

**For a Unique Company Focusing on Asia**



**Annual Report**  
**2015**

## Profile

The Mandom Group provides comfortable lifestyles supported by health and beauty. Based on this core philosophy, we aim to produce and sell cosmetics as an “Only One” company in Asia with global management expertise.

Mandom has been operating its business focused on men’s cosmetics since the Company’s establishment in 1927. Our men’s brand includes Gatsby, a top men’s cosmetic brand in Asia, and Lúcido, while our women’s cosmetic brand includes, Lúcido-L, Bifesta, and Pixy.

We offer a wide range of products that create consumer lifestyles based on consumer input in the categories of hair styling, face and body care, skin care, and make-up. We ship more than one billion products annually.

Making an early mark in the cosmetics industry, Mandom began expanding outside Japan in 1958 to 10 countries and regions across Asia, particularly Indonesia, via 12 overseas Group companies. Beyond Asia, our products have become consumer favorites in regions worldwide, including Africa, Europe, and North America.



### Our Mission

# Aiming to Provide a 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.

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## The Mandom Group Business Model

Develop business globally, with a focus on Asia

Target general consumers (mass market) in diverse countries and regions

Become the leader in men's cosmetics



# Comfortable Lifestyle Supported

### 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.

### Regarding Forward-Looking Statements

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

# Mandom's History

Over the years, Mandom has offered consumers a host of unique products tailored to lifestyles in every era. We are accelerating our growth, aiming to be an "Only One" company in Asia with global management expertise.

● Products ● Japan ● Overseas

## Brand Developments

1933.4

Launched Tancho Tique, a hit product which laid the foundation for future success



1970.7

Launched the Mandom Series of men's cosmetics  
Held a product rollout, launching 10 products in nine categories  
Became the first company in Japan to feature a Hollywood star (Charles Bronson) as a character



1982.10

Introduced Pixy women's cosmetics in Indonesia



1989.9 **LÚCIDO**

Introduced Lúcido, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry



1985.3

Commenced the first over-the-counter sales of hair foam for men  
Commenced the second round of full-scale renewal of the Gatsby line



**GATSBY**

1978.7

Launched the new Gatsby and Spalding product lines, the first time in Japan's cosmetics industry that two major lines were introduced simultaneously

## 1920

### Historical Highlights in Japan

1927.12

Established Kintsuru Perfume Corporation



1959.4

Company name was changed to Tancho Corporation



## 1970

1971.4

Company name was changed to Mandom Corporation



1972.10

Established Japan Doctor Renault Cosmetics Company (now consolidated subsidiary Pielabro Corporation)

## 1980

1982.4

Commenced Mandom Corporation's first five-year Middle-Range Planning (MP Project)

1976.3

Construction of Fukusaki Factory completed; commenced operations

1988.11

Mandom Corporation shares traded on the over-the-counter market

## Overseas Developments



1958.4

Tancho Tique formed a technical tie-up with a local company in Manila, the Philippines, and began operations; this marked the first step in overseas expansion



1969.11

Started joint venture P.T. Tancho Indonesia in Jakarta, Indonesia (now consolidated subsidiary PT Mandom Indonesia Tbk)



1989.12

Started a joint venture in Taiwan (now consolidated subsidiary Mandom Taiwan Corporation)



1988.2

Started a joint venture in Singapore (now consolidated subsidiary Mandom Corporation (Singapore) Pte. Ltd.)



2003.2

Launched Lúcido-L Prism Magic Hair Color series, entering the market for women's hair color products



2011.8

Launched Bifesta Uru-Ochi Water Cleansing products

**Bifesta**  
ビフェスタ



1993.9

Launched Lúcido-L, a lineup of fragrance-free products for women

**LÚCIDO-L**



2005.11

Launched Perfect Assist 24, Mandom's first proprietary cosmetic product in Japan for women



2008.8

Commenced full-scale renewal of the Lúcido-L brand

2013.8

Released Gatsby brand Hair Jam as a new styling offering following on the heels of wax



2001.3

Launched Gatsby Hair Color series, developing a market for men's hair color products



2014.2

Introduced the Lúcido Deodorant series aimed at combating the body odors that develop in one's middle years



1999.3

Achieved ¥10 billion sales of Gatsby products, a first in the Japanese cosmetics industry for men's products

2006.8

Launched Gatsby Moving Rubber and commenced the sixth round of full-scale renewal of the Gatsby brand

1990

2000

2010

1994.6

The second phase of construction of a new Head Office ended, completing the construction of the building

2002.1

Listed on the Second Section of the Tokyo Stock Exchange

2006.11

R&D building completed on Mandom headquarters site

1995.6

Motonobu Nishimura was appointed president of Mandom Corporation

2003.3

Designated for listing on the First Section of the Tokyo Stock Exchange

1993.9  
P.T. Tancho Indonesia listed on the Jakarta Stock Exchange (currently the Indonesia Stock Exchange)

2001.3  
Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory

2015.6  
New factory and headquarters commenced operations at PT Mandom Indonesia Tbk

1990.4  
Started a joint venture in Thailand (now consolidated subsidiary Mandom Corporation (Thailand) Ltd.)

2007.12  
PT Mandom Indonesia Tbk achieved annual sales of 1 trillion rupiah

2013.12  
Annual sales at PT Mandom Indonesia Tbk reached 2 trillion rupiah

1992.2  
Started a joint venture in the Philippines (now consolidated subsidiary Mandom Philippines Corporation)

2008.5  
Established Mandom China Corporation (a consolidated subsidiary) in China

1993.7  
Started a joint venture in Hong Kong (now an equity-method affiliate Sunwa Marketing Co., Ltd.)

2012.3  
Established Mandom Corporation (India) Pvt. Ltd. (consolidated subsidiary) in India

1996.12  
Started a joint venture in China (now consolidated subsidiary Zhongshan City Rida Cosmetics Co., Ltd.)

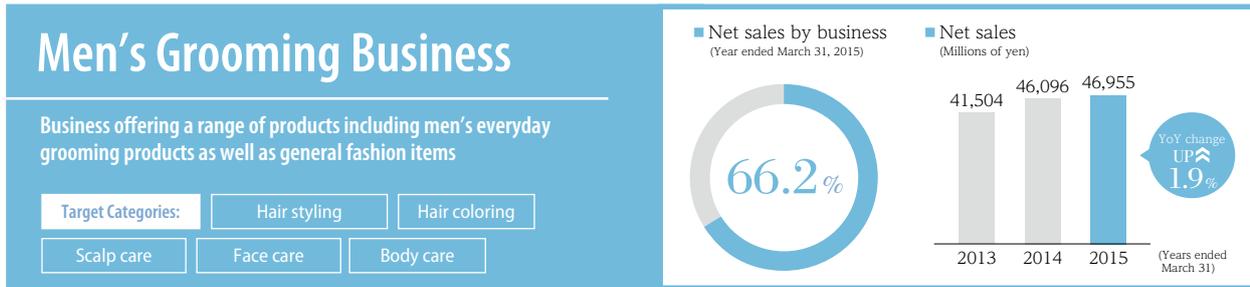
1997.1  
Started a joint venture in Malaysia (now consolidated subsidiary Mandom (Malaysia) Sdn. Bhd.)

2015.1  
In Vietnam, established Mandom Vietnam Company Limited as a consolidated subsidiary

1999.8  
Started a joint venture in South Korea (now consolidated subsidiary Mandom Korea Corporation)

# Brand Data

With business operations concentrated in three areas—men’s grooming, women’s cosmetics, and women’s cosmetries—we respond carefully to a range of consumer demands.



## GATSBY

Japan Overseas

A total men’s grooming brand targeting young men  
Developing horizontally across the countries of Asia as a core brand of the Mandom Group



## LÚCIDO

Japan

A men’s grooming brand targeting middle-aged men  
Developing in Japan



## Overseas Development Regions

	Japan	Indonesia	Thailand	Philippines	Malaysia	Singapore	Taiwan	Hong Kong	South Korea	China	India	Vietnam
GATSBY	●	●	●	●	●	●	●	●	●	●	●	●
LÚCIDO	●											
Bifesta	●	●	●	●	●	●	●	●	●	●		
Pixy		●		●	●		●					
LÚCIDO-L	●	●	●	●	●	●	●	●	●	●		
Pucelle		●	●	●	●						●	

# Women's Cosmetics Business

Business offering women's beauty products, including make-up and skin care items

Target Categories:

Make-up

Skin care

Net sales by business  
(Year ended March 31, 2015)



Net sales  
(Millions of yen)



## Bifesta

ビフェスタ

Japan

Overseas

Cosmetics brand with the key themes of simple and beautiful  
Being rolled out horizontally across various countries as a Japanese brand



The two products on the right are Barrier Repair brand products

## PIXY

Overseas

A total cosmetics brand for sophisticated women  
Rolling out in a number of countries, centered on Indonesia



# Women's Cosmetics Business

Business providing a range of products spanning everyday women's grooming and fashion

Target Categories:

Hair styling

Hair coloring

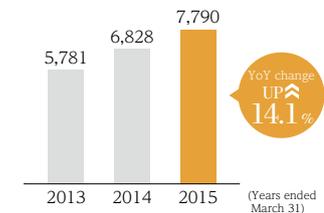
Hair treatment

Body care

Net sales by business  
(Year ended March 31, 2015)



Net sales  
(Millions of yen)



## LÚCIDO-L

Japan

Overseas

A hair styling and hair care brand to help young women express their identity  
Developed across Japan and in other Asian countries



## Pucelle

Overseas

A fragrance and body-care brand for fashion-conscious young women  
Centered on fragrances, developing the brand in Indonesia and certain other countries



# Strengths of Mandom

This section provides figures highlighting Mandom's strengths and characteristics as an "Only One" company in Asia with global management expertise.

Long



Founded **88** years ago

Mandom celebrates its 88th anniversary of establishment in 2015. Rich in history and tradition, the Company will continue to develop its business steadily into the future.



Active overseas for **57** years

We commenced business overseas in 1958, in the Philippines. The Company led its competitors by making an early push into Asia.

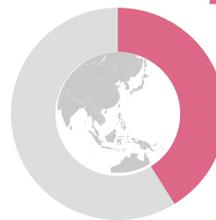
High

Market share of **62%** <sup>\*1</sup>



The Company is an overwhelming market leader in Japan for men's styling products.

Overseas: **41.3%**



Overseas sales account for more than 41% of Mandom's total, and the figure continues to rise. In particular, the rapidly growing Southeast Asian region is a core strategic area.

Numerous

Accumulated number of wiping sheets sold:

**300** million units <sup>\*2</sup>



In 1996, Mandom took an industry lead in launching face and body wiping sheets, setting a new trend in grooming.

Unit production:

**910** million units



In fiscal 2014, the Mandom Group's three production bases provided 910 million items for consumers throughout Asia.

\*1. Market data calculated by Mandom; period: April 2014 to March 2015.

\*2. Cumulative shipments from February 1996 to March 2015.



## Consolidated Financial Indicators

MANDOM CORPORATION and Its Consolidated Subsidiaries

(Years ended March 31)

	2011	2012	2013	2014	2015
Net sales (Millions of yen)	¥ 57,263	¥ 59,802	¥ 60,427	¥ 68,216	¥ 70,925
Operating income (Millions of yen)	5,747	6,050	5,948	6,854	6,996
Operating income margin (%)	10.0	10.1	9.8	10.0	9.9
Net income (Millions of yen)	2,673	3,299	3,607	4,092	4,425
Earnings per share (yen)	114.30	141.11	154.29	175.02	189.28
Total assets (Millions of yen)	53,328	55,601	60,164	67,859	75,980
Return on assets (%)	11.2	11.6	10.8	11.5	10.6
Total equity (Millions of yen)	45,292	47,083	51,037	55,179	60,980
Return on equity (%)	6.4	7.7	8.0	8.3	8.3
Cash dividends per share (yen)	60.00	60.00	62.00	70.00	76.00
Payout ratio (%)	52.5	42.5	40.2	40.0	40.2

■ Net sales (Millions of yen)



■ Operating income (Millions of yen)  
● Operating income margin (%)



■ Net income (Millions of yen)  
● Earnings per share (Yen)



■ Total assets (Millions of yen)  
● Return on assets (%)



■ Total equity (Millions of yen)  
● Return on equity (%)



■ Cash dividends per share (Yen)  
● Payout ratio (%)



# 10-Year Consolidated Financial Highlights

MANDOM CORPORATION and Its Consolidated Subsidiaries

	2006	2007	2008	2009
<b>Operating Results</b> (Millions of yen)				
Net sales	¥ 47,923	¥ 51,250	¥ 56,289	¥ 55,178
Overseas ratio (%)	27.0	29.7	32.6	34.5
Operating income	6,066	5,196	6,837	4,926
Overseas ratio (%)	27.4	36.7	38.0	41.8
Net income	3,100	2,488	3,500	3,011
<b>Capital Investment</b>				
Capital investment	2,862	2,541	2,096	2,039
Depreciation and amortization	1,653	1,856	2,236	2,353
Research and development	1,688	1,866	2,024	2,037
<b>Financial Position</b> (Millions of yen)				
Total assets	51,320	51,620	54,219	49,078
Liabilities	8,191	7,438	8,350	6,698
Total equity	40,569	44,182	45,869	42,380
<b>Cash Flows</b> (Millions of yen)				
Cash flows from operating activities	4,912	3,412	7,614	3,459
Cash flows from investing activities	(2,444)	(1,121)	(5,041)	(1,205)
Cash flows from financing activities	(1,197)	(2,554)	(1,660)	(2,045)
<b>Per Share Data</b> (Yen)				
Book value per share (BPS)	1,677.82	1,727.55	1,779.67	1,661.94
Earnings per share (EPS)	124.36	104.28	147.13	126.60
Cash dividends per share	60.00	60.00	80.00	60.00
<b>Financial Index</b> (%)				
Operating income margin	12.7	10.1	12.1	8.9
Shareholders' equity ratio	79.1	79.6	78.1	80.5
Return on equity (ROE)	7.9	6.1	8.4	7.4
Return on assets (ROA)	12.4	9.9	12.7	10.0
Payout ratio	48.2	57.5	54.4	47.4

Middle-Range Plannings

**MP-8**

April 2005–March 2008

Boosting growth potential  
and profitability  
Building a new revenue base

(Years ended March 31)

	2010	2011	2012	2013	2014	2015
	¥ 54,304	¥ 57,263	¥ 59,802	¥ 60,427	¥ 68,216	¥ 70,925
	31.7	34.5	34.9	36.8	40.0	41.3
	5,369	5,747	6,050	5,948	6,854	6,996
	34.0	36.6	37.1	34.1	34.6	35.9
	2,802	2,673	3,299	3,607	4,092	4,425
	3,221	1,696	2,157	1,467	7,632	3,443
	2,125	2,394	2,242	2,165	2,143	2,600
	1,846	1,850	1,921	1,792	1,960	1,732
	54,182	53,328	55,601	60,164	67,859	75,980
	9,123	8,036	8,518	9,127	12,680	15,000
	45,059	45,292	47,083	51,037	55,179	60,980
	7,767	4,063	3,693	7,605	7,303	5,488
	(5,111)	(1,408)	(2,695)	(5,387)	(5,597)	(5,141)
	(2,291)	(1,661)	(1,668)	(1,647)	(1,833)	(341)
	1,774.64	1,785.56	1,861.01	2,011.09	2,183.09	2,394.23
	119.40	114.30	141.11	154.29	175.02	189.28
	60.00	60.00	60.00	62.00	70.00	76.00
	9.9	10.0	10.1	9.8	10.0	9.9
	76.6	78.3	78.3	78.2	75.2	73.7
	6.9	6.4	7.7	8.0	8.3	8.3
	11.1	11.2	11.6	10.8	11.5	10.6
	50.3	52.5	42.5	40.2	40.0	40.2

**MP-9**

April 2008–March 2011

Putting sustainable growth  
on track  
Building a new revenue base

**MP-10**

April 2011–March 2014

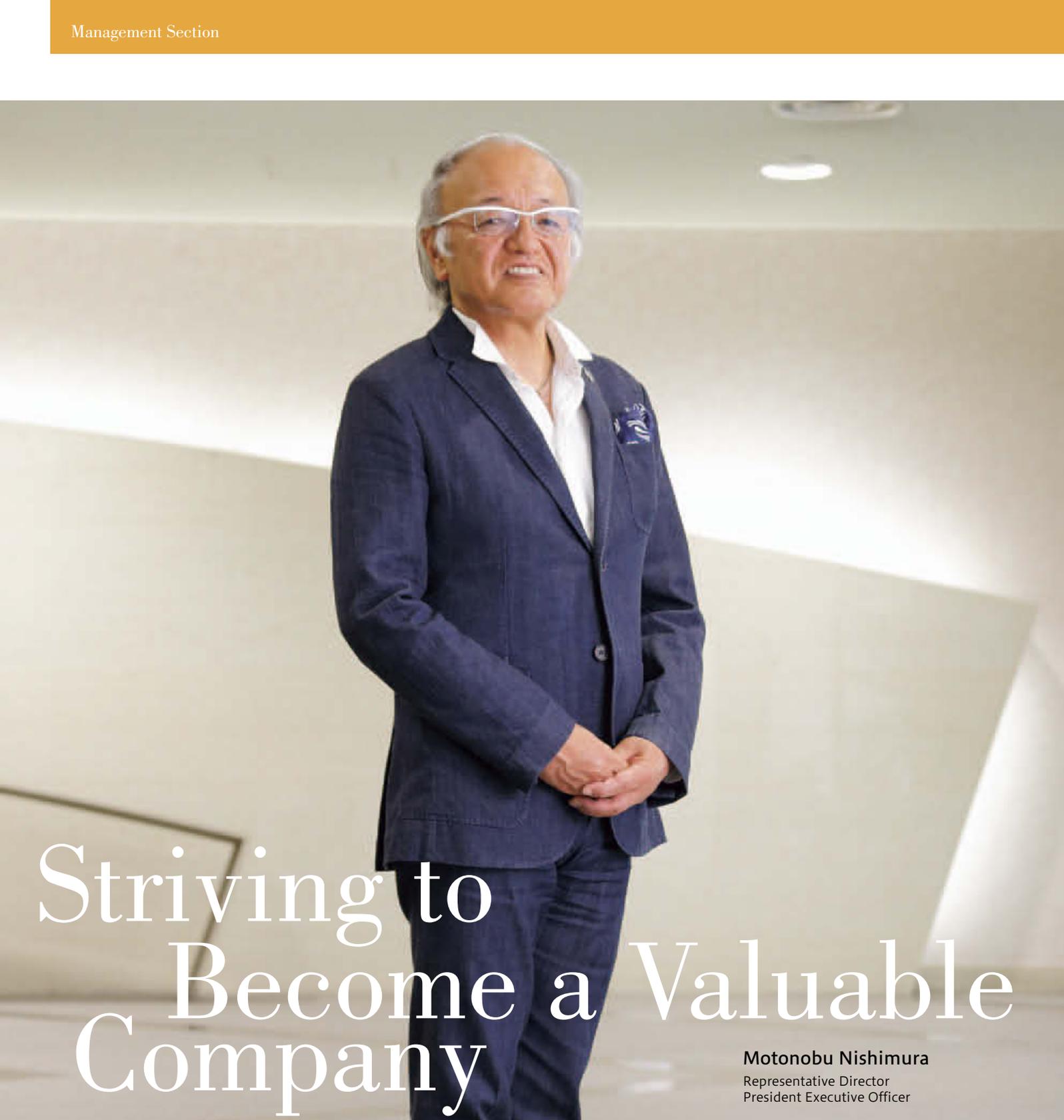
Accelerating the growth potential  
of the Group's business

**MP-11**

April 2014–March 2017

 Note: See page  
12 for details.

Accelerating growth and promoting the development  
of new businesses in Asia



# Striving to Become a Valuable Company

**Motonobu Nishimura**  
Representative Director  
President Executive Officer

We aim to become a company of value to consumers through the products we provide across diverse countries and regions.

By accelerating its growth in Asia and actively cultivating new markets, the Mandom Group aims to become an “Only One” company in Asia with global management expertise.



## President's Message

### Becoming an Asian Global Leader and a Company of Value to Consumers

As our stakeholders read this report, I will likely be in Jakarta, Indonesia, conducting a hearing among staff at a supermarket customer about market trends related to our new Gatsby facial cleanser. Or I may be in Phnom Penh, Cambodia, talking with young people in the street about branding strategies involving the popular vocalist Nico. It is equally possible that I will be in Ho Chi Minh City, Vietnam, at a power lunch to exchange views with the management team at Mandom Vietnam Company Limited, which we established this January.

As I am sure you are aware, Mandom entered the Indonesian market in the late 1960s, when we had no idea the Company would enjoy its current rate of growth. This was in an era before Japan's leading automakers and electronics companies had made their entries into this region. Almost half a century since then, we have succeeded in introducing our products and winning their acceptance in Asian countries with lifestyles and cultures entirely different from Japan's. In Indonesia, Gatsby brand recognition is 100%, and the country generates ¥17,172 million in annual sales. I expect our share of sales in other Asian countries to significantly outpace those in Japan, in terms of both growth rate and demographic comparison.

There is no doubt that we owe these successes to the support of our stakeholders and the dedication of our staff in a number of countries. Entrusted with this support, I will continue working to meet your expectations by visiting the front line of growth and focusing on the tastes, cultures and movements of the young people who are our core target. As a manager, I view Asia from a global perspective. At the same time, I try to take the view of an individual employee when making a detailed survey of regional market needs and wants. Combining these global and detailed regional perspectives, Mandom will continue aiming to provide a comfortable lifestyle supported by health and beauty both in Japan, which faces a falling birthrate and an aging population, and in the challenging Asian market. In these endeavors, I ask for your ongoing support.

## Record Levels for Net Sales and All Income Categories: Looking Back on the First Year of MP-11



Fiscal 2014, ended March 31, 2015, was the first year of our MP-11 Middle-Range Planning, which positions Mandom to accelerate growth and promote the development of new businesses in Asia. This plan targets higher profitability and a stable, high level of return to shareholders. The plan also calls for us to develop and strengthen our core businesses, establish a competitive advantage, and expand sales by cultivating new markets and fields of business. In the plan's final year, fiscal 2016, ending March 2017, we are aiming for an operating income margin of 10% or more.

Looking back on priority measures during the initial year of MP-11, in the area of sustained growth in the core men's grooming business, we boosted our domestic market share in the hair styling category with our mainstay Gatsby brand and achieved growth overseas. However, sales of seasonal summer products in Japan were lackluster, affected by inclement weather and an increasingly severe competitive environment. Conversely, we stepped up our rollout of Lúcido body odor care and other aging care products, which performed favorably. Ultimately, overall sales were up in the men's grooming business, albeit slightly.

In the area of greater speed in development of the women's cosmetics business, we invested aggressively in marketing and bolstering sales in the domestic skin care category. Overseas, as well, we worked to expand our business through global marketing in Asia, with a horizontal rollout of products in Japan and Indonesia—an approach that led to higher sales.

In the continued strengthening of overseas business—the Company's growth engine, overall sales grew strongly, particularly in Indonesia, although growth was sluggish in some overseas regions. Due in part to the lift given by yen depreciation to exchange rate conversions on overseas business, in fiscal 2014 consolidated net sales grew ¥2,709 million, or 4.0% year on year, to ¥70,925 million. This amounted to our highest-ever net sales figure for the fifth consecutive fiscal year.

On the profit front, our domestic cost-of-sales ratio increased as we invested proactively in marketing (advertising expenses) overseas, notably in Indonesia. Meanwhile, we worked to boost the efficiency of our domestic marketing costs (sales promotion and advertising expenses). As a result, we posted record highs in all income categories on a consolidated basis: operating income rose ¥142 million, or 2.1%, to ¥6,996 million; ordinary income grew ¥265 million, or 3.6%, to ¥7,595 million; and net income expanded ¥333 million, or 8.1%, to ¥4,425 million.

### Consolidated Operating Results for Fiscal 2014

Net sales	Operating income	Ordinary income	Net income
¥70,925 million Up 4.0% YoY	¥6,996 million Up 2.1% YoY	¥7,595 million Up 3.6% YoY	¥4,425 million Up 8.1% YoY

## Overview of MP-11 ▶ Middle-Range Planning to Accelerate Growth in Asia and Promote the Development of New Businesses

(Final Year: Fiscal 2016)

### Growth Potential

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

#### Target: Consolidated Net Sales

Final year of MP-11:

**¥83 billion**

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

#### Sustained Growth in the Men's Grooming Business

We aim for sustained growth as our core business area while maintaining or expanding category share in the men's cosmetics market.



#### Men's Grooming Business

Average growth rate target:

**5.2% or higher**

#### Greater Speed in Development of the Women's Cosmetics Business

We aim to achieve greater speed in developing business in Asia, primarily in skincare and base make-up categories, with product lines tailored to each country.



#### Women's Cosmetics Business

Average growth rate target:

**15.0% or higher**

#### Continued Strengthening of Overseas Business: The Company's Growth Engine

We aim to expand sales by doubling efforts in the main market of Indonesia, and build a foundation in emerging markets such as China and mainland southeast Asia by building distribution networks and other initiatives.



#### Overseas Business

Average growth rate target:

**11.4% or higher**

### Profitability

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

#### Target: Consolidated Operating Income

Final Year of MP-11:

**¥8.6 billion**

### Shareholder Returns

We aim to maintain high and stable levels of shareholder returns.

#### Target: Consolidated Payout Ratio

Consolidated basis, excluding extraordinary items:

**40% or higher**

## Creating New Markets to Meet the Trend toward More Budget-Conscious Consumers

Increasingly, the Japanese market is characterized by budget-minded consumption of everyday items and consumer staples, leading to expansion of lower-priced, mass-market items. Statistically, sales volumes are rising for such women's cosmetics as cleansing products and skin lotions priced at ¥1,000 or less. Competition is growing increasingly intense, as manufacturers each vie to offer inexpensively priced, high-quality products. Furthermore, with the Japanese population clearly shrinking due to a falling birthrate and aging population, we believe that quality across all aspects of our business will remain important.

In Japan, we are also focusing on the middle-aged/senior market. Although this market is judged to have high potential, there is still a lack of aging-care products in the true sense. Furthermore, sales floors for senior products do not have a particularly positive image; they tend to be far removed from a sense of fashion. However, recent years have seen the development of a fashion market for the "slightly wild" older gentleman. We should see a rise in demand for products that address the problems this segment experiences as it ages. Mandom enjoys a large share of the personal grooming market among the young segment, but given the market characteristics that will result from Japan's current demographic trends, we clearly need to step up our efforts in the middle-aged/senior market. To continue growing in mature markets such as Japan, I believe we need to focus on boosting our market share in areas where it is currently nonexistent or low. Our company has a long history of conducting basic research on the changes that occur as men age. One recent research success was the discovery in autumn of 2013 that diacetyl was the physical source of a third distinctive odor given off by the bodies of older men, following the smell of sweat and body odor. Now that we understand the source of this so-called third smell, we can create and sell a series of products to counter it. In an era when simply doing nothing represents a major risk, I believe that taking on the challenge of creating a new market to combat the body odors that develop in the middle years shows that Mandom's venture spirit is still alive and well.

## The Mandom Group Pulls Together to Keep Pace with Growth in Asia

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Fiscal 2015, ending March 2016, will be the second year for MP-11. During this year, we will accelerate our growth engine to reach the goals set out in this plan. In particular, we will step up growth with ongoing and aggressive investment in marketing to target the center of this growth—our overseas business.

The Asian market is currently changing at breathtaking speed, so we need to come up with new concepts and ideas that take us beyond past levels of growth. The Mandom Group will harness its resources to meet the needs of consumers in each country, aiming to be an “Only One” company in Asia with global management expertise.

The ASEAN market is an area of particular focus for us. This is because, viewed through a macroeconomic lens, per capita GDP in this area is rising dramatically, and the middle-income consumer category is expanding.

Looking at each country in Southeast Asia, we are developing detailed proposals to roll out certain products globally throughout Asia, some on a regional basis and in other areas targeting customers in the middle-income segment. For example, our strategy concentrates on Gatsby and Bifesta in Thailand, Gatsby and Pixy in Myanmar, and Gatsby in Cambodia. In addition, it is difficult to speak of just one middle-income segment, because differing backgrounds in each country cause buying behavior to differ dramatically. Moreover, we cannot understand such differences and respond swiftly by simply remaining in Japan. For example, at one hearing at a drugstore in downtown Bangkok we were told, “Please introduce Japanese products.” This reflects a rise in affluent customers, and products sell there just as in Japan. However, in Chiang Mai and other regional cities, sales tend to center on more inexpensively priced items produced in Indonesia. One of Mandom’s strengths lies in the fact that it has spent nearly half a century conducting market research so that it can respond flexibly to these different market needs and wants. We will apply the resources of our more than 5,000 local personnel and our distribution network that handles overseas sales of more than ¥29,200 million—as well as our expertise on the purchasing behavior of the rapidly growing middle class with its population of more than 100 million—to continue growing in the massive Asian market.

By 2020, we plan to expand our scope to encompass all of Asia, creating demand in this region in a number of ways. By “all of Asia,” I am referring to a market of some four billion people that includes Turkey and the Near and Middle East. The scale of this market is huge, but we believe this region should be receptive to our products, given that many of the people throughout this region have the same dark hair and eye color as Japanese people, together with similar facial features. We do not rule out developments in other markets, such as Europe, the Americas and Africa, but we plan to continue concentrating our management resources on Asia, which is one of our strengths.



## Outlook for the Upcoming Year: Aiming for a Sixth Consecutive Year of Record Sales

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For fiscal 2015, we foresee a number of risk factors that could affect overseas economies, but employment and income levels continue to improve in Japan, and we expect the economy to continue benefiting from lower crude oil prices and a number of government measures. Accordingly, we anticipate a modest economic recovery. We also expect the Asian economy to continue expanding modestly, despite the risk of volatility in financial markets. At the same time, while we expect



the Asian cosmetics segment to remain on an expansionary trend, competition is likely to grow more intense.

In these circumstances, the Mandom Group will target sustainable growth of its Group businesses, with all Group companies in Japan and overseas working together on growth-oriented initiatives.

We will continue our efforts to increase sales by maintaining three ongoing pillars of activity: sustained growth in the men’s grooming business, stepping up efforts in the women’s cosmetics business, and expanding overseas operations as the engine of growth.

In terms of profits, we expect our cost-of-sales ratio to rise due to aggressive investments in marketing at overseas locations and in women’s products. However, we intend to boost income at all levels through ongoing efforts to hold down the cost of sales and by achieving greater efficiencies in selling, general and administrative expenses. Furthermore, we expect to generate a gain on sales of property, plant and equipment due to the transfer of certain fixed assets to a consolidated subsidiary. As a result, we expect net income attributable to owners of the parent company to increase by around ¥2,500 million.

The principal exchange rate assumptions used in our forecasts are ¥118/US\$1.00, 12,800 rupiah/US\$1.00 and ¥0.0092/1.00 rupiah.

As a result, our consolidated forecasts for fiscal 2015 are net sales of ¥76,360 million, up 7.7% year on year; operating income of ¥7,360 million, up 5.2%; ordinary income of ¥7,600 million, up 0.1%; net income of ¥7,120 million, up 60.9%; earnings per share (EPS) of ¥304.55; and return on equity (ROE) of 12.7%.

In line with these projections, we expect to pay an annual dividend per share of ¥80, including an interim dividend of ¥40.

### Consolidated Forecast for Fiscal 2015

Net sales	Operating income	Ordinary income	Net income
¥76,360 million Up 7.7% YoY	¥7,360 million Up 5.2% YoY	¥7,600 million Up 0.1% YoY	¥7,120 million Up 60.9% YoY

### Mandom’s Future, as I See It

To become an “Only One” company in Asia with global management expertise in the true sense, we must do more than simply globalize our management. Through our businesses, we also need to cultivate personnel who can interact seamlessly with people of other countries. To truly understand diversity, I think we need to embrace all things beginning with “other”—other cultures, other abilities, and other views—to become a global company comprising people with a wealth of individual characteristics. In fact, I am convinced that we have many young employees who are very capable. The majority of our executive officers have overseas experience, as well, and I look forward to their efforts to welcome in a new era.

I ask for the ongoing support and encouragement of all our stakeholders.

August 2015

Motonobu Nishimura

Representative Director  
President Executive Officer

# Executives, Audit & Supervisory Board Members

## 1 Motonobu Nishimura

Representative Director  
President Executive Officer

Born on January 9, 1951  
 April 1977 Joined the Company  
 April 1983 General Manager, East Japan Sales Division  
 June 1984 Director (current position)  
 June 1987 Managing Director Executive Officer  
 June 1990 Representative Director (current position)  
 Vice President Executive Officer  
 June 1995 President Executive Officer  
 May 2000 Audit & Supervisory Board Member, PT.  
 Mandom Indonesia Tbk (current position)  
 June 2004 President Executive Officer (current position)  
 April 2008 In charge of the Internal Control Promotion  
 Division (now the Internal Audit Division)



## 2 Ryuichi Terabayashi

Director  
Senior Managing Executive Officer  
In charge of sales units

Born on June 13, 1954  
 September 1979 Joined the Company  
 April 1995 General Manager, Product Development Division  
 April 1997 General Manager,  
 Advertisement & Sales Promotion Division  
 June 2002 Executive Officer  
 June 2008 Managing Executive Officer  
 In charge of marketing units  
 June 2010 Director (current position)  
 April 2012 In charge of sales units (current position)  
 June 2012 Senior Managing Executive Officer (current position)  
 April 2014 In charge of the Financial Management Division  
 and the Information Systems Department  
 (now the Information Systems Division)



## 3 Tatsuyoshi Kitamura

Director  
Managing Executive Officer  
In charge of human resources units  
 In charge of the General Administration Division,  
 CSR Promotion Division and Legal Affairs Division

Born on March 13, 1956  
 April 1978 Joined the Company  
 December 1997 Director and President, Mandom Singapore  
 September 2001 General Manager, International Operations Division  
 (now the Global Group Management Division)  
 June 2004 Executive Officer  
 In charge of the International Operations Division  
 April 2008 Representative Director and President,  
 PT Mandom Indonesia Tbk  
 June 2011 Managing Executive Officer (current position)  
 In charge of manufacturing and logistics units  
 In charge of technology and production units  
 April 2012 In charge of the Human Resources Division  
 April 2013 In charge of the General Administration Division and  
 Legal Affairs Division  
 April 2014 General Manager, Human Resources Division  
 Director (current position)  
 In charge of the CS Supervising Division  
 (now the CSR Promotion Division)  
 April 2015 In charge of human resources units (current position)



## 4 Masayoshi Momota

Director  
In charge of the Internal Audit Division

Born on January 23, 1951  
 April 1974 Joined the Company  
 April 1995 General Manager, Product Strategy Planning Office  
 June 1996 Director (current position)  
 April 2003 In charge of R&D units  
 June 2003 Managing Director Executive Officer  
 June 2004 Managing Executive Officer  
 April 2010 In charge of the Management Planning Division  
 (now the Corporate Planning Division)  
 In charge of the International Business Operations  
 Division (now the Global Group Supervising Division)  
 Auditor, Chairman, PT Mandom Indonesia Tbk  
 June 2010 Senior Managing Executive Officer  
 June 2013 Representative Director  
 Vice President Executive Officer  
 In charge of the Secretarial Office  
 April 2014 In charge of the Corporate Communications  
 & Investor Relations Division  
 June 2015 In charge of the Internal Audit Division  
 (current position)



**5 Satoshi Nakajima**  
External Director

Born on December 8, 1953  
 April 1976 Joined Osaka Gas Co., Ltd.  
 June 2000 Director, OSAKA GAS Security Service Co., Ltd.  
 June 2004 General Manager, Secretarial Department, Osaka Gas Co., Ltd.  
 June 2007 Executive Officer  
 June 2008 Managing Executive Officer  
 July 2008 Managing Director, The Japan Gas Association  
 April 2011 Chairman, OGIS-RI Co., Ltd. (current position)  
 June 2013 External Director of the Company (current position)

**6 Satoshi Nagao**  
External Director

Born on October 29, 1946  
 April 1969 Joined Toyota Motor Sales Co., Ltd.  
 (now Toyota Motor Corporation)  
 General Manager  
 January 1996 Joined DDI Corp. (now KDDI Corporation)  
 January 2001 Managing Executive Officer  
 June 2001 Senior Managing Executive Officer  
 April 2003 Director  
 June 2003 Executive Vice President, Representative Director (CFO)  
 June 2005 Director, Keizai Dayukai  
 August 2005 (Japan Association of Corporate Executives)  
 Chairman, KDDI Evolve Inc.  
 June 2007 External Director of the Company (current position)  
 June 2014



**Yoshiaki Saito**  
Audit & Supervisory Board Member



**Masatoshi Tsuda**  
External Audit &  
Supervisory Board Member



**Yukihiro Tsujimura**  
External Audit &  
Supervisory Board Member

**Executive Officers**

**Hironao Suzuki**  
Managing Executive Officer

In charge of technology and production units  
 In charge of the Purchasing Division and Production Strategy Division

**Shinichiro Koshiba**  
Managing Executive Officer

In charge of marketing units  
 In charge of the Product Development Division,  
 Marketing Division 2,  
 Group Marketing Strategy Division,  
 Product Promotion Division and Beauty Sleep Marketing Division

**Tatsuya Arichi**  
Managing Executive Officer

In charge of overseas business units  
 In charge of the Global Group Management Division, Global Market Development Division and Global Business Planning Division;  
 General Manager, Global Group Management Division

**Yasuaki Kameda**  
Managing Executive Officer

In charge of management planning units  
 In charge of the Corporate Planning Division, Corporate Communications & Investor Relations Division  
 Secretarial Office;  
 General Manager, Corporate Planning Division

**Takeshi Hibi**  
Managing Executive Officer

In charge of the East Japan Sales Division and West Japan Sales Division

**Kazunori Koshikawa**  
Executive Officer

In charge of the Financial Management Division and Information Systems Division;  
 General Manager,  
 Financial Management Division

**Norikazu Furubayashi**  
Executive Officer

Representative Director and Vice President,  
 PT Mandom Indonesia Tbk

**Noboru Nonaka**  
Executive Officer

In charge of the Sales Planning Division, Chain Store Sales Division, Section 1, Chain Store Sales Division Section 2 and Sales Channel Development Division;  
 General Manager,  
 Sales Planning Division

**Koichi Watanabe**  
Executive Officer

In charge of the Production Technology Division, Fukusaki Factory;  
 General Manager, Fukusaki Factory

**Shinya Nagai**  
Executive Officer

Representative Director and Vice President, PT Mandom Indonesia Tbk

**Takeshi Mito**  
Executive Officer

In charge of the Human Resources Division;  
 General Manager,  
 Human Resources Division

**Misao Tsubakihara**  
Executive Officer

In charge of the Product Assurance Division and Technical Development Center

**Kenji Uchiyama**  
Executive Officer

In charge of the Marketing Division 1 and Advertisement & Sales Promotion Division;  
 General Manager, Marketing Division 1

**Masahiro Ueda**  
Executive Officer

Senior Managing Director,  
 PT Mandom Indonesia Tbk

# Corporate Governance

## Corporate Governance Structure

### Overview of the Corporate Governance Structure

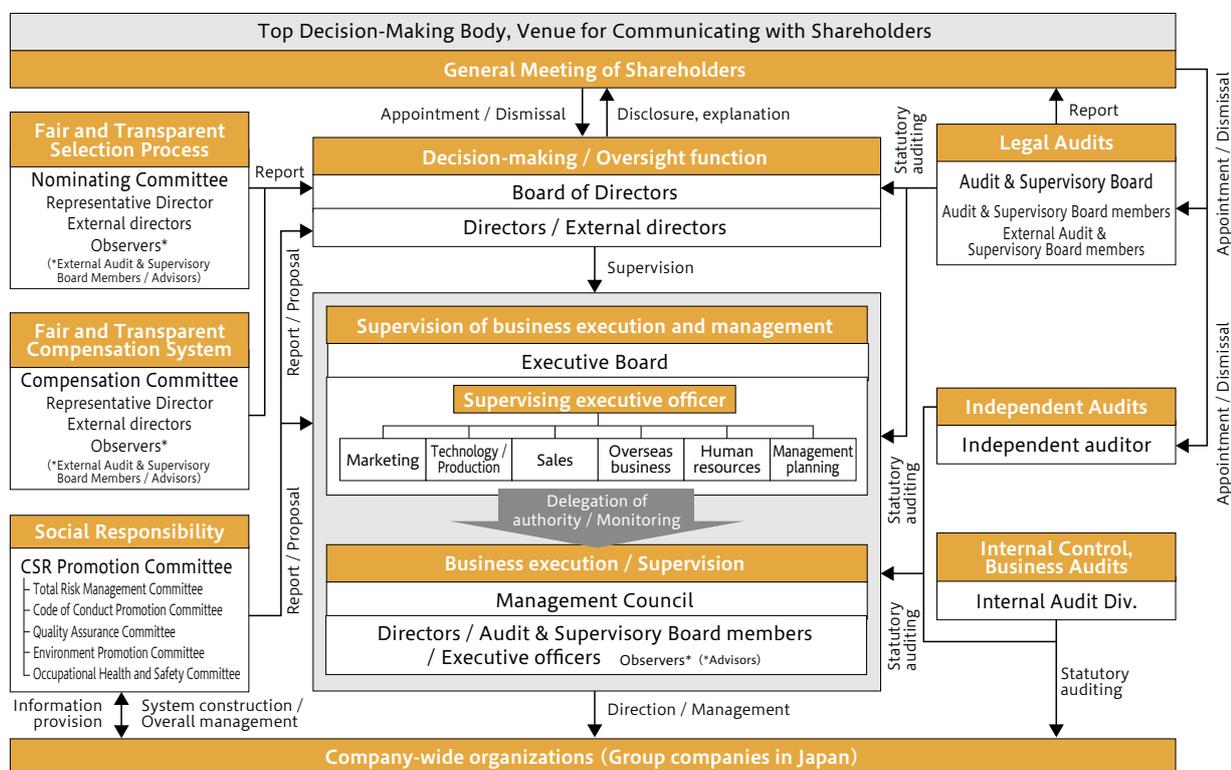
The activities of the Group are overseen by the Audit & Supervisory Board. With legal oversight from our auditors as the basis for corporate governance, we invite multiple external directors to sit on our board, to reinforce our monitoring and advisory functions. By clarifying responsibilities and delegating authority under a system of supervisory and executional officers in charge of specific operations, we have created a system for the proactive and expeditious execution of operations. This system ensures

soundness and transparency, and appropriately pursues efficiency.

The Group has also voluntarily established the Compensation Committee, more than half of whose members are external directors, as well as the Nominating Committee. Executive compensation and appointments are reviewed by these entities, and determined with close reference to the results of such reviews.

The Group's corporate governance structure is shown below.

### Corporate Governance System



### Reasons for Adopting the Governance Structure

To ensure management soundness and efficiency, the Group employs an extensive range of management monitoring functions. Moreover, based on our understanding of the importance of reflecting front-line management views in decision making, the Board of Directors includes not only senior management but also certain executive officers with special titles, who are responsible for overseeing certain supervisory execution domains, as well as external directors.

In addition to establishing an Audit & Supervisory Board, we have voluntarily established advisory panels for the Board of Directors, and apply mutual checks and oversight between executive officers on the board as well as oversight and supervision from external directors. This

structure is rigorously monitored by the Audit & Supervisory Board, and we believe this approach will contribute to strengthening corporate governance.

### Internal Control System

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

In particular, the Group's Code of Conduct Promotion

Committee helps to ensure management compliance by promulgating awareness of, and adherence to, our compliance standards. Our Helpline System for whistleblowers also helps to avoid and minimize risk.

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

### Risk Management Structure

The Total Risk Management Committee, chaired by the president executive officer, is the principal vehicle for the Group's total risk management system. This committee prioritizes the management of risks that may materially impact business continuity. Accordingly, the committee promotes the preparation of manuals and focuses on identifying, analyzing and evaluating signs of the materialization of risks to detect such risks quickly and introduce preventive measures.

### Limitation of Liability for Damages

- (1) The Company has concluded agreements with external directors Satoshi Nakajima and Satoshi Nagao, based on Article 427-1 of the Companies Act and Article 24-2 of the Company's Articles of Incorporation, to limit the liability for damages as defined in Article 423-1 of the Companies Act. The amount of limitation of liability for damages pursuant to these agreements is ¥10 million or the minimum amount for external directors as specified in Article 425-1 of the Companies Act, whichever is higher.
- (2) The Company has concluded agreements with external Audit & Supervisory Board members, Masatoshi Tsuda and Yukihiro Tsujimura, based on Article 427-1 of the Companies Act and Article 32-2 of the Company's Articles of Incorporation, to limit the liability for damages as defined in Article 423-1 of the Companies Act. The amount of limitation of liability for damages pursuant to these agreements is ¥10 million or the minimum amount for auditors as specified in Article 425-1 of the Companies Act, whichever is higher.

## Status of Internal Audits and Audits by Corporate Auditors

### Internal Audits

The Company has in place an Internal Audit Division to ensure the appropriateness of business processes, the efficiency of organizational management and the effectiveness of internal controls, including for affiliated companies in Japan and overseas, as well as to audit the appropriateness of accounting. The Internal Audit Division's audit activities include conducting operational audits of the Company's various departments and affiliated companies in Japan and overseas and auditing the state of compliance with laws and internal regulations. The division submits reports of each of its audits to the president executive officer and directors in charge, and reports the content of these audits to the Board of

Directors and the Audit & Supervisory Board. With regard to accounting audits, the division verifies the monthly, quarterly and year-end financial statements submitted by the Financial Management Department. In addition, the person responsible for the Internal Audit Division serves as a standing member of the Audit & Supervisory Board Member Liaison Council (described below), exchanging information with the Audit & Supervisory Board members, liaising with other departments, and verifying the establishment and operational status of internal control systems.

### Audits by Audit & Supervisory Board Members

The Company's Audit & Supervisory Board comprises three members, one of whom is a standing Audit & Supervisory Board member from within the Company and two of whom are external Audit & Supervisory Board members. In principle, the Audit & Supervisory Board meets monthly; during the fiscal year under review, the board met 13 times.

Audit & Supervisory Board members perform their audit activities in accordance with the audit policies defined in the Audit & Supervisory Board Regulations and the Standards for Audits by Audit & Supervisory Board Members, attend important meetings (Board of Directors, Management Meeting, Executive Board), express opinions as necessary, visit principal business locations in Japan and affiliated companies overseas, and offer advice to the representative director. With regard to accounting audits, members conduct required audits of monthly financial materials submitted by the Financial Management Department, and receive audit planning reports (annual) and regular accounting audit reports from the accounting auditor.

The Company has formulated Regulations for Ensuring the Effectiveness of Audits by Audit & Supervisory Board Members. These regulations clearly state the reporting obligations and methods for reporting by directors and employees to Audit & Supervisory Board members, as well as their obligation to cooperate with audits by the Audit & Supervisory Board members. The regulations therefore establish a framework for effective audits by Audit & Supervisory Board members. In addition, the Audit & Supervisory Board Member Liaison Council (attended by members of the Audit & Supervisory Board, Internal Audit Division, General Administration Division, Legal Office, Management Planning Department and Financial Management Department) convenes monthly. As necessary, members also exchange information and conduct hearings with the accounting auditor, directors of affiliated companies, Internal Audit Division and heads of other departments to boost audit efficiency and effectiveness.

## Status of Accounting Audits

The Company has commissioned Deloitte Touche Tohmatsu LLC to conduct accounting audits based on the Companies Act and the Financial Instruments and Exchange Act. No special-interest relationship exists between the Company, this accounting auditor and its employees assigned to conduct audits of the Company. The Company and Deloitte Touche Tohmatsu have a contract in place concerning audits according to the Companies Act and the Financial Instruments and

## Corporate Governance

Exchange Act, and the Company provides audit compensation in accordance with this agreement. Furthermore, Deloitte Touche Tohmatsu has measures in place to ensure that the people it assigns to perform the Company's accounting audits do so for no more than a specified period of time.

The names of the certified public accountants assigned to conduct activities for the Company during the fiscal year under review, as well as the structure of personnel assisting in audit activities, are described below.

### Names of Certified Public Accountants Assigned to Audit Operations

Designated limited liability partner: Shojiro Yoshimura, Engagement Partner

Designated limited liability partner: Hideyuki Hirata, Engagement Partner

### Structure of Personnel Assisting with Accounting Audit Operations

Six certified public accountants, five others

### External Directors and External Audit & Supervisory Board Members

The Company has two external directors and two external Audit & Supervisory Board members. Other than ownership of the Company's shares as described in information on the status of executives, no special-interest relationships exist between any of these external executives and the Company.

Satoshi Nakajima, External Director, is the Chairman of the Board of Directors of OGIS-RI Co., Ltd. The Company engages in operational outsourcing transactions with OGIS-RI in relation to information systems, but as the value of these transactions was less than 1% of consolidated net sales in fiscal 2014, we judge that this situation does not represent an issue for Mr. Nakajima's independence, nor do any special-interest relationships exist.

There are no equity or business relationships between Satoshi Nagao, External Director, and the Company, nor any other special relationships.

Masatoshi Tsuda, External Audit & Supervisory Board Member, is a management consultant. There are no capital ties between Mr. Tsuda and the Company, nor are there any significant business relationships or any other special relationships.

Yukihiro Tsujimura, External Audit & Supervisory Board Member, is an attorney and the representative director of the Yukihiro Tsujimura Law Office. No capital ties, significant business relationships or other special relationships exist between the Company and this law office.

By appointing external directors and external Audit & Supervisory Board members who have no special-interest relationships with the Company and are highly independent of the Company, the Company aims to reinforce its corporate governance and augment the Group's overall management quality. Although the Company does not have in place specific standards or policies for independence when appointing external directors and external Audit & Supervisory Board members, the Corporation refers to independence standards such as those provided by the Tokyo Stock

Exchange and strives to appoint people who have no conflicts of interest with the general shareholders. We have notified the Tokyo Stock Exchange that the Company's currently appointed external directors and external Audit & Supervisory Board members are all independent executives who satisfy the Tokyo Stock Exchange's standards for independence.

The external directors provide recommendations and advice on such broad-ranging items as management strategy and corporate governance based on an abundance of experience in practical operations and management. The external Audit & Supervisory Board members, meanwhile, provide appropriate remarks from an independent perspective about audit methods and the execution of operations by Audit & Supervisory Board members.

Where necessary, the external directors and external Audit & Supervisory Board members request reports from related institutions and related departments on the content of internal audits, audits by Audit & Supervisory Board members and accounting audits, and exchange information appropriately. Furthermore, the Audit & Supervisory Board Member Liaison Council provides a venue for forging close ties among internal control departments and conducting hearings as necessary and appropriate.

### Content of Executive Compensation

#### Total Amount of Compensation by Executive Category, Total Amount by Type of Compensation, and Eligible Number of Executives

Executive category	Total amount of compensation (millions of yen)	Total amount by type of compensation (millions of yen)		Eligible number of executives
		Fixed	Variable	
Directors (excluding external directors)	¥252	¥180	¥72	5
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	33	33	—	2
External executives	35	35	—	5

#### Policies and Methods of Determining Executive Compensation Amounts and Calculation Methods

##### (1) Method of Determining Compensation Amounts for Company Executives

The Company's compensation for operational executive directors is aimed at strengthening the links between the Company's operating performance and performance by individual operational executive directors, thus heightening their motivation to boost operating performance on an ongoing basis and over the medium to long term, as well as fostering increases in corporate value. In the interest of ensuring a steady devotion to their duties, compensation for operational executive directors includes a certain amount of fixed compensation as basic compensation for performing

their duties that does not reflect short-term operating performance. In addition, a certain amount of variable compensation is provided to serve as an incentive for executing operations and reflect short-term operating performance. The Company sets fixed compensation amounts at appropriate levels by referring to third-party data. These amounts differ according to executive rank and Group management responsibilities. Variable compensation reflects business performance with reference to the preceding fiscal year and achievement of planned targets, and payment amounts are set for each fiscal year.

In addition, amounts paid to individual operational executive directors are based on an evaluation of their individual performance.

Compensation for non-executive directors (excluding external directors) is composed solely of fixed compensation.

Compensation for Audit & Supervisory Board members is set at an appropriate level that reflects their important role and responsibility for conducting rigorous legal audits that form the basis of corporate governance for the Group and improve corporate value. As the role and responsibility of Audit & Supervisory Board members is to conduct rigorous legal audits unrelated to the Company's operating performance, their compensation is composed only of fixed compensation, which is not affected by operating performance.

## **(2) Compensation Amounts for Company Executives and Policies for Determining Compensation Amounts**

The Compensation Committee, a majority of whose members are external executives, deliberates and recommends director compensation amounts. Based on these results, the Board of Directors resolves compensation amounts within the scope approved by the General Meeting of Shareholders. The Compensation Committee also deliberates and makes recommendations on policies related to determining director compensation amounts. The Board of Directors then resolves the amounts based on these results.

Audit & Supervisory Board member compensation amounts are determined according to the capabilities and audit experience of individual Audit & Supervisory Board members on a rational basis and referring to third-party data. These amounts are determined through deliberation among the members of the Audit & Supervisory Board, including the two external Audit & Supervisory Board members. Policies for determining Audit & Supervisory Board member compensation amounts are also decided through deliberation among the Audit & Supervisory Board members, including the two external Audit & Supervisory Board members.

## **Set Number of Directors**

The Company's Articles of Incorporation provide that the number of directors shall be 12 or fewer.

## **Resolution Requirements for Director Appointments**

To resolve a director's appointment, a meeting must be held that is attended by one-third or more of shareholders

with exercisable voting rights. The Articles of Incorporation provide that appointments must be approved by a majority of these voting rights and not through cumulative voting.

## **General Meeting of Shareholders Resolution Items That May Be Resolved by the Board of Directors**

### **Acquisition of Treasury Stock**

The Company's Articles of Incorporation provide that "in accordance with Article 165-2 of the Companies Act, treasury stock may be acquired in the market by resolution of the Board of Directors." This measure is intended as a component of expeditious capital policy.

### **Exemption of Liability for Directors and Audit & Supervisory Board Members**

With regard to the exemption of liability for directors, the Company's Articles of Incorporation provide that "in accordance with Article 426-1 of the Companies Act, by resolution of the Board of Directors the Company may set limitations on liability for damages for directors (including former directors)." This measure is in place to ensure superior director personnel and provide an environment for proactive decision making and execution of operations, without causing directors to refrain from such duties. Furthermore, with regard to the exemption of liability for Audit & Supervisory Board members, the Company's Articles of Incorporation provide that "in accordance with Article 426-1 of the Companies Act, by resolution of the Board of Directors the Company may set limitations on liability for damages for Audit & Supervisory Board members (including former Audit & Supervisory Board members)." This measure is in place to ensure superior personnel as Audit & Supervisory Board members and provide an environment that enables Audit & Supervisory Board members to adequately fulfill the duties expected of them.

### **Bodies for Determining Dividends from the Surplus**

The Company's Articles of Incorporation provide that "in accordance with Article 459-1 of the Companies Act, dividends of surplus may be determined by resolution of the Board of Directors except as otherwise provided by laws and ordinances." This measure is intended as a component of expeditious capital measures and dividend policy and does not eliminate the General Meeting of Shareholders' rights related to resolving dividends from the surplus.

## **Items Requiring Extraordinary Resolution by the General Meeting of Shareholders**

The Company's Articles of Incorporation provide that items requiring extraordinary resolution by the General Meeting of Shareholders are "to be determined in accordance with Article 309-2 of the Companies Act, at a meeting attended by one-third or more of shareholders with exercisable voting rights, and approved by two-thirds or more of shareholder voting rights attending." The aim in mitigating the number of people required for extraordinary resolutions by the General Meeting of Shareholders is to ensure expeditious decision making and execution of operations.



# Special Interview

With Satoshi Nagao,  
External Director

Now in the second year of his appointment as external director to Mandom Corporation and the Mandom Group, Satoshi Nagao brings a wealth of management experience to his role. Based on this expertise, we asked him about his impressions of Mandom and his opinion on objectivity from the perspective of an external director.

**Q** It has been a full year since you were appointed to the position of external director to Mandom. While attending Board of Directors meetings during that year, you had the opportunity to see numerous events unfolding at the Company. Would you give us your impressions of Mandom and share your thoughts from your perspective as an external director?

My first impression had to do with the corporate culture. Rather than being stiff and formal, the entire Company seemed to cultivate a culture of freedom and vigor.

The Board of Directors itself was highly transparent and sound. Rather than simply rubber-stamping proposals as a matter for course, which is sometimes the case at other companies, members tended to speak their minds freely. Of course, there were some items that were simply approved as a matter of form, but overall the Board of Directors was characterized by frank and lively discussion.

**Q** Your impressions of the Board of Directors seem quite positive. Were there any points that you found less so?

Although a director, I differ from other members of the management team in that I am not involved in actual execution, nor have I mastered the Company's

operations. For this reason, I would ideally like to have more advance input. This is important because on matters requiring a decision, there are often many options available. For example, it would be easy to make a decision if you had three proposals—call them A, B, and C—and after due deliberation it was evident that proposals B and C presented risks while proposal A offered the best benefits. Obviously, you choose proposal A. But if you are suddenly presented only with proposal A and you must make a decision yes or no, the choice has to be A. Naturally, people in the secretariat and in the workplace assume that you make decisions after full deliberation; I think there is room for the process to evolve toward more extensive deliberations.

If we look just at the results, whether the board's decisions have been about management, markets or other items, it is easy to get a bit complacent, thinking that previous decisions have been good and business conditions are healthy. The Company has not stumbled, but I see some areas where it has the potential to do so. And some specific issues requiring a decision will surely arise before this happens.

**Q** What are your thoughts on the Mandom Group's management strategies?

The Mandom Group is currently proceeding in line with its Middle-Range Planning (MP-11), and I think

the content of this plan is very reasonable. Not only are individual policies appropriate, but also I believe that a great deal of deliberation has gone toward addressing the key management issues needed to achieve the plan's targets. I think we are fully aware of the conditions that need to be met and the hurdles that need to be cleared, and this information is shared. The structure is becoming even more robust, which I see as a very good thing.

**Q It is said that in Europe and the United States, the role of an external director is one of the most threatening weapons a company faces. What are your thoughts on this?**

It is still too early to know how the presence and positioning of independent external directors will affect companies in Japan and put pressure on them. We are currently in the middle of a transition period, and I believe a little more time is necessary before the positioning becomes clear.

**Q What do you see as Mandom's expectations of you in your role as an external director?**

Initially, President Nishimura said that he wanted me to help strengthen corporate governance, and I believe this is within my remit as part of the overall supervisory role. I sometimes wonder whether I am filling the role adequately, and this is one of the biggest issues to attend to as my understanding of Mandom and the Mandom Group grows.

I believe that communicating with employees and departments will be an important way for me to gain this understanding. I know about the departments involved in items proposed to the Board of Directors, but it is difficult to actually get to know sections throughout the Company uniformly. Also, I do not

see it as an external director's job to go about sticking his nose in at different floors of the office with no particular business in mind.

By the way, after being appointed external director, I had the opportunity to visit a number of Group sites overseas. The overseas locations struck me as being like small households, and I had numerous opportunities to interact with both the core Japanese staff and locally hired personnel. Whenever such opportunities arise in Japan, they tend to be large in scale, and interacting with numerous people is difficult. I would like to see more opportunities like this in the future, and I believe I learn something important each time.

**Q One final question: What is your personal sense of what an "external director" should be?**

In my view, an external director is basically someone who is not involved directly in operations. Rather, he sees a company from a long-range perspective and checks that it is always on a path to sound growth. To achieve this, sometimes he needs to press on the accelerator, and sometimes to toe the brakes. Sometimes he even needs to assist in adjusting the steering. At the same time, an external director is not the engine. The employees themselves make up the engine.

I think Mandom truly has some excellent potential. Now in my second year as external director, I hope that I have a better understanding of the Company and can play a bigger role in helping to realize this potential.

In closing, I would like to say that I have great expectations for Mandom, which aspires to be an "Only One" company in Asia with global management expertise.

### External Director Satoshi Nagao

Born on October 29, 1946

April 1969 Joined Toyota Motor Sales Co., Ltd.  
(now Toyota Motor Corporation)

January 1996 General Manager

January 2001 Joined DDI Corp. (now KDDI Corporation)

June 2001 Managing Executive Officer

April 2003 Senior Managing Executive Officer

June 2003 Director

June 2005 Executive Vice President, Representative Director (CFO)

August 2005 Director, Keizai Doyukai  
(Japan Association of Corporate Executives)

June 2007 Chairman, KDDI Evolva Inc.

June 2014 External Director of the Company (current position)



# Development Story

## The Birth of Gatsby Hair Jam, a New-Generation Hair Styling Product

The Growing Need for New Styling Products That Create Lifestyle Value for Consumers Based on Consumer Input

### Shockingly...

Many High School and University Students Currently Do Not Use Styling Products

The annual customer surveys that Mandom conducts indicate that the percentage of young people who use hair styling products is falling every year. Whereas nearly 80% of high-school-age boys used hair styling products in 2001, by 2012 this level had fallen to 25%. Nevertheless, the number of people responding that they were likely to use hair styling products in the future remained high and unchanged, at 65% in 2012. From these results, we deduced that rather than being uninterested in hair styling products, high school students had simply concluded “there’s no hair styling product that suits me.”

### “Smart Hair” to Match a Trend toward Moderation

Present-day high school and university students are sometimes thought to be a generation inclined toward moderation: rather than asserting their individuality, they tend to blend their character into their surroundings. Accordingly, hair styling tends to be viewed as something “for being well mannered” and “to make a good first impression.” One type of hair styling product currently in use is hair wax, which went on the market in the mid-1990s. Hair wax went to the top in popularity because it suited the hairstyles of the time, which trended toward hair down to the neckline with spikily moving tips. At the same time, however, we judged that there was a growing mismatch between hair wax products and the desire to play down individuality and opt for more natural-looking hairstyles (smart hair).

### Preferred Styling Products Differ by Generation

A study into mainstay styling products for people ranging from their teens into their 60s shows that older men, even as they age, tend to continue using the products that debuted when they began using hair styling products.

Hair wax is currently being used mainly by customers in their teens to early 40s, but people in their teens are stopping the use of hair wax, and the uptake by this demographic is beginning to fall.



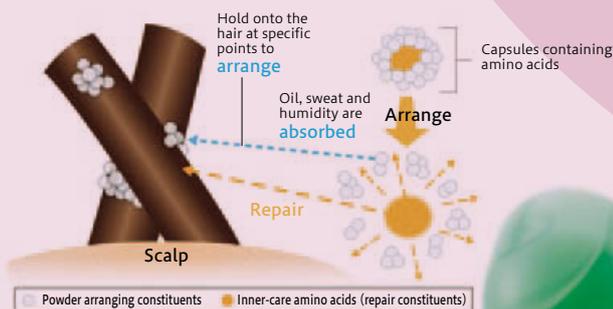
# Successfully

## Energizing the Hair Styling Product Category: Rolling Out the Product Overseas

A post-launch customer survey showed that hair styling product use had risen to 32% among high school students and 49% for university students. We have succeeded in energizing the hair styling product category. In 2014, we simultaneously launched Gatsby Hair Jam in Hong Kong, South Korea, Taiwan, Singapore and Malaysia, and the product is now being used by consumers overseas.

## Development of a New Styling Product Using Proprietary “Powder Styling” Technology

Gatsby Hair Jam makes use of Mandom’s proprietary “powder styling” technology. This technology applies unevenly shaped powder to the surface of the hair to create a sculpted hairstyle. The airy and natural-looking finish is perfect for smart hair.



### Product Characteristics

The Hair Jam Series: Using the “Natural Touch” Styling Technology for a Non-Sticky, Long-Lasting Hold

**[Black] Hair Jam edgy nuance**  
No. 1 hair styling strength in the series, freely adds nuance to short hair, with a strong hold

**[Blue] Hair Jam tight nuance**  
Adds lift and controls tightness for neat hair

**[Red] Hair Jam smart nuance**  
For unselfconsciously dynamic and well-organized hair movement

**[Green] Hair Jam rough nuance**  
For airy hair with fluffy volume

# Global Company Based in Asia

Developing business with strong roots in Asia

The Mandom Group is developing its global operations, particularly in Asia. The Group segments its operations into three regions: Japan, Indonesia, and Other Overseas.

We create and invigorate markets by responding meticulously to individual market conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.

## Other Overseas

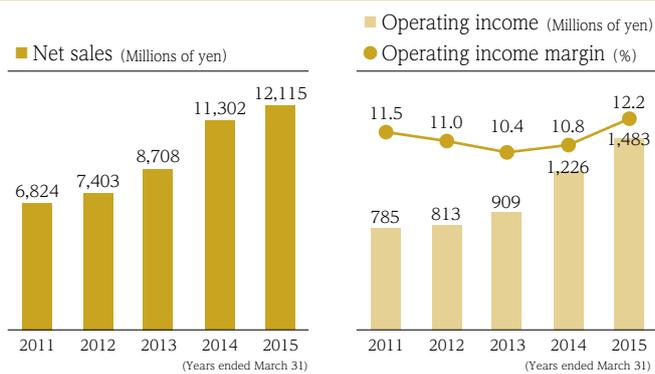
An area with high growth potential for our overseas business

Net sales, year on year

**+7.2%**

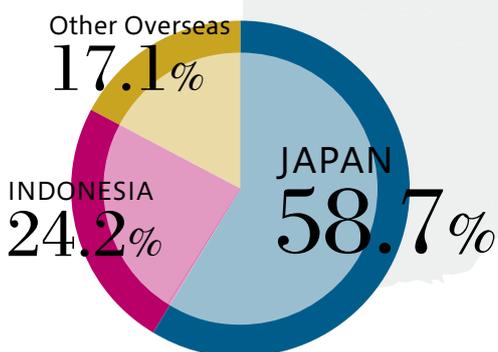
Average growth, past five years

**+15.4%**



In men's grooming, our core Gatsby brand performed well in each country. In women's cosmetics, sales of Bifesta were strong, particularly in Thailand. In this geographic region, we are focusing in particular on creating markets and setting up distribution in the countries of Indochina (Cambodia, Myanmar, Laos and Vietnam). In January 2015, we established a Group company in Vietnam, which is scheduled to commence full-scale operations by the end of the year.

Composition of sales by region



Sales by region over the past five years





# JAPAN

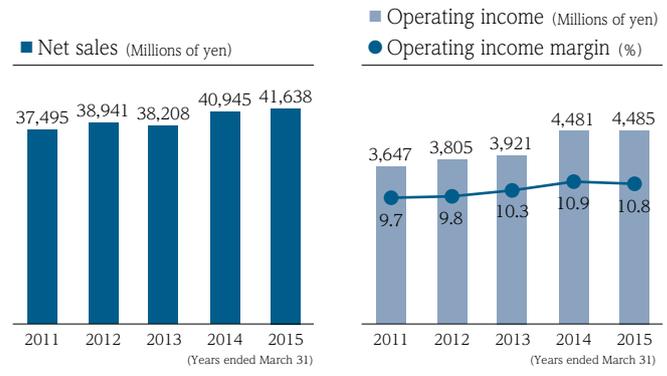
Our core sales region, constituting more than 60% of the Mandom Group's sales

Net sales, year on year

**+1.7%**

Average growth, past five years

**+2.7%**



In men's grooming, the performance of our core Gatsby brand was lackluster, affected by unseasonable summer weather. On the other hand, sales were favorable for our Lúcido deodorant series products for middle-aged men. In products for women, we revamped our lineup of Bifesta cosmetics for ladies, a move that succeeded in pushing up sales. In women's cosmetics, we saw positive results for the Mandom summer series and Lúcido-L, our new series of hair treatment oil.

# INDONESIA

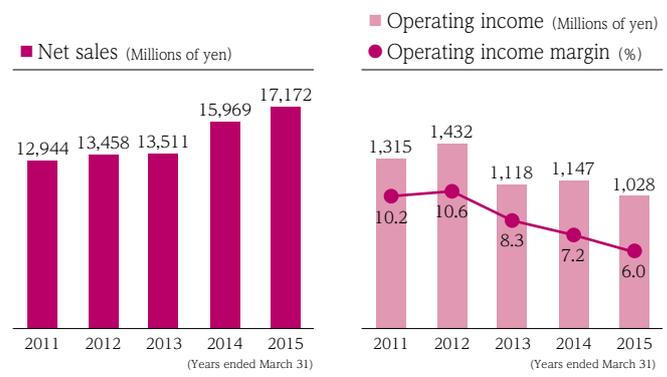
The largest business area and growth leader in the overseas group

Net sales, year on year

**+7.5%**

Average growth, past five years

**+7.3%**



In men's grooming, our core Gatsby brand performed favorably. In women's cosmetics, results were strong for our newly launched Pixy BB Cream product, and in women's cosmetics sales were robust for Pucelle body fragrance. In addition, we constructed a new combined factory and head office building to reinforce our supply structure in response to growing product demand in the Asian market. Full-scale operations began at this facility in June 2015.

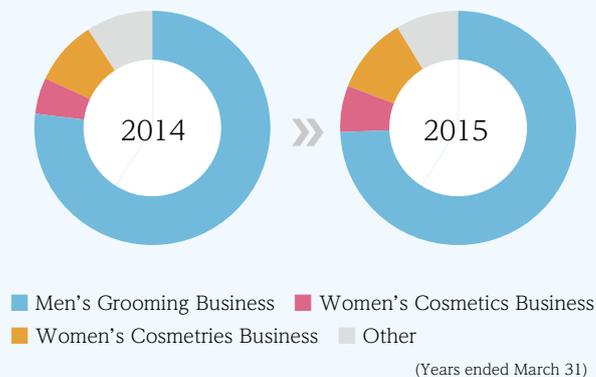
# JAPAN

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

■ Net sales / ■ Operating income



Net sales by business



## Economic Climate

The Japanese economy experienced a modest recovery on the back of government economic measures and monetary easing, with consumer sentiment rebounding now that the backlash following the consumption tax hike has run its course.

## Cosmetics Market Environment

Since the current administration came into office in Japan, the economy has improved against a backdrop of higher stock prices and other factors, and the cosmetics market has expanded slightly, to around ¥1.5 trillion, according to METI's production statistics for the cosmetics industry. However, with the Japanese population dwindling and graying, demand for cosmetics is peaking, so no major growth is expected in this mature market.

## Mandom's Strengths in the Market

The Mandom Group's main channel is self-service sales, which include drugstores, convenience stores, and other mass-market retailers. As a leading manufacturer of men's cosmetics, we are always on the lookout for new market categories and seeking ways to propose new value to create new markets.

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

## Performance for Fiscal 2014

In fiscal 2014, sales in Japan rose 1.7% year on year, to ¥41,638 million. Performance of summer seasonal products in our core Gatsby brand, particularly of "ice"-type products, was sluggish due to unseasonable summer weather. However, sales were favorable for our Lúcido series of products to address "middle-age body odor," our skin care series, the Bifesta Uru-Ochi water cleansing series, summer seasonal products for women, and Lúcido-L hair styling products.

Operating income inched up 0.1%, to ¥4,485 million, as the cost-of-sales ratio increased while we worked to use our investments in marketing expenses more efficiently.



Bifesta Uru-Ochi Water Cleansing Lotion

## Men's Grooming Business

### Market Environment

The domestic men's cosmetics market is worth approximately ¥120 billion, according to Mandom's calculations, although its growth is slowing slightly. By category, the hair styling market is shrinking, as the falling birthrate leads to a decreasing number of users. The scalp care market shrank reflecting a demand backlash following a surge ahead of the consumption tax hike. In the face care market, demand fell slightly as a result of unseasonable summer weather, but this market remained essentially unchanged from the previous fiscal year as a percentage of men's cosmetics overall.

The body care market remained on a par with the preceding year, but growth has been noteworthy over the past few years. We expect the face and body care market to continue growing, as consumer awareness for this type of care increases.

### Initiatives in Fiscal 2014

In fiscal 2014, we sought to counter the trend away from the use of hair styling products by young men by introducing additional products in our Gatsby Hair Jam series with a higher styling hold. As a result, we invigorated the hair styling market by responding to young men's needs not previously addressed, continuing to boost our share of the hair styling market.

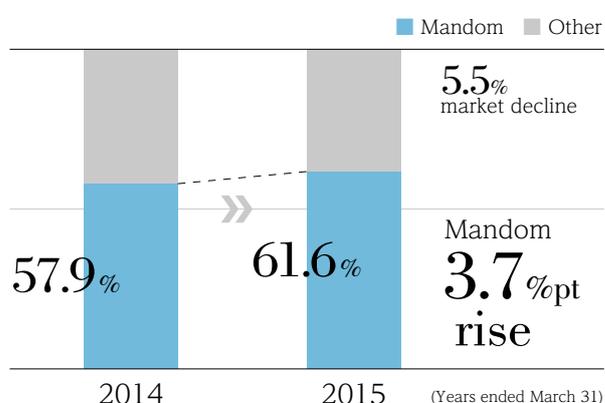
To entrench Gatsby Hair Jam more firmly in the market, during the year we ran television commercials featuring Japanese actor Shota Matsuda and actress Chiaki Kuriyama, which succeeded in raising product awareness. Despite an early rollout of Gatsby seasonal summer products, performance for ice-type products was sluggish, due to unseasonable summer weather.



Gatsby Hair Jam television commercial

Meanwhile, we renewed our Lúcido face care series to address the middle-aged aging care market, which has growth potential, and introduced new products. We also launched new products in our odor-care series to address "middle-age body odor." Around the end of 2014, we cultivated the functional value of the Lúcido brand by running a new television commercial.

### Share of the men's hair styling market



Note: Market data are based on Mandom's calculations (on a monetary base for each fiscal year, from April of the previous year to March).



Lúcido odor-care series

### Future Initiatives

In response to the emerging "neo-classical" trend among men's hair styles, we will introduce Gatsby products to produce hair styles with a certain amount of gloss and hold as we seek to reinvigorate the men's hair styling market, which is tending to shrink.

# JAPAN



Gatsby Styling Grease

Also, in recent years the deodorant market has been trending upward in autumn and winter, as well as summer. At the same time, a growing number of competitors have been launching summer products aimed at producing a sense of “coolness.” In response, we will introduce a mild version of the Gatsby body paper that provides a refreshing feel but does not linger on the skin after use, for use in all seasons. In Lúcido, we will seek to establish our position as an aging care brand for middle-aged men by renewing our odor-care series to combat “middle-age body odor,” as well as aging skincare products. At the same time, we will add new products in an effort to further cultivate the market.



Lúcido odor-care series



## Women's Cosmetics Business

### Market Environment

In the domestic women's cosmetics market, changing consumer purchasing behavior has led to an increasing polarization into high- and low-priced items. Particularly in the self-cosmetics market that is Mandom's mainstay, competition is growing increasingly fierce as numerous companies launch highly functional, low-priced cosmetics products.

Revisions to the tax-exemption system in the autumn of 2014 affected inbound demand, but the self-cosmetics market remains problematic due to the demand backlash following the surge ahead of the consumption tax hike.

### Initiatives in Fiscal 2014

In fiscal 2014, we sought to attract new customers and establish a firm position for our cleansing brand by strengthening our mainstay Bifesta brand. We renewed our Bifesta Uru-Ochi Water Cleansing series, adding new products to our product lineup and introducing new versions with product functionality in response to consumers' changing cleansing-related needs. We conducted extensive store promotions to boost brand recognition and increase customer contact. In February 2015, cumulative shipments of our Bifesta Uru-Ochi Water Cleansing series exceeded 15 million units.



A Bifesta PR promotion, the “Bifes TAXI”



## Future Initiatives

The performance of our wipe-off type of products in the Bifesta Uru-Ochi Water Cleansing series is strengthening, but wash-away products remain the mainstream in the cleansing market. Accordingly, we will work to increase the brand's market share by offering a wash-away version of Bifesta.



Bifesta Tsuru-Ochi cleansing series

## Women's Cosmetics Business

### Market Environment

The women's hair styling and hair care market in Japan has been contracting overall year on year, but in recent years needs have grown for "beautiful hair" washes, with trends in hair care mirroring those for skin care. As a result, the market for hair oil as a non-bath treatment has been growing annually.

In the body care category, the market for women's antiperspirants shrank in 2014 due to unseasonable summer weather. However, due to careful monitoring of increasingly diverse needs and changing product trends, competition has intensified as companies roll out new products.

### Initiatives in Fiscal 2014

In fiscal 2014, we proposed an oil treatment series aimed at "beautiful hair care," a market that is growing strongly. This effort boosted our presence in the "out-bath treatment" category as we sought to establish our position.

In the Mandom body care series, we met autumn/winter needs for moisturizing by launching Body Milk products with Disney designs. As products for the summer season, we cultivated product demand through synergies among our spray, sheet and water offerings under the Happy Deo series.



Mandom Happy Deo series

## Future Initiatives

We expect the market for hair oil products to continue growing. In this area, we will introduce products to address latent demand not being met with our existing Lúcido-L Argan Rich Oil series products, to establish the brand even more firmly.

In the body care category, last year we launched Mandom Body Milk, a refreshing moisturizer. For customers with higher moisturizing needs, we will launch and cultivate a moisturizing cream product to provide relief for drier skin.

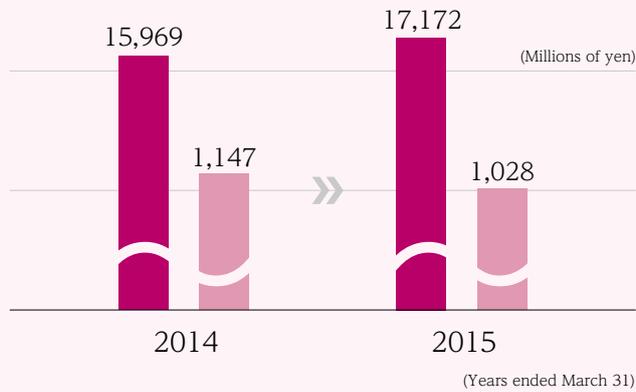


Lúcido-L oil treatment series

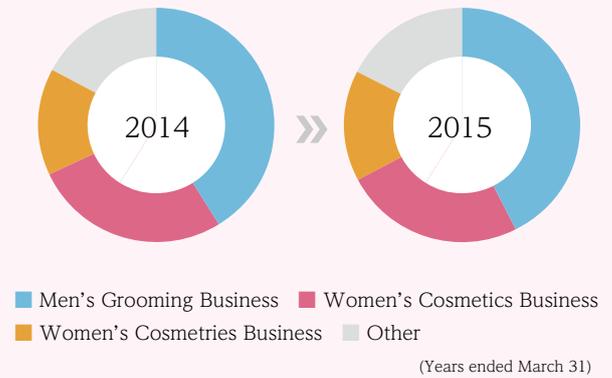
# INDONESIA

The largest business area and growth leader in the overseas group

■ Net sales / ■ Operating income



Net sales by business



## Economic Climate

Indonesia's middle-income population has been increasing in recent years, thanks to the country's economic growth, and the consumer environment has been changing rapidly in response. As the world's fourth most populous country, with a high percentage of young workers, its consumer confidence is high. As a result, consumer markets can be expected to expand, centered on domestic demand.

## Cosmetics Market Environment

In Indonesia's cosmetics market, consumers' purchasing behavior is changing as income levels rise. With consumption shifting from consumer staples to luxuries, we expect to see a continued emphasis on high-value-added items, leading to further market growth.

In distribution, the traditional market of privately run shops is giving way to a more modern market dominated by chain stores and other organized retailers. A climate has emerged that sees both global and local firms in fierce competition.

## Mandom's Strength in the Market

In an age when the concept of men's cosmetics had yet to be established in consumers' minds, we developed products that reflected the desires of local consumers and expanded the business while opening up and cultivating the men's cosmetics market ourselves. We have built a broad distribution network that now supplies products to more than 13,000 of the islands in the Indonesian archipelago, working in cooperation with local distributors.

In hair styling products, Mandom has a market share of more than 70% and is the country's leading manufacturer of men's cosmetics. We also see steady growth in women's cosmetics, primarily make-up and fragrances, with sales split roughly evenly between men's and women's products.

## Performance for Fiscal 2014

Sales in Indonesia in fiscal 2014 were favorable in men's cosmetics, including our core Gatsby brand. Although local currency sales were down, on a yen basis sales expanded 7.5%, to ¥17,172 million. Due to aggressive investment in marketing expenses and rising labor costs, operating income declined 10.4% during the year, to ¥1,028 million.



Gatsby products in Indonesia

## Men's Grooming Business

### Market Environment

Rising income levels, plus growing consumer confidence and an increasing fashion awareness, continue to buttress performance in the men's cosmetics market. We believe that growth will continue, particularly in the face care and body care markets. As these are specialty categories for global firms, we expect competition to intensify as organized retailers continue to develop their businesses.

### Initiatives in Fiscal 2014

To reinforce our position as a men's cosmetics brand, in 2014 we launched the Gatsby brand Face Wash series. To gain market share in the face care market with this series, we are stepping up our marketing efforts, including television commercials, working to enhance our store contact ratio.

In the hair styling category, our market share continued to expand due to our renewal of Gatsby Styling Wax and other product-enhancement efforts.



Gatsby Face Wash series

### Future Initiatives

In our mainstay hair styling category, we will step up sales promotions for products in the Gatsby line, including last year's launches of Styling Mist and youth-oriented Styling Pomade. We will also enhance distributor promotions of Styling Wax, also introduced last year, and run store promotions in an effort to maintain or increase market share.

In the face care category, we will conduct sampling activities to promote an understanding of our products through user experience, working to establish an early foothold in the market.

In the body care category, we will continue to enhance our lineup of popular fragrance products with the aim of boosting our share in this category.



# INDONESIA

## Women's Cosmetics Business

### Market Environment

Women's awareness of cosmetics is growing in tandem with rising income levels. Western cosmetics brands are entering a modern market, while sales of *halal*-certified brands are also selling well. The latter are important in Indonesia, where the population is predominantly Muslim. The number of products on the market is likely to grow as consumer needs become increasingly diverse, and we expect competition to intensify as new companies enter the market.

### Initiatives in Fiscal 2014

In fiscal 2014, we ran a television commercial and conducted promotional activities for our Pixy brand make-up series, renewed last year, as we worked to cultivate the brand.

Meanwhile, we strove to boost sales of existing products in our base make-up series and launched such new brands as BB Cream and Compact Powder.



Pixy BB Cream

### Future Initiatives

Pixy enjoys strong brand recognition, but brand activity is falling. To counter this trend, we will seek to strengthen the brand through product renewals and new product introductions. In addition, we will augment marketing through ongoing television commercials and promotional events. Through these efforts, we aim to rejuvenate the brand image and more firmly establish Pixy's position as a total cosmetics brand.

## Women's Cosmetics Business

### Market Environment

Reflecting Indonesians' preference for scents, there has been growing usage of fragrances among teens as a first personal fashion item. This age segment is highly sensitive to trends, so new products are constantly being launched. The scale of the market is also growing as income levels rise.

### Initiatives in Fiscal 2014

In fiscal 2014, we introduced Pucelle spray-type Body Fragrance and Body Paper, which succeeded in boosting our market share for the brand.

For Lúcido-L, we introduced products from the Hair Vitamin series to hair oil in small sachets to expand the user base and ran television commercials to enhance brand recognition.

### Future Initiatives

In keeping with Indonesian teens' preference for scents, in the Pucelle line we plan to offer a mist-type cologne to maintain or raise our brand share.

In the Lúcido-L line, we will continue to cultivate the Hair Vitamin series and launch additional products. As a result, we aim to achieve strong results and boost our market share in the expanding hair care category, helping the women's cosmetics business to grow in scale.



Pucelle Body Paper

## Full-Scale Operation Commences at New Factory/Head Office in Indonesia

In response to rising demand in the growing Asian market, we have constructed a new factory/head office building in Indonesia and relocated our head office/factory from Jakarta to Bekasi. The building was completed at the end of 2014, followed by the gradual relocation of factory equipment. In June 2015, we held a ceremony to mark the completion of construction and commenced full-scale operations.

The new facility augments our production capacity and is sited nearer our plant that manufactures plastic containers, making transportation more efficient. We will continue producing high-quality, reasonably priced products to meet Asian customers' needs, providing these goods within Indonesia and to other Asian markets.



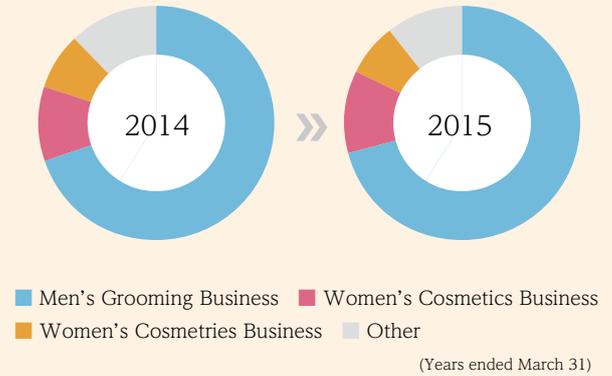
# Other Overseas

An area with high growth potential for our overseas business

■ Net sales / ■ Operating income



Net sales by business



## Market Environment

Cosmetics markets are growing in tandem with economic growth in this area. Despite this, the newly industrializing economies (NIES area) with comparatively high GDP levels—Singapore, Hong Kong, Taiwan, and South Korea—have matured as markets, and many Japanese and international cosmetics brands are already available; the environment is highly competitive in this area.

Conversely, the cosmetics market is growing rapidly in Thailand and other countries in Indochina and in the ASEAN countries such as Malaysia and the Philippines, particularly in metropolitan areas. This expansion is expected to continue, as customer awareness of cosmetics increases and growth ripples outward from metropolises to outlying regions.

## Performance for Fiscal 2014

In the Other Overseas segment, fiscal 2014 was characterized by favorable sales of our core Gatsby brand and the Bifesta brand of women's cosmetics. These factors, plus a higher conversion rate resulting from yen depreciation, led to a 7.2% year-on-year increase in sales, to ¥12,115 million.

Despite aggressive investments in marketing expenses, the impact of higher sales drove up operating income 21.0%, to ¥1,483 million.





## China

China's economy continues to expand, although the rapid pace of growth is showing signs of easing. Personal consumption within the country is scarcely increasing, leading to economic instability.

In recent years, the cosmetics market has expanded, thanks to a greater middle-income population and heightened fashion awareness among women, but the rate of growth is slowing as the economy decelerates.

Market competition has also intensified, owing to the entry of global brands from Europe, the United States and South Korea, as well as Japan.

In fiscal 2014, our performance in the men's grooming market remained favorable, bolstered by our hairspray series in the hair styling category for our core Gatsby brand. However, additional new product launches by competitors led to increased competition. We countered by launching new Gatsby products and stepping up store promotions, working to maintain or boost our market share.

In women's cosmetics, we began a full-fledged rollout of Bifesta, working to raise brand recognition and gain a market foothold for the product.

In the men's grooming business, we will continue to foster the men's cosmetics market to secure an advantage and grow the scale of the business in China. In women's cosmetics, we look forward to expanding our business as Bifesta becomes more entrenched in the market.



Gatsby products in China

## Mainland Southeast Asia

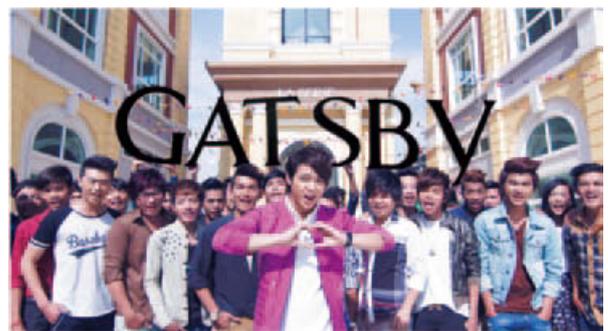
GDP levels remain relatively low in mainland Southeast Asia, but the region has a large percentage of the population aged 30 or under, and its rate of population growth is trending upward. Given these circumstances, we expect economic growth to continue.

The organized retailers that make up the so-called "modern trade" remain a relatively small feature of the cosmetics market in this region. Instead, individually operated mom-and-pop stores are the norm. As the middle-income population expands and fashion awareness rises, we expect distribution routes to expand as the cosmetics market grows.

In fiscal 2014, we worked to create a market for men's cosmetics through a number of initiatives in Vietnam, Myanmar, Cambodia and Laos. These included expanding the number of stores handling our products, particularly the Gatsby brand, reinforcing stores, and tailoring product sizes to distribution routes.

In Cambodia, we ran consumer-oriented television commercials featuring our brand ambassador, the popular local vocalist Nico. We also conducted a highly varied communications strategy to increase Gatsby brand recognition.

By forging stronger ties with distributors, we will continue working to create markets and build distribution routes in this region.



Gatsby Styling Wax television commercial in Cambodia

## Establishing Our 12th Overseas Company in Vietnam: Mandom Vietnam Company Limited

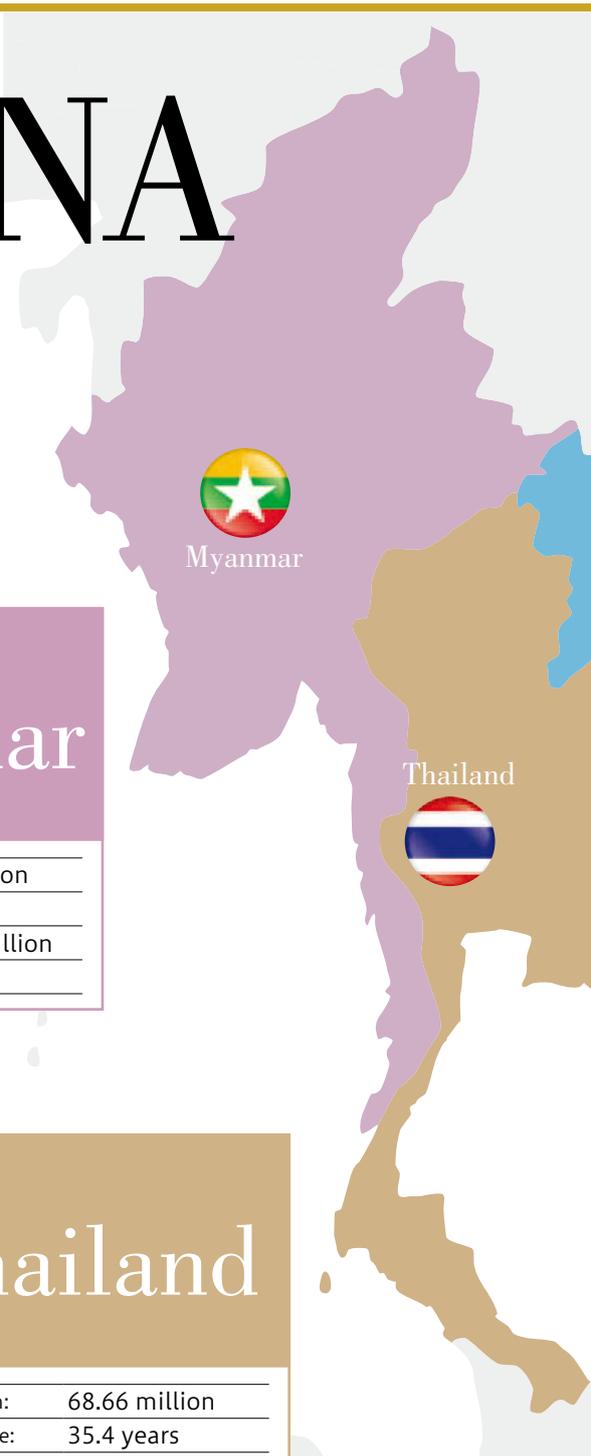
January 2015 marked our establishment of Mandom Vietnam Company Limited in Ho Chi Minh City.

Vietnam is one of the most promising markets in Indochina. We set up the new company there to augment our sales efforts by responding swiftly to demand by local retailers and other stores, as well as to step up support for distribution and strengthen marketing to facilitate market entry. By establishing a base for the cosmetics business within Vietnam, we aim to expand the scale of our operations.

## Other Overseas

# Report from INDOCHINA

A Focus on Rapidly Expanding Indochina,  
Our Next Engine of Growth



Gatsby event at a park in Yangon

## Myanmar

Population:	51.42 million
Median age:	27.8 years
Nominal GDP:	US\$62.8 billion
Per capita GDP:	US\$1,221

### Stepping Up Sales in the Developing Market of Indochina

Fiscal 2014 marked the start of Mandom's 11th three-year middle-range planning (MP-11), which focuses on accelerating growth in Asia. Following on from our mainstay market of Indonesia, we are positioning the developing markets of Indochina as our next region for future growth. We are concentrating our management resources on this region and stepping up our marketing activities there.

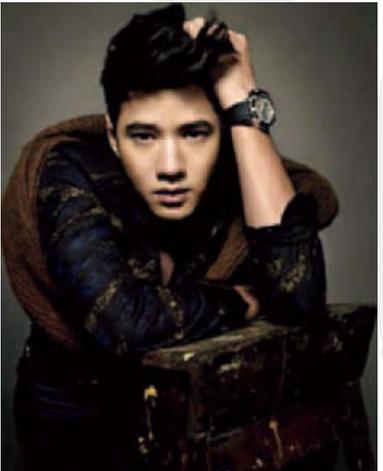
Comprising the five countries of Thailand, Vietnam, Myanmar, Cambodia and Laos, Indochina is said to be a promising market with high economic growth potential. The region has a population of around 230 million, around the same size as Indonesia, with nominal GDP of US\$640.9 billion, per capita GDP of US\$2,786, and a median age in the 20s, if Thailand is excluded. Given these demographics, we see the region as ripe for a consumption boom. Naturally, competitors around the world are also setting their sights on this market. The key to success will be in the ability to fully understand individual countries' characteristics and approach them accordingly.

## Thailand

Population:	68.66 million
Median age:	35.4 years
Nominal GDP:	US\$373.8 billion
Per capita GDP:	US\$5,446

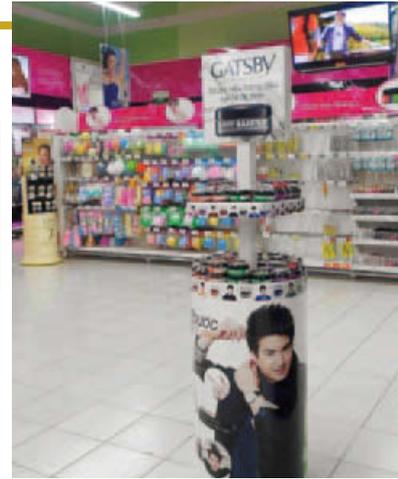


Popular actor Mario was appointed our brand ambassador



# Laos

Population:	6.9 million
Median age:	20.3 years
Nominal GDP:	US\$11.68 billion
Per capita GDP:	US\$1,693



Store development in a modern market



# Vietnam

Population:	90.63 million
Median age:	28.5 years
Nominal GDP:	US\$186.05 billion
Per capita GDP:	US\$2,053



## Applying Mandom's Unique Marketing to Ascertain Local Consumer Needs

In the Thai market, where our Gatsby brand already enjoys a high degree of recognition, we appointed a new brand ambassador in 2015: Mario, a popular local actor. Through this move, we aim to give our image an additional boost. We have also appointed a brand ambassador in Cambodia. Nico, an extremely popular vocalist, features in our local television commercials, events and sampling activities. Through the ongoing development of these and a host of other communications focusing on our target consumers in key cities, we have succeeded in boosting Gatsby brand recognition to nearly 90%. However, many people have still never used our products, so we believe that there is ample room to expand our market. In Myanmar, we are working to create markets by focusing on two brands—Gatsby and the Pixy brand of women's make-up. At the end of 2014, we signed a formal agreement with a distributor in Laos, and we are now commencing full-fledged activities there. In Laos, where many people speak the Thai language and Thai products tend to be popular, we expect to achieve synergy with our high level of Gatsby brand recognition within Thailand. We see Vietnam as having particularly high market potential. We have been conducting marketing activities in the country since 2010, and in January 2015 we established Mandom Vietnam Company Limited as our business base in Vietnam. We plan to commence full-scale activities in the country in 2015. Competitors around the world are eyeing the vigorously growing market of Indochina. The Mandom Group aims to stay ahead of this curve by ascertaining the needs of local consumers in Indochina. Through our products, we hope to add value and play a role in everyday fashion in the region.



# Cambodia

Population:	15.31 million
Median age:	23.5 years
Nominal GDP:	US\$16.55 billion
Per capita GDP:	US\$1,081



Distributing a free paper featuring our nomination of Nico as brand ambassador

[Sources] Population, nominal GDP and per capita GDP: International Monetary Fund, World Economic Outlook Database (April 2015 edition). Median age: World Population Prospects (fiscal 2010 edition).

# Research and Development



Meeting Diverse Needs and Wants throughout Asia's Countries and Regions

Mandom researches the wants that exist in different regions, and plans new and unique products to meet this demand.

Concentrating on core technologies involving the science of hair, body odor and skin, the Company strives to develop efficacious cosmetic products for consumers that are safe and convenient.

## Product Planning Based on Consumer Research Commercializing Products by Carefully Researching Trends in Consumer Lifestyles and Cosmetics and Identifying Wants

### From Research to Development on the Lúcido Series of Products to Combat “Middle-Age Body Odor”

Kicking off development in this area was a realization by a middle-aged member of the Company’s R&D staff. After enjoying a round of sports with his friends, in the changing room he became aware of a distinctive middle-aged odor. Another three years were required to identify the source of the odor and another year to understand the mechanism that produced it. It then took another two years to find a constituent and develop a product to curtail this mechanism. Altogether, the process required seven years.



### Visiting Consumer Households to Conduct Surveys

In Indonesia, we perform grass-roots product development that begins by conducting research at family homes.



## Technical Research to Curtail Unpleasant Stimuli from Using Cosmetic Products

### Preservative Free: Alkanediol Technology to Reduce the Tingling Sensation When Using Cosmetics

We have been conducting research to make products preservative-free, so that even consumers with particularly sensitive skin can use them safely. By studying the antibacterial properties of alkanediol with conventional moisturizer, we have succeeded in creating a “preservative-free” formula.

## Pursuing the Optimal Cooling Sensation: Making the “Icy” Sensation Last as Long as Possible

### Unique Technology to Maintain an “Icy” Sensation over Long Periods

As a result of studies into how to make the cooling sensation that comes from *l*-menthol last as long as possible, we have developed “Cooling Keeper,” a unique constituent that can be mixed with *l*-menthol to strengthen the cooling sensation. In our own evaluations, we have also confirmed that this constituent has the effect of maintaining this cooling sensation for longer periods.

### Pursuing a Cooling Sensation with a Finely Timed “Icy” Feeling

Using *l*-menthol in high concentrations can stimulate the skin unpleasantly, but our studies have shown that mixing it with Eucalyptol—a eucalyptus derivative—and naturally derived Borneol reduce unpleasant stimuli and provide a unique cooling sensation.

## Japan-Indonesia Collaborative Aging Care Research

### Conducting Japan-Indonesia Collaborative Research on Mandom’s Original Research Method for Anti-Photoaging and Usability of the Original Components

Mandom’s head office and PT Mandom Indonesia Tbk are collaborating on research into aging care. We have also asked Gadjra Mada University, a national university in Indonesia, to participate in this research. As a result, we have confirmed the effects of aging care on ameliorating wrinkles in research on women in Indonesia. Distinct from conventional cosmetics that seek to prevent gene damage due to ultraviolet light, our groundbreaking research seeks to restore genes that have been damaged.



## Providing High-Quality, Reasonably Priced Products That Can Be Purchased by General Consumers in Asian Countries and Regions

In every Asian country and region, Mandom targets the general population, the “mass market.”

To provide products to as many consumers as possible, we have created a stable and efficient system to supply products via three bases, in Japan, Indonesia and China.



# Production and Supply



## Establishing the Production Strategy Division to Devise Strategies for Supplying Products around Asia

In April 2012, we established the Production Strategy Division in Japan to reinforce our group-wide function for formulating production and procurement strategies. By increasing the level of interaction with marketing strategies, this office aims to ensure optimal product supply on a pan-Asian level.

## An Asia-Based Global Production and Supply System with Three Manufacturing Locations

Mandom has three manufacturing bases that enable it to supply products appropriately throughout Asia and allow for future growth. Our Fukusaki Factory in Japan serves as the Group's "mother" factory, taking the lead as an innovation center with technological and production functions. Located in the heart of the ASEAN region, our factory in Indonesia is well positioned to serve global markets via the United Arab Emirates and on to the Middle East and Africa. This factory is central to our manufacturing system, which excels at providing high-quality products at reasonable prices. Our factory in China supplies products to the country's domestic market and supplementary production for the Group.



### Fukusaki Factory (Japan)

Site area: 71,058 m<sup>2</sup>  
Production volume: 171 million units



### Zhongshan Factory (China)

Site area: 27,253 m<sup>2</sup>  
Production volume: 12 million units



### Head Office / Factory 1 (Indonesia) (Manufacturing plant)

Site area: 147,936 m<sup>2</sup>  
Production volume: — Note: The Former Sunter Factory 2014 production volume: 731 million units.

### Factory 2 (Indonesia) (Factory for molding plastic containers)

Site area: 54,442 m<sup>2</sup>  
Note: Annual production volume comprises the results for fiscal 2014.

## Maximizing Contact between the Consumers of Asia's Countries and Regions and Our Products

Our marketing activities in each country and region are aimed at maximizing contact between consumers and our products.

We effectively link cross-media communications with in-store communications to promote an understanding of our products among target customers and arouse interest.

We also hold events that, in addition to providing products, are aimed at forging ties between our brands and our target customers.



# Marketing



## Establishing the Group Marketing Strategy Division to Formulate Pan-Asian Marketing Strategies

We set up the Group Marketing Strategy Division in Japan in April 2012. In addition to category and brand strategies that incorporate our global management strategies, this office formulates medium- to long-term integrated marketing strategies for the Group as a whole.

## Cross-Media Communications in Other Countries and Regions

To forge links between our brands and customers, we take a combined approach using various media to maintain a high contact ratio in the daily lives of our core target in a number of countries and regions. We work to raise brand and product awareness, understanding and empathy by increasing points of contact with consumers.



## Proposing Sales Space That Is Easy for Consumers to See and Provides Good Product Access

We suggest which stores use shelving allocation software to create selling environments that are easy for customers to see and make it easy to select products. Sales staff visit shops to offer helpful information and feed a variety of information from stores back to the Company. This information is reflected in product development and sales promotion ideas.



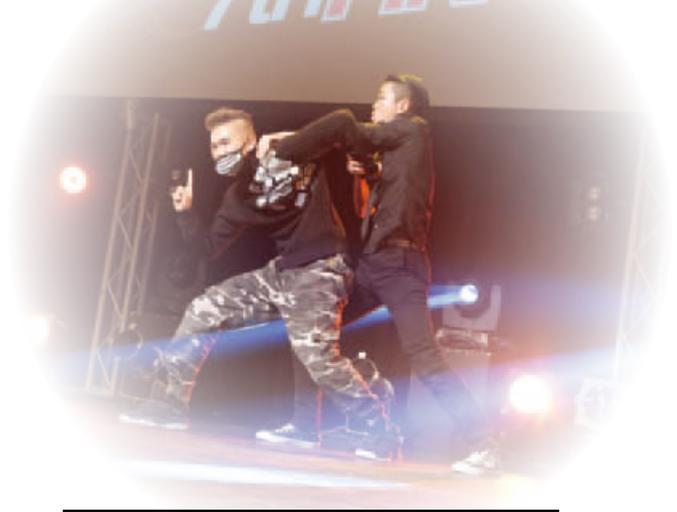
# Marketing

## Building Ties with Target Consumers throughout Asia with Our Gatsby Brand

### Gatsby Student Commercial Awards

In this contest, students produce commercials featuring Gatsby products. By providing Japanese and other Asian students who produce videos every day as a matter of course with an opportunity to express themselves effectively, we aim to cultivate creative video artists. With this in mind, we launched this event in 2006.

The current event was the ninth, soliciting commercials from seven countries and regions: Hong Kong, Indonesia, South Korea, Malaysia, Taiwan, Thailand and Japan. Final entries numbered 920 works. In the first round of judging, the general public was invited to vote via the official Gatsby website (PC sites in Hong Kong, Indonesia, South Korea, Malaysia, Taiwan, Thailand and Japan, and a smartphone site in Japan), selecting 23 works. Final judging was held on November 22, 2014, at Harajuku Quest Hall in Tokyo. The grand prize was awarded to a team of three students of South Korea's Dong-Ah Institute of Media and Arts.



Group photo of final contestants nominated for the grand prize



The winning team of three from South Korea's Dong-Ah Institute of Media and Arts



The nine teams selected from around Asia at the Asia Grand Final



The two-man team representing South Korea that received the ultimate prize, The Greatest Gatsby Prize

### Gatsby Dance Competition

Gatsby has grown to become Asia's top-selling brand in men's grooming. In addition to providing it as a product, we would like to see Gatsby serve as a way to highlight activities among Asia's youth and be a brand that provides them with opportunities to realize their dreams. Recognizing dance as a medium of communication that transcends differences of language and tradition, we have hosted art and performance competitions since 2008.

This year marked the seventh occasion for this event. The first round of the contest commenced in the respective locations of students from nine countries and regions—Hong Kong, Indonesia, South Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Japan. To decide one of the largest dance competitions in Asia, with 1,272 teams, we held the final round of judging on March 7, 2015 at O-East, a venue in Shibuya, Tokyo. Nine of the top teams from around Asia were invited to compete in this Asia Grand Final. The ultimate prize, The Greatest Gatsby Prize was awarded to a two-man team representing South Korea, who thrilled the audience with their "WITHBILL BABYZ G.O.T" performance.

## Koh-Doh (Thinking and Working) for Value Maximization

### Providing Useful Products to Consumers

By using customer input in our business activities and adopting a consumer perspective, we strive to augment the benefit (convenience) of our products and ensure their safety.

#### ▶▶▶ Contributing through Our Products:

##### Launching “Smell Management Activities” to Provide Guidance and Promote Etiquette Related to Body Odor

Mandom conducts research on body odor, particularly in men, and proposes a wide range of body odor care for young to middle-aged men. As one aspect of these activities, in June 2014 we launched “smell management activities.” These activities included an odor-care comprehension test for individuals and odor-care seminars for companies.

We provide the odor-care comprehension test via a public website so that anyone can learn easily about body odor. In our odor-care seminars for companies, Mandom employees conduct lectures, explaining the mechanisms of body odor and describing care methods. The seminars conducted to date have been well received and attracted large numbers of participants.



Odor-care seminar

##### Providing Cosmetics That Are Safe and Offer Relief

To provide safe cosmetics and assure consumers they are safe to use, Mandom applies safety standards and quality measures that will assure customer satisfaction. When developing cosmetics, we ensure safety at every stage, from the selection of raw materials to the development of formulas and final evaluations on actual use, designing products that are safe from a consumer perspective.



Stinging test

#### ▶▶▶ Quality Enhancement Initiatives:

##### Quality Assurance Activities and Reconfiguring Our Quality Assurance System

In accordance with Japan’s Pharmaceutical Affairs Law, we comply with the ISO 22716 international standard related to good quality practice (GQP), good vigilance practice (GVP) and good manufacturing practice (GMP) for cosmetics. In addition, we have formulated the Fundamental Quality Policy based on the Mandom Quality Philosophy that calls

for “truly satisfy customers by enhancing the quality of the Company, products and services through the involvement of all employees.” On this basis, we are creating a quality management system that spans all stages—from planning, design and development to production and shipping—as we make the ongoing enhancement of customer satisfaction a daily focus.

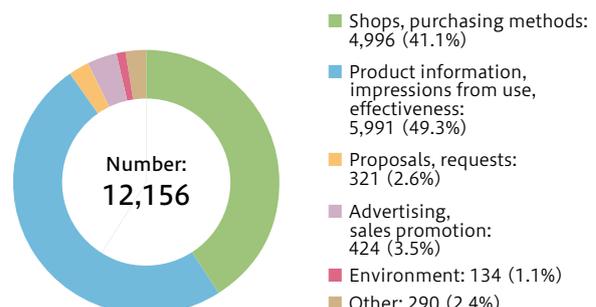
#### ▶▶▶ Systems for Incorporating Customer Feedback into Our Operations:

##### Customer Consultation System

In 1994, we set up a customer service office as a comprehensive window to receive customer feedback. After studying and considering the feedback received, we add information to the “frequently asked questions” section of our website as part of our effort to supply information.

We also save feedback to a database. Through customer information, product quality and design management meetings, this information is conveyed to related departments and executive management and utilized in product development and improvement efforts.

##### Content of customer consultations in fiscal 2014



## Koh-Doh for Self-Actualization

### Being of Use to Employees

Mandom considers employees to be corporate assets, or human resources. Accordingly, we work to create a workplace that enables each individual to fully maximize his or her potential.

#### ▶▶▶ Our Approach to Human Resources:

We believe that a company represents a place for employees to achieve self-actualization through their work. We are working to build an environment where the skills and talents of employees can be maximized to the fullest and to enable continual growth through continuing education opportunities.

##### Respect for Human Rights and Diversity

We respect the fundamental human rights of all employees and never discriminate on the basis of such factors as race, nationality, religion, belief, creed, sex or physical capability. We have formulated compliance standards that prohibit discrimination and defamation.

We conduct training on the Mandom Group's Code of Conduct for new employees, as well as on an annual basis for all employees. We also distribute the Code of Conduct

at our overseas bases, and hold study groups to read these regulations and promote human rights awareness.

##### Global Human Resources and Our Global Personnel Vision

We have formulated the "Mandom Group Vision ver1.0," which outlines our objective of becoming a multinational Asian company. Recognizing that human resources are essential for achieving this vision, we have formulated and are promoting the Global Personnel Vision 2016. This vision places people at the center of the Company's objectives for the future.

This vision defines global human resources as "people who can help us achieve success in any country." We have training, systems and other mechanisms in place to cultivate these human resources.

#### ▶▶▶ Cultivating Human Resources:

We have a variety of training programs in place, based on an employee's rank and role in the Company, that place a strong emphasis on the desire to learn voluntarily. Examples of these programs, based on our Global Personnel Vision 2016, are training for global leaders and employee initiatives to enhance language skills.

In fiscal 2014, we launched the Young Global Human Resources Cultivation Program, which focuses on cultivating employees who will play an active role in future pan-Asian business. Aimed at cultivating a shared awareness of our corporate philosophy and three types of understanding in Asia—consumers, business partners and products—this training involves discussions, as well as overseas exchange training, which includes visits to production plants and marketplaces. We aim to create an organizational environment that encourages free communications among employees in different countries.

We provide elective English-language education support to help employees augment their language skills. Under this program, we select employees who have TOEIC scores above a certain level, as well as those whose duties will soon require them to use English. For these people, we bring in outside instructors to provide English lessons. In fiscal 2014, we held such lessons for 64 employees at four locations in Japan.



Group English lessons

#### ▶▶▶ Internal Communications:

##### Introducing New Participatory Tools for All Employees

As a measure to ensure active employee participation cited as part of "Our Values" (the Mandom Group's management philosophy), the information card system instituted in 1984 involves each and every employee recording and submitting information obtained through their daily work or everyday life on a card. Every year, about 50,000 of these cards are submitted. To make this system operate in a timelier manner, in fiscal 2014 we switched to a new communication system using a social networking site (SNS). In the first half-year after introduction, the system elicited more than 4,000 dialogs, enabling information sharing and utilization beyond the scope of the organization.



In-house SNS

# Koh-Doh for Good Ethics

In addition to maintaining and enhancing management fairness and transparency, the Mandom Group puts every effort into ensuring that its products exceed legal requirements for consumer safety and benefit.

## ▶▶▶ Compliance:

### Our Approach to Compliance

The tenets of compliance at the Mandom Group are encapsulated in Our Philosophy of providing useful products to customers and Our Values of approaching society with candor. Rather than relying on external standards and adopting a passive compliance stance that “as long as we are legally compliant, all is fine,” the Mandom Group sets voluntary standards that exceed legal requirements, taking an independent and proactive stance toward protecting consumer safety and benefits.

### The Mandom Group’s Code of Conduct

We formulated the Mandom Group’s Code of Conduct in 1999 as part of a compliance program to ensure that all companies, executives and employees throughout the Mandom Group were putting Our Philosophy into action on an everyday basis. This Code of Conduct is fundamental to questions that our people should be asking themselves as they go about their work, namely, “Is this a correct judgment?” and “Is this behavior something to be ashamed of?”

The Mandom Group’s Code of Conduct has been reviewed and amended in line with formulations and revisions of concepts of Our Philosophy as well as various principles. The Code of Conduct was reviewed and revised in a timely manner. (They were revised in 2002, 2007, 2011 and 2014.)

The 2014 revision clarified policies in such categories as “The objective does not justify the means,” meaning that the Company does not condone the idea that any method is acceptable as long as the desired results are achieved, and “Morals trump outcome.” This means the Company does not subscribe to the concept that as long as results are achieved, any methods are acceptable. To ensure against compliance violations, we also emphasized the importance of maintaining a strong sense of ethics and cultivating an organizational culture that maintains a sense of tension.



The Mandom Group has established a Code of Conduct Promotion Committee to ensure thorough compliance with its Code of Conduct. This committee concentrates on compliance awareness and training in departments throughout the Group.

### Helpline System

In December 2002, we introduced a Helpline System to encourage the swift detection of any risk of compliance violations, with the aim of preventing such risks from materializing and avoiding recurrence. The Helpline System facilitates the reporting of any actual or potential legal violations or actions that run counter to our Code of Conduct that are discovered in the workplace. Reporting is fielded by the Code of Conduct Promotion Committee, which includes third parties (legal advisors). Reporting can be anonymous, and we ensure against any disadvantageous treatment of whistleblowers.



### Protection of Personal Information

Mandom handles a substantial amount of personal information, including that on customers. We have created a Personal Information Protection Management System to ensure that this information is handled correctly and appropriately.

We have created a Personal Information Management Ledger, and each year we conduct a survey to determine the status of information retention and management by all departments. We also perform internal audits in our effort to store and manage personal information appropriately. Furthermore, all employees undergo training on personal information protection.

## Koh-Doh for a Successful Business Partnership

### Being Useful to Business Partners

We strive to build strong partnerships with our business partners. We also work to ensure appropriate and timely disclosure to shareholders and investors and remain accountable to them.

#### ►►► Involvement with Business Partners:

##### Ensuring Fair and Transparent Transactions

To be good partners to our business partners, we strive to forge stable, and trust-based relationships through business dealings that are fair and transparent. To this end, in July 2004 we formulated the Anti-Monopoly Act Compliance Program, which we updated in 2010. Under this program, our Legal Affairs Division conducts workshops for our sales and purchasing departments. Members of our Purchasing Division also participate in outside seminars related to purchasing and procurement to gain additional knowledge in this area.

Once a year, all Mandom Group departments in Japan undergo training on our Code of Conduct. During this training, participants read through our principles on procurement and sales, helping to instill an awareness of these policies among employees.

##### Involvement with Healthcare Organizations in Indonesia

Mandom Indonesia launched a joint initiative with the Hermina Hospital Group involving hand sanitizers in December 2014, followed by sales of feminine hygiene products in April 2015.

The Hermina Hospital Group currently manages 21 hospitals on the Indonesian islands of Java and Sumatra. The group plans to proactively expand its operating area going forward, also moving into the islands of Kalimantan and Sulawesi.

The product series we have jointly developed are being used at the hospitals operated by the group. We have also begun expanding the market to include local mass retailers.

Through this collaboration, which combines the high local awareness and reputation of the Hermina Hospital Group with the technical expertise and distribution network that Mandom Indonesia possesses, we are convinced that we can be of help in developing the Indonesian market for sanitary products and further awareness of public sanitation.



## Koh-Doh for Environmental Preservation

We are working to reduce environmental impact at all stages, from product development to production, transport, sales and post-use.

#### ►►► Mandom’s Environmental Philosophy and Fundamental Environmental Policy:

We aim to contribute to customers and society through our business activities. We have formulated the Mandom Environmental Philosophy “Eco-Policy” and the Fundamental Environmental Policy “Eco-Activity Guide” to fulfill our objectives of protecting the global environment and taking the environment into consideration as part of our everyday activities.

##### 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”

###### Product Eco-Policy

In the Mandom Group, we consider environmental friendliness to be an important aspect of product value. To help create a more sustainable society, we strive to combine ecological and economical value in our products.

###### 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.

## ▶▶▶ Efforts to Stop Global Warming:

The Fukusaki Factory uses a power monitoring system that accumulates data on electricity use. This information is shared at monthly meetings of heads of the factory and used in drawing up power-saving measures for each section of the factory. To use electricity effectively, we also employ an ice thermal storage system that is used to transfer the thermal energy derived from nighttime electric power to power air conditioning and cooling equipment.

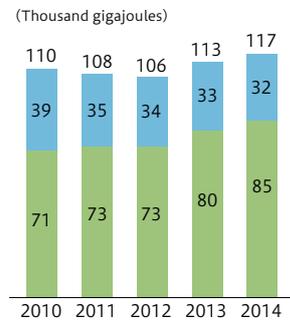
Our head office building uses demand monitoring to manage electric power consumption in different ways at different times of the day and reduce peak demand-side consumption.

Furthermore, we are engaged in an ongoing shift to energy conservation for lighting systems in our head office and other buildings. In fiscal 2014, we switched over to LED lighting on some floors of the head office and in smoking rooms.

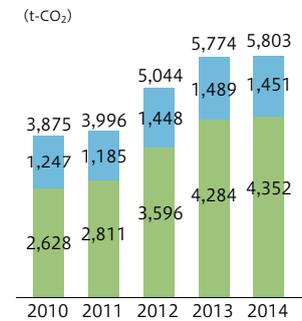
To reduce CO<sub>2</sub> emissions in distribution, we have also been streamlining operations and pursuing a modal shift from trucks to freight trains and cargo ships.

### Energy use

■ Fukusaki Factory ■ Offices  
(Head office building, Tokyo Nihonbashi Building, sales locations)



### Total CO<sub>2</sub> emissions



Note: CO<sub>2</sub> emission factors for electricity use employ the emission factors publicly announced each year by individual electricity suppliers.

## ▶▶▶ Efforts to Prevent Pollution:

### Stopping Air Pollution at the Fukusaki Factory

When boilers operate for an extended time, emissions of the air contaminants sulfuric oxides (SO<sub>x</sub>) and nitrous oxides (NO<sub>x</sub>) increase. We are therefore taking measures to improve boiler usage efficiency at the Fukusaki Factory, such as by introducing electric water heaters.

### Wastewater Treatment

At the Fukusaki Factory, we use a membrane separation and activated sludge process to treat with chemical materials used in the production of cosmetics and the washing water from the manufacturing tanks and filling equipment before release.

In fiscal 2014, we performed upgrades that are expected to increase drainage volume, and we are working to stabilize water quality by reinforcing the management of water treatment processes.



Boiler



Water treatment facility at the Fukusaki Factory

## Koh-Doh for Environmental Philanthropy

### Being of Use to the Local Community

As a good corporate citizen, we are dedicated to society's development. We value philanthropic activities, which make long-term contributions to the development of our society.

## ▶▶▶ Our Local Community Approach:

The Mandom Group aims to be a good corporate citizen that is dedicated to society's development. This is part of Our Values. "We value philanthropic activities, which make long-term contributions to the development of our society," as outlined in our principles.

Paying respect to the culture and customs of each

region, we participate in and cooperate with local communities, considering the interaction an important part of two-way communications.

We aim to contribute to a healthy society also by sponsoring academic and cultural activities and sports, joining in joint volunteer efforts, and more.

## ▶▶▶ Area-Based Social Initiatives:

### Participating in Volunteer Efforts to Improve the Lives of Local Residents as Japan Overseas Cooperation Volunteers

In 2012, we began participating in a program by the Japan International Cooperation Agency (JICA) of dispatching employee volunteers to developing countries as Japan Overseas Cooperation Volunteers. The first group of participants in this program was sent to Svay Rieng Province in Cambodia, with the second group going to the Province of Southern Lyte in the Philippines. Through this program, volunteers participated in projects aimed at improving the lives of local citizens in farming villages with high rates of poverty.



The second group of volunteers that took part in activities in the Philippines

## Analyses of Management and Finances

### Analysis of Operating Results

#### 1. Summary

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

In this environment, consolidated net sales rose 4.0%, to ¥70,925 million. Consolidated net income increased 8.1%, to ¥4,425 million. (Hereinafter, all figures are stated in Japanese yen, consolidated as of March 31, 2015, and all percentage changes are relative to the previous consolidated fiscal year.)

#### 2. Net Sales and Cost of Sales

Net sales totaled ¥70,925 million, up ¥2,709 million (4.0%). This marks the fifth consecutive year of record sales. The main reason for the increase was positive overseas sales of our core Gatsby products, particularly in Indonesia. As a result, overall sales were solid both in Japan and overseas.

Cost of sales was ¥32,097 million, up ¥1,207 million (3.9%). The principal factor behind this increase was the increase in domestic and overseas sales. However, due to efforts to lower costs both domestically and overseas, gross profit expanded to ¥38,828 million, up ¥1,502 million (4.0%).

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

SG&A expenses amounted to ¥31,832 million, up ¥1,360 million (4.5%). Although in Japan we strove to boost the efficiency of our investment in marketing (sales promotion and advertising expenses), overseas our expenses rose resulting proactive marketing investment (advertising expenses), centered on Indonesia.

As a result, operating income rose to ¥6,996 million, up ¥142 million (2.1%)

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

Non-operating income has been increasing steadily since the previous term, while non-operating expenses have been falling. As a result, non-operating profit was up ¥122 million during the term. In extraordinary items, the drop in extraordinary income outpaced the fall in extraordinary expenses, resulting in a year-on-year decline of ¥15 million in extraordinary profit.

As a result, ordinary income totaled ¥7,595 million, up ¥265 million (3.6%). Income before income taxes and minority interests also increased to ¥7,529 million, up ¥250 million (3.4%).

#### 5. Income Taxes, Minority Interests and Net Income

Income taxes totaled ¥2,520 million, down ¥88 million (3.4%), principally due to increases in corporate tax payable by the parent company. Minority interests in income of consolidated subsidiaries rose to ¥584 million, up ¥5 million, due mainly to the increase in net income of the Group's Indonesian subsidiary.

As a result, net income amounted to ¥4,425 million, up ¥333 million (8.1%), a new record high.

### Analysis of Financial Position and Cash Flows

#### 1. Assets, Liabilities and Total Equity

Total assets amounted to ¥75,980 million as of March 31, 2015, up ¥8,121 million from one year earlier. This rise stemmed from increases in merchandise and finished goods and construction in progress. Total liabilities amounted to ¥15,000 million, up ¥2,320 million from the previous fiscal year-end, due to increases in short-term borrowings. Thanks to increased retained earnings, among other factors, total equity totaled ¥60,980 million, up ¥5,801 million, and the shareholders' equity ratio was 73.7%.

#### 2. Status of Cash Flows

Cash and cash equivalents (cash) totaled ¥11,265 million, up ¥374 million. Principal factors influencing cash flows during the term are as follows.

##### (Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥5,488 million, down ¥1,815 million from the previous fiscal year. While operating income rose, other factors, including an increase in inventories as well as receivables, exerted an opposite influence.

##### (Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥5,141 million, ¥456 million less than the prior fiscal year. This change was mainly due to a decrease in purchases of tangible fixed assets, despite an increase in time deposits other than cash equivalents.

##### (Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥341 million, down ¥1,492 million from the previous fiscal year. This was primarily due to proceeds from short-term borrowings.

## Important Factors Influencing Consolidated Operating Results

### 1. Factors Influencing Profitability

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

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

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

### 2. Foreign Exchange and Resource Price Fluctuations

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

## Business and Other Risks

### 1. Consumer Alignment Risk

Competition in the cosmetics market in Asia, including Japan, is becoming increasingly intense due to the activities of peer companies as well as new competitor entry. In addition, the market is

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

### 2. Partner Dependence Risk

Business partner	Fiscal 2013 (April 1, 2013- March 31, 2014)		Fiscal 2014 (April 1, 2014- March 31, 2015)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Paltac Corporation	¥19,849	29.1	¥20,007	28.2
PT ASIA PARAMITA INDAH	13,457	19.7	14,263	20.1

As shown in the chart above, during the 2014 and 2015 terms ended March 31, the Group was dependent on certain wholesalers for more than 10.0% of its consolidated sales. The Company and PT Mandom Indonesia Tbk have long-term, stable, ongoing business relationships with these wholesalers. In the future distribution of cosmetics and other products, there will be an increasing tendency toward market dominance by a limited number of large-scale wholesalers. This may lead to further dependence on specific distributors who account for a significant percentage of Group sales.

### 3. Regulatory Risk

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

#### 4. Foreign Exchange Risk

The Group's overseas business focuses on Asia, where solid market growth is expected. Overseas net sales accounted for 41.0% and 42.4% of consolidated net sales in the fiscal years ended March 31, 2014 and 2015, respectively, and the weight of overseas business is expected to increase. Accordingly, short-term, as well as medium- to long-term fluctuations in foreign exchange rates have the potential to impact the Group's performance and prevent the operating results of overseas Group companies from being accurately represented our business performance when translated into yen.

#### 5. Overseas Business Development Risk

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

### Challenges to Be Addressed

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

Grooming products for men represent the Group's core business. In this and other categories in which we operate, we are experiencing increasing competition by established as well as new market participants, both in Japan and overseas, and we believe that the business environment will become even more challenging. Within this environment, the Group places utmost importance on its men's grooming products business, which accounts for more than half of consolidated sales and more than 60% of sales in Japan. Since this business is a mainstay of our profitability, we will continue striving to uncover new needs and wants through research from the consumer's point of view. We will also hone our capability to introduce new products, and undertake to maintain business expansion.

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

#### 2. Bolstering Personnel Development as the Foundation of Group Business

The Group seeks continuing global growth with a focus on Asia. Management considers global personnel development to be one of the foundations supporting its business, and believes that equipping

personnel for success in any country will become increasingly important. Consequently, we will bolster personnel development to enhance the capacity of our employees to communicate and acquire a deep understanding of the customs and values of each culture where we market our products, to strengthen the Group's overseas foundation.

#### 3. Bolstering Corporate Social Responsibility Activities

The Mandom Group strives to maintain and enhance positive, trust-based relationships with its stakeholders, as well as to act in collaboration and harmony with society as a good corporate citizen, thereby contributing to development. CSR initiatives of particular note are our ongoing quality guarantee and environmental countermeasure efforts. We are also putting in place structures to promote social contribution activities throughout the Group.

### Management's View of Challenges and Policy Going Forward

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

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

#### 1. Current Management Strategies and Outlook

Sustained growth is the core element of the Group's medium- to long-term business strategy. To achieve phased expansion of Group business, we will deploy a carefully planned input of business resources to achieve sustainable growth in income and profits. In the current three-year Middle-Range Planning (fiscal 2014 through fiscal 2016), we will continue to focus on three strategic themes: (1) promoting continued growth for our core men's grooming business; (2) accelerating the start of our women's cosmetics business through global marketing in Asia; and (3) promoting the continued expansion of our overseas business.

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

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

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

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

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

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

### **(3) Continued expansion of overseas business**

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

## **2. Financial Policies**

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

Management further believes that even if the need should arise for investment funds exceeding current liquidity, it can procure the funds necessary to ensure dramatic growth based on sound finances and the capacity to generate cash flows through operating activities.

## **3. Earnings Distribution Policy**

Returning profit to shareholders through dividends is a core management policy, subject to internal reserve requirements for medium- to long-term operational development and new business development, and for addressing corporate risks. Under this strong commitment to dividend policy, the Group will endeavor to deliver shareholder return through dividend payouts. The numerical target for the year ended March 31, 2015 and ending March 31, 2016 is a payout ratio of not less than 40.0% of net income on a consolidated basis.

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

The entity for approving the distribution of these funds is the Board of Directors for the mid-term dividend, and the General Meeting of Shareholders for the year-end dividend. Total dividends for the term were set at ¥76 per share.

As a result, the dividend payout ratio amounted to 40.2% on a consolidated basis.

We allocate internal reserves to strategic investments aimed at boosting corporate value, including investment in facilities to expand existing business operations, overseas operations and research and investment. Furthermore, we view internal reserves as a safety net to deal with various corporate risks. We are also considering the potential for stock buybacks to return profits to shareholders and improve capital efficiency.

# Consolidated Financial Statements

## Consolidated Balance Sheet

MANDOM CORPORATION and its Consolidated Subsidiaries  
As of March 31, 2015

Millions of yen

	2015	2014
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 13)	¥ 11,265	¥ 10,891
Short-term investments (Notes 4 and 13)	15,129	14,302
Receivables (Note 13):		
Trade notes and accounts	9,540	8,252
Unconsolidated subsidiary and associated company	123	110
Other	80	98
Allowance for doubtful accounts	(19)	(17)
Inventories (Note 5)	10,000	8,122
Deferred tax assets (Note 9)	822	780
Prepaid expenses and other current assets	1,127	1,128
<b>Total current assets</b>	<b>48,067</b>	<b>43,666</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	511	511
Buildings and structures (Note 3)	19,889	19,567
Machinery and equipment	15,641	14,582
Furniture and fixtures	5,288	4,577
Lease assets (Note 12)	55	56
Construction in progress	5,051	2,447
<b>Total</b>	<b>46,435</b>	<b>41,740</b>
Accumulated depreciation	(27,787)	(24,927)
<b>Net property, plant and equipment</b>	<b>18,648</b>	<b>16,813</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investment securities (Notes 4 and 13)	6,133	4,842
Investments in unconsolidated subsidiary and associated company	466	299
Deferred tax assets (Note 9)	371	249
Asset for retirement benefits (Note 7)	147	1
Other assets (Notes 3 and 6)	2,148	1,989
<b>Total investments and other assets</b>	<b>9,265</b>	<b>7,380</b>
<b>TOTAL</b>	<b>¥ 75,980</b>	<b>¥ 67,859</b>

	Millions of yen	
	2015	2014
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Short-term bank loans (Notes 6 and 13)	¥ 1,817	
Payables (Note 13):		
Trade notes and accounts	5,001	¥ 6,692
Unconsolidated subsidiary and associated company	1	5
Other	562	29
Accrued income taxes (Note 13)	1,008	1,237
Accrued expenses	1,887	1,718
Other current liabilities	1,518	563
Total current liabilities	11,794	10,244
<b>LONG-TERM LIABILITIES:</b>		
Liability for retirement benefits (Note 7)	1,591	1,188
Deferred tax liabilities (Note 9)	673	303
Other long-term liabilities	942	945
Total long-term liabilities	3,206	2,436
<b>COMMITMENTS</b> (Notes 3 and 12)		
<b>EQUITY</b> (Notes 8 and 15):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2015 and 2014	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	36,102	33,406
Treasury stock—at cost 755,827 shares and 755,434 shares in 2015 and 2014, respectively	(1,855)	(1,854)
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities	1,578	865
Foreign currency translation adjustments	(2,440)	(4,043)
Defined retirement benefit plans	(40)	34
Total	55,975	51,038
Minority interests	5,005	4,141
Total equity	60,980	55,179
<b>TOTAL</b>	¥ 75,980	¥ 67,859

See notes to consolidated financial statements.

## Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2015

	Millions of yen	
	2015	2014
<b>NET SALES</b>	¥ 70,925	¥ 68,216
<b>COST OF SALES</b>	32,097	30,890
Gross profit	38,828	37,326
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 10, 11 and 12)	31,832	30,472
Operating income	6,996	6,854
<b>OTHER INCOME (EXPENSES):</b>		
Interest and dividend income	259	291
Foreign exchange gain	31	11
Loss on disposal of property, plant and equipment	(21)	(114)
Equity in earnings of associated company	153	90
Gain on sales of investment securities		109
Other—net	111	38
Other income - net	533	425
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	7,529	7,279
<b>INCOME TAXES</b> (Note 9):		
Current	2,496	2,584
Deferred	24	24
Total income taxes	2,520	2,608
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	5,009	4,671
<b>MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES</b>	584	579
<b>NET INCOME</b>	¥ 4,425	¥ 4,092
	Yen	
	2015	2014
<b>PER SHARE OF COMMON STOCK</b> (Note 2.m):		
Basic net income	¥ 189.28	¥ 175.02
Cash dividends applicable to the year	76.00	70.00

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

## Consolidated Statement of Comprehensive Income

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2015

	Millions of yen	
	2015	2014
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	¥ 5,009	¥ 4,671
<b>OTHER COMPREHENSIVE INCOME</b> (Note 14):		
Unrealized gain on available-for-sale securities	715	532
Foreign currency translation adjustments	2,102	750
Defined retirement benefit plans	(112)	
Share of other comprehensive income in associate	68	58
Total other comprehensive income	2,773	1,340
<b>COMPREHENSIVE INCOME</b>	¥ 7,782	¥ 6,011
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the parent	¥ 6,666	¥ 5,508
Minority interests	1,116	503

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2015

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury stock, at cost
<b>BALANCE, APRIL 1, 2013</b>	23,380	¥ 11,395	¥ 11,235	¥ 30,834	¥ (1,850)
Net income				4,092	
Cash dividends, ¥65 per share				(1,520)	
Purchase of treasury stock	(1)				(4)
Net change in the year					
<b>BALANCE, MARCH 31, 2014</b> (APRIL 1, 2014, as previously reported)	23,379	11,395	11,235	33,406	(1,854)
Cumulative effect of accounting change				1	
<b>BALANCE, APRIL 1, 2014</b> (as restated)	23,379	11,395	11,235	33,407	(1,854)
Net income				4,425	
Cash dividends, ¥74 per share				(1,730)	
Purchase of treasury stock	0				(1)
Disposal of treasury stock	(0)		0		0
Net change in the year					
<b>BALANCE, MARCH 31, 2015</b>	23,379	¥ 11,395	¥ 11,235	¥ 36,102	¥ (1,855)

See notes to consolidated financial statements.

	Millions of yen					
	Accumulated Other Comprehensive Income			Total	Minority Interests	Total Equity
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>BALANCE, APRIL 1, 2013</b>	¥ 335	¥ (4,929)		¥ 47,020	¥ 4,017	¥ 51,037
Net income				4,092		4,092
Cash dividends, ¥65 per share				(1,520)		(1,520)
Purchase of treasury stock				(4)		(4)
Net change in the year	530	886	¥ 34	1,450	124	1,574
<b>BALANCE, MARCH 31, 2014</b> (APRIL 1, 2014, as previously reported)	865	(4,043)	34	51,038	4,141	55,179
Cumulative effect of accounting change				1		1
<b>BALANCE, APRIL 1, 2014</b> (as restated)	865	(4,043)	34	51,039	4,141	55,180
Net income				4,425		4,425
Cash dividends, ¥74 per share				(1,730)		(1,730)
Purchase of treasury stock				(1)		(1)
Disposal of treasury stock				0		0
Net change in the year	713	1,603	(74)	2,242	864	3,106
<b>BALANCE, MARCH 31, 2015</b>	¥ 1,578	¥ (2,440)	¥ (40)	¥ 55,975	¥ 5,005	¥ 60,980

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2015

Millions of yen

	2015	2014
<b>OPERATING ACTIVITIES:</b>		
Income before income taxes and minority interests	¥ 7,529	¥ 7,279
Adjustments for:		
Income taxes paid	(2,741)	(2,351)
Depreciation and amortization	2,600	2,143
Liability for retirement benefits	18	109
Gain on sales of investment securities		(109)
Loss on disposal of property, plant and equipment	21	114
Changes in assets and liabilities:		
Increase in receivables	(719)	(421)
Increase in inventories	(1,271)	(398)
Increase (decrease) in payables	(549)	1,492
Other—net	600	(555)
Total adjustments	(2,041)	24
Net cash provided by operating activities	5,488	7,303
<b>INVESTING ACTIVITIES:</b>		
Increase in time deposits other than cash equivalents	(3,117)	(1,790)
Decrease in time deposits other than cash equivalents	2,208	2,605
Acquisition of property, plant and equipment	(4,884)	(6,353)
Proceeds from sales and redemptions of investment securities	2	1,139
Payments for purchases of investment securities	(307)	(8)
Proceeds from sales and redemptions of short-term investment securities	37,900	44,300
Payments for purchases of short-term investment securities	(37,595)	(45,192)
Other—net	652	(298)
Net cash used in investing activities	(5,141)	(5,597)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from short-term bank loans	1,653	
Dividends paid	(1,981)	(1,818)
Other—net	(13)	(15)
Net cash used in financing activities	(341)	(1,833)
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	368	536
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	374	409
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	10,891	10,482
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥ 11,265	¥ 10,891

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

MANDOM CORPORATION and its Consolidated Subsidiaries  
As of and for the Year Ended March 31, 2015

### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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, 2015, include the accounts of the Company and its eleven (eleven in 2014) significant subsidiaries (collectively, the "Group").

Under the control and influence concepts, 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 2014) associated company is accounted for under the equity method.

Investment in the remaining one unconsolidated subsidiary (one in 2014) is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

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

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

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

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

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

## Notes to Consolidated Financial Statements

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

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

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

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income, after adjusting for tax effects, and any resulting deficit or surplus is recognized as liability for retirement benefits or asset for retirement benefits.
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

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

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line

basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, the effect on liability for retirement benefits as of March 31, 2014 was immaterial.

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

**i. Leases** — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning April 1, 2008.

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

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

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

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

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

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

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

### 3. SALE OF PROPERTY IN INDONESIA

PT Mandom Indonesia Tbk, the subsidiary of the Company in Indonesia, decided to relocate its office and factory from Sunter, Jakarta, Indonesia, to Cibitung, Bekasi, Indonesia, and sell the land right and building in Sunter as there were no plans of utilizing them. On December 1, 2014, the subsidiary signed a Sale and Purchase Commitment Agreement with PT Temas Lestari for the sale of the

land right and building in Sunter. The transaction value is 500 billion Rupiah ("Rp"), translated to approximately ¥4,600 million.

The land right and building will be transferred after the final payment because the transfer will occur over 6 months after the closing date in accordance with the agreement. The final payment is expected to be made in June, 2015.

As a result, the effect of this transfer is an increase of net income before minority interests by approximately ¥4,100 million in the consolidated statements of income for the year ending March 31, 2016.

The translation of Japanese yen amounts into Indonesian Rupiah amounts has been made at the rate of ¥0.0092 to Rp 1, which is the rate of exchange used for the earnings forecast for the year ending March 31, 2016.

### 4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen	
	2015	2014
Short-term investments:		
Time deposits other than cash equivalents	¥ 2,332	¥ 1,206
Short-term treasury securities		9,599
Commercial paper other than cash equivalents	6,797	1,997
Certificates of deposits	6,000	1,500
Total	¥ 15,129	¥ 14,302
Investment securities:		
Marketable equity securities	¥ 5,823	¥ 4,829
Nonmarketable equity securities	10	13
Government, corporate and other bonds	300	
Total	¥ 6,133	¥ 4,842

Information regarding the securities classified as available-for-sale as of March 31, 2015 and 2014, is as follows:

March 31, 2015	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,482	¥ 2,342	¥ (1)	¥ 5,823
Debt securities	7,099		(2)	7,097
Other	6,000			6,000

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

Available-for-sale securities, whose fair value could not be reliably determined as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Equity securities	¥ 10	¥ 13

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015 and 2014, were ¥1,000 million and ¥1,134 million, respectively. Gross realized gain on these sales, computed on the moving-average cost basis, was ¥0 million for the year ended March 31, 2015.

**5. INVENTORIES**

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen	
	2015	2014
Merchandise	¥ 2,089	¥ 1,830
Finished products	4,903	3,584
Work in process	491	440
Raw materials and supplies	2,517	2,268
Total	¥ 10,000	¥ 8,122

**6. SHORT-TERM BANK LOANS**

Short-term bank loans at March 31, 2015 consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 7.65% to 8.60% in rupiahs and from 0.53% to 0.62% in dollars at March 31, 2015. The loan proceeds were mainly utilized to support financing of the construction of the new plant and office building in Indonesia.

**7. RETIREMENT BENEFITS AND PENSION PLANS**

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

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

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

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

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

**Defined Benefits**

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Balance at beginning of year (as previously reported)	¥ 3,754	¥ 3,694
Cumulative effect of accounting change	(1)	
Balance at beginning of year (as restated)	3,753	3,694
Current service cost	242	269
Interest cost	128	102
Actuarial loss (gain)	293	(190)
Benefits paid	(233)	(216)
Foreign currency translation	150	104
Other	10	(9)
Balance at end of year	¥ 4,343	¥ 3,754

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Balance at beginning of year	¥ 2,566	¥ 2,377
Expected return on plan assets	65	55
Actuarial gain	211	142
Contributions from the employer	149	148
Benefits paid	(127)	(154)
Other	35	(2)
Balance at end of year	¥ 2,899	¥ 2,566

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2015 and 2014, was as follows:

	Millions of yen	
	2015	2014
Funded defined benefit obligation	¥ 2,899	¥ 2,674
Plan assets	(2,899)	(2,566)
	(0)	108
Unfunded defined benefit obligation	1,444	1,080
Net liability arising from defined benefit obligation	¥ 1,444	¥ 1,188

	Millions of yen	
	2015	2014
Liability for retirement benefits	¥ 1,591	¥ 1,188
Asset for retirement benefits	(147)	(1)
Net liability arising from defined benefit obligation	¥ 1,444	¥ 1,187

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Service cost	¥ 242	¥ 269
Interest cost	128	102
Expected return on plan assets	(65)	(55)
Recognized actuarial (gain) loss	(5)	55
Amortization of past service cost	(35)	(35)
Net periodic retirement benefit costs	¥ 265	¥ 336

(5) The components of other comprehensive income on defined retirement benefit plans before adjusting for tax effects as of March 31, 2015 were as follows:

	Millions of yen	
	2015	
Past service cost	¥ 35	
Actuarial loss	110	
Total	¥ 145	

(6) The components of accumulated other comprehensive income on defined retirement benefit plans before adjusting for tax effects as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Unrecognized past service cost	¥ (92)	¥ (127)
Unrecognized actuarial loss	277	158
Total	¥ 185	¥ 31

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	44%	44%
Equity investments	30	31
General accounts	15	16
Cash and cash equivalents	8	7
Other	3	2
Total	100%	100%

## Notes to Consolidated Financial Statements

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

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

(8) Assumptions used for the years ended March 31, 2015 and 2014, were mainly set forth as follows:

	2015	2014
Discount rate	0.9%	1.2%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary/wage increment	2.5%	2.5%

**Defined Contribution**

The Company and its consolidated subsidiaries recognized the defined contribution cost of ¥88 million and ¥85 million for the years ended March 31, 2015 and 2014, respectively.

**Multiemployer Plan**

The Company and certain consolidated subsidiaries participate in a contributory multi-employer pension plan (the "Plan") covering substantially all of their employees, for which the Company cannot reasonably calculate the amount of plan assets corresponding to the contributions made by the Group. Therefore, it is accounted for using the same method as a defined contribution plan.

Contributions to the Plan, which are accounted for using the same method as a defined contribution plan, were ¥275 million and ¥264 million for the years ended March 31, 2015 and 2014, respectively.

The financial statements of the Plan as of March 31, 2014 and 2013, was as follows:

(1) The funded status of the Plan as of March 31, 2014 and 2013, was as follows:

	Millions of yen	
	2014	2013
Plan assets	¥ 38,293	¥ 35,909
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(47,733)	(46,060)
Net balance	¥ (9,440)	¥ (10,151)

The net balance above was mainly caused by past service cost of ¥11,789 million for 2015 and ¥12,623 million for 2014. Past service cost under the plan was amortized on a straight-line basis over 15 years for 2015 and over 16 years for 2014. The special contributions of ¥113 million and ¥122 million for the years ended March 31, 2015 and 2014, respectively, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

(2) The contribution ratio of the Group in the multi-employer pension plan for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
The contribution ratio of the Group in the multi-employer plan	12.5%	12.3%

The ratios above do not represent the actual actuarial liability ratio of the Group.

## 8. EQUITY

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

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two year 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 within equity 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 a 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 35.59% and 37.96% for the years ended March 31, 2015 and 2014, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Accrued bonuses	¥ 258	¥ 256
Enterprise tax	75	92
Inventories	176	165
Liability for retirement benefits	499	366
Long-term liabilities	95	105
Property, plant and equipment	34	34
Other	748	613
Less valuation allowance	(271)	(201)
Total	1,614	1,430
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	751	479
Other	343	225
Total	1,094	704
Net deferred tax assets	¥ 520	¥ 726

## Notes to Consolidated Financial Statements

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, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.59%	37.96%
Expenses not deductible for income tax purposes	1.48	1.77
Difference in subsidiaries' tax rates	(3.78)	(4.70)
Tax credit for research and development costs and others	(2.02)	(2.23)
Change in valuation allowance	0.74	1.33
Capital levy on inhabitant tax	0.30	0.31
Decrease adjustment of deferred tax assets for changing the tax rate	0.88	0.63
Other - net	0.27	0.76
Actual effective tax rate	33.46%	35.83%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015 from approximately 35.59% to 33.02%, and for the fiscal year beginning on or after April 1, 2016 from approximately 33.02% to 32.22%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities in the consolidated balance sheet as of March 31, 2015 by ¥72 million and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥72 million.

### 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2015 and 2014, were ¥1,732 million and ¥1,960 million, respectively.

### 11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2015 and 2014, were ¥4,244 million and ¥4,121 million, respectively.

### 12. LEASES

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

Total rental expenses for the years ended March 31, 2015 and 2014, were ¥1,445 million and ¥1,413 million, respectively.

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

	Millions of yen			
	2015		2014	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 11	¥ 144	¥ 10	¥ 146
Due after one year	22	433	26	576
Total	¥ 33	¥ 577	¥ 36	¥ 722

### 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### (1) Group policy for financial instruments

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

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

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

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

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

#### (3) Risk management for financial instruments

##### Credit risk management

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

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

**Market risk management**

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

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

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

**Liquidity risk management**

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

**(4) Concentration of credit risk**

As of March 31, 2015, approximately 52.4% of total receivables were from specific major customers of the Group.

**(5) Fair values of financial instruments****(a) Fair value of financial instruments**

The carrying amount and fair value as of March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of yen	
	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 11,265	¥ 11,265
Short-term investments and investment securities	21,252	21,252
Receivables	9,724	9,724
Total	¥ 42,241	¥ 42,241
Short-term bank loans	¥ 1,817	¥ 1,817
Payables	5,564	5,564
Accrued income taxes	1,008	1,008
Total	¥ 8,389	¥ 8,389

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

**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. Fair value information for short-term investments and investment securities by classification is included in Note 4.

**Receivables, short-term bank loans, payables, and accrued income taxes**

The carrying amounts of receivables, short-term bank loans, 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	
	2015	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 10	¥ 13

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

March 31, 2015	Millions of yen	
	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥ 11,265	
Short-term investments and investment securities:		
Available-for-sale debt securities with contractual maturities	6,797	¥ 300
Other	8,332	
Receivables	9,724	
<b>Total</b>	<b>¥ 36,118</b>	<b>¥ 300</b>

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

**14. OTHER COMPREHENSIVE INCOME**

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 986	¥ 935
Reclassification adjustments to profit or loss	0	(109)
Amount before income tax effect	986	826
Income tax effect	(271)	(294)
<b>Total</b>	<b>¥ 715</b>	<b>532</b>
Foreign currency translation adjustments -		
Adjustments arising during the year	¥ 2,102	¥ 750
<b>Total</b>	<b>¥ 2,102</b>	<b>¥ 750</b>
Defined retirement benefit plans:		
Adjustments arising during the year	¥ (104)	
Reclassification adjustments to profit or loss	(41)	
Amount before income tax effect	(145)	
Income tax effect	33	
<b>Total</b>	<b>¥ (112)</b>	
Share of other comprehensive income in associate -		
Gains arising during the year	¥ 68	¥ 58
<b>Total</b>	<b>¥ 68</b>	<b>¥ 58</b>
<b>Total other comprehensive income</b>	<b>¥ 2,773</b>	<b>¥ 1,340</b>

**15. SUBSEQUENT EVENT****Appropriations of Retained Earnings**

The following appropriation of retained earnings of the Group for the year ended March 31, 2015, was approved at the shareholders' meeting held on June 23, 2015:

	Millions of yen	
	2015	
Year-end cash dividends, ¥39 per share	¥ 911	

## 16. SEGMENT INFORMATION

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

### (1) Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group mainly produces and sells cosmetic products. The Company and its domestic subsidiary oversee the Japan region, PT Mandom Indonesia Tbk oversees the Indonesia region and other overseas subsidiaries including Malaysia, Thailand and China oversee activities in each of their respective countries. Each of the overseas subsidiaries is an independent management unit, which develops product strategies and business activities in its respective region. 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 item.

	Millions of yen					
	2015					
	Reportable Segment				Reconciliations	Consolidated
Japan	Indonesia	Other	Total			
Sales:						
Sales to external customers	¥ 41,638	¥ 17,172	¥ 12,115	¥ 70,925		¥ 70,925
Intersegment sales or transfers	4,310	3,373	376	8,059	¥ (8,059)	
Total	¥ 45,948	¥ 20,545	¥ 12,491	¥ 78,984	¥ (8,059)	¥ 70,925
Segment profit	¥ 4,485	¥ 1,028	¥ 1,483	¥ 6,996		¥ 6,996
Segment assets	48,279	17,621	10,080	75,980		75,980
Other:						
Depreciation	1,805	718	77	2,600		2,600
Investments in an associated company under the equity method			444	444		444
Increase in property, plant and equipment and intangible assets	1,019	2,797	52	3,868		3,868

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

Notes: \* "Reconciliations" represents eliminations of intersegment sales or transfers.

\*\* "Segment profit" represents operating income included in the consolidated statement of income.

**(4) Information about products and services**

	Millions of yen			
	2015			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 46,956	¥ 16,171	¥ 7,798	¥ 70,925

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

**(5) Information about geographical areas**

## (a) Sales

	Millions of yen					Millions of yen			
	2015					2014			
	Japan	Indonesia	Other	Total		Japan	Indonesia	Other	Total
	¥ 40,849	¥ 14,295	¥ 15,781	¥ 70,925		¥ 40,253	¥ 13,494	¥ 14,469	¥ 68,216

Note: Sales are classified by country or region based on the locations of customers.

## (b) Property, plant and equipment

	Millions of yen					Millions of yen			
	2015					2014			
	Japan	Indonesia	Other	Total		Japan	Indonesia	Other	Total
	¥ 10,222	¥ 8,142	¥ 284	¥ 18,648		¥ 11,370	¥ 5,161	¥ 282	¥ 16,813

**(6) Information about major customers**

Name of Customer	Millions of yen	
	2015	2014
	Sales	Related Segment Name
Paltac Corporation	¥ 20,007	Japan
PT Asia Paramita Indah	14,264	Indonesia

Name of Customer	Millions of yen	
	2014	2014
	Sales	Related Segment Name
Paltac Corporation	¥ 19,850	Japan
PT Asia Paramita Indah	13,457	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 its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, PT Mandom Indonesia Tbk, the subsidiary of MANDOM CORPORATION in Indonesia, signed a Sale and Purchase Commitment Agreement with PT Temas Lestari for the sale of the land right and building in Sunter, Indonesia. Our opinion is not modified in respect of this matter.

*Deloitte Touche Tohmatsu LLC*

June 15, 2015

Member of  
Deloitte Touche Tohmatsu Limited

## FAQs

**Q** Net sales tend to be concentrated in the first half of the year. Why is that?

**A** In Japan, we derive a high percentage of sales from seasonal summer products. In recent years, this has included face and body wiping sheets. Sales of these products peak between May and August, so sales tend to be higher in the first half of the year.

**Q** What is the difference between the women's cosmetics business and the women's cosmetries businesses?

**A** The women's cosmetics business includes the make-up category, with such products as foundation, lipstick and eye shadow, and the skin care category. This includes products for cleansing (to wash away make-up), facial cleaners and skin lotion.

The women's cosmetries business comprises the hair care and body care categories. Hair care products are hair treatments and colorings, while body care includes fragrances, deodorants and body moisturizing products.

**Q** Do you have any particular period for launching new products?

**A** In Japan, we typically launch new spring/summer products in late February, while new autumn/winter products are introduced in late August. This coincides with the timing when retailers switch over their product lineups.

Overseas, we have no particular timing.

**Q** Why did you move into overseas markets so early?

**A** Around the time that Tancho Tique pomade was a major hit in Japan, we saw that it was also popular among overseas Chinese businessmen traveling to Japan. They would buy large quantities of the product to give away as souvenirs back home, and the product's popularity spread by word of mouth.

Around this time, an overseas Chinese businessman approached us about the possibility of making Tancho Tique pomade locally. As a result, we entered a technical tie-up with a company in the Philippines in 1958.

At the time, we had a strong sense of overseas locations being a market for our products rather than as a place of production. We started out in overseas business with the idea of playing an overseas role through our products.

**Q** Why has your Indonesian subsidiary grown so large in scale?

**A** Indonesia was the first market that Mandom made a true commitment to in terms of people, physical goods and money.

Before entering the market, we conducted research on local consumers' needs and wants. We developed products accordingly and produced and sold them at prices the general population could afford. This was the reason our products were taken up in Indonesia.

Another factor was that in collaboration with a local distributor we were able to set up a distribution network covering 13,000 of the islands in the Indonesian archipelago. This is a major advantage.

# Company Outline / Stock and Shareholder Information

## Company Outline (As of March 31, 2015)

- **Company Name:** Mandom Corporation
- **Head Office:** 5-12 Juniken-cho, Chuo-ku, Osaka, 540-8530, Japan
- **Established:** December 23, 1927
- **Paid-in Capital:** ¥11,395 million
- **Number of Employees:** 2,400 (Consolidated)  
522 (Non-consolidated)
- **Businesses:** Manufacture and sale of cosmetics and perfumes, manufacture and sales of quasi-drugs
- **Fiscal Year-End:** March 31
- **General Meeting of Shareholders:**  
Ordinary general meeting of shareholders every June
- **Independent Auditor:** Deloitte Touche Tohmatsu LLC

## Group Companies (As of March 31, 2015)

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

Notes: 1. Investment percentages are rounded off after the first decimal place.  
2. The Company established Mandom Vietnam Company Limited, on January 9, 2015. This company is included as consolidated subsidiary from April 2015.

## Stock and Shareholder Information (As of March 31, 2015)

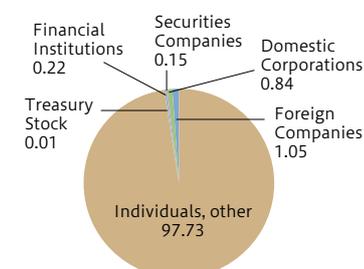
- **Number of Shares Authorized for Issue:** 81,969,700
- **Shares of Common Stock Issued and Outstanding:** 24,134,606
- **Number of Shareholders:** 15,539
- **Stock Listing:** First Section, Tokyo Stock Exchange
- **Securities Code:** 4917
- **Transfer Agent:** The Mitsui Sumitomo Trust and Banking Co., Ltd.

### Major Shareholders

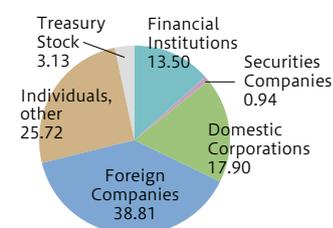
Shareholder name or title	No. of shares owned (Thousands)	Ratio of share ownership (%)
BNP PARIBAS SEC SERVICES LUXEMBOURG/JASDEC/ABERDEEN GLOBAL CLIENT ASSETS	2,859	11.85
Nishimura International Scholarship Foundation	1,800	7.46
Japan Trustee Services Bank Ltd. (trust account)	790	3.28
Mandom Corporation	755	3.13
Motonobu Nishimura	720	2.98
Mandom Employee Shareholding Association	653	2.71
The Master Trust Bank of Japan, Ltd. (trust account)	518	2.15
BNP PARIBAS SEC SVC LONDON/JAS/ABERDEEN INVESTMENT FUNDS ICVC/AGENCY LENDING	516	2.14
GOLDMAN, SACHS & CO. REG	432	1.79
THE BANK OF NEW YORK-JASDEC TREATY ACCOUNT	342	1.42

Notes: 1. Figures less than 1,000 shares have been rounded down.  
2. Ratios of share ownership are rounded to the second decimal place.

### Common Stock Holdings

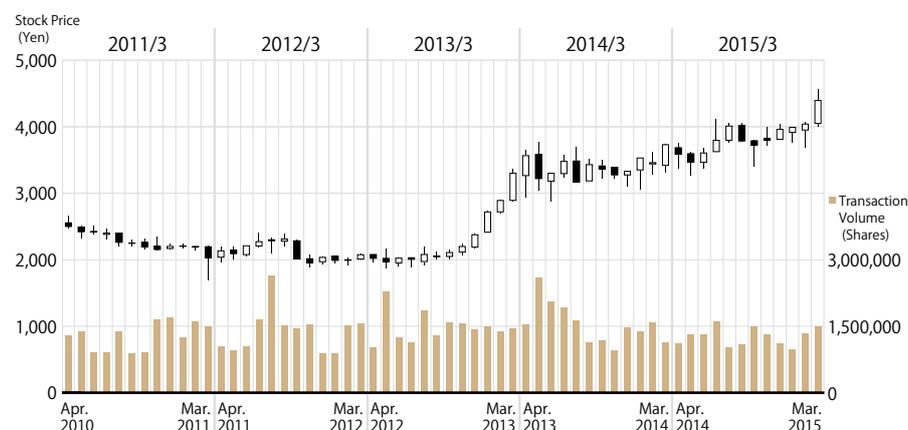


Shareholders by Type (%)



Shareholders by Holding (%)

### Stock Price and Transaction Volume



### Mandom Group Corporate IR Activities

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

1. As a company listed on the Tokyo Stock Exchange (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.

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mandom corp.