mandom／Human & Freedom

For a Unique Company
Focusing on Asia

Annual Report 2016

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 was established in 1927. Currenty, our 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.

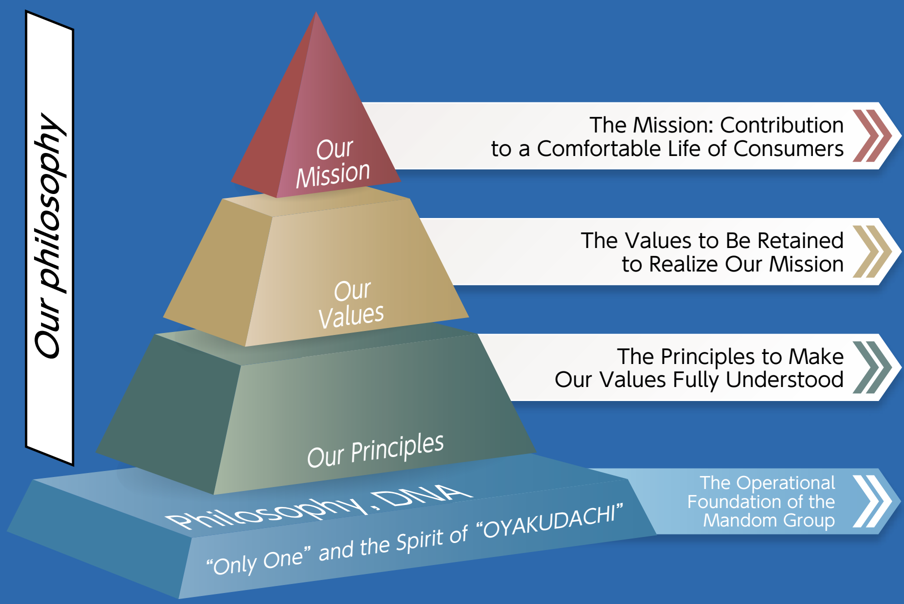
We offer a wide range of products that create consumer lifestyles based on consumer input in the categories of hair styling, face and body care, skin care, and make-up. We ship approximately 800 million product units annually.

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 Comfortable Lifestyle Supported by Health and Beauty

The Concept of Our Philosophy



Our Values

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

Creating Lifestyle Value with Consumers, for Consumers

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

Active Employee Participation

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

Social Responsibility and Sustainability

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

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.

Contents

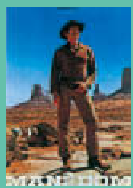
History

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.

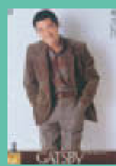
Brand Developments

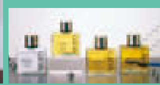
1933.4
Launched Tancho Tique, a hit product which laid the foundation for future success

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



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

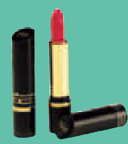




1982.10
Introduced Pixy women's cosmetics in Indonesia

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

1987.11
Launched women's cosmetic item Pixy Moisture Lipstick in Indonesia



1989.9
Introduced Lúcido, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry

1920 1970 1980

Historical Highlights in Japan

1927.12
Established Kintsuru Perfume Corporation

1959.4
Company name was changed to Tancho Corporation

1971.4
Company name was changed to Mandom Corporation

1972.10
Established Japan Doctor Renault Cosmetics Company (now consolidated subsidiary Piacelabo Corporation)

1976.3
Construction of Fukusaki Factory completed; commenced operations

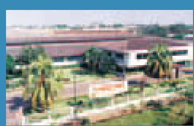
1982.4
Commenced Mandom Corporation's first five-year Middle-Range Planning (MP Project)

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)



1988.2
Started a joint venture in Singapore (now consolidated subsidiary Mandom Corporation (Singapore) Pte. Ltd.)

1989.12
Started a joint venture in Taiwan (now consolidated subsidiary Mandom Taiwan Corporation)

Products Japan Overseas

Products


1993.9
Launched Lúcido-L, a lineup of fragrance-free products for women

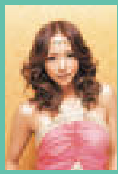
LÚCIDO-L

1996.2
Launched Gatsby facial cleansing paper. Introduced a new way of grooming

1999.3
Achieved ¥10 billion sales of Gatsby products, a first in the Japanese cosmetics industry for men's products

2001.3
Launched Gatsby Hair Color series, developing a market for men's hair color products

2003.2
Launched Lúcido-L Prism Magic Hair Color series, entering the market for women's hair color products



2005.11
Launched Perfect Assist 24, Mandom's first proprietary cosmetic product in Japan for women

2006.8
Launched Gatsby Moving Rubber and commenced the sixth round of full-scale renewal of the Gatsby brand

2008.8
Commenced full-scale renewal of the Lúcido-L brand

2011.8
Launched Bifesta Cleansing Water products

Bifesta
ビフェスタ

2013.8
Released Gatsby brand Hair Jam as a new styling offering following on the heels of wax

2014.2
Introduced the Lúcido Deodorant series aimed at combating the body odors that develop in one's middle years

1990 2000 2010

Japan

1994.6
The second phase of construction of a new Head Office ended, completing the construction of the building

1995.6
Motonobu Nishimura was appointed president of Mandom Corporation

2002.1
Listed on the Second Section of the Tokyo Stock Exchange

2003.3
Designated for listing on the First Section of the Tokyo Stock Exchange

2006.11
R&D building completed on Mandom headquarters site

Overseas

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

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

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

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

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.)

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

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

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

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

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

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

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

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

Strengths of Mandom

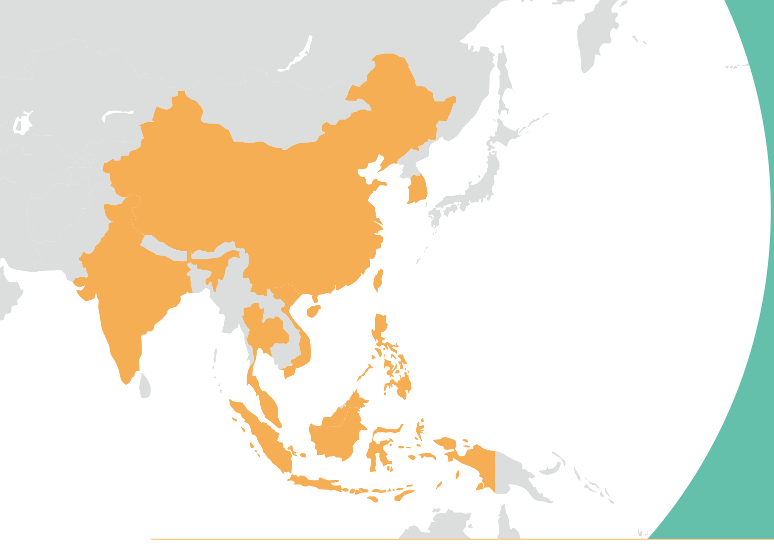
The Mandom Group, which aims to become an "Only One" company in Asia with global management expertise, possesses three main strengths.

Becoming the leader in men's cosmetics

Since launching Tancho Tique in 1933, Mandom has grown by maximizing its strengths with men's cosmetics. A definitive event was the launch of the Mandom series in 1970, which transformed our image from "Tancho, which specializes in hair styling products" to "Mandom, a maker of men's cosmetics." Since then, we have expanded our share of the men's cosmetics market, centered on the launch of the Gatsby brand in 1978. We developed new markets, such as facial cleansing paper and men's hair color products, and expanded our business. In Japan, we have a leading market share in three categories, men's hair styling, men's facial care, and men's body care, and have held the top market share of the overall men's cosmetic market since 2007.

Mandom has also captured a major share of the men's hair styling market in countries in Asia. Having boosted the brand recognition of the Gatsby brand to more than 80% in many countries, it is now the region's top global men's cosmetic brand.

Over many years, as it sought to become a men's cosmetic brand, Mandom has cultivated its expertise in a range of fields by conducting research on the science of men's hair and skin, sensory preferences and characteristics. This expertise recently led to the launch of the Lúcido brand, which aims to combat "middle-age body odor," a grease-like odor affecting middle-to-mature age males in their 40s. We will continue our efforts to nurture the "odor care" market for middle-aged men.



have gone on to expand our business reach and currently have 12 companies operating in 10 countries and regions.

Mandom's target is not cheap local production overseas. We view overseas regions as potential markets, and aim to develop business opportunities based on a spirit of contributing real value to the lives of local consumers. When entering an overseas market, Mandom first promotes its proven Gatsby hair styling products. As many Asian countries do not have a men's hair styling market, Mandom enhances its market presence by promoting hair styling to local male consumers and creating a market, which leads to further business opportunities, including for men's face care and women's cosmetics products.

Recently, Mandom has been targeting the timely, horizontal distribution overseas of women's cosmetic products that were a hit in Japan—an approach that has already led to higher sales.

Overseas sales now comprise more than 40% of total consolidated net sales. In Asia, where the population is entering a rapid growth phase, we expect sales to grow even further as the population of young men, Gatsby's core target, is expected to also increase.

Pursuing global opportunities, focused on Asia

Mandom first ventured overseas in 1958 by establishing a technical tie-up with a local company in the Philippines. Tancho Tique gained a reputation overseas after Chinese merchants visiting Japan took it back with them as gifts. This allowed us to lead industry competitors in making an early push overseas.

Later, in 1969, Mandom focused management resources on "people, physical goods and money," and established a joint venture in Indonesia. We

Our thorough product development process aims to create lifestyle value with consumers based on consumer input in each country and region: once they have needs and wants, even if we have never developed the product in Japan, we will take up the challenge of creating new, diverse categories. In addition, recognizing that the income level of the general population differs for each country and region, our strategy includes tailoring product sizes to provide stylish products at affordable prices that customers can enjoy.

To familiarize more consumers with our products and bring our products to consumers, we have been working in cooperation with local distributors and have constructed a broad distribution network. This network has allowed us to supply products to almost every region in the Indonesian archipelago, which has more than 13,000 islands, using a network ranging from modern organized retailers in cities to more traditional mom-and-pop stores. This means that consumers can purchase our products from neighborhood shops even in regions with no transportation infrastructure.

Products for the general consumer in diverse countries and regions

Based on a spirit of providing "excellence at a low price to the masses" that has been embedded in Mandom since our inception, our products target the general population in each country where we do business, whether in Japan or overseas. We create products not only for Japan but also ones that are completely localized to satisfy the needs and wants of the general population.

Brand Expansion

The Mandom Group has six strategic business areas, with operations concentrated in three areas—men's grooming, women's cosmetics, and women's cosmetries—through which it responds carefully to a range of consumer demands.

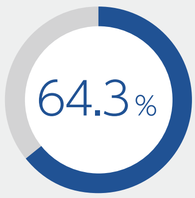
The remaining three areas are categorized as "other business" (the professional use business, other business, and the international trading business).

Men's Grooming Business

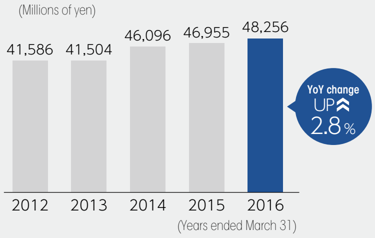
Business offering a range of products including men's everyday grooming products as well as general fashion items

Target Categories: Hair styling | Hair coloring | Scalp care | Face care | Body care

■ Net sales by business
(Year ended March 31, 2016)



■ Net sales
(Millions of yen)



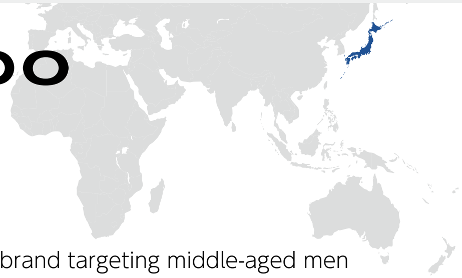
GATSBY

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

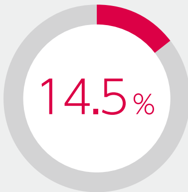
	Japan	Indonesia	Malaysia	Philippines	Thailand	Vietnam	Singapore	Taiwan	Hong Kong	South Korea	China	India
GATSBY	●	●	●	●	●	●	●	●	●	●	●	●
LÚCIDO	●											
Bifesta	●		●	●	●		●	●	●	●	●	
Pixy		●	●			●						
LÚCIDO-L	●	●	●		●		●	●	●	●	●	
Pucelle		●	●			●						●

Women's Cosmetics Business

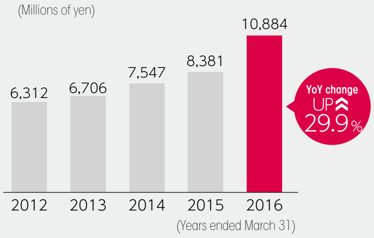
Business offering women's beauty products, including make-up and skin care items

Target Categories: Make-up | Skin care

■ **Net sales by business** (Year ended March 31, 2016)



■ **Net sales** (Millions of yen)



Bifesta ビフェスタ

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

PIXY

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

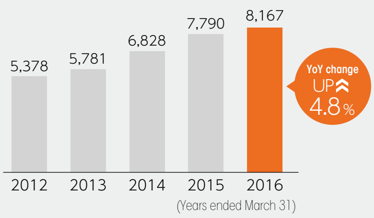
Women's Cosmetries Business

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, 2016)

■ **Net sales** (Millions of yen)



LÚCIDO-L

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

Pucelle

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

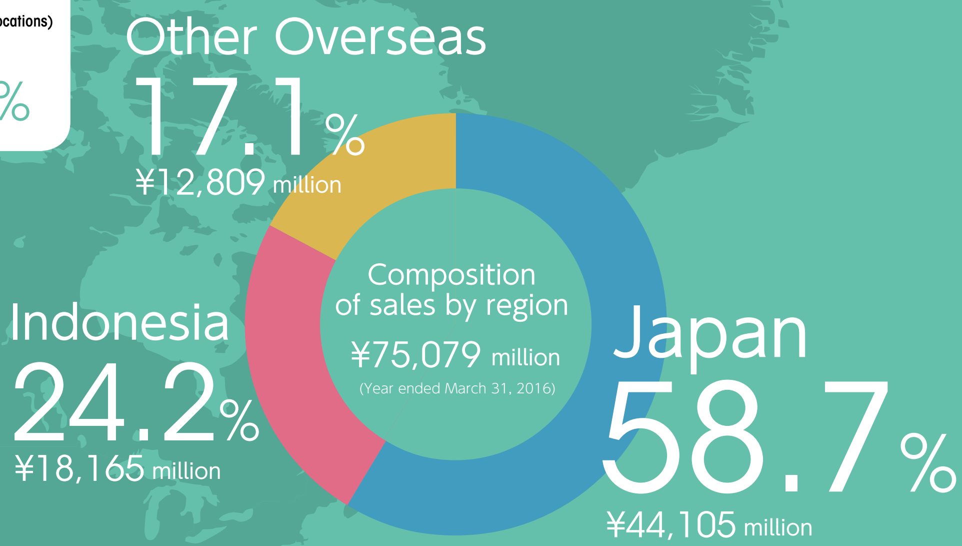
Global Business

Global Company Based in Asia

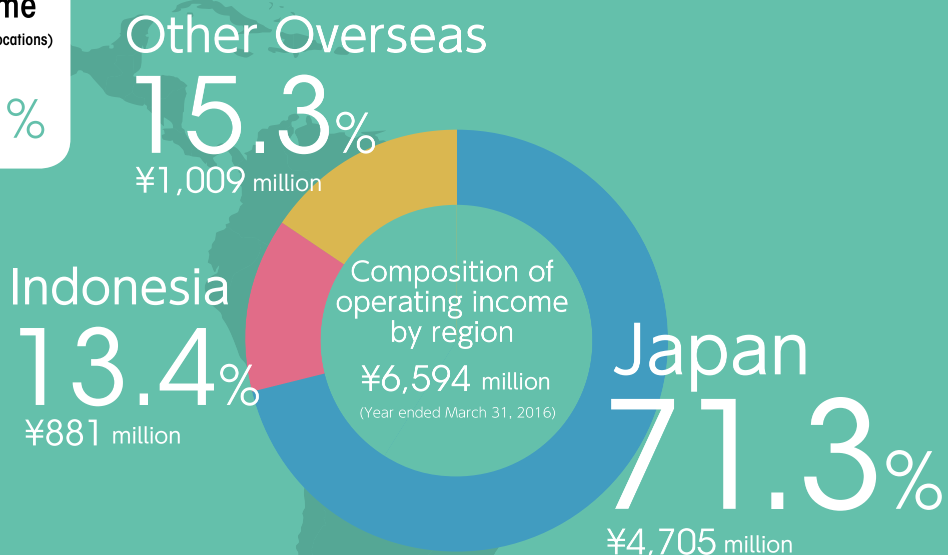
Since its establishment of a technical tie-up in Manila, the Philippines, in 1958, the Mandom Group has expanded its international business reach to include 15 companies operating in 11 countries and regions mainly in Asia, including a joint venture in Indonesia.

Expansion

Composition of sales
(Indonesia and other overseas locations)
41.3%



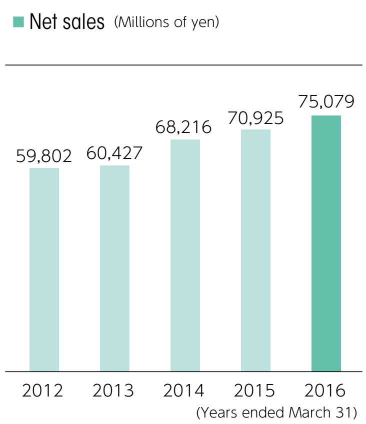
Composition of operating income
(Indonesia and other overseas locations)
28.7%

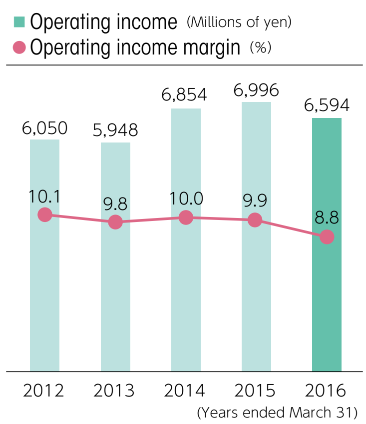


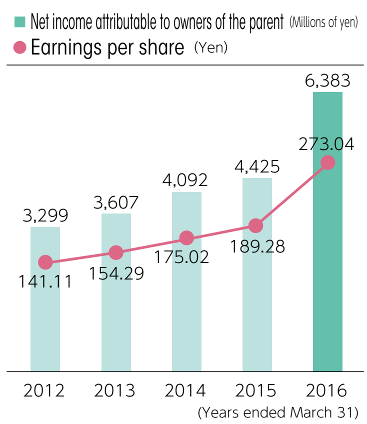
11-Year Consolidated Financial Highlights

MANDOM CORPORATION and Its Consolidated Subsidiaries

	2006	2007	2008	2009
Operating Results (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 attributable to owners of the parent	3,100	2,488	3,500	3,011
Capital investment	2,862	2,541	2,096	2,039
Depreciation and amortization	1,653	1,856	2,236	2,353
Research and development	1,668	1,866	2,024	2,037
Financial Position (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
Cash Flows (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)
Per Share Data (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
Financial Index (%)				
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



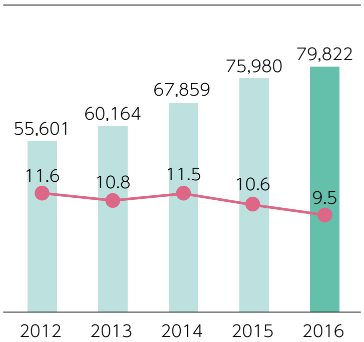




(Years ended March 31)

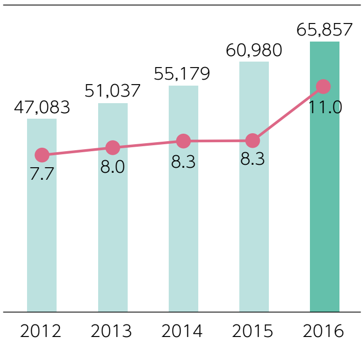
	2010	2011	2012	2013	2014	2015	2016
	¥ 54,304	¥ 57,263	¥ 59,802	¥ 60,427	68,216	¥ 70,925	¥ 75,079
	31.7	34.5	34.9	36.8	40.0	41.3	41.3
	5,369	5,747	6,050	5,948	6,854	6,996	6,594
	34.0	36.6	37.1	34.1	34.6	35.9	28.7
	2,802	2,673	3,299	3,607	4,092	4,425	6,383
	3,221	1,696	2,157	1,467	7,632	3,443	3,725
	2,125	2,394	2,242	2,165	2,143	2,600	2,919
	1,846	1,850	1,921	1,792	1,960	1,732	1,501
	54,182	53,328	55,601	60,164	67,859	75,980	79,822
	9,123	8,036	8,518	9,127	12,680	15,000	13,965
	45,059	45,292	47,083	51,037	55,179	60,980	65,857
	7,767	4,063	3,693	7,605	7,303	5,488	7,233
	(5,111)	(1,408)	(2,695)	(5,387)	(5,597)	(5,141)	(2,383)
	(2,291)	(1,661)	(1,668)	(1,647)	(1,833)	(341)	(3,535)
	1,774.64	1,785.56	1,861.01	2,011.09	2,183.09	2,394.23	2,554.01
	119.40	114.30	141.11	154.29	175.02	189.28	273.04
	60.00	60.00	60.00	62.00	70.00	76.00	80.00
	9.9	10.0	10.1	9.8	10.0	9.9	8.8
	76.6	78.3	78.3	78.2	75.2	73.7	74.8
	6.9	6.4	7.7	8.0	8.3	8.3	11.0
	11.1	11.2	11.6	10.8	11.5	10.6	9.5
	50.3	52.5	42.5	40.2	40.0	40.2	29.3

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



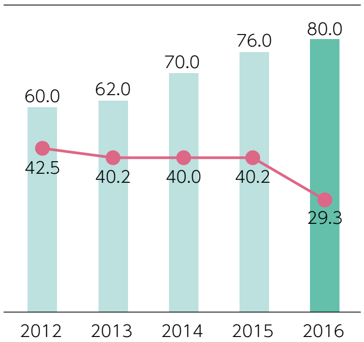
(Years ended March 31)

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

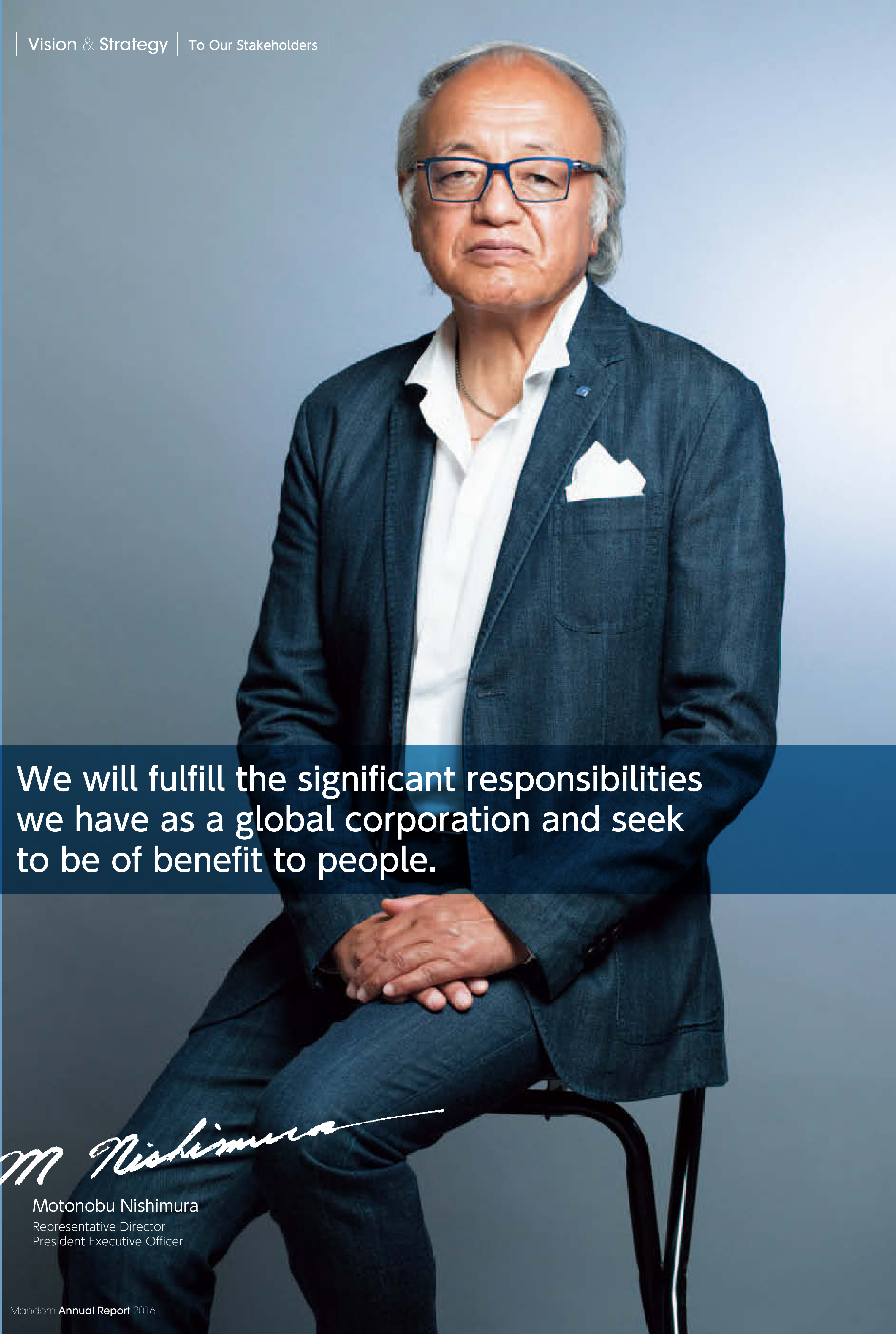


(Years ended March 31)

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



(Years ended March 31)



We will fulfill the significant responsibilities we have as a global corporation and seek to be of benefit to people.

M Nishimura

Motonobu Nishimura
Representative Director
President Executive Officer

President's Message

Fiscal 2015, ended March 31, 2016, was a trying year for the Mandom Group. On July 10, 2015, a fire broke out in the aerosol production area of PT Mandom Indonesia Tbk, a consolidated subsidiary. Many valued employees lost their lives in this tragedy, and many others were injured and hospitalized. We are very sorry for the terrible losses suffered by all concerned parties, and we deeply apologize.

After the accident, executive officers of the subsidiary were posted at the hospital around the clock to deal with the needs of the deceased and their families, to handle paperwork and other procedures for the 30 injured employees, and to care for relatives and other visitors. We did what we could to the best of our ability. We wholeheartedly thank our Indonesian staff for their efforts.

As the parent company, Mandom Corp. subsequently made a donation to the affected community and established a scholarship fund for the children of deceased employees. In addition, private donations were sent from Mandom Group companies, employees, and suppliers. When I visited Indonesia as Mandom's representative to express my condolences and apologies to the injured employees, I was uneasy at first about what words I should use to apologize. However, nearly everyone greeted me with kindness and warmth, filling me with inexpressible gratitude. Although their hospital stays must have been difficult, all 30 injured employees eventually left the hospital, and 28 are regularly reporting to our Indonesian subsidiary's plant as part of their rehabilitation. The fact that all 30 injured employees have said they want to work at Mandom again makes me gladder than anything else. We will continue to give them the active support they need, including psychological support, to return to jobs with Mandom. The community where the accident occurred has also reacted very favorably to the Mandom Group's response. I am grateful to our predecessors for building up such a trusting relationship with the local people over the years, and I am convinced that we are blessed with great human resources.

The Mandom Group aims to be an "Only One" company in Asia with global management expertise. We will continue to provide a variety of products and services that set the standard of grooming a consciousness for our changing times.

To discover the cause of this accident and formulate measures to prevent a recurrence, we established the Accident Investigation Measures Committee composed of five specialists and a third-party academic. The committee analyzed the causes of the accident, and in its final report, released on May 11, 2016, it offers measures to prevent a recurrence. Based on these results, we will implement thorough safety management.

We have designated July 10 as Safety & Security Day throughout the Mandom Group to raise everyday consciousness of the need for safety management, and to ensure that the lessons of the Indonesian fire accident are not forgotten. We have also built a mosque and square on the grounds of the Indonesian plant, which people can visit at any time.

The Mandom Group is a manufacturer of cosmetics, but also a member of the chemical industry, and as such, we must keep in mind that the possibility of an accident like this one is not limited to aerosol production facilities. The risk is always present. We will reflect deeply on this event, and we promise to fulfill our responsibilities and make use of the lessons we have learned in future business activities.

We recorded our highest-ever net sales figure for the sixth consecutive year as a result of solid performance in women's products in Japan and overseas.

Looking Back on the Fiscal 2015: Mandom Group Business Results

In terms of the business environment during fiscal 2015, ended March 31, 2016, Japan's economy demonstrated a gradual recovery against a backdrop of improvements in corporate profits and the employment situation. Meanwhile, Asia, our main sphere of international operations, showed modest expansion despite signs of an overall slowdown. In China, which has been a growth driver for global and Asian economies, investment was restrained in the manufacturing industry and development-related investment was limited in the real estate market. A tightening of regulations for credit dealings in shares in the region also had an impact.

Under these conditions, the Mandom Group pursued initiatives aimed at driving sustainable growth, namely, sustainable growth in our core men's grooming business, accelerated expansion of our women's cosmetics business, and continued expansion of our global business as an engine of growth.

On a consolidated basis, men's business still accounts for the majority of our business at 65%. Women's business makes up around 25%, and the remaining 10% or so comprises other businesses.

In our core men's grooming business, the Gatsby brand assumes the greatest weight. In Japan, results unfortunately remained flat year on year due primarily to sluggish sales of merchandise during the summer period on account of unusually cool weather. On a consolidated basis, however, the men's grooming business was up 2.8%.

In Japan, the women's cosmetics business overall increased by 29.9% due in part to the impact of inbound tourism and the women's cosmetries business overall rose by 4.8%. As a result, the year saw cosmetics categories for women as a strong growth engine for our entire business.

In quantitative terms, the discontinuation of operations following the fire accident at our Indonesian subsidiary's plant was the primary reason for the loss at PT Mandom Indonesia Tbk. December marks the end of the fiscal year for this company, and steady progress was made in the first and second quarters from January to June. The accident on July 10 and the ensuing partial discontinuation of operations occurred at the start of the third quarter, which runs from July to September, and it was this period that drew a loss in year-on-year terms. Following this, market inventory was reduced in the fourth quarter, enabling us to return to the level of 20% relative to the previous year. Although we fell short of our initial sales target of 2,580 billion rupiah, sales in 2015 amounted to 2,315 billion rupiah, marking an increase from 2,308 billion rupiah in 2014. We were thus able to secure a positive year-on-year gain, albeit a modest one. Overall consolidated results were mostly in line with expectations based on figures revised from initial targets.

Consolidated Operating Results for Fiscal 2015

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
¥75,079 million	¥6,594 million	¥7,415 million	¥6,383 million
Up 5.9% YoY	Down 5.7% YoY	Down 2.4% YoY	Up 44.2% YoY

As a result, consolidated net sales for fiscal 2015 increased by ¥4,153 million, or 5.9%, year on year to ¥75,079 million. Despite the impact of the fire accident at our Indonesian subsidiary, we posted a solid performance in women' s products in both Japan and overseas, and as a result achieved our highest-ever net sales figure for the sixth consecutive fiscal year.

On the profit front, due to the impact of the fire accident at our Indonesian subsidiary and active investment in marketing overseas (sales promotion and advertising expenses), consolidated operating income decreased by ¥401 million, or 5.7%, year on year to ¥6,594 million, and ordinary income decreased by ¥180 million, or 2.4%, to ¥7,415 million. Net income attributable to owners of the parent increased by ¥1,957 million, or 44.2%, to ¥6,383 million due to the recording of a gain on the sale of fixed assets at our Indonesian subsidiary.

Recognition of Trends in the Business Environment

The population in Asia, our core market, is steadily increasing. Economically, however, the slowdown in China, the largest trading partner for ASEAN and newly industrialized economies (NIEs), is affecting each country in the region. The impact in Malaysia has been particularly pronounced. In addition, the burden placed on lifestyles in Indonesia continues to rise, with skyrocketing electricity and other utility charges and the withdrawal of government subsidies for gasoline. Amid these conditions, Mandom's products sold in the region are seen as daily essentials, and as such, are not overly affected by the economic situation. Up until a few years ago, it was possible to gain an insight into the life circumstances in the region by looking at sales of small packet products (sachets) sold by Mandom locally. Now, however, consumers tend to demand the quality of highly reliable Japanese-made products, particularly in the middle-income demographic. Nonetheless, a large number of consumers in Indonesia and the Philippines purchase mainly conveniently sized products—the traditional trade—and as such, we believe we must respond by providing benefits to these kinds of consumers as well as developing products for middle-income earners and above in parallel through a level of differentiation.

Further, Mandom is also currently focusing on the area of mainland Southeast Asia (Indochina). We established a site in Vietnam in 2015 and are expanding sales steadily in Cambodia as well. In contrast, conditions are somewhat dormant in India, which is developing at a remarkable rate. Although wax, deodorant and shaving-related products have penetrated the market well and sales are expanding gradually, numerous barriers exist to establishing business locations and manufacturing sites in India. Consequently, we will monitor the sales situation and other factors carefully for the foreseeable future through local agents.

Progress in MP-11 (Middle-Range Planning)

The second year of Mandom's 11th three-year management plan (MP-11) that runs from April 2014 to March 2017 has just come to a close. Rather than alternate between hope and despair in terms of concrete figures, I am emphasizing the fact that we can see we are growing toward the ideal state that we aim for. Although I believe that it is the hard work of all employees that has brought us to the results we find today as we seek to achieve this ideal state in definitive terms, unfortunately we have still not reached a sufficiently satisfactory condition.

It is true that the fire accident at our Indonesian subsidiary has widened the gap with our vision, but I am confident that we will achieve a more solid grasp of where we are heading in many ways as we put into action our strategies for the future ahead of our 90th and 100th anniversaries, and that is what we must hold on to.

In terms of strategic topics for achieving the targets of MP-11, our women's cosmetics business has grown to a scale of ¥10 billion. Although this figure is still small in terms of the

Overview of MP-11 (Final Year: Fiscal 2016) ▸ Middle-Range Planning to Accelerate Growth in Asia and Promote the Development of New Businesses

Growth Potential

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

Target: Consolidated Net Sales

Final year of MP-11:

¥83,000 million

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 skin care 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:

¥8,600 million

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

overall market, it can be seen as a significant turning point for us, while Mandom's women's cosmetics business in Indonesia is now positioned differently from that in Japan and the Pixy brand in particular is performing well.

In the men' s grooming business, the hair-styling market in Japan grew for the first time in years, by around 1.7% according to market data. Mandom posted growth of more than 5% from the previous fiscal year, and I believe we were able to lift the entire market. Amid a continued shrinking of the market owing to an aging society and dwindling birthrate, we are doing everything we can to find a way to win over first-time cosmetics users, particularly the younger generation. As far as we can see, the needs of this group are now completely focused on skin care rather than hair styling. It is critical that we secure the patronage of these entry-level users despite a number of challenges that exist in the skin care-related domain.

In fiscal 2015, we noted the positive effects of inbound tourism. Looking at our products, our Barrier Repair brand sheet masks proved to be the most popular for women, followed by cleansing products. For men, Lúcido hair dye was a hit. However, when I went to Hong Kong and China recently to observe the situation, I found that consumer and market conditions are changing. It seems that parallel imports have become mainstream for people there. Of course, this is not limited to Mandom's products, and when I went to the border area of Hong Kong and Shenzhen, I discovered caseloads of many Japanese products. Going forward, although we expect the number of tourists from overseas to continue increasing, the purposes for visiting are gradually changing, and it is likely that fewer people will prioritize shopping sprees as before.

Although we have been unable to meet expectations and translate our efforts into significant growth for the Lúcido brand, there is a sense that potential in the middle-aged men's market in Japan has finally emerged. In recent years, a rising number of people have been seeking skin care in addition to odor care. In terms of marketing, we focused on strategically boosting the exposure of Lúcido in the middle-aged men's market amid the emergence of competitor products to Gatsby for the younger age group. Looking at market data for men from 2015, 40% comprised the scalp care market. Of the remaining 60%, Mandom already commands a 44–45% share. Lúcido currently only accounts for around 2.8% of the scalp care market. Although we have generated certain results in the odor-care market, numerous issues still need to be overcome and, since we have just entered this market, we are looking at expanding into other areas.

Outlook for the Upcoming Year

In fiscal 2016, the final fiscal year of the Mandom Group's 11th three-year management plan (MP-11), the Japanese economy is expected to see a moderate recovery amid continued improvement in the employment and income environments. Despite this, the future outlook remains unclear, due in particular to rising uncertainty in overseas economies and concerns over fluctuations in financial and capital markets. In contrast, Asian economies are expected to continue expanding moderately, although there is still a risk that they will be impacted by financial markets.

In these circumstances, the Mandom Group will target sustainable growth of its Group businesses, with all Group companies in Japan and overseas working together to achieve this goal.

We will continue our efforts to boost sales by maintaining three ongoing pillars of activity: sustaining 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 operating income and ordinary income through continued efforts to hold down the cost of sales and by achieving greater efficiencies in selling, general and administrative expenses. Furthermore, we expect net income attributable to owners of the parent to decrease due to the impact of a gain on sales of property, plant and equipment following the transfer of certain fixed assets to our Indonesian subsidiary in the previous fiscal year.

The principal exchange rate assumptions used in our forecasts are ¥110/US$1.00, 13,400 rupiah/US$1.00 and ¥0.0082/1.00 rupiah.

As a result, our consolidated forecasts for fiscal 2016 are net sales of ¥76,800 million, up 2.3% year on year; operating income of ¥7,400 million, up 12.2%; ordinary income of ¥7,900 million, up 6.5%; and net income attributable to owners of the parent of ¥5,000 million, down 21.7%.

Consolidated Forecast for Fiscal 2016

Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
¥76,800 million	¥7,400 million	¥7,900 million	¥5,000 million
Up 2.3% YoY	Up 12.2% YoY	Up 6.5% YoY	Down 21.7% YoY

In Conclusion

We believe that there is a big difference between achieving comparative targets and outstripping the competition based on ongoing awareness of rivals and seeking to accomplish absolute goals in pursuit of our ideal state without being concerned about the competition. Looking at current conditions, I feel that we are placing too much emphasis on other companies and the competition. Although it is important to pursue growth in scale as most companies do, I think it is key that we work to achieve our essential ideal state. It is important to have a good balance between human qualities and social qualities as a company, and I believe we can thrive if we conduct management that strikes a good total balance in this way. If we solely pursue profit, we will find it difficult to garner the trust of society. On top of this, we aim to be an opinion leader that provides products which stimulate the fashion-conscious mind as the standard in any era.

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

August 2016

Motonobu Nishimura
Representative Director
President Executive Officer

Motonobu Nishimura
Representative Director and 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
June 1990	Representative Director (current position) Senior Vice President
June 1995	President Director
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) (until June 2015)

Tatsuyoshi Kitamura
Director and Senior Managing Executive Officer
In charge of Human Resources & General Resources Units, the General Administration Division, the CSR Promotion Division, and the Legal Affairs Division

Born on March 13, 1956

April 1978	Joined the Company
December 1997	Director and President, Mandom Corporation (Singapore) Pte. Ltd.
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 In charge of manufacturing and logistics units
April 2012	In charge of technology and production units
April 2013	In charge of the Human Resources Division
April 2014	In charge of the General Administration Division and Legal Affairs Division General Manager, Human Resources Division
June 2014	Director (current position) In charge of the CS Supervising Division (now the CSR Promotion Division)
April 2015	In charge of Human Resources & General Resources Units (current position)
April 2016	Senior Managing Executive Officer (current position) Director and Chairman, PT Mandom Indonesia Tbk (current position)

Executives, & Supervisory

Shinichiro Koshiba
Director and Managing Executive Officer
In charge of marketing units

Born on December 24, 1963

April 1987	Joined the Company
July 1993	Senior Managing Director, Sunwa Marketing Co., Ltd.
May 1997	General Manager, Zhongshan City Rida Fine Chemical Co., Ltd. (now, Zhongshan City Rida Cosmetics Co., Ltd.)
April 2002	General Manager, Sales Planning Division
June 2008	Executive Officer
April 2013	Managing Executive Officer (current position)
April 2014	In charge of marketing units (current position)
June 2016	Director (current position)

Takeshi Hibi
Director and Managing Executive Officer
In charge of sales units

Born on April 16, 1960

April 1984	Joined the Company
April 1999	Director and President, Mandom (Malaysia) Sdn. Bhd.
April 2008	Managing Director, PT Mandom Indonesia Tbk
April 2011	Representative Director and President, PT Mandom Indonesia Tbk
April 2014	Executive Officer
April 2015	Managing Executive Officer (current position)
April 2016	In charge of sales units (current position)
June 2016	Director (current position)

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 Division
June 1996	Director (current position)
April 2003	In charge of R&D units
June 2003	Managing Director
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 Management Division) Auditor, Chairman, PT Mandom Indonesia Tbk
June 2010	Senior Managing Executive Officer
June 2013	Representative Director Senior Vice President Executive Officer In charge of the Executive Secretary Division
April 2014	In charge of the Corporate Communications & Investor Relations Division
June 2015	In charge of the Internal Audit Division (current position)

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, Osaka Gas Co., Ltd.
June 2008	Managing Executive Officer, Osaka Gas Co., Ltd.
July 2008	Managing Director, The Japan Gas Association
April 2011	Chairman, OGIS-RI Co., Ltd.
June 2013	External Director of the Company (current position)
August 2015	External Director, Kyoshin Co. Ltd. (current position)
November 2015	External Director, Yume no Machi Souzou Iinkai Co., Ltd. (current position)
June 2016	Audit &Supervisory Board Member, Osaka Gas Liquid Co., Ltd. (current position)

Satoshi Nagao
External Director

Born on October 29, 1946

April 1969	Joined Toyota Motor Sales Co., Ltd. (now Toyota Motor Corporation)
January 1996	General Manager, Toyota Motor Corporation
January 2001	Joined KDDI Corporation General Manager, Corporate Strategy Planning Division
June 2001	Managing Executive Officer, KDDI Corporation
April 2003	Senior Managing Executive Officer, KDDI Corporation
June 2003	Director, KDDI Corporation
June 2005	Executive Vice President, Representative Director (CFO), KDDI Corporation (until June 2010)
June 2007	Chairman, KDDI Evolva, Inc. (until June 2012)
June 2014	External Director of the company (current position)

Audit Board Members

Yoshiaki Saito
Audit & Supervisory Board Member

Ryuichi Terabayashi
Audit & Supervisory Board Member

Yukihiro Tsujimura
External Audit & Supervisory Board Member

Masahiro Nishio
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

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

Yasuaki Kameda
Managing Executive Officer
In charge of management planning units
In charge of the Corporate Planning Division, Corporate Communications & Investor Relations Division and Secretarial Office

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, Chain Store Sales Division Section 3 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

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 and Fundamental Research Insitute; General Manager, Technical Development Center

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

Masahiro Ueda
Executive Officer
Senior Managing Director, PT Mandom Indonesia Tbk

Kuniyuki Ota
Executive Officer
Representative Director and Vice President, PT Mandom Indonesia Tbk

Corporate Governance

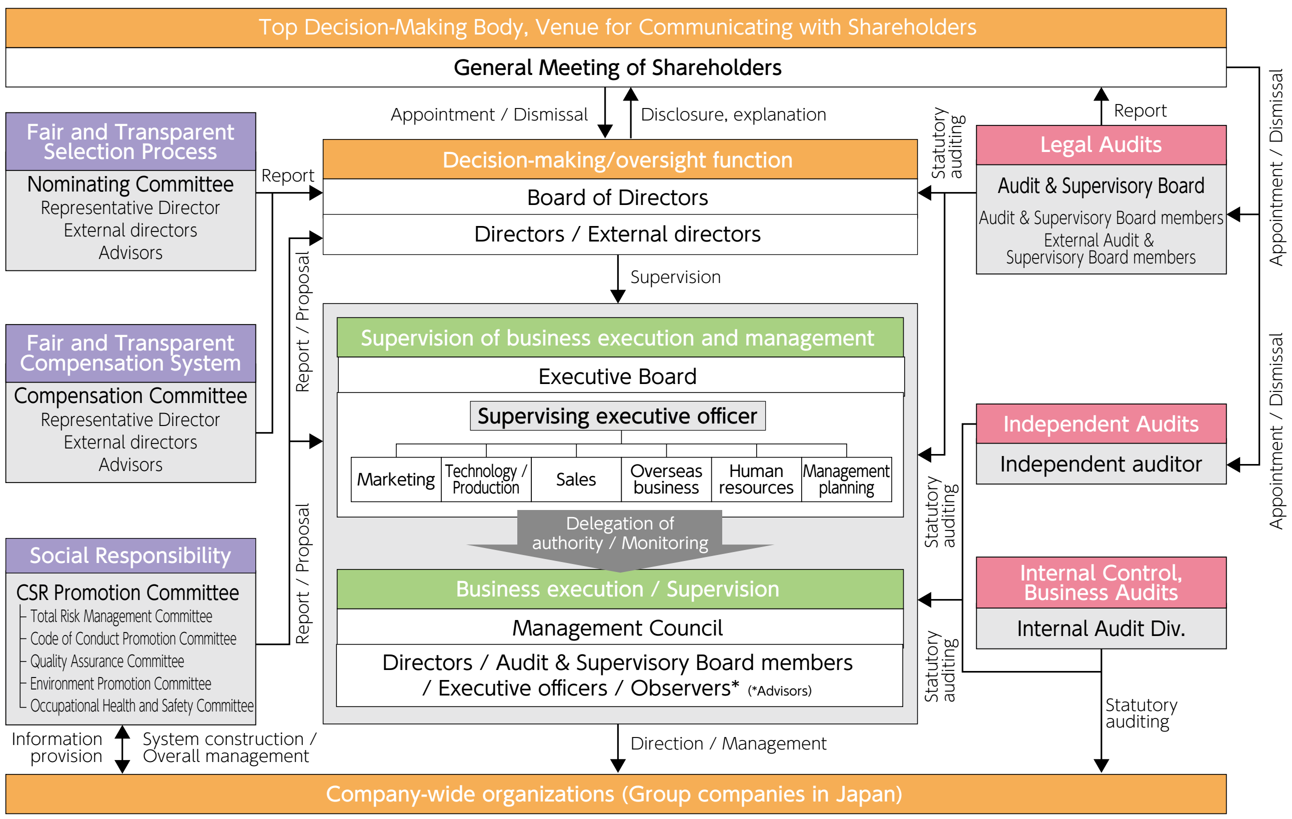
Corporate Governance Structure

Overview of the Corporate Governance Structure

The activities of the Group are overseen by the Audit & Supervisory Board. With legal oversight from its members 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 outside members (external directors, external experts), as well as the Nominating Committee. Executive compensation and appointments are reviewed by these entities, and determined by the Board of Directors' resolution 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, and external directors as well as directors who oversee only the Internal Audit Division, ensuring a certain degree of separation from other 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 Audit 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 is the principal vehicle for the Group's total risk management system, based on the enactment of the Total Risk Management Promotion Regulations. 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.

Structures to Ensure the Appropriate Operation of the Corporate Group

● Structures for reporting to the Company on matters related to the execution of operations by the directors of subsidiaries
● Regulations and other structures related to managing the risk of loss at subsidiaries
● Structures for ensuring efficiency in the execution of operations by directors of subsidiaries
● Structures for ensuring the execution of duties by the directors and employees of subsidiaries are in conformance with laws, regulations and the Articles of Incorporation

(1) We have formulated Affiliated Company Management Regulations, which apply to affiliated companies in Japan and overseas. We have positioned the Corporate Planning Division to supervise subsidiaries in Japan and the Global Group Management Division to supervise overseas subsidiaries. Through the measures described below, we seek to ensure the appropriate operations of the corporate group.

1. Guidance and supervision on subsidiaries' formulation of business plans, as well as on progress reporting and management
2. Guidance and supervision to ensure appropriateness, flexibility and efficiency in the execution of duties by subsidiaries' directors and employees through clarification of the Company's approval standards (approval, deliberation, divisional consultations by circular) for important decision making and matters of business execution.
3. Guidance and supervision related to reporting (including the submission of materials and minutes of important meetings) on important decision making, matters of business execution and important occurrences
4. Monitoring by the Internal Audit Division for operational appropriateness

(2) As necessary, the Company's executives and employees serve as directors or Audit & Supervisory Board members at subsidiaries, where they monitor and advise on the compliance, efficiency and appropriateness of subsidiaries'operations, thereby ensuring the appropriate operation of the corporate group.

(3) The Company has expanded the scope of application of its Total Risk Management Promotion Regulations to include subsidiaries. Based on these regulations, the Total Risk Management Committee provides guidance and supervision on the establishment of risk management structures at subsidiaries.

This committee prioritizes providing management guidance on risks that have the potential to significantly impact the business continuity of subsidiaries. To help avoid or minimize these risks, the committee provides guidance and supervision on the creation of manuals to respond to risks at subsidiaries.

(4) The Company has expanded the scope of application of its Code of Conduct Promotion Regulations to include subsidiaries. Based on these guidelines, the Code of Conduct Promotion Committee provides guidance and supervision on creating compliance structures at subsidiaries, as described below.

Corporate Governance

1. The Company produces and distributes the Mandom Group Code of Conduct (translated versions) for application to subsidiaries and provides guidance and supervision to ensure awareness and thorough adoption of the code.
2. The Company produces and distributes training materials related to code of conduct education that applies to subsidiaries and provides guidance and supervision on subsidiaries' conducting of code of conduct education.

(5) When the Company's Internal Audit Division conducts internal control audits of subsidiaries, the division sequentially monitors the state of awareness and entrenchment of the Mandom Group Code of Conduct and the operational status of the risk management structure.

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 their liability for damages as defined in Article 423-1 of the Companies Act. The limit 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, Yukihiro Tsujimura and Masahiro Nishio, 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 limit 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 Audit & Supervisory Board Members

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 auditing the execution of operations 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 Division. 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 four members, two of whom are standing Audit & Supervisory Board members 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 Council, 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 the required audits of monthly financial materials submitted by the Financial Management Division, 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 Affairs Division, Corporate Planning Division and Financial Management Division) 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

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, three 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, concurrently holds posts as an External Director of Kyoshin Co., Ltd., and Yume no Machi Souzou Iinkai Co., Ltd., and as an Audit & Supervisory Board member of Osaka Gas Liquid Co., Ltd. No equity relationships, important business relationships or other special relationships exist between the Company and these companies. There are no equity or business relationships between Satoshi Nagao, External Director, and the Company, nor any other special relationships.

Yukihiro Tsujimura, External Audit & Supervisory Board member, is an attorney who concurrently serves as Representative of the Yukihiro Tsujimura Law Office. No equity relationships, important business relationships or other special relationships exist between the Company and this law office.

Masahiro Nishio, External Audit & Supervisory Board member, is a certified public accountant who concurrently serves as Outside Corporate Auditor of Shimadzu Corporation, Professor of Ritsumeikan University Graduate School of Management and Director of Nishio CPA Firm. No equity relationships, important business relationships or other special relationships exist between the Company and Shimadzu Corporation, Ritsumeikan University Graduate Schools or Nishio CPA Firm.

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. The Company has formulated the Standards for the Independence of Independent Outside Executives shown below. The above-mentioned external directors and external Audit & Supervisory Board members satisfy these standards and the Tokyo Stock Exchange's independence criteria. The Company has notified the Tokyo Stock Exchange that all of these executives are independent executives.

Standards for the Independence of Independent Outside Executives

The Company has formulated the following standards related to independence with respect to its selection of candidates as independent outside executives (external directors and external Audit & Supervisory Board members designated by the Company as independent outside executives).

Candidates must satisfy the various conditions for external directors and external Audit & Supervisory Board members based on the Companies Act. Individuals to whom additionally none of the following apply are considered to satisfy the Company's independence standards.

1. A person executing the business(*1) of the Company or an affiliated company(*2) of the Company (below, referred to collectively as the "Mandom Group")
2. An entity that is a major supplier(*3) of the Mandom Group or a person executing the business(*1) of such an entity
3. A major customer of the Mandom Group(*4) or a person executing the business(*1) of such a partner
4. A major shareholder that holds 10% or more of the total voting rights of the Company, either directly or indirectly, or a person executing the business(*1) of such a shareholder
5. An entity in which the Mandom Group holds 10% or more of the total voting rights, either directly or indirectly, or a person executing the business(*1) of such an entity
6. An entity that has received annual donations of ¥10 million or more from the Mandom Group in the most recent business year or an entity that belongs to such a corporation or other organization
7. A consultant, accountant or legal professional who receives a large amount of monetary consideration or other property(*5) other than executive compensation from the Mandom Group (or, if the party receiving such property is a corporation or other organization, a person who belongs to that organization)
8. A person who belongs to the audit firm that is independent auditor for the Mandom Group
9. If a person executing the business(*1) of the Mandom Group serves as an external executive of another company, a person executing the business(*1) of that company
10. People to whom item 1 above has applied in the past
11. People to whom one of items 2 to 9 has applied in the past year

Corporate Governance

12. The spouse, second-degree or closer relative, cohabiting relative or person who shares the livelihood of any of those below
    (1) A director, Audit & Supervisory Board member or important person executing the business(*6) of a company in the Mandom Group
    (2) A person to whom the above items 2 to 5 or 9 apply (if a person executing the business, only if an important person executing the business(*6))
    (3) An individual or, if a person who belongs to a company or other organization, an important person executing the business(*6), to whom the above item 6 applies
    (4) An individual or, if a person who belongs to a company or other organization, an important person executing the business(*6), to whom the above item 7 applies
    (5) A certified public accountant and important person executing the business(*6) belonging to an audit firm to which the above item 8 applies

Notes
(*1) Person executing the business: A director (excluding external director), trustee (excluding external trustee), operating officer, corporate operating officer or employee executing operations for a company or other organization
(*2) Affiliated company: An affiliated company as provided in Article 2-3-22 of the Ordinance on Company Accounting
(*3) Entity that is a major supplier of the Mandom Group:
(i) A business partner group (business partner or its affiliated company(*2)) that provides products or services to the Mandom Group, with such business partner group providing to the Mandom Group in the most recent business year products or services that account for more than 2% of that business partner group's consolidated net sales in the most recent business year or the current business year
(ii) A business partner group whose financing provided to the Mandom Group as of the close of the most recent business year exceeds 2% of consolidated total assets of the business partner group as of the end of its most recent business year
(*4) Major customer of the Mandom Group:
(i) A customer to which the Mandom Group provides products or services and for which the products or services provided by the Mandom Group account for more than 2% of consolidated net sales of the Mandom Group in the most recent business year or the current business year.
(ii) A business partner group to which the Mandom Group provides financing that exceeds 2% of consolidated total assets of the Mandom Group as of the close of the most recent business year
(*5) Large amount of monetary consideration or other property: For an individual, monetary consideration or other property corresponding to ¥10 million or more per year; if a company or other organization, monetary consideration or other property corresponding to 2% or more of that organization's total annual revenue
(*6) Important person executing the business: Persons executing the business in item (*2) above who are senior executives (general manager class) or higher

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 comment 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	Performance-linked compensation	
Directors (excluding external directors)	¥201	¥148	¥53	4
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	30	30	—	1
External executives	37	37	—	4

Policies and Methods of Determining Executive Compensation Amounts and Calculation Methods

(1) Method of Determining Compensation Amounts for Company Executives

In addition to ensuring soundness and transparency, the Company's compensation for operational executive directors is aimed at the appropriate pursuit of efficiency, leading to the achievement of management plans and the enhancement of corporate value. To this end, the Company sets an amount of fixed compensation to ensure steady devotion to their duties. In addition, a certain amount of performance-linked variable compensation is provided to serve as an incentive to a higher level of motivation. The Company's policy is to strike a balance between these two. 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. Performance-linked 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 the rigorous legal audits that form the basis of compliance management 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 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 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 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 from Liability of 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.

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.

Corporate Governance Code

Corporate Governance Guidelines

Corporate Governance Policy

The Mandom Group's mission is co-existence, mutual growth and mutual creation with society in Asia and worldwide. Consequently, to realize our core philosophy, we are dedicated to generating stable profits by pursuing efficiency, while ensuring soundness and transparency. As a result, we look to achieve sustainable, steady growth together with consumers, society and other stakeholders.

1 From an early stage, we were committed to establishing a corporate governance structure, and invited independent external directors to sit on our board (external auditors since 1985 and external directors since 1995). The Company has established a Nominating Committee and Compensation Committee, where the majority of the members are independent external directors (the Nominating Committee since 2008 and the Compensation Committee since 2005). We disclose our basic philosophy and details concerning corporate governance in business reports, annual securities reports, annual reports, and on the Company website. In the future, we will work to strengthen our governance structure and management, and actively disclose information as we seek to realize effective corporate governance.

2 We agree with the spirit of the Corporate Governance Code, and will aim to realize "growth-oriented governance, seeking sustainable corporate growth and increased corporate value over the medium to long term." After carefully examining the general principles, principles and supplementary principles specified in the code, we formulated the Corporate Governance Guidelines indicated below, incorporating the Company's policies and specific initiatives based on the code.

Section 1 Securing the Rights and Equal Treatment of Shareholders

From an early stage, we have been dedicated to fully securing shareholder rights and developing an environment in which shareholders can exercise their rights appropriately and effectively. We have demonstrated this approach through several initiatives, including a decision to avoid holding annual general shareholders meetings on days when such meetings are concentrated (1998), sending notices of ordinary general meeting of shareholders three weeks prior to convocation (2000) and the adoption of electronic voting (2003). We plan to continue and strengthen such initiatives.

In addition, Mandom is dedicated to securing effective equal treatment for shareholders, including minority shareholders and overseas shareholders, as demonstrated by its use of the electronic voting platform, disclosures of the English version of the general meeting of shareholder notices and annual reports.

Section 2 Appropriate Cooperation with Stakeholders Other than Shareholders

Our corporate philosophy highlights "social responsibly and sustainability" as one of our values, and by appropriately collaborating with multiple stakeholders, including society, through mutual communication we strive to bring about the continuous, healthy growth and development of the Company and our stakeholders, as a good corporate citizen.

To ensure that this corporate philosophy is understood, shared and respected throughout the Mandom Group, we nurture it in our corporate culture and practices through messages from senior management and various training programs.

Section 3 Ensuring Appropriate Information Disclosure and Transparency

The Company has established "Mandom Group's Principles of Corporate IR Activities" in accordance with disclosure requirements. In addition to information in accordance with related laws and regulations based on these policies, we disclose information that helps shareholders to better understand the Company. Accordingly, we actively disclose information determined to be important and useful, including nonfinancial information, by means of various publications, (such as the Company website, financial results briefing materials, and Japanese and English annual reports), as we strive to fulfill our accountability to shareholders.

Section 4 Responsibilities of the Board

The Board of Directors works to achieve "growth-oriented governance," given its fiduciary responsibility and accountability to shareholders. Based on our corporate governance policies and structure, it strives to appropriately fulfill its roles and responsibilities.

Section 5 Dialogue with Shareholders

To contribute to sustainable growth and the increase of corporate value over the medium to long term, the Company conducts constructive dialogue with shareholders, based on "policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders" established by the Board of Directors.

Our senior management and directors pay due attention to the interests, opinions and concerns of shareholders based on these discussions, and work to ensure that they are reflected in the Company's management. We also strive to explain our business policies to shareholders diligently, clearly and in an understandable manner.

Special Interview

With Satoshi Nakajima, External Director

Satoshi Nakajima is in the fourth year since his appointment as an external director, and we asked him to present his impressions of Mandom Corporation and the Mandom Group as someone with experience managing a listed company, and to offer his objective opinions from the perspective of an external director.

Objective View of Mandom Today

My first objective impression is that the Mandom Group is forward looking. It was quick to enter Indonesia more than 40 years ago, and overseas sales now comprise almost 50% of total sales. Initially, the only brands I knew were Gatsby and Lúcido, but the Company has actually developed multiple businesses and brands, and I truly believe that Mandom is a global company, with deep and extensive roots in Southeast Asia. Recently, I sense once more that Mandom's operational foundation is its emphasis on marketing. The product development and idea generation capabilities that spring from this—and its good taste—are its strengths, or rather its defining features. Looking at just one of its TV commercials conveys its innovative spirit.

Meanwhile, in my view, its corporate governance, including internal audits, as well as systems, policies and various initiatives, function very effectively. The Company conducts thorough information disclosure, and the board meetings I attend are extremely open, with the Company proving to be very willing to listen to outside opinions, and these opinions are actively utilized in its operation. Mandom compares very favorably with its competitors, and I have been rather impressed with its high level of transparency. Presently, Mr. Nagao and I serve as external directors, and a previous external director, Mr. Tsukada, is serving as an advisor. The three of us prevent the Company from focusing too much on the short term, and we actively give our opinions and advice—at the very least, I believe we instill a sense of urgency.

Expectations of the Management Team

For Mandom, cultivating the next generation is a key management issue. President Nishimura, the highest-ranking manager and a member of the founding family, is modest but possesses excellent leadership skills, and he is deeply trusted and respected by all employees. In general, cultivating the next generation is becoming a key management issue for family-run businesses. As external executives, we must consider what is good or bad for the Company's development, including cultivation of the next generation. As external directors, we must hold ourselves accountable and be fair and impartial when offering our observations and advice.

In addition, from the perspective of cultivating human resources, I believe we must work more actively to appoint and empower female managers. Presently, only one of our executive officer is female. The Company established the Diversity Promotion Office in fiscal 2015, and the other external directors and I aim to follow its lead.

Mandom's Future and Challenges in My View

As an Independent Director, when I consider Mandom's future, in addition to expanding I would like the Company to preserve its "Only One" management philosophy. Rather than striving only to achieve the highest sales, to become the type of company we aim for, we will have to harness our own unique development and technological capabilities to develop products that cannot be imitated, and that make it difficult for our rivals to keep up.

In the future, as a company that aims to become a global company it is important for Mandom to train overseas personnel. The domestic and overseas sales ratios are likely to reverse in the near future, and it will be increasingly necessary to recruit these assets. Many of the present executive officers and managers have overseas experience. To also nurture the ambitions of young employees, we need to take a serious look at whether we are training and hiring personnel from a global perspective.

In closing, one final remark. I have great expectations for the future of the Mandom Group as it strives to become an "Only One" company by developing business opportunities in Asia.

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, Osaka Gas Co., Ltd.
June 2008	Managing Executive Officer, Osaka Gas Co., Ltd.
July 2008	Managing Director, The Japan Gas Association
April 2011	Chairman, OGIS-RI Co., Ltd.
June 2013	External Director of the Company (current position)
June 2016	Audit &Supervisory Board Member, Osaka Gas Liquid Co., Ltd. (current position)

Becoming More Attractive to Women

Domestic and overseas women's products are enjoying strong sales, driving the overall Group.

We continue to develop our brands, focused mainly on Japan and Asia. Brands include Bifesta, which makes beauty simple; Pixy, a comprehensive lineup of cosmetic products for sophisticated women; Lúcido-L, a hair care brand for young women; and Pucelle, a fragrance and body care brand for young women newly conscious of fashion and glamour.

7 Sales have exceeded ¥19 billion, 1.6 times the level of five years ago, and comprise more than 25% of net sales

In the domestic men's cosmetics market, Mandom boasts the top market share in three categories: hair styling, face care and body care. Mandom is well recognized as a men's cosmetics manufacturer, but in recent years we have been channeling resources into the women's cosmetics market, and this has boosted earnings.

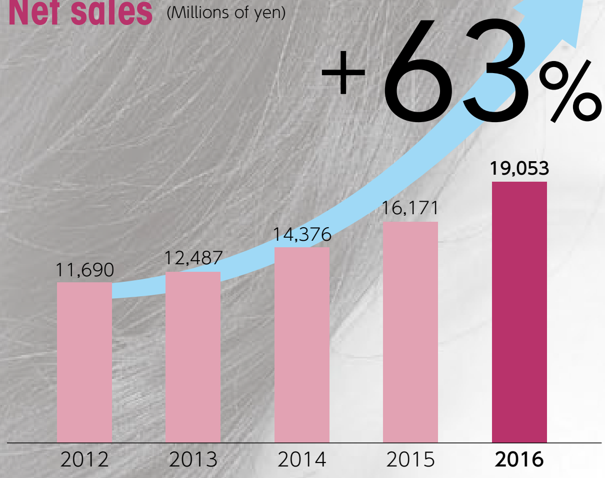
Our entry into the market started with the launch of our Pixy brand in Indonesia in 1982, and in 1993 in Japan with the launch of Lúcido-L, a hair care brand for women.

Relying on a process of trial and error over the past 35 years, Mandom has undertaken research targeting women's cosmetics. Our efforts resulted in 2005 in the launch of Perfect Assist 24, Mandom's first proprietary cosmetic product in Japan for women, and the launch of Bifesta in 2011.

In April 2014, we strengthened our commitment to women's cosmetics and established Marketing Division 2, a specialized unit with comprehensive marketing functions, ranging from the development of women's cosmetics, advertising and sales to promotions. Marketing Division 2's office is not located at Mandom's headquarters in Osaka, but in Tokyo, a hub that draws diverse information on women's cosmetics.

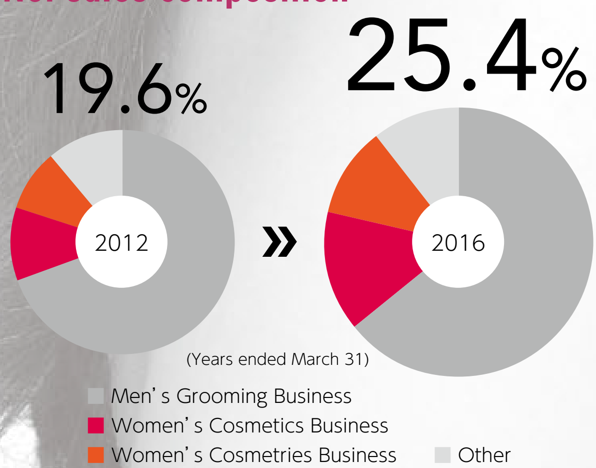
In fiscal 2015, our women's cosmetic business posted sales of more than ¥19 billion (1.6 times the total for fiscal 2011, five years earlier), and comprised more than 25% of net sales.

Women's Cosmetics Business + Women's Cosmetries Business
Net sales (Millions of yen)



(Years ended March 31)

Women's Cosmetics Business + Women's Cosmetries Business
Net sales composition



2 Horizontal rollout, spanning Japan and other Asian countries: Products becoming more attractive to women

Bifesta, which belongs to our Women's Cosmetics Business, has seen extraordinary growth.

Bifesta was first launched as "cleansing express" in 2007, but in 2011 we changed the name to "Bifesta," and started marketing water cleansing in the cleansing market. Bifesta Cleansing Water has moisture-retaining cleansing factors derived from our proprietary cleansing lotion technology. Unlike oil-based cleansers, Bifesta Cleansing Water leaves moisture in the skin and only removes dirt; since women can effectively remove makeup by simply and quickly applying a cotton soaked with the moisturizing cleansing water, it was a major hit with busy office women in Japan. Later on, we expanded the lineup and further enhanced the product's functionality to better satisfy the needs and wants of working women.

Bifesta Cleansing Lotion, which has captured more than 60% of the cleansing lotion market, has shipped a total of over 20 million bottles in Japan*. Bifesta Eye Makeup Remover enjoys the dominant market share of the point make-up remover market, and Bifesta Cleansing Sheet is steadily capturing market share.

Bifesta is also rolling out products horizontally, both in Japan and in other Asian countries, expanding the area in which it provides value. Overseas, where there is no bathtub culture but instead a shower culture, there is a strong need for the out-of-bath products, such as lotions that can be easily applied. After capturing the top share of the cleansing market in Thailand, we are experiencing steady growth.

* August 2011 to February 2016.

3 Steadily strengthening our lineup to tap the growing women's cosmetics category

Barrier Repair Facial Mask, which in Japan is benefiting from inbound tourist demand, and Lúcido-L, an oil treatment that became a hit after its launch in 2014, continue to enjoy double-digit-plus sales growth.

In addition, in Indonesia, with the kickoff of the "Perfect Surprise Campaign," which aims to promote the Pixy brand, we strengthened our core product, Two Way Cake. By increasing the number of stores selling our Pucelle PinkMe series and other initiatives, we continue to strengthen our women's cosmetics lines both in Japan and overseas.

In the future, while sustaining growth at our men's grooming business, we plan to expand growth for women's products.

Bifesta and Water Cleansing Products

Expanding the Rollout in Asia

The Bifesta Cleansing Water series proves a hit with today's busy modern women, with shipments of 20 million bottles

The Bifesta Cleansing Water series is a single product that functions as all-in-one cleansing lotion for more moisturized skin. It removes makeup left in pores, alleviates darkening of the skin caused by dead skin cells, and performs deep cleansing. Thanks to this innovation, it is overwhelmingly popular with busy modern women, and since its launch in August 2011 has seen a steady rise in sales in Japan and overseas. In Japan, shipments of the series have shattered the 20 million mark. To satisfy the diversifying cleansing needs and wishes of customers in the years ahead, we will launch a new series, renew existing products to keep them fresh, and introduce new items to expand sales.

First in Thailand, then South Korea, China and Taiwan Trial samples and word of mouth are creating a stream of customers

South Korea

In Spring 2015, Mandom Korea Corporation created its first TV commercial featuring popular actress Go Ah-sung, our brand ambassador. The commercial was timed to coincide with store advertisements to boost brand recognition and product usage. In fall 2015, Ms. Go was featured in a second TV commercial.

Go Ah-sung, a rising star in the South Korean film industry, is expected to boost product appeal.

China

Since the end of 2013, Bifesta has been imported from Japan. Benefiting from the recent import boom, the brand got off to a robust start, with its eye make-up remover and cleansing lotion seeing strong demand. Since summer 2015, Mandom has also been using e-commerce to boost sales. From September, we have succeeded in generating round-the-clock sales with an app that integrates a buzz marketing website popular among young women with e-commerce. Mandom will continue to exploit opportunities in the women's skin care category as we seek to expand sales.

Taiwan

On weekends from Christmas 2015 to the new year, we have been setting up Bifesta booths in shopping malls, and have held round-table discussions, run magazine and online ads, and bought bus wrap advertisements as part of our efforts to stimulate demand and enhance our brand's recognition. These initiatives have increased our Facebook followers 1.75 times.

Bus-wrap advertisement

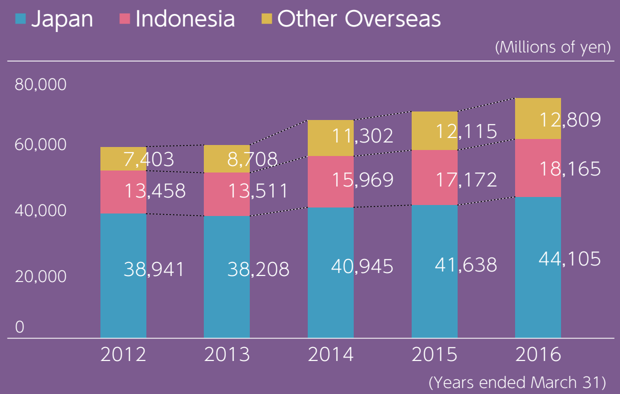
Global Company

Providing a comfortable lifestyle tailored to specific markets

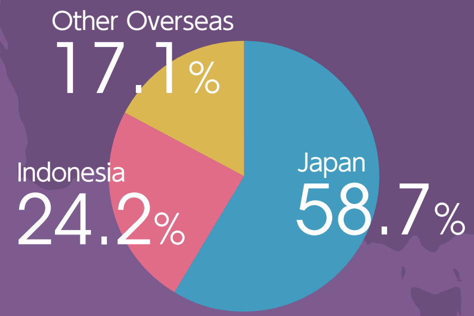
The Mandom Group is developing its global operations, particularly in Asia. The Group segments its operations into three regions: Japan, Indonesia, and Other Overseas.

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.

Sales by region over the past five years



Composition of sales by region



Based in **Asia**

Japan

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

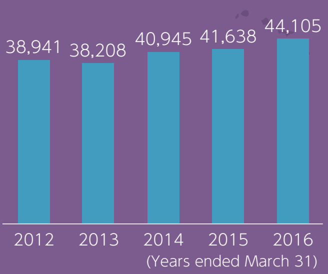
Net sales, year on year

+5.9%

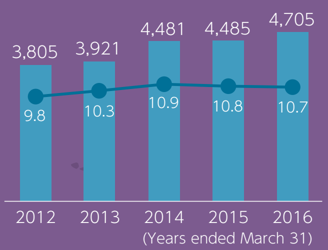
Average growth, past five years

+3.2%

Net sales (Millions of yen)



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



A strong performance by Lúcido and our women's products offset sluggish growth from Gatsby, a core brand. Among women's cosmetics brands, sales of Bifesta remained robust, as in the preceding fiscal year. Sales of Barrier Repair's facial masks grew significantly, thanks to inbound tourism demand. In women's cosmetries, Lúcido-L's oil treatment series enjoyed favorable sales.

Indonesia

The largest business area and growth leader in the overseas group

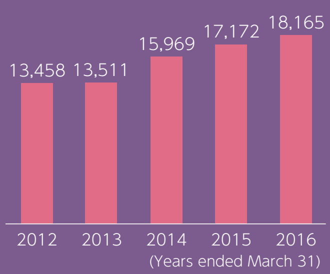
Net sales, year on year

+5.8%

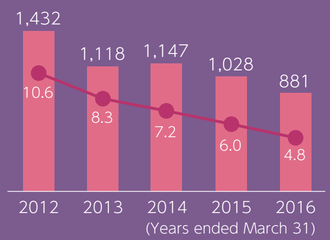
Average growth, past five years

+7.8%

Net sales (Millions of yen)



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



Although negatively affected by a factory fire on July 10, 2015, sales in Indonesia remained strong thanks to steady expansion in sales of Styling Pomade, a new product from our core Gatsby line. In women's cosmetics, Mandom is stepping up brand activity surrounding Pixy by reinforcing promotion.

Other Overseas

An area with high growth potential for our overseas business

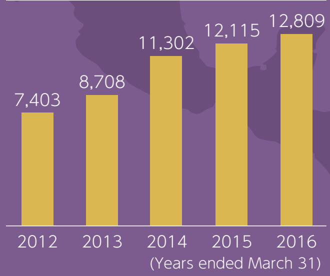
Net sales, year on year

+5.7%

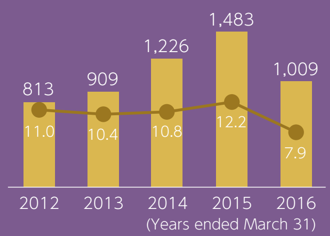
Average growth, past five years

+14.7%

Net sales (Millions of yen)



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

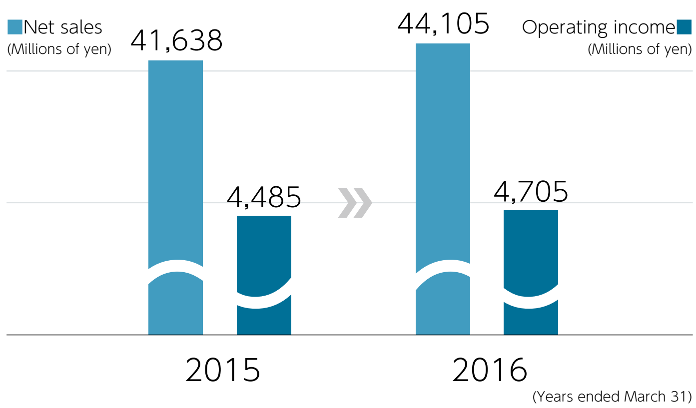


Sales for Gatsby Styling Grease and Bifesta were solid, mainly due to the horizontal rollout of products in several countries. In addition to favorable sales in Thailand, sales of Bifesta grew at physical stores and via e-commerce in China after word spread on social networking sites and other media. Further, Mandom is working to create markets in Indochina.

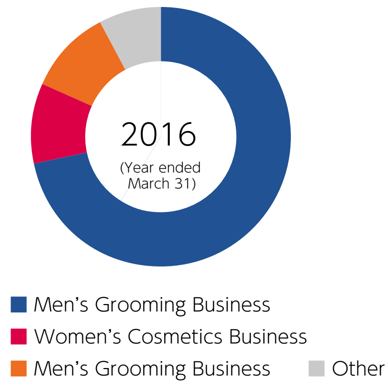
Japan

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

Net sales / Operating income



Net sales by business



Economic Climate

Amid concerns of a slowdown in emerging countries and fluctuations in global financial markets, the Japanese economy is experiencing a moderate recovery, driven by stronger corporate revenues and improved employment.

Cosmetics Market Environment

The Japanese cosmetics market expanded slightly, to around ¥1.5 trillion according to Ministry of Economy, Trade and Industry (METI) production statistics for the cosmetics industry, due to a pickup in business confidence because of rising stock prices and other factors, as well as to growing inbound tourism demand. 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 2015

In fiscal 2015, sales in Japan rose 5.9% year on year, to ¥44,104 million. Performance of summer seasonal products in our core Gatsby brand was sluggish due to unseasonable weather.

However, sales were favorable for our Lúcido, Bifesta, and Lúcido-L brands as well as Barrier Repair facial masks.

Operating income rose 4.9%, to ¥4,705 million, as increased sales offset a rise in the cost-of-sales ratio stemming from a higher percentage of high-cost products and aggressive marketing investment.

Men's Grooming Business

Market Environment

The domestic men's cosmetics market expanded slightly. According to Mandom's calculations, the market is worth approximately ¥120 billion. The hair styling market has been shrinking since 2001, but the rollout of several new products invigorated the market, causing slight sales growth in fiscal 2015. In the face care market, sales increased slightly on favorable demand for skin care products. The body care market continued to expand, posting the strongest growth in the men's cosmetics market. Meanwhile, the scalp care market recovered to fiscal 2013 levels, the year prior to the consumption tax hike. We expect the face and body care market to continue to grow, reflecting increasing customer awareness for this type of care.

Initiatives in Fiscal 2015

In fiscal 2015, we launched Gatsby Styling Grease in response to the emerging "neo-classical" trend to produce hair with a glossy shine and strong hold reinvigorating the men's hair styling market while expanding market share.

Mandom followed up the August 2015 rollout of the Lúcido Deodorant series and the Lúcido Skin Care series with the renewal of the Lúcido Styling series in February 2016. After identifying "40 plus" as a key phrase, we stepped up efforts to appeal to men in this age range, and increased brand recognition using TV commercials and posters that continue to feature actor Seiichi Tanabe.

Also, to reach middle-aged men, Lúcido's target demographic, Mandom launched "40's Life," a lifestyle information website, and published on the brand's website a survey titled "The Mid-40's Man White Paper," on the grooming sensibilities of middle-aged men. These initiatives firmly positioned Lúcido as a brand for middle-aged men, particularly those in their 40s.

For men in their 20s and 30s who are concerned about future hair loss, we launched Mandom Scalp Care Suppli. This product concentrates on "care preparing the scalp environment for hair growth" rather than "hair regeneration," which until now had been the focus of scalp care.

Gatsby Styling Grease

Lúcido Styling series

New commercial for the Lúcido Deodorant series

Mandom Scalp Care Suppli series

Japan

Future Initiatives

For our Gatsby brand, we plan to roll out a new product for the face care category, which is gradually gaining recognition among young men. Men using this product are sure to be met with the compliment "amazing, such glossy skin" from friends and acquaintances, including women. With this product, the renewal of our Face Wash series and new product launches, we will further reinvigorate the face care market.

Gatsby Plain Style Shower series

Also, for the hair styling market, where competition remains fierce, we plan to launch a new genre of hair styling products for the customer who has not used styling products but wants hair that looks and feels great. Mandom hopes to capture market share by getting more customers to use styling products.

Gatsby Smooth Facecare series

For Lúcido, we plan to launch new products in our hair styling product category, and with an eye on recent growth in the hair coloring market for graying men's hair, will roll out new products for men in their 30s and 40s who are thinking of dyeing their hair. We expect this move to reinvigorate the market and enable the brand to boost market share.

Lúcido Volume Up & Color Treatment

Women's Cosmetics Business

Market Environment

In the domestic women's cosmetic market, we are seeing stronger sales in the price-maintained merchandises and self-cosmetics markets, thanks to demand from inbound tourism. In the self-cosmetics market, which is largely dominated by Mandom, sales have topped fiscal 2013 levels, the year prior to the consumption tax hike. Nevertheless, the market remains extremely competitive.

Initiatives in Fiscal 2015

In fiscal 2015, within the cleansing market, we launched our Cleansing Gel series within the mainstream category of wash-away products, which went on to strengthen the Bifesta brand.

Bifesta Cleansing Lotion, the core product under our Bifesta brand, has continued to target loyal new users. We rolled out new designs to keep the brand fresh, and further refined each product to make them easier to distinguish. Bifesta Cleansing Lotion has shipped more than 20 million bottles as of February 2016.


Bifesta Uru-Ochi Water Cleansing Lotion

To keep up with growing inbound tourism demand for Barrier Repair Facial Mask and Bifesta Cleansing Sheet, we set up a new production facility at our Fukusaki Factory, and started mass production.

Barrier Repair Facial Masks


Bifesta Cleansing Sheet

Future Initiatives

For Bifesta Cleansing Lotion, the main product under the Bifesta brand, we promoted new cleansing products. While the women’s facial cleansing market experienced slight growth, sales of foam type facial cleansers grew 13% year on year, according to our calculation.

We will launch this new Bifesta-brand products as a facial cleanser with skin-enhancing benefits and high functionality, enabling the brand to strengthen its positon as the facial wash and cleansing brand that makes it possible to have beautiful skin.


Bifesta Foaming Whip series

Women’s Cosmetries Business

Market Environment

The women’s hair styling and hair care market in Japan has been contracting. However, in recent years the demand has grown for “beautiful hair,” with trends in hair care mirroring those for skin care. As a result, the market for hair oil as an out-of-bath treatment has been expanding each year.

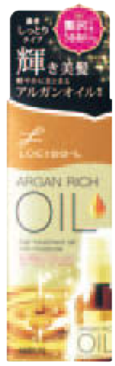
Concurrently, the body care market has been growing because of the growing need for skin care, and we have responded with several types of body creams, including “regular,” “medicinal” and “relaxing” products.

Initiatives in Fiscal 2015

In fiscal 2015, we added Lúcido-L Hair Treatment Rich Moisture to our oil treatment series, which has seen favorable sales since its launch. This new treatment provides a more compete finish. These products have allowed us to enhance our brand position in the out-of-bath treatment market.

Further, in our Mandom body care series, we launched a flower oil beauty body cream as part of our “Dear Flora” series in response to calls for higher functionality, strengthening consumer confidence in Mandom body care.


Dear Flora Oil in Body Cream


Lúcido-L Treatment Rich Moisture

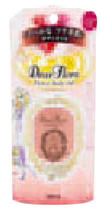
Future Initiatives

In the market for hair oil products, which continues to enjoy robust growth, we will introduce highly functional oils as part of our Lúcido-L Argan Rich Oil series to satisfy the need for items that repair damaged hair. These products will further boost the position of our Lúcido-L brand.

In the body care category, we plan to take an additional step forward with the launch of a key body oil product that highlights the flower oil beauty philosophy behind the Dear Flora series concept.

We also plan to launch new, easy-to-use hand creams for first-time users. Our goal is to enhance the series’ brand recognition and attract new customers.


Lúcido-L Hair Treatment Oil Essence Charge

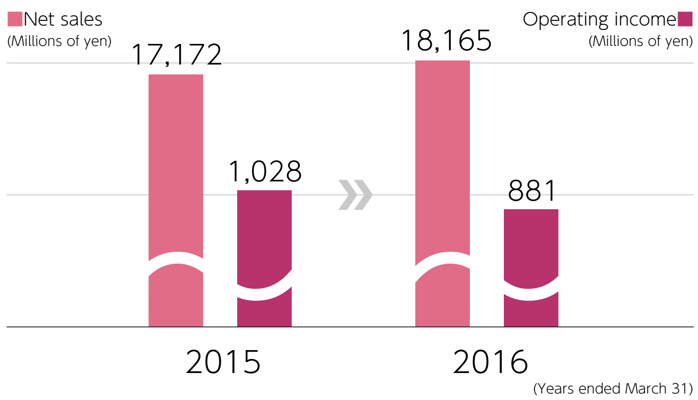

Dear Flora Flower Body Oil


Dear Flora Oil in Hand & Nail Cream

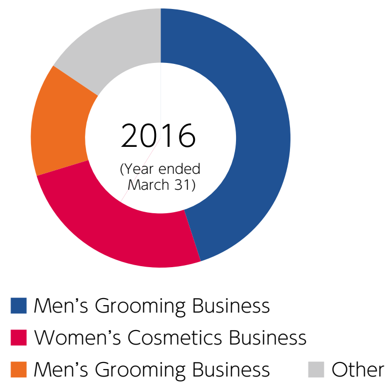
Indonesia

The largest business area and growth leader in the overseas group

Net sales / Operating income



Net sales by business



Economic Climate

The Indonesian economy is experiencing steady growth. Income levels are rising steadily due to a higher minimum wage and other factors. Inflation is also easing, which is sustaining steady consumer spending. Indonesia has the world's fourth-largest population, and the working-age population is expanding. Based on these factors, we view Indonesia as a promising market, with growth expected to be hastened by domestic demand.

Cosmetics Market Environment

In Indonesia's cosmetic market, consumers' purchasing behavior continues to change as higher income levels expand the middle class. With consumer preferences shifting from consumer staples to more luxury-oriented products, we expect the market to expand further, supported by greater demand for highly functional, high-value-added products.

In distribution, consumers' purchasing channels have shifted from traditional trade such as privately run shops to modern trade such as chain stores and other organized retailers. This has led to a fierce rivalry between global and local firms as they compete to maintain sales of standard products and run effective sales promotions.

Mandom's Strengths 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 the more than 13,000 islands referred to as the Indonesian archipelago, working in cooperation with local distributors. Mandom has a share of more than 70% in the men's hair styling market and is recognized as the country's leading manufacturer of men's cosmetics.

The Company also has strong brand recognition in Indonesia and has captured a large share of the women's cosmetics market.

We have been actively selling women's cosmetics in the market since the 1980s, particularly our make-up and fragrances. Our sales in the country are now roughly evenly split between men's and women's products.

Performance for Fiscal 2015

Sales in Indonesia in fiscal 2015 rose 5.8% year on year, to ¥18,165 million. Although negatively affected by a factory fire on July 10, 2015, sales were favorable for men's cosmetics, including our core Gatsby brand. Sales also received a boost from a higher exchange rate resulting from yen depreciation. Due to the negative impact of the fire on sales and a higher cost-of-sales ratio, operating income declined 14.4% to ¥881 million.

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. The hair styling market has expanded steadily each year, and the face care and body care markets are also expected to enjoy sharp growth. This increase has made global firms more aggressive and produced a fiercer competitive climate.

Initiatives in Fiscal 2015

In fiscal 2015, despite a period when product supplies fell below optimal levels because of the

Gatsby Styling Pomade lineup (on the upper shelf)

Indonesia

fire, sales steadily expanded for Gatsby Water Gloss, our leading hair styling product. Gatsby Styling Pomade, a new product launched in response to the emerging trend for hair with a certain amount of glossy shine, has won over new users and is generating extremely favorable sales.

In the body care category, Gatsby Urban Cologne continues to experience favorable sales. We rolled out mini-size versions in December, further augmenting the product's user base.

Future Initiatives

In the hair styling category, we extended our Gatsby Styling Pomade lineup, which has enjoyed positive sales since its debut in 2015. We launched Supreme Hold in March, followed by two mini-size versions in April, to win over more users. We started airing television commercials in May, which helped to quickly enhance brand recognition and expand sales. In the body care category, we began airing TV commercials in January for our strong-selling Gatsby Urban Cologne brand, further strengthening the product.

Women's Cosmetics Business

Market Environment

Women's awareness of cosmetics is growing in tandem with rising income levels. Western cosmetics brands are enhancing their sales through modern trade, while 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 2015

In fiscal 2015, sales of Pixy struggled, due to competition from rival brands and as the brand lost its sense of "freshness." In response, we introduced several initiatives to reinvigorate it. These measures included TV commercials in the second half of the year, major promotions, including a gift campaign, and efforts to strengthen the brand itself, particularly for our flagship product, Two Way Cake.

Outdoor Pixy advertisement

PIXY Two Way Cake

Future Initiatives

We plan to reinvigorate the Pixy brand through stronger marketing, including the rollout of new products, TV commercials and promotional events. These efforts aim to rejuvenate the brand's image and more firmly establish Pixy's position as a total cosmetics brand.

Women's Cosmetries Business

Market Environment

Reflecting Indonesia's strong preference for scents, fragrances are a favorite for a broad consumer segment, especially teenagers. Fragrances are often consumers' first personal fashion item. Because teenagers are highly sensitive to market trends, new products are constantly being brought to market, and although the market is expected to continue growing, competition is intensifying.

Initiatives in Fiscal 2015

In fiscal 2015, we boldly expanded the rollout of Pink Me, a new series under our Pucelle brand that aims to tap demand from consumers who prefer light fragrances. Thanks to this rollout, Pink Me appears to be enjoying steady sales.

Future Initiatives

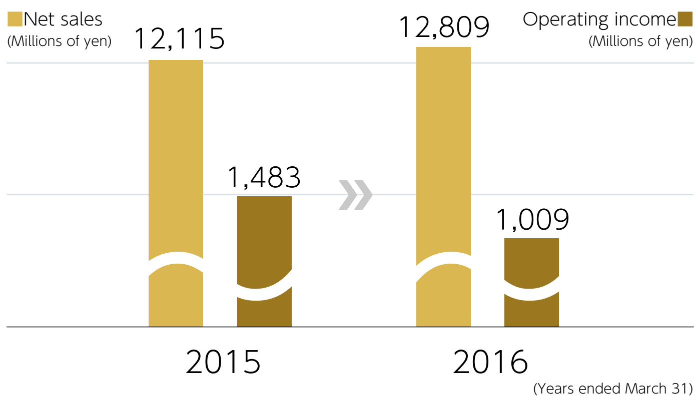
We will continue to strengthen our Pucelle brand with Pink Me, which targets consumers with evolving preferences for scents. Primarily, we plan to expand the customer base among high school and university students, using promotions augmented with digital media to spread word of the products by offering test samples.

Pucelle series
(Pink Me products are the three items in the last row on the right)

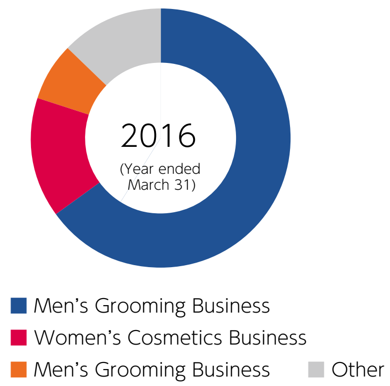
Other Overseas

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 ASEAN countries such as Malaysia and the Philippines, particularly in metropolitan areas. Aggressive government investment in infrastructure and steady domestic consumption are sustaining ongoing economic growth. Significant market expansion is expected, with growth spreading outward from metropolises to outlying regions. This will be driven by a potential expansion in consumption as populations in these countries approach a growth phase and awareness of cosmetics increases as income levels rise.

Performance for Fiscal 2015

In fiscal 2015, the Other Overseas segment benefited from favorable sales of the Bifesta brand of women's cosmetics, and a higher exchange rate resulting from yen depreciation. This led to a 5.7% year-on-year increase in sales to ¥12,809 million.

Due to increased spending due to aggressive marketing investment, operating income declined 32.0% year on year to ¥1,009 million.

China

China's economy continues to expand, although a significant slowdown is apparent. Investment is stagnating, burdened by excessive capacity and debt. These factors have led to a visible decline in domestic consumer spending.

In recent years, the cosmetics market has expanded, thanks to a greater middle-income population and heightened fashion awareness among women. Private consumption remains steady despite the slowing economy.

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

In fiscal 2015, in the men's grooming market, we focused on strengthening sprays and waxes in the hair styling category for our core Gatsby brand. Additional new product rollouts from our

competitors led to increased competition, but our sprays still maintained the largest share of the market. We have positioned sprays, waxes and gels as three growth areas, and will step up efforts to strengthen products in these areas.

Another area experiencing rapid growth is Bifesta, in our women's cosmetics business. When we introduced this brand two years ago, we decided to maintain ongoing sales promotions at stores. The resulting jump in popularity, as word spread from stores and social networking sites, created a tailwind that contributed to robust sales. We plan to launch initiatives aimed at boosting Bifesta's brand recognition and solidifying its market position. Ongoing efforts include supporting sales at existing stores, increasing the number of stores offering the product, and expanding e-commerce.

Subway advertisements featuring Gatsby products

Mainland Southeast Asia

GDP levels remain relatively low in mainland Southeast Asia. However, as a large percentage of the population in the region is under 30 and the working age population is rising, the region is expected to enjoy significant growth in the future, making it a promising market.

The organized retailers that make up modern trade channels remain a relatively small feature of the cosmetics market in this region. Instead, traditional trade channels such as individually operated mom-and-pop stores are the norm. With the middle-income population expanding and fashion awareness rising, we expect distribution routes to increase as the cosmetics market grows.

In January 2015 we established Mandom Vietnam Company Limited in Vietnam, our 12th overseas company, and began product shipments in November, marking the official start of operations. We are currently airing TV commercials to expand our recognition.

Consolidated subsidiary Mandom Corporation (Thailand) Ltd. oversees operations in Myanmar, Cambodia, Laos and Thailand. This subsidiary has been boosting the number of stores offering our products, particularly our Gatsby brand, and coordinating local marketing activities to capture market share.

Especially, in Cambodia, we have been working to raise brand recognition for our Gatsby brand. Our efforts include ongoing TV commercials to facilitate communication with our target consumers featuring our brand ambassador, the popular local vocalist Nico. We also gained a foothold in the market for products in our core hair styling category, as well as our face care and body care categories.

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

Promotions featuring Gatsby brand ambassador Nico

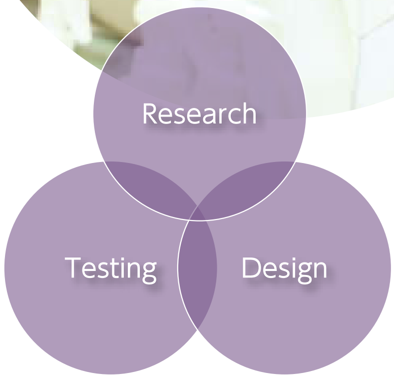
Business Activities

Business Activities of the Mandom Group

The Mandom Group studies the dissatisfaction and troubles felt by consumers in their daily interactions with cosmetic products, and then draws out needs and wants. By delivering products and services tailored to these needs and wants, the Mandom Group is providing satisfaction and benefits to consumers.

Mandom's research, development, production and marketing functions are seamlessly linked to materialize needs and wants as appealing products and services. In this regard, we are carrying out our daily business activities from the perspective of creating lifestyle value with consumers, for consumers.

Research & 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.

Establishment of the Advanced Cosmetic Science (Mandom) Joint Research Program at the Graduate School of Pharmaceutical Sciences at Osaka University

Mandom conducts joint research with the Graduate School and School of Pharmaceutical Sciences at Osaka University to find applications in cosmetics research for the stem cell-related technologies used in regenerative medicine. The research program aims to establish, apply and develop technologies to regenerate tissues and organs from stem cells harvested from human skin and related tissue. The regenerated tissues and organs will then be employed to establish the technology to assess functionality in the field of cosmetics, and to research and develop active ingredients that can be used in functional cosmetics, quasi-drugs and other areas.

Ongoing Odor Research to Address "Smell Harassment"*

Based on joint research with Nobuyuki Sakai, Associate Professor at the Graduate School of Arts and Letters at Tohoku University, we found that some Japanese consumers with a normal sense of smell are highly sensitive to diacetyl. This is a compound responsible for a distinctly greasy odor given off by middle-aged men (called middle-age sebum odor). Since the men do not detect these odors themselves, diacetyl is said to cause what has come to be known as "smell harassment."*

*Smell harassment
This phrase refers to odors people give off that they do nothing to control, including body odors and halitosis, and scents from strong perfumes and fabric softeners. While the person might not be aware of the odor, it is unpleasant and causes discomfort to people in their vicinity.

Product Development Targeting Ultra-Long-Lasting Deodorant

Using our proprietary evaluation methods, we learned that oil esters with substantial molecular mass and hydrophobicity carry significant antibacterial benefits, and that by forming films certain high-molecular compounds keep antibacterial ingredients in the skin. We collectively refer to these ingredients, and ingredients such as silicones that have water repellent effects, as "deodorant keepers." Based on the form of the product, by combining multiple deodorant keepers, we have made the effects of deodorants last longer.

Production & Supply

Providing High-Quality, Reasonably Priced Products and Services 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 Capable of Supporting Demand from Overseas Visitors

After revisions to the tax-exemption system in October 2014, Barrier Repair Facial Mask and Bifesta Cleansing Sheet saw robust sales. We established a new production facility at our Fukusaki Factory, and started mass production. Production is now able to match sudden surges in demand.

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

Mandom has three manufacturing bases that enable it to effectively supply products throughout Asia and allow for future growth. Our Fukusaki Factory in Japan serves as the Group's "mother" factory, taking the lead as our innovation center with technological and production functions. Our Indonesian factory, which serves as a global production center, has a production structure that allows it to manufacture high-quality, cost-competitive products. The factory primarily supplies ASEAN countries, but its global reach extends to the Middle East and Africa via the United Arab Emirates. Our factory in China supplies products to the country' s domestic market and additional production for the Group.


1


2


3


4

Production volume based on fiscal 2015 performance

1 Fukusaki Factory (Japan)	Site area: 71,058m²	171 million units
2 Zhongshan Factory (China)	Site area: 27,253m²	12 million units
3 Factory 1 (Indonesia) (Manufacturing plant)	Site area: 147,936m²	613 million units
4 Factory 2 (Indonesia) (Factory for molding plastic containers)	Site area: 54,442m²	

Marketing

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.

Providing More Information to Middle-Aged Men through the Promotion of "Smart Aging"

"40's Life," a Lifestyle Information Site for Gentlemen

Curators from four categories, Society, Living, Health, and Beauty, provide lifestyle advice for men in their 40s, the largest demographic in the population, through this stylishly written information site.

Lúcido's "The Mid-40's Man White Paper 2016"

Lúcido's "The Mid-40's Man White Paper 2016" is a collection of insights into the grooming sensibilities, lifestyles and mindset of men in their 40s. The report highlights concerns men grapple with at work and home, including economic status and the willingness to invest in personal growth, and the contrast between the men they are and the men they want to become or who their wives would like them to be.

GATSBY CM Awards UNLIMITED

Mandom launched the "GATSBY CM Awards UNLIMTED" in commemoration of the tenth "GATSBY Student CM Award," a commercial video contest featuring a Gatsby product. Unlike the GATSBY Student CM Awards, which restricted entries to students from 11 countries and regions in Asia, Europe and North America, this award did not impose nationality, occupation or other restrictions and was open to anyone. The top three entries were exhibited at the Cannes Lions International Festival of Creativity.

Marketing Project Management Division

In April 2016, Mandom established the Marketing Project Management Division which will take responsibility for developing marketing systems in response to the changes in consumer purchasing behavior and in points of contact with the media that will take place in Japan and throughout Asia in line with expected innovations in digital technology.

CSR Corporate Social Responsibility

We referred to the Mandom Group's corporate philosophy (mission, values and principles) and philosophy/policies in special areas that establish our internal philosophy and values, and linked these to the ten principles of the UN Global Compact, Sustainable Development Goals (SDGs), International Code of Conduct, and other frameworks for global society. Finally, our approach to CSR was determined along with a course of action regarding each of the seven core subjects of the ISO 26000 standard.

UNGC: United Nations Global Compact
SDGs: Sustainable Development Goals

Organizational Governance

We strive to maintain and further improve upon the fairness and transparency of our management, in full compliance with all laws and regulations, and will put forth every effort to ensure the safety and benefit of our stakeholders.

Labor Practices

We consider our employees corporate assets that are vital to our business, and strive continuously to create safe, clean workplaces that give employees the freedom to express themselves.

Fair Operating Practices

With the shared goal of sustainable social development, we will build good relationships with our suppliers and partners and fulfill our social responsibilities through our business activities.

Community Involvement and Development

We will ascertain social issues from a global perspective and take useful action to resolve those issues in pursuit of sustainable social development and sustainable business growth.

Human Rights

We support and respect the protection of human rights as declared by the international community and will do our best to continuously monitor actions and educate people at every stage of our business activities to avoid complicity in any human rights violations.

The Environment

We consider the impact that our business activities have on the environment and strive continuously to reduce that impact at every stage from the development of products and services to procurement, production, transportation, sales, and after-use disposal, recycling, etc.

Consumer Issues

We will utilize the feedback received from customers in our business activities to improve the benefits of our products and services from their standpoint and to ensure safety.

Organizational Governance

Corporate Governance

Our Group's mission is co-existence and mutual growth with society in Asia and worldwide. To realize Our Philosophy we are dedicated to generating solid profits by pursuing efficiency while ensuring soundness and transparency. In this way, we aim to achieve sustainable growth together with consumers, society and other stakeholders. This spirit informs our fundamental corporate governance policy.

Our corporate governance structure is overseen by the Audit & Supervisory Board. With legal oversight from its members as the basis for corporate governance, we invite multiple external directors to sit on our board in order to reinforce our monitoring and advisory functions. By clarifying responsibilities and delegating authority under a system of supervisory and executive officers in charge of specific operations, we have created a system for the proactive and expeditious execution of operations. Based on this system, we will pursue effective growth-oriented governance and seek to enhance corporate value.

▶Details on pages 20–23

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.

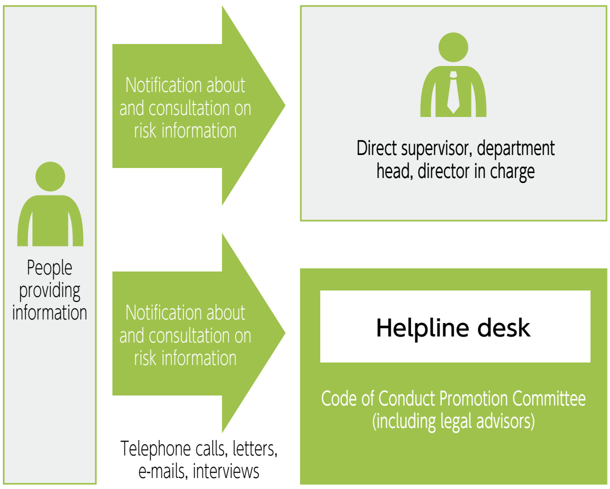
We established the Mandom Group Code of Conduct (in 1999; revised in 2002, 2007, 2011 and 2014) as a common global compliance program. This document is aimed at making compliance a key part of our management by having all officers and employees abide by laws as well as conducting themselves ethically, exercising good sense and sound judgment.

The Mandom Group's Code of Conduct

Helpline System

In December 2002, Mandom Corporation introduced the whistleblower system "Helpline System" for early detection, prevention of occurrence and prevention of recurrence of risks relating to violations of laws and social norms. This is a system receiving reports and consultation from employees when they observe in their workplace any acts that break or are at risk of breaking laws or our Code of Conduct. The Code of Conduct Promotion Committee, which includes external members (corporate legal advisors), serves as the point of contact. The whistleblowers are protected against retaliatory measures or disadvantageous consequences due to their action.

In September 2007, the System was expanded to cover business partners of Mandom Group companies in Japan.



Contact Details (for use only by business partners)
Tel & Fax: +81-6-6767-5170
E-mail: mandom-helpline@mandom.co.jp

Human Rights

Promoting Human Rights Education

At Mandom we are working to promote human rights awareness through ongoing employee education and have integrated the following "Respect for Human Rights and Ban on Discriminatory Practices" section into the Mandom Group Code of Conduct (2014 revised version).

Mandom Group Code of Conduct

Ⅰ. Ban on discriminatory practices

We respect the basic human rights of every person, and no matter the situation will not slander a person or discriminate against them based on such unreasonable factors as race, nationality, religion, ideology, beliefs, gender, age, physical disability, etc.

Ⅱ. Ban on sexual harassment, power harassment, etc.

We do not condone and will not commit any of the following behaviors, and will respond with strict measures if they occur.

1. Conduct of a sexual nature (sexual harassment: sexual remarks, suggestive attitude, physical contact, etc.)
2. Harassment at or outside the workplace that involves taking advantage of one's position (power harassment: verbal or psychological abuse, etc.)
3. Coercion to attend a drinking party, drink alcohol, finish a drink in one, or drink until heavily intoxicated (alcohol harassment)
4. Privacy violation on social media or other nuisance behavior (social harassment)

Ⅲ. Ban on child labor and forced labor

We absolutely reject labor performed by underage minors (child labor) and improper labor practices that involve the use of coercion, whether physical or mental (forced labor), in any country and under any circumstances.

Promoting Diversity

In April 2015 Mandom established a Diversity Promotion Office to help create a corporate culture of respect for diversity and differences, which involves the utilization of not only female employees but also individuals of various dispositions and abilities, employees of foreign nationality, and others.

Human rights and labor practices are closely related issues. We are trying to build an organizational system that embodies diversity and inclusion in order to retain workers of diverse attributes and value systems, and enable them to reach their full potential.

Please refer to our CSR website for additional information.
http://www.mandom.co.jp/csr/src/human.html

Labor Practices

Promoting Work-Life Balance

We are also working to create a workplace culture in Japan that promotes work-life balance and encourages men to be actively engaged in childcare. Toward this end, in fiscal 2015 we began participating in two Japanese government programs and launched tie-in campaigns within the Company. The two campaigns are: the Change! JPN Campaign run by the Office for Work-Life Balance of the Cabinet Office and the Ikumen Project run by the Ministry of Health, Labour and Welfare.

The Change! JPN Campaign calls upon all employees to reduce overtime work and fully adopt the practice of taking a day off in lieu of each national holiday that falls on a Sunday, as well as using all annual paid leave.

The Ikumen Project calls upon all employees to create a workplace culture that makes it easy for men to take childcare leave. As one of Mandom's specialties is men's cosmetics, we feel a particular need to support the concept of "cool dads."

Promoting Women

In Mandom Group, Active Employee Participation constitutes part of Our Value and "KohDoh" for Self-actualization is defined as one of Our Principles. Based on these concepts, Mandom considers our employees corporate assets regardless of gender that are vital to our business, and strives continuously to create safe, clean workplaces that give employees the freedom to express themselves.

In April 2016, a Japanese law took effect, which obliges large companies and local and central governments to set numerical targets for hiring and promoting women. Mandom understands that promotion of women is an important theme that draws expectations and demands from a broad range of players in the society. Accordingly, this theme has been reflected in one of the CSR Material Issues for the Mandom Group (Ver. 1) - "Achieving employee satisfaction (ES) and diversity." In line with the objectives and purposes of the law, Mandom will develop and execute phased action plan to help realize a society where women are promoted and encouraged to exercise their individuality and unleash their full potential. We will also disclose our actions and keep the information up to date through the official website of Ministry of Health, Labor and Welfare (see below).

Our Values　Active Employee Participation

The corporate name "**Mandom**," deriving from "Hu**man**" and "Free**dom**," 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.

Our Principles　"KohDoh" for Self-Actualization

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

Please refer to our CSR website for additional information.
http://www.mandom.co.jp/csr/src/practice.html

Reference: MHLW Corporate Database Promoting Women
http://www.positive-ryouritsu.jp/positivedb/

The Environment

Mandom's Environmental Philosophy and Fundamental Environmental Policy

It is our sincere hope to instill OYAKUDACHI, a contribution towards a comfortable life, for our consumers, our community, and the preservation of the global environment, through the actions of our business. We have always been environmentally conscious in daily operations at Mandom, and it came into fruition in August 1999, in the form of the establishment of the Mandom Environmental Philosophy and Fundamental Environmental Policy. Also, our Fukusaki Factory set its "Environmental Policy" as shown below in October 1999, which was revised on May 1, 2006. It was certified to ISO 14001 in November 2000.

In May 2016, we revised our Environmental Philosophy to strengthen efforts with respect to environmental protection throughout the value chain, corporate response to social demands, and systematic performance improvements. We also set environmental policies and are carrying out environmental activities for three priority areas—products, biodiversity conservation, and the Fukusaki Factory.

Mandom Environmental Philosophy

We seek to accurately grasp the effects on the environment in our value chain and work with society to move ahead with systematic environmental conservation.

Fundamental Environmental Policy

Product Environmental Policy

We consider environmental friendliness to be an important aspect of product value. To help create a more sustainable society and build product value we strive to combine ecological and economic value in our products.

Biodiversity Conservation Policy

We recognize how much we rely on and receive from the abundance of nature and many living things, so we seek to accurately grasp the effects on biodiversity in our value chain and to lessen and prevent such impact.

Fukusaki Factory Environmental Policy

We seek to accurately grasp the effects on the environment of the production of cosmetics and quasi-drug products; to help create a more sustainable society we will carry out environmental activities aimed at improving global environmental conservation and relations with the local community.

1. We seek to accurately grasp the effects of our factory operations on the environment, and set, implement, and regularly review environmental targets within our technical and economic capabilities in the effort to continually improve our environmental conservation.
2. In our factory operations we aim to reduce environmental load and help create a more sustainable society through activities that focus on the following areas:
   (1) Saving energy and reducing greenhouse gas (CO_2) emissions
   (2) Working to achieve zero landfill disposal ("Zero Waste Emissions")
   (3) Reducing the volume of industrial waste
   (4) Conserving local environments by preventing wastewater risks
3. We strive to comply with environmental regulations, uphold agreements with the community and stakeholders, and prevent pollution.
4. We strive to make every one of our employees aware of their role in following this environmental policy in their daily actions.

This environmental policy is open to anyone who needs this information inside and outside our group.

Policy on Plastic Microbeads

At present, some facial scrub products made by Mandom contain Plastic Microbeads for the purpose of skin exfoliation. In recent years the issue of plastics released into the oceans and their impact on ecosystems as they move through the food chain has come under scrutiny. In the United States a law was passed in December 2015 to phase in the ban of Plastic Microbeads in personal care cleansing products.

In light of this situation, the Mandom Group has set a policy to stop using Plastic Microbeads in its facial cleansing products by the end of 2017, replacing Plastic Microbeads using a formulation that does not cause such concerns.

Fair Operating Practices

Toward Fair and Transparent Transactions

Mandom established the Antimonopoly Act Compliance Program back in July 2004, which was revised in 2010, to establish fair and transparent business transactions and build stable relationships of trust as a good partner to all with whom we are engaged.

Our legal affairs office holds seminars for the sales division and purchasing department based on this program. The purchasing department also participates in outside seminars related to purchasing and procurement to acquire greater knowledge.

Once a year, Code of Conduct education is carried out at all Japan-based divisions in the Mandom Group at which time various guidelines on procurement and sales are read together to instill their principles in employees.

Since September 2007 the Mandom Group has been expanding the scope of its Helpline System to include business partners. See below for more details.

Please refer to our CSR website for additional information.
http://www.mandom.co.jp/english/csr/src/fair.html

Consumer Issues

Quality Assurance and Quality Policy

Regarding quality assurance for cosmetics and quasi-drugs, Mandom works to assure fully satisfactory quality as demanded by consumers from purchase to end of use. We take measures to improve the quality of our products and services at every stage — planning, design and development, production and shipping. To ensure the reliability of these activities, in January 1998 Mandom established the Quality Philosophy and Fundamental Quality Policy, and built a quality assurance system that became ISO 9001-certified in December 1998.

Since that time, as the quality philosophy and practices were deemed to have taken root company-wide, we voluntarily surrendered ISO 9001 certification in December 2013. We have since pursued continuous improvement of quality through the Mandom quality management system.

Please refer to our CSR website for additional information.
http://www.mandom.co.jp/english/csr/src/security.html

Community Involvement and Development

Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University

Osaka University Graduate School and School of Pharmaceutical Sciences

In June 2015 Osaka University and Mandom established the Advanced Cosmetic Science Joint Research Program at the Graduate School of Pharmaceutical Sciences at Osaka University.

The joint research program employs cutting-edge technologies from fields that have seen remarkable growth in recent years, such as regenerative medicine, applying them to research the development of next-generation functional cosmetics and quasi-drugs.

The program has launched with participation from 11 individuals — two Osaka University lecturers, three specially appointed researchers, and one part-time university employee, joined by five Mandom employees. Starting next year, graduate and undergraduate school students from Osaka University and other universities will be accepted into the program. Further plans are in place to accept young researchers and lecturers from universities in Asia, and other regions.

The joint research program aims to advance research related to cosmetic sciences and contribute to fostering capable researchers and technicians in this field.

Analyses of Management and Finances

Analysis of Operating Results

1. Summary

During the fiscal year just ended, Japan's economy experienced a gradual recovery against a background of improvements in corporate earnings and the employment situation, balanced however by a deceleration of emerging-market economies and concerns about fluctuations in global financial markets. Nevertheless, the Group achieved moderate growth despite a general slowdown in economic conditions in Asia, the center of the Group's global business.

In this environment, consolidated net sales rose 5.9%, to ¥75,078 million. Consolidated net income attributable to owners of the parent increased 44.2%, to ¥6,383 million. (Hereinafter, all figures are stated in Japanese yen, consolidated as of March 31, 2016, and all percentage changes are relative to the previous consolidated fiscal year.)

2. Net Sales and Cost of Sales

Net sales totaled ¥75,079 million, up ¥4,153 million (5.9%). This marks the sixth consecutive year of record sales. This growth was attributable primarily to the favorable performance of Lúcido in Japan and positive results in Japan and overseas in the field of women's products—factors that compensated for sluggish sales in Japan of our core Gatsby product and the impact of a fire that broke out at our Indonesian subsidiary on July 10, 2015.

Cost of sales was ¥34,207 million, up ¥2,109 million (6.6%). The increase was mainly due to higher gross profit, stemming from higher sales, which rose ¥2,043 million (5.3%) to ¥40,872 million, despite such factors as rising cost-of-sales ratios in Japan and overseas and the impact of a fire at our Indonesian subsidiary.

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

SG&A expenses amounted to ¥34,278 million, up ¥2,445 million (7.7%). This increase was driven principally by aggressive investment in marketing (sales promotion and advertising expenses) both in Japan and overseas. As a result, operating income declined to ¥6,594 million, down ¥401 million (5.7%).

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

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 ¥221 million during the term. In extraordinary items, a gain on the disposal of property, plant and equipment at our Indonesian subsidiary led to a year-on-year increase of ¥3,350 million in extraordinary income.

Ordinary income totaled ¥7,415 million, down ¥180 million (2.4%). Income before income taxes increased to ¥10,698 million, up ¥3,169 million (42.1%).

5. Income Taxes, Net Income Attributable to Non-Controlling Interests and Net Income Attributable to Owners of the Parent

Income taxes totaled ¥2,381 million, down ¥138 million (5.5%), principally due to a decrease in corporate tax payable by the parent company. Net income attributable to non-controlling interests rose to ¥1,934 million, up ¥1,350 million, due mainly to the increase in net income of the Group's Indonesian subsidiary.

As a result, net income attributable to owners of the parent amounted to ¥6,383 million, up ¥1,957 million (44.2%), a new record high.

Analysis of Financial Position and Cash Flows

1. Assets, Liabilities and Total Equity

Total assets amounted to ¥79,822 million as of March 31, 2016, up ¥3,841 million from one year earlier, due to increases in cash and cash equivalents and investment securities. Total liabilities came to ¥13,965 million, down ¥1,034 million from the previous fiscal year-end, due to decreases in short-term bank loans and other categories. Thanks to increased retained earnings, among other factors, total equity amounted to ¥65,857 million, up ¥4,875 million, and the shareholders' equity ratio was 74.8%.

2. Status of Cash Flows

Cash and cash equivalents (cash) totaled ¥12,200 million, up ¥935 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 ¥7,233 million, up ¥1,744 million from the previous fiscal year. This increase stemmed from a decrease in inventories, among other factors, despite a fall in operating income.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled ¥2,383 million, ¥2,758 million less than the previous fiscal year. Proceeds from sales of land-use rights were the primary reason.

(Cash Flows from Financing Activities)

Net cash used in financing activities came to ¥3,535 million, up ¥3,193 million from the previous fiscal year. Repayments of short-term bank loans were the main factor behind this change.

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 a result, 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 it therefore 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 2014 (April 1, 2014- March 31, 2015)		Fiscal 2015 (April 1, 2015- March 31, 2016)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Paltac Corporation	20,007	28.2	22,473	29.9
PT ASIA PARAMITA INDAH	14,263	20.1	15,396	20.5

As shown in the chart above, during the 2015 and 2016 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 Pharmaceuticals and Medical Devices 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 42.4% and 42.3% of consolidated net sales in the fiscal years ended March 31, 2015 and 2016, 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 in 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 60% of consolidated sales and more than 70% 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.

4. Reinforcing Safety Improvement Initiatives

A fire that broke out at the Indonesian subsidiary brought home the reality that safety is an absolute condition that precedes the pursuit of productivity and economic benefits. Accordingly, we resolved to bolster safety, and are implementing thorough measures to prevent accidents and recurrences at production locations 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 to 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 from 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, 2016 is a payout ratio of not less than 40.0% of net income attributable to owners of the parent on a consolidated basis, excluding extraordinary factors.

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 ¥80 per share. As a result, the dividend payout ratio amounted to 29.3% 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, 2016

	Millions of yen	
	2016	2015
Assets		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	¥ 12,200	¥ 11,265
Short-term investments (Notes 3 and 13)	17,029	15,129
Receivables (Note 13):		
Trade notes and accounts	10,135	9,540
Unconsolidated subsidiary and associated company	268	123
Other	596	80
Allowance for doubtful accounts	(17)	(19)
Inventories (Note 4)	9,415	10,000
Deferred tax assets (Note 9)	856	822
Prepaid expenses and other current assets	975	1,127
Total current assets	51,457	48,067
PROPERTY, PLANT AND EQUIPMENT:		
Land	511	511
Buildings and structures	23,540	19,889
Machinery and equipment	16,951	15,641
Furniture and fixtures	5,479	5,288
Lease assets (Note 12)	64	55
Construction in progress	287	5,051
Total	46,832	46,435
Accumulated depreciation	(28,507)	(27,787)
Net property, plant and equipment	18,325	18,648
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 13)	6,942	6,133
Investments in unconsolidated subsidiary and associated company	529	466
Deferred tax assets (Note 9)	262	371
Asset for retirement benefits (Note 6)		147
Other assets (Note 5)	2,307	2,148
Total investments and other assets	10,040	9,265
TOTAL	¥ 79,822	¥ 75,980

See notes to consolidated financial statements.

	Millions of yen	
	2016	2015
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank loans (Notes 5 and 13)	¥ 308	¥ 1,817
Payables (Note 13):		
Trade notes and accounts	6,173	5,001
Unconsolidated subsidiary and associated company	12	1
Other	56	562
Accrued income taxes (Note 13)	1,134	1,008
Accrued expenses	2,115	1,887
Other current liabilities	566	1,518
Total current liabilities	10,364	11,794
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 6)	1,710	1,591
Deferred tax liabilities (Note 9)	909	673
Other long-term liabilities	982	942
Total long-term liabilities	3,601	3,206
COMMITMENTS (Note 13)		
EQUITY (Notes 7 and 15):		
Common stock		
authorized, 81,969,700 shares		
issued, 24,134,606 shares in 2016 and 2015	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	40,638	36,102
Treasury stock - at cost 756,548 shares and 755,827 shares in 2016 and 2015, respectively	(1,859)	(1,855)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	2,382	1,578
Foreign currency translation adjustments	(3,878)	(2,440)
Defined retirement benefit plans	(205)	(40)
Total	59,708	55,975
Noncontrolling interests	6,149	5,005
Total equity	65,857	60,980
TOTAL	¥ 79,822	¥ 75,980

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2016

	Millions of yen	
	2016	2015
NET SALES	¥ 75,079	¥ 70,925
COST OF SALES	34,207	32,097
Gross profit	40,872	38,828
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10, 11 and 12)	34,278	31,832
Operating income	6,594	6,996
OTHER INCOME (EXPENSES):		
Interest and dividend income	310	259
Foreign exchange gain	33	31
Gain on sales of investment securities	34	
Loss on disposal of property, plant and equipment	(61)	(21)
Loss on fire (Note 8)	(1,024)	
Gain on sales of plant assets and land right	4,034	10
Claim of insurance	482	
Equity in earnings of associated company	274	153
Other—net	22	111
Other income - net	4,104	533
INCOME BEFORE INCOME TAXES	10,698	7,529
INCOME TAXES (Note 9):		
Current	2,339	2,496
Deferred	42	24
Total income taxes	2,381	2,520
NET INCOME	8,317	5,009
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,934	584
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 6,383	¥ 4,425

	Yen	
	2016	2015
PER SHARE OF COMMON STOCK (Note 2.m):		
Basic net income	¥ 273.04	¥ 189.28
Cash dividends applicable to the year	80.00	76.00

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, 2016

	Millions of yen	
	2016	2015
NET INCOME	¥ 8,317	¥ 5,009
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):		
Unrealized gain on available-for-sale securities	795	715
Foreign currency translation adjustments	(1,940)	2,102
Defined retirement benefit plans	(148)	(112)
Share of other comprehensive income (loss) in associates	(13)	68
Total other comprehensive income (loss)	(1,306)	2,773
COMPREHENSIVE INCOME	¥ 7,011	¥ 7,782
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 5,584	¥ 6,666
Noncontrolling interests	1,427	1,116

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2016

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury stock, at cost
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	23,379	¥ 11,395	¥ 11,235	¥ 33,406	¥ (1,854)
Cumulative effect of accounting change				1	
BALANCE, APRIL 1, 2014 (as restated)	23,379	11,395	11,235	33,407	(1,854)
Net income attributable to owners of the parent				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					
BALANCE, APRIL 1, 2015	**23,379**	**11,395**	**11,235**	**36,102**	**(1,855)**
Net income attributable to owners of the parent				**6,383**	
Cash dividends, ¥79 per share				**(1,847)**	
Purchase of treasury stock	**(1)**				**(4)**
Net change in the year					
BALANCE, MARCH 31, 2016	**23,378**	**¥ 11,395**	**¥ 11,235**	**¥ 40,638**	**¥ (1,859)**

See notes to consolidated financial statements.

	Millions of yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	¥ 865	¥ (4,043)	¥ 34	¥ 51,038	¥ 4,141	¥ 55,179
Cumulative effect of accounting change				1		1
BALANCE, APRIL 1, 2014 (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
BALANCE, APRIL 1, 2015	**1,578**	**(2,440)**	**(40)**	**55,975**	**5,005**	**60,980**
Net income attributable to owners of the parent				**6,383**		**6,383**
Cash dividends, ¥79 per share				**(1,847)**		**(1,847)**
Purchase of treasury stock				**(4)**		**(4)**
Net change in the year	**804**	**(1,438)**	**(165)**	**(799)**	**1,143**	**344**
BALANCE, MARCH 31, 2016	**¥ 2,382**	**¥ (3,878)**	**¥ (205)**	**¥ 59,708**	**¥ 6,148**	**¥ 65,856**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2016

	Millions of yen	
	2016	2015
OPERATING ACTIVITIES:		
Income before income taxes	¥ 10,698	¥ 7,529
Adjustments for:		
Income taxes paid	(2,249)	(2,741)
Payments for loss on fire	(400)	
Depreciation and amortization	2,919	2,600
Loss on fire (Note 8)	1,024	
Loss on disposal of property, plant and equipment	59	21
Loss on sales of investment securities	(34)	
Gain on sales of plant assets and land right	(4,034)	
Claim of insurance	(482)	
Changes in assets and liabilities:		
Increase in receivables	(1,048)	(719)
Increase in inventories	(101)	(1,271)
Increase (decrease) in payables	1,175	(549)
Increase in liability for retirement benefits	122	18
Other—net	(416)	600
Total adjustments	(3,465)	(2,041)
Net cash provided by operating activities	7,233	5,488
INVESTING ACTIVITIES:		
Transfers to time deposits other than cash equivalents	(5,067)	(3,117)
Proceeds from maturity of time deposits other than cash equivalents	3,686	2,208
Proceeds from sales of land right	2,523	
Proceeds from sales of property, plant and equipment	824	21
Acquisition of property, plant and equipment	(3,500)	(4,884)
Proceeds from sales and redemptions of investment securities	64	2
Payments for purchases of investment securities	(8)	(307)
Proceeds from sales and redemptions of short-term investment securities	31,600	37,900
Payments for purchases of short-term investment securities	(31,993)	(37,595)
Other—net	(512)	631
Net cash used in investing activities	(2,383)	(5,141)
FINANCING ACTIVITIES:		
Proceeds from short-term bank loans	319	1,653
Repayments of short-term bank loans	(1,707)	
Dividends paid	(2,131)	(1,981)
Other—net	(16)	(13)
Net cash used in financing activities	(3,535)	(341)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(380)	368
NET INCREASE IN CASH AND CASH EQUIVALENTS	935	374
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,265	10,891
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 12,200	¥ 11,265

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, 2016

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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, 2016, include the accounts of the Company and its 12 (11 in 2015) 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 associated company is accounted for under the equity method.

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

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

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

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

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

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

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

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

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

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

Effective April 1, 2000, the Company and certain consolidated subsidiaries 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 Company and certain consolidated subsidiaries 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.

n. Business Combinations — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

There was no impact from these accounting changes.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen 2016	2015
Short-term investments:		
Certificates of deposit	¥ 7,700	¥ 6,000
Commercial paper other than cash equivalents	5,500	6,797
Time deposits other than cash equivalents	3,529	2,332
Government, corporate and other bonds	300	
Total	¥ 17,029	¥ 15,129
Investment securities:		
Marketable equity securities	¥ 6,932	¥ 5,823
Nonmarketable equity securities	10	10
Government, corporate and other bonds		300
Total	¥ 6,942	¥ 6,133

Information regarding the securities classified as available-for-sale as of March 31, 2016 and 2015, is as follows:

March 31, 2016	Millions of yen Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,489	¥ 3,460	¥ (17)	¥ 6,932
Debt securities	5,800			5,800
Other	7,700			7,700

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

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2016 and 2015, were as follows:

	Millions of yen 2016	2015
Equity securities	¥ 10	¥ 10

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016 and 2015, were ¥63 million and ¥1,000 million, respectively. Gross realized gain on these sales, computed on the moving-average cost basis, was ¥34 million for the year ended March 31, 2016.

4. INVENTORIES

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen 2016	2015
Merchandise	¥ 2,093	¥ 2,089
Finished products	4,085	4,903
Work in process	463	491
Raw materials and supplies	2,774	2,517
Total	¥ 9,415	¥ 10,000

5. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2016 consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 2.35% to 2.88% in Philippine pesos at March 31, 2016. The loan proceeds were mainly utilized to support financing of working capital in the Philippines.

6. RETIREMENT BENEFITS AND PENSION PLANS

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

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

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

The Company and its domestic consolidated subsidiary participate in a contributory multi-employer pension plan, which is accounted for in the same way 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, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Balance at beginning of year (as previously reported)	¥ 4,343	¥ 3,754
Cumulative effect of accounting change		(1)
Balance at beginning of year (as restated)	4,343	3,753
Current service cost	322	242
Interest cost	134	128
Actuarial loss	139	293
Benefits paid	(227)	(233)
Foreign currency translation	(138)	150
Other	8	10
Balance at end of year	¥ 4,581	¥ 4,343

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Balance at beginning of year	¥ 2,899	¥ 2,566
Expected return on plan assets	72	65
Actuarial gain (loss)	(82)	211
Contributions from the employer	150	149
Benefits paid	(151)	(127)
Other	(17)	35
Balance at end of year	¥ 2,871	¥ 2,899

(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, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Funded defined benefit obligation	¥ 3,048	¥ 2,899
Plan assets	(2,871)	(2,899)
	177	(0)
Unfunded defined benefit obligation	1,533	1,444
Net liability arising from defined benefit obligation	¥ 1,710	¥ 1,444

	Millions of yen	
	2016	2015
Liability for retirement benefits	¥ 1,710	¥ 1,591
Asset for retirement benefits		(147)
Net liability arising from defined benefit obligation	¥ 1,710	¥ 1,444

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Service cost	¥ 322	¥ 242
Interest cost	134	128
Expected return on plan assets	(72)	(65)
Recognized actuarial (gain) loss	1	(5)
Amortization of past service cost	(35)	(35)
Net periodic retirement benefit costs	¥ 350	¥ 265

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ending March 31, 2016 and 2015 were as follows:

	Millions of yen	
	2016	2015
Prior service cost	¥ 35	¥ 35
Actuarial loss	195	110
Total	¥ 230	¥ 145

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ending March 31, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Unrecognized prior service cost	¥ (58)	¥ (92)
Unrecognized actuarial loss	461	277
Total	¥ 403	¥ 185

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	44%	44%
Equity investments	29	30
General accounts	15	15
Cash and cash equivalents	9	8
Other	3	3
Total	100%	100%

(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, 2016 and 2015, were mainly set forth as follows:

	2016	2015
Discount rate	0.5%	0.9%
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 \93 million and \88 million for the years ended March 31, 2016 and 2015, respectively.

Multi-employer Plan

The Company and its domestic consolidated subsidiary 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 Company and its domestic consolidated subsidiary. 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 \282 million and \275 million for the years ended March 31, 2016 and 2015, respectively.

The financial statements of the Plan as of March 31, 2015 and 2014, were as follows:

(1) The funded status of the Plan as of March 31, 2015 and 2014, was as follows:

	Millions of yen	
	2015	2014
Plan assets	¥ 42,144	¥ 38,293
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(50,406)	(47,733)
Net balance	¥ (8,262)	¥ (9,440)

The net balance above was mainly caused by past service cost of ¥11,333 million for 2016 and ¥11,789 million for 2015. Past service cost under the plan was amortized on a straight-line basis over 14 years for 2016 and over 15 years for 2015. The special contributions of ¥117 million and ¥113 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, was as follows:

	2016	2015
The contribution ratio of the Group in the multi-employer plan	12.9%	12.5%

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.

8. LOSS ON FIRE

On July 10, 2015, a fire broke out at the aerosol production line of PT Mandom Indonesia Tbk, the Company's consolidated subsidiary in Indonesia. Loss on fire at March 31, 2016 consisted of the related fire expenses.

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 33.02% and 35.59% for the years ended March 31, 2016 and 2015, 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, 2016 and 2015, were as follows:

	Millions of yen	
	2016	2015
Deferred tax assets:		
Accrued bonuses	¥ 269	¥ 258
Enterprise tax	82	75
Inventories	176	176
Liability for retirement benefits	482	499
Long-term liabilities	90	95
Property, plant and equipment	34	34
Other	941	748
Less valuation allowance	(479)	(271)
Total	1,595	1,614
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	1,060	751
Other	327	343
Total	1,387	1,094
Net deferred tax assets	¥ 208	¥ 520

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, 2016 and 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33.02%	35.59%
Expenses not deductible for income tax purposes	1.27	1.48
Dividends not taxable for income tax purpose	(9.65)	(0.19)
Difference in subsidiaries' tax rates	(4.33)	(3.78)
Tax credit for research and development costs and others	(0.91)	(2.02)
Change in valuation allowance	2.31	0.74
Capital levy on inhabitant tax	0.21	0.30
Decrease adjustment of deferred tax assets for changing the tax rate	0.54	0.88
Other – net	(0.21)	0.46
Actual effective tax rate	22.25%	33.46%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016 from approximately 32.22% to 30.81%, and for the fiscal year beginning on or after April 1, 2018 from approximately 32.22% to 30.58%. The effect of these changes was to increase deferred tax assets, net of deferred tax liabilities in the consolidated balance sheet as of March 31, 2016 by ¥22 million, to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥52 million, to increase unrealized gain on available-for-sale securities by \76 million and to decrease defined retirement benefit plans by ¥0 million.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2016 and 2015, were ¥1,501 million and ¥1,732 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2016 and 2015, were ¥4,998 million and ¥4,244 million, respectively.

12. LEASES

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

Total rental expenses for the years ended March 31, 2016 and 2015, were ¥1,497 million and ¥1,445 million, respectively.

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

Millions of yen

	2016		2015	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 11	¥ 144	¥ 11	¥ 144
Due after one year	22	289	22	433
Total	¥ 33	¥ 433	¥ 33	¥ 577

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 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, 2016, approximately 58.3% 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 amounts and fair values as of March 31, 2016 and 2015, were as follows:

	Millions of yen	
March 31, 2016	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 12,200	¥ 12,200
Short-term investments and investment securities	23,961	23,961
Receivables	10,981	10,981
Total	¥ 47,142	¥ 47,142
Short-term bank loans	¥ 308	¥ 308
Payables	7,391	7,391
Accrued income taxes	1,134	1,134
Total	¥ 8,833	¥ 8,833

	Millions of yen	
March 31, 2015	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

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 3.

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	
	2016	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥ 10	¥ 10

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

	Millions of yen
March 31, 2016	Due in 1 Year or Less
Cash and cash equivalents	¥ 12,200
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	5,799
Other	11,230
Receivables	10,981
Total	¥ 40,210

March 31, 2015	Millions of yen Due in 1 Year or Less	Millions of yen 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	
Total	¥ 36,118	¥ 300

14. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen 2016	Millions of yen 2015
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 1,145	¥ 986
Reclassification adjustments to profit or loss	(33)	0
Amount before income tax effect	1,112	986
Income tax effect	(317)	(271)
Total	¥ 795	¥ 715
Foreign currency translation adjustments -		
Adjustments arising during the year	¥ (1,940)	¥ 2,102
Total	¥ (1,940)	¥ 2,102
Defined retirement benefit plans:		
Adjustments arising during the year	¥ (190)	¥ (104)
Reclassification adjustments to profit or loss	(40)	(41)
Amount before income tax effect	(230)	(145)
Income tax effect	82	33
Total	¥ (148)	¥ (112)
Share of other comprehensive income (loss) in associates -		
Gains arising during the year	¥ (13)	¥ 68
Total	¥ (13)	¥ 68
Total other comprehensive income (loss)	¥ (1,306)	¥ 2,773

15. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following proposed appropriation of retained earnings of the Group for the year ended March 31, 2016, was approved at the board of directors held on May 11, 2016:

	Millions of yen 2016
Year-end cash dividends, ¥40 per share	¥ 935

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 items

Millions of yen

	2016					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 44,105	¥ 18,165	¥ 12,809	¥ 75,079		¥ 75,079
Intersegment sales or transfers	4,348	2,902	366	7,616	¥ (7,616)	
Total	¥ 48,453	¥ 21,067	¥ 13,175	¥ 82,695	¥ (7,616)	¥ 75,079
Segment profit	¥ 4,705	¥ 881	¥ 1,009	¥ 6,594		¥ 6,594
Segment assets	51,310	17,855	10,657	79,822		79,822
Other:						
Depreciation	1,864	980	74	2,918		2,918
Investments in an associated company under the equity method			507	507		507
Increase in property, plant and equipment and intangible assets	2,796	1,356	31	4,183		4,183

Millions of yen

	2015					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
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

Notes: 1. "Reconciliations" represents eliminations of intersegment sales or transfers.
2. "Segment profit" represents operating income included in the consolidated statement of income.

(4) Information about products and services

Millions of yen

	2016			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 48,256	¥ 19,053	¥ 7,770	¥ 75,079

Millions of yen

	2014			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 46,956	¥ 16,171	¥ 7,798	¥ 70,925

(5) Information about geographical areas

(a) Sales

Millions of yen

2016				2015			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 43,322	¥ 15,441	¥ 16,316	¥ 75,079	¥ 40,849	¥ 14,295	¥ 15,781	¥ 70,925

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

(b) Property, plant and equipment

Millions of yen

2016				2015			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 10,922	¥ 7,181	¥ 222	¥ 18,325	¥ 10,222	¥ 8,142	¥ 284	¥ 18,648

(6) Information about major customers

Millions of yen

	2016	
Name of Customer	Sales	Related Segment Name
PALTAC Corporation	¥ 22,473	Japan
PT Asia Paramita Indah	15,397	Indonesia

Millions of yen

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

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of MANDOM CORPORATION:

We have audited the accompanying consolidated balance sheet of MANDOM CORPORATION and its consolidated subsidiaries as of March 31, 2016, 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, all expressed in Japanese yen.

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, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 14, 2016

Member of
Deloitte Touche Tohmatsu Limited

FAQ

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 cleansers 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 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 the 13,000 islands of the Indonesian archipelago. This is a major advantage.

Q Does Gatsby sell the same products in Japan and overseas?

A The products we sell in Japan under our Gatsby brand are different from the products sold overseas. We select materials and set prices based on the needs of each country as the needs and standards of living of local consumers overseas are different from those of Japanese consumers.

Gatsby products sold in countries and areas with high per-capita GDP such as Japan and the NIES areas (Singapore, Hong Kong, Taiwan, and South Korea) are mainly supplied from our factories in Japan. However, Gatsby products sold in ASEAN countries with low income are supplied from our Indonesian factories. Gatsby products sold in China are from local Chinese factories.

Company Outline / Stock and Shareholder Information

Company Outline (As of March 31, 2016)

- **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:** 2,663 (Consolidated)
  537 (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, 2016)

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	99.1%	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
Mandom Vietnam Company Limited	Vietnam	Sale of cosmetics and other products	100.0%	Consolidated subsidiary

Notes: Investment percentages are rounded off after the first decimal place.

Stock and Shareholder Information (As of March 31, 2016)

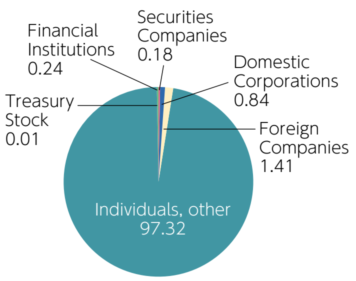
- **Number of Shares Authorized for Issue:** 81,969,700
- **Shares of Common Stock Issued and Outstanding:** 24,134,606
- **Number of Shareholders:** 14,836
- **Stock Listing:** First Section, Tokyo Stock Exchange
- **Securities Code:** 4917
- **Transfer Agent:** The Mitsui Sumitomo Trust and Banking Co., Ltd.

Major Shareholders

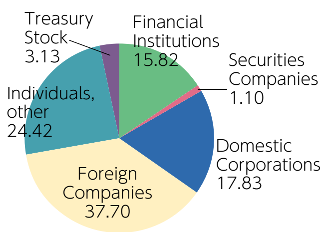
Shareholder name or title	No. of shares owned (Thousands)	Ratio of share ownership (%)
Nishimura International Scholarship Foundation	1,800	7.46
BNP PARIBAS SEC SERVICES LUXEMBOURG/JASDEC/ABERDEEN GLOBAL CLIENT ASSETS	1,736	7.19
Japan Trustee Services Bank Ltd. (trust account)	1,041	4.32
The Master Trust Bank of Japan, Ltd. (trust account)	771	3.19
Mandom Corporation	756	3.13
GOLDMAN, SACHS & CO. REG	727	3.02
Motonobu Nishimura	720	2.98
Mandom Employee Shareholding Association	619	2.57
STATE STREET BANK AND TRUST COMPANY 505004	393	1.63
THE BANK OF NEW YORK-JASDEC TREATY ACCOUNT	366	1.52

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

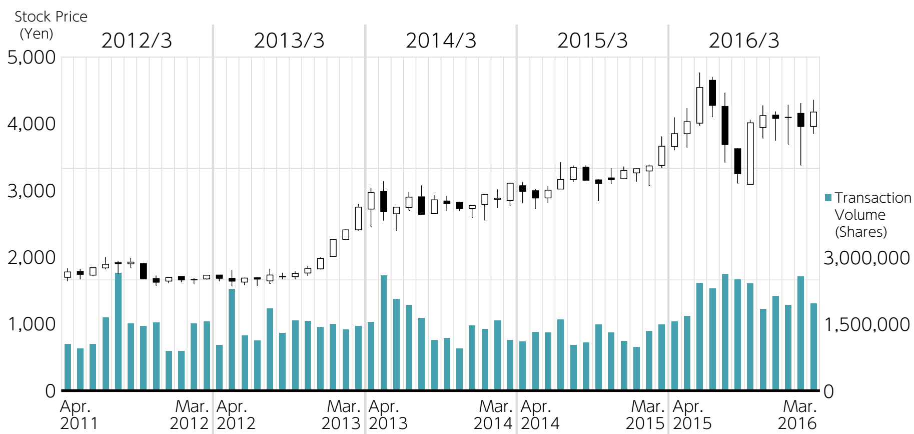


Shareholders by Type (%)



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.

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

mandom corp.