Development, Production and Delivery of Cosmetics and Quasi-drugs (except for imported products), whose Mandom Corp. is Marketing Approval Holder.