

Domestic Operations

Japan

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



●Economic Environment

Despite ongoing weakness amid a slowdown in the global economy, the economic environment in Japan showed signs of a gradual recovery spurred by reconstruction work in northeastern Japan in the aftermath of the March 11 earthquake and tsunami as well as policies introduced by the new government beginning last December.

●Cosmetics Market Environment

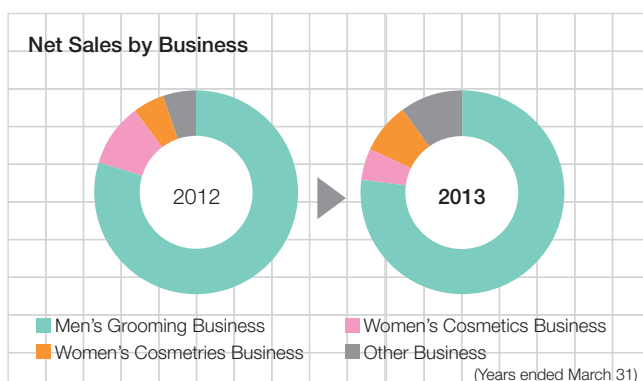
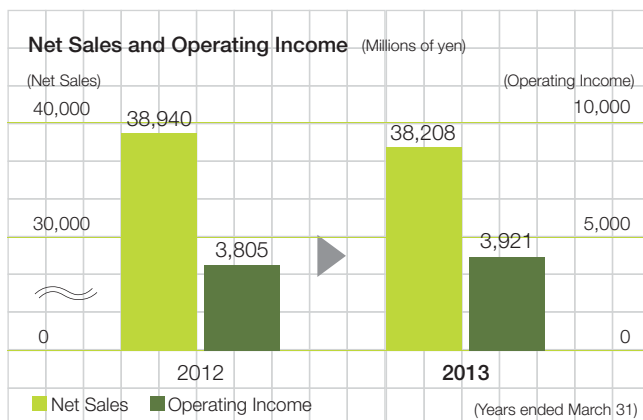
The scale of the cosmetics market environment in Japan is

approximately ¥1,400 billion (Source: Ministry of Economy, Trade and Industry cosmetics monthly report). This market has reached maturity as growth peaked mainly due to the prolonged recession and deflation. No significant growth is expected for this market in light of Japan's low birthrate and aging population.

●Mandom's Market Strengths

Mandom maintains self-service sales-based channels, including drug stores, convenience stores and volume retailers. In addition, Mandom has established a dominant position as the No. 1 men's cosmetics manufacturer and continues to develop new market categories.

We have been expanding our lineup of low-priced cosmetics sold via self-service sales retailers in recent years by strengthening measures regarding women's cosmetics as well as by leveraging existing marketing channels and retail stores. In the cleansing market, despite our small share, we are proposing new value in water base make-up cleansing and developing unique products to tap into this new market.



Operating Results for Fiscal 2013

●Overview

Net sales in Japan amounted to ¥38,208 million, a 1.9% decrease year on year, due to the major impact of slow sales of summer season products in our core Gatsby brand. This decline occurred despite the strong performance of women's cosmetics mainly accompanying the enhancement of the Bifesta women's cosmetics brand product lineup and the launch of women's body sheets.

Operating income totaled ¥3,921 million, a 3.0% increase compared with the previous fiscal year. This result was attributable to decreases in product return rate (which had risen last year) and sales distribution ratio for high cost-ratio products as well as efforts to enhance the efficiency of marketing expenses.

Men's Grooming Business

●Market Environment

The scale of the domestic men's cosmetics market is some ¥120 billion. (Source: Mandom market data calculations) Despite slowing in recent years, the composition of this market is changing.

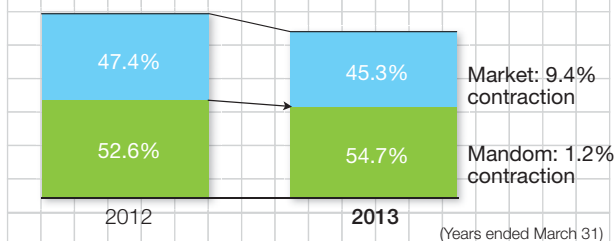
The hairstyling market has been shrinking yearly as entry users decrease in line with falling birthrates. In contrast, the scalp care market is growing significantly due to the invigorating effect of intensifying competition, including the release of numerous new scalp shampoos and hair tonics by various manufacturers. In addition, face and body care market remained sluggish overall due to weak sales of summer season products caused by inclement weather during the fiscal year under review. Nevertheless, we expect this market to grow as consumer awareness of face and body care increases.

●Initiatives in Fiscal 2013

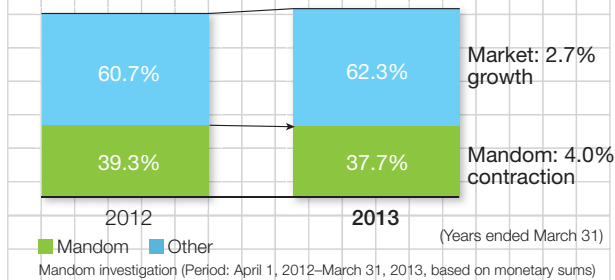
In fiscal 2013, the hairstyling market continued to contract. At the same time, the growing face and body market experienced sluggish sales of summer season products due to inclement weather and intensifying competition as companies entered this expanding market and enhanced their product lineups.

Against this backdrop, we strengthened the lineup of the Gatsby brand's Moving Rubber hair wax series, core items in

Men's Hairstyling Market Share of Sales



Men's Face and Body Market Share of Sales



the hairstyling category. We also ran new television commercials and bolstered store promotions. Despite the ongoing contraction of the hairstyling market, Mandom's market share increased to 54.7% thanks to higher sales resulting from these marketing initiatives.



GATSBY
((MOVING RUBBER))

▲ Strengthened promotion of the core item, Gatsby Moving Rubber

In the face and body category, we have strengthened product variation, including not only deodorants, but also the UV product, Strong UV Cut Spray, in response to higher summer season product demand, which is as consumers awareness of face and body care rises. In an effort to develop the winter season products market, we have proposed a new concept in body moisturizing care through the release of AQUA body milk.



▲ Continue proposing aging care products for middle-to-mature age males

Regarding Lúcido, we are continuing our efforts to nurture the aging care market by targeting middle-to-mature age males in their 40s, a segment with high growth potential. As such, we worked to raise awareness among consumers toward aging care through increased store marketing clearly directed at those with skin-related concerns coupled with ongoing sampling and expanded advertising.

●Future Initiatives

Regarding GATSBY, we will release new Hair Jam styling products that target teens, a segment of entry users whose usage rate has been contracting yearly. Through this release, we plan to propose products that suit these users styling wants and raise the level of this market. In addition, Mandom will work to further expand its market share by maintaining its solid market position for the core product, Moving Rubber.

In the fiercely competitive face care category, we strengthened product competitiveness by improving our entire face care series while releasing new products, ran new television commercials and redoubled store promotions.



▲ Released the new Gatsby Hair Jam styling series

Since its release at the end of February 2013, Perfect Scrub Wash reached No.1 in the face wash category (*monthly sales figures for April 2013) in spite of severe competition. Combined with a brand share of No. 2, Mandom products sales remain favorable.



▲ Improved Gatsby face care series

In the body care category, we will work to increase usage rates for body paper, for which Gatsby has an approximately 80% market share and, in turn, further grow this market by stimulating consumer demand.



▲ The renewed Gatsby's Biocore deodorant series featuring an enhanced lineup

This includes running new television commercials while further expanding various store and other promotions. In addition, we are renewing the highly effective Biocore deodorant series to enhance its wide array of variation to suit a multitude of applications. We are also addressing body odor care awareness, which is increasing yearly, by bolstering BIOCORE's deodorant power.

Regarding anti-aging proposals for middle-aged consumers through Lucido, we will work to raise body care awareness and cultivate this market by continuously expanding advertising and sampling.

Women's Cosmetics Business

●Market Environment

Amid sluggish sales in recent years, the women's skincare market in Japan has seen changes in consumer purchasing behavior, leading to an increase in buying cosmetics at drugstores and the release of numerous low-cost, highly-functional cosmetics by all market players. At the same time, competition is becoming increasingly fierce, with growing numbers of pharmaceutical manufacturers and other types of businesses entering the cosmetics market.

The cleansing market, which is the main business domain of our women's cosmetics business, has peaked despite remaining large in scale. We expect our share of this market to increase through the proposition of new concepts and value.

●Initiatives in Fiscal 2013

Despite signs of a slight rebound in the market, in fiscal 2013 competition became increasingly severe amid continually harsh market conditions and redoubled marketing activities by various companies.

Under these circumstances, we worked to expand recognition of our core Bifesta brand and Water Cleansing series. In addition, we worked to raise awareness of water cleansing-type cleansers' new value and promote their use. With Japanese actress and model Anna Tsuchiya serving as the new spokesperson for the Bifesta brand, we redoubled store promotion while airing new television commercials and



▲ Expanded recognition of the Water Cleansing series by running new television advertisements

conducting sampling. Thanks to these initiatives, sales have increased while the size of the cleansing lotion category grew over 20%. In addition, we recently released the Bifesta Mirai Bihada skincare series, a simple yet sophisticated product that targets women in their 30s based on the same time-saving cosmetics concept used by the Water Cleansing series. We have worked to make Bifesta Mirai Bihada a market fixture through comprehensive marketing in stores. Amid fierce competition, however, rival products have driven down sales of Bifesta Mirai Bihada.

●Future Initiatives

In addition the initiatives undertaken to date, we will redouble our efforts centered on Bifesta and the Water Cleansing series while working to further increase the recognition level of these brands. In addition, we will undertake market development in the cleansing lotion category. We will also cultivate these brands by enhancing product lineups, which includes releasing new highly popular 2-in-1-type oil-free cleansers that combine cleansing and facial washes in one package, to address consumers' various cleansing-related wants.



▲ Released 2-in-1-type cleansers

Women's Cosmetics Business

●Market Environment

The women's hair styling market has contracted in recent years along with almost all product categories. However, hair cream and hair milk, hair oil non-bath treatments are enjoying strong sales as products that treat dry, brittle hair amid rising usage rates for hair irons and hot rollers.

Despite steadily contracting each year, the body care market is experiencing changing product trends following the growth of body sheets and lotions in response to hot weather and growing energy conservation in recent years.

●Initiatives in Fiscal 2013

In fiscal 2013, the women's styling market remained largely unchanged as it continued to shrink.

Under these circumstances, we updated the image of Lúcido-L brand, renewing the core items in that brand's hair wax series to address consumer shifts toward natural styling products. As a result, our market share increased over 20% on the back of higher sales in the contracting hair wax market. However, the Lúcido-L brand as a whole experienced negative growth mainly due to a reduction in the hair color series.

On the other hand, Mandom body sheets featuring Disney characters captured the fourth largest share of the body care market during the first fiscal year of its release. Thanks to this

and other factors, we enjoyed very strong performance that contributed to double-digit growth in the continually sluggish domestic women's cosmetics business.



▲ Renewed Lúcido-L brand hair wax series

●Future Initiatives

We will focus on strengthening the in-store appeal of Lúcido-L's strong-selling hair wax series with the aim of maintaining the No. 1 market share of the hair wax category. We will enhance the variety of Mandom body sheets,



Strong-selling Mandom body sheets ▶

which have been highly successful, by adding new fragrances. We will also expand the product lineups of women's summer season series, which are expected to grow. To this end, we launched Splash Deo Water, a new product featuring various Disney characters.



▲ Expanded summer season series lineups by launching Mandom Splash Deo Water

Overseas Operations

Indonesia

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



●Economic Environment

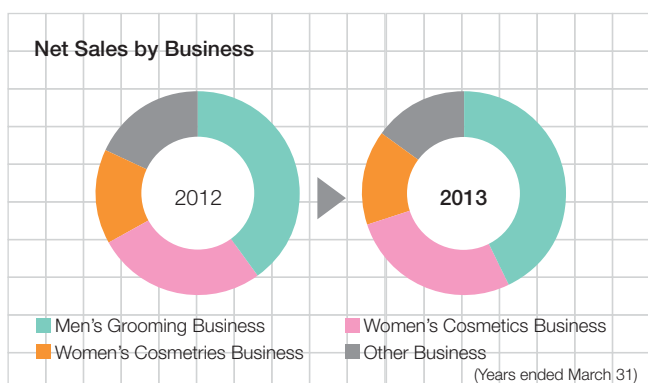
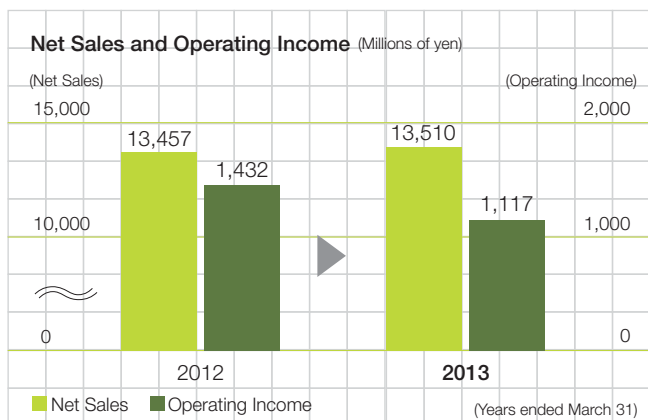
Amid rapid economic growth in recent years, Indonesia's consumer market has expanded on the back of higher income levels and accelerated changes in living conditions. In particular, ongoing growth of consumer markets is being buoyed by an increasing middle-class as wages rise along with an upswing in internal demand, reflecting a declining poverty rate. This promising consumer market, which boasts the world's fourth largest population at 240 million, is experiencing a rising influx of overseas companies. Accordingly, the Indonesia consumer market is booming and is forecasted to enjoy high economic growth rates in the years ahead.

●Cosmetics Market Environment

The cosmetics market is expected to grow at a high rate due to increasing consumer demand, quickly changing consumption behavior as well as indications of rising interest in highly-functional products and purchase prices. Previously, traditional markets comprised mainly of privately owned stores dominated retail sales in Indonesia. In recent years, however, numerous major overseas retail chains have entered the market and are expanding their operations, leading to a rapid modernization of this market. In this modern market, international cosmetics manufacturers are expanding the sales of men's and women's items. As this market grows, competition is expected to intensify even further.

●Mandom's Strengths in the Indonesian Market

Mandom began operating in Indonesia in 1969. At that time, the concept of men's cosmetics had not yet taken hold. Proposing products that matched the wants of local consumers, we took it upon ourselves to develop and nurture a men's cosmetics market that in turn boosted our business. Currently, we are building a distribution network able to supply products to almost all of Indonesia's approximately 18,000 islands. Boasting a 70% plus share of the local hair styling market, we are Indonesia's top men's cosmetics manufacturer and have enjoyed strong growth in women's cosmetics in recent years. With the percentage of domestic sales almost evenly divided between men and women, Mandom is a general cosmetics manufacturer that enjoys the highest brand recognition among local consumers.



Operating Results for Fiscal 2013

●Overview

Net sales in Indonesia in fiscal 2013 increased 0.4% year on year to ¥13,510 million. Although domestic sales mainly of the Gatsby and Pixy brands remained strong, external trade primarily to Dubai was sluggish and currency exchange losses were caused by the strong yen.

Operating income decreased 21.9% year on year to ¥1,117 million largely because of high raw material prices accompanying cheaper local currencies, active marketing investments in Indonesia's growing modern market and higher personnel expenses.

Men's Grooming Business

●Market Environment

The men's cosmetic market continues to experience double-digit increases and is expected to remain strong in the years ahead thanks to growing consumer demand and awareness of personal style accompanying rising income rates. Against this backdrop, the robust expansion of this modern market is being driven by the rising influence of major retail chains. In particular, competition in the face and body care category is expected to intensify as consumer awareness of personal care increases and international manufacturers

boost operations in their specialty areas.

●Initiatives in Fiscal 2013

Each product category continued to perform well overall in fiscal 2013, as the men's cosmetics market as a whole remained robust.

Under these circumstances, we expanded Gatsby's product lineup and improved its brand image in order to address the diverse wants of the expanding middle-class and wealthy consumers as well as the growing modern market. To achieve these goals, we took such initiatives as releasing the Japan-produced hair wax Moving Rubber in Indonesia as a high-value-added Gatsby brand product and running new television commercials. In addition, we launched Gatsby brand shampoo products as an expanding new category.



▲ Launched Gatsby hair shampoo products as an expanding new category



▲ Released the Gatsby Cool Shock series

We redoubled our initiatives in the intensely competitive face and body care category. These included strengthening store sales of our face

care series, which was renewed in the previous fiscal year, and working to differentiate us from the competition by improving the entire Cool Shock series of deodorant lotions featuring an even cooler sensation.

●Future Initiatives

We will increase the freshness of core Gatsby brand products by renewing the No. 1 hairstyling item, Water Gloss hair gel. We will also expand product competitiveness and variation through such measures as launching the Urban Cologne series, which meets changing wants as awareness of personal style increases.

In light of the forecasted intensification of competition, we will maintain our high hairstyling market share while expanding our share of the growing face and body care market by leveraging the nearly 100% brand recognition ratio of Gatsby, our key competitive advantage. At the same time, we will address rapidly changing market conditions and consumer wants in a flexible and timely manner.



▲ Renewed the entire Gatsby Water Gloss series



▲ Launched the Gatsby Urban Cologne series to strengthen product lineup

Women's Cosmetics Business

●Market Environment

Just like the men's cosmetics market, the women's cosmetics market experienced double-digit growth owing to increases in disposable income and female interest in cosmetics. Against this backdrop, international cosmetics brands have been making gains mainly in the modern market. On the other hand, products compatible with halal standards are performing well given that the majority of Indonesians are Muslims. Accordingly, we plan to enter new markets and expand product lineups that meet diverse consumer wants in tandem with future market growth.

●Initiatives in Fiscal 2013

In fiscal 2013, although competition reached a new level of severity, the size of the market remained excellent.

Under these circumstances, we strengthened the product competitiveness of Pixy by completely renewing its mainstay foundation product, Two Way Cake. At the same time, we enhanced the Pixy brand lineup through the release of Radiant Finish Lightening Cream.



▲ Renewed Pixy Two Way Cake

In combination with

these actions, we worked to improve the freshness and recognition of our brand image through television commercials featuring a new spokesperson. In spite of fierce competition, these efforts enabled us to secure a 20% plus share in the make-up category.

●Future Initiatives

Looking ahead, we will continue working to make make-up products a core category of Pixy while shoring up make-up products other than Two Way Cake and will strengthen the skincare category, for which there is a large market. In addition, we will increase brand recognition by launching a new website and enhancing our information communication capability with an eye to expanding into neighboring countries.



▲ Promoted the Pixy brand with a new spokesperson

Women's Cosmetics Business

●Market Environment

Reflecting Indonesian's preference for scents, the usage rate among teenagers is high for fragrances that serve as personal style entry items. Consequently, light fragrances targeting teens is one market that is taking root. Since teens are highly sensitive to trends, new products are continuously being introduced as trend cycles rapidly change. The overall size of the fragrance market is increasing as income levels rise.

●Initiatives in Fiscal 2013

In fiscal 2013, amid continually favorable market conditions, we rebuilt the poor-performing Pucelle brand by expanding its target. In the light fragrance category, Pucelle's strength to date, we launched the Grazel fragrance series targeting women in their 20s. For teens, an existing focus segment that is very interested in personal style, we expanded target markets and product lineups, including the release of lip cream.

●Future Initiatives

We will focus on strengthening the in-store appeal of Lúcido-L's strong-selling hair wax series with the aim of capturing the No. 1 market share of the hair wax category. We will enhance the variety of Mandom body sheets, which have been highly successful, by adding new fragrances. We will also expand the product lineups of women's summer season

series, which are expected to grow. To this end, we launched Splash Deo Water, a new product featuring various Disney characters.



◀ New addition to the Pucelle Grazel fragrance series



Began expanding Lucido-L ▶

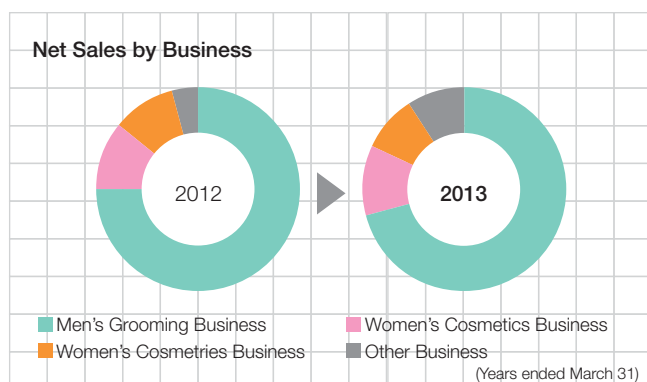
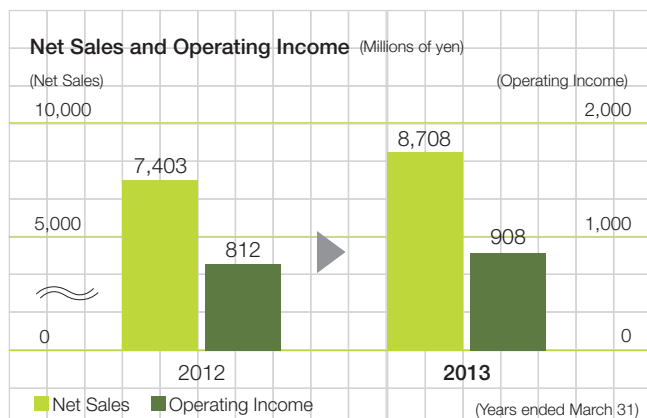
Other Overseas

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



●Market Environment

Asian cosmetics markets (where we are enjoying higher sales) are growing in line with economic development. Despite this, in the NIES areas (Singapore, Hong Kong, Taiwan and South Korea), which have relatively high GDP levels, markets have already matured and have become fiercely competitive following the entry of Japanese and international cosmetics manufacturers. Conversely, the ASEAN area—including Thailand and other Southeast Asian nations, Malaysia and the Philippines—cosmetics markets are not large. In recent years, however, the pace of economic growth has accelerated, revealing a high level growth potential. Consequently, we believe that the cosmetics category will increasingly expand as European, American and other cosmetic manufacturers enter these markets at an accelerating rate.



Operating Results for Fiscal 2013

●Overview

In the year under review, net sales in other overseas locations amounted to ¥8,708 million, a 17.6% increase year on year. Despite currency exchange losses accompanying the strong yen, this result was attributable to double-digit revenue increases on a local currency basis (excluding certain regions) amid robustly expanding businesses in Asian countries mainly as a result of the growth of Gatsby and the broadening of Bifesta into other product categories. Operating income totaled ¥908 million, an 11.8% rise year on year, thanks to higher revenue. This increase occurred despite higher cost of sales in line with cheaper local currencies overseas as well as aggressive marketing in growing overseas markets that drove up expenses.



▲ Aggressive promotions to expand brand recognition overseas

●Initiatives in Fiscal 2013

●China

Despite a slight slowdown, the rate of economic growth in China remains high. Consequently, the women's cosmetics market is expanding at a strong pace. In contrast, the men's cosmetics market remains small despite its high growth potential and is in need of further cultivation.

In fiscal 2013, Mandom maintained double-digit growth thanks to the minimal impact of boycotts of Japanese products triggered by the territorial row between Japan and China that began in 2012. We have worked to promote Mandom and expand businesses in China by bolstering the core Gatsby brand and skin-care brand Barrier Moist in the growing women's cosmetics market. Looking ahead, we will work to secure a superior position and expand businesses by continuing to cultivate the men's cosmetics market.

●Indochina

In Indochina, we forecast rapid economic development despite GDP remaining low. The combined population of all five Indochina nations is over 240 million, which is nearly equivalent to Indonesia. Accordingly, this area shows great promise as a consumer market that is expected to grow in the future. At present, although the number of competing manufacturers entering Indochina cosmetics market remains limited, this market is in the process of growing, the pace of which is expected to increase.

In Thailand, we are developing area-specific products and enhancing lineups under the Gatsby brand. In addition, we are

experiencing robust business expansion thanks to stronger measures concerning the Bifesta brand—which has become the No. 1 brand in Thailand's cleansing market—and expansions to our distribution network in that country. Markets are expanding in the neighboring countries of Vietnam, Myanmar and Cambodia. Accordingly, we are developing these markets through such measures as running television commercials to increase awareness of Gatsby as well as maintaining and expanding distribution networks. With Laos also showing promise as a growth market, we will expand the scale of our business operations throughout Indochina.

●India

India boasts the second largest population in the world. With Indian consumers preferring fragrances while possessing a high awareness of personal grooming, this promising cosmetics market is expected to grow in tandem with India's economic expansion.

With the aim of further expanding in this burgeoning market, we have successfully increased our position in India as part of our existing trading business area of Indonesia through the establishment of Mandom Corporation (India) Pvt. Ltd. in March 2012. This new subsidiary began full operations in July 2012. In addition to building a distribution network in growth areas, we are working to increase recognition of the Gatsby brand and become entrenched in this market by enhancing marketing primarily focusing on promotional events for university students and young consumers.