

Corporate Governance

Corporate Governance Structure

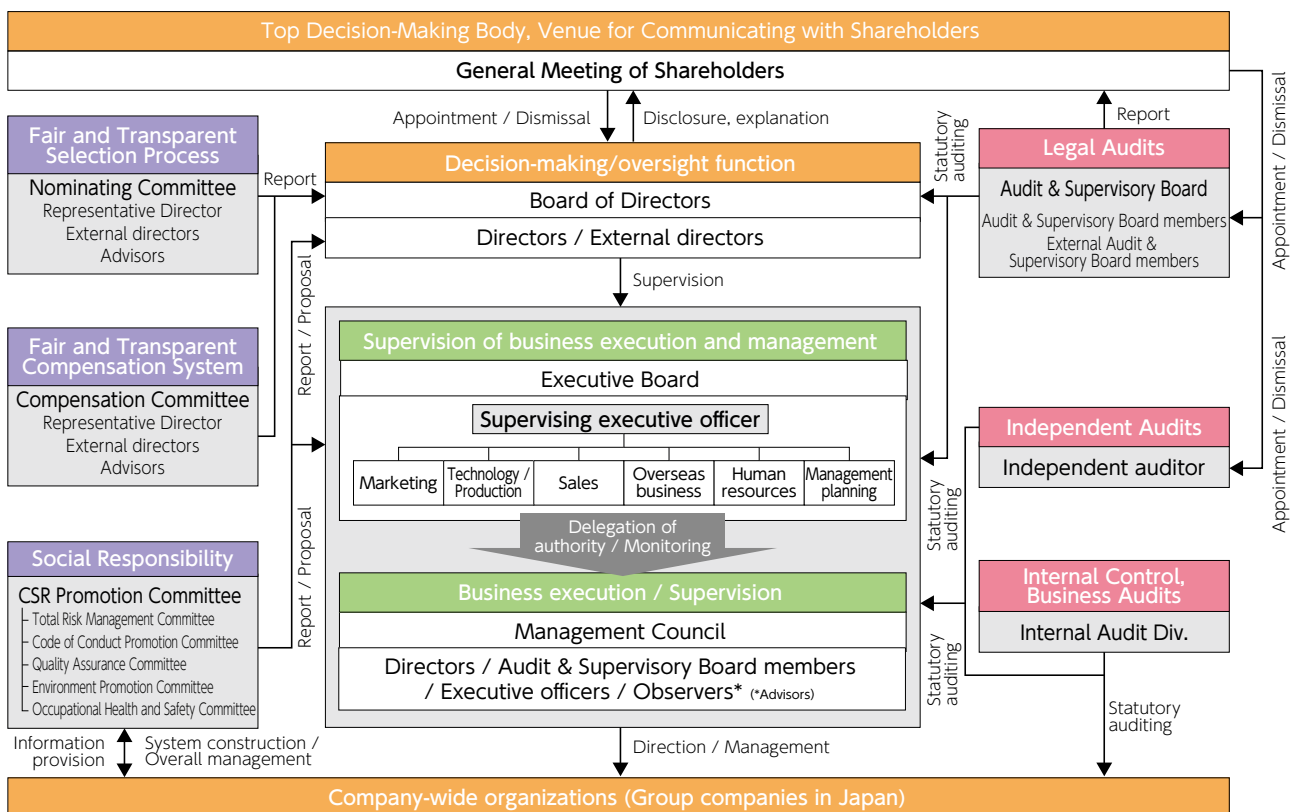
Overview of the Corporate Governance Structure

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 linkai 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.