



Interview with Management

Performance was strong for the Gatsby brand in the men's grooming business and the Bifesta brand in the women's cosmetics business, resulting in a record high for net sales for the seventh consecutive fiscal year.

Looking Back on Fiscal 2016: Mandom Group Business Results

In terms of the overall business environment, during the fiscal 2016, year ended March 31, 2017, Japan's economy had a gradual recovery buoyed by strong corporate profits and improvements in employment, despite concern over uncertainty in the global economy. At the same time, Asia, our main sphere of international operations, posted moderate growth, despite some signs of a slowdown.

Given these economic conditions, the Mandom Group pursued initiatives aimed at driving sustained 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.

As a result, consolidated net sales increased by ¥2,272 million, or 3.0%, compared with the previous fiscal year, to ¥77,351 million. Sales of the Gatsby brand in the men's grooming business were steady, and sales of the Bifesta brand in the women's cosmetics business were strong. As a result, we marked our seventh consecutive year of record sales.

On the profit front, consolidated operating income was up ¥1,023 million, or 15.5% year on year, to ¥7,618 million. This result was due to lower cost ratios and an increase in profits from our Indonesian subsidiary due to a recovery in business, despite aggressive investment in

Consolidated Operating Results for Fiscal 2016

| Net sales | Operating income | Ordinary income | Net income attributable to owners of the parent |
|------------------------------|------------------------------|------------------------------|---|
| ¥77,351million Up 3.0%YoY | ¥7,618million Up 15.5%YoY | ¥8,183million Up 10.4%YoY | ¥5,566million Down 12.8%YoY |

marketing (sales promotion and advertising expense) in Japan. Consolidated ordinary income totaled ¥8,183 million, up ¥768 million, or 10.4% year on year. Due to the recording of a gain from the sale of property, plant and equipment at the Indonesian subsidiary in the prior fiscal year, net income attributable to owners of the parent decreased by ¥816 million, or 12.8% year on year, to ¥5,566 million.

Recognition of Trends in the Business Environment

In the business environment from fiscal 2016 to the present, market trends in Asia, an area of strategic business development for Mandom, differed significantly from those of Japan. Although conventional systems are inadequate in many emerging nations in Asia, it is precisely because of this fact that non-cash payment methods via smartphones or e-commerce are progressing at a much faster rate than Japan. Social networking, e-commerce and sharing-based economies have also become more prevalent and faster evolving in these emerging nations, while changes in business conditions have occurred with greater speed, too. As a result, we must focus on responding to these changes with both speed and quality.

Mandom is promoting business development concentrated in the fast-growing Indochina area (Thailand, Vietnam, Cambodia, Myanmar and Laos). This area differs from Japan by the style of communication at the local level, diversification of media and the speed of changes in behavior. Certain countries aside, recognition of Mandom's products and brand remains low in the region, and we are currently actively implementing a variety of marketing activities to remedy this situation. For example, we participate in events on university campuses and engage in promotions directly to young people, a core target group, that enable sampling and allows us to convey product features and usage. In Cambodia, original and innovative marketing activities have considerably boosted product awareness, and in Indonesia, it has been reported that the Mandom name has penetrated the market to the extent that Gatsby is becoming the go-to product for hair styling.

We are also focusing on making products for women more popular. In the early days, when we made our first forays into Asia, we sought to create new markets with the initial aim of becoming number one in hair styling products for men based on our strongest product, Gatsby. We have now successfully built up this platform. In addition, we are pushing ahead with measures to further expand business for women's products by leveraging this success, and in Singapore, Thailand and Hong Kong our share of the women's cosmetics market has been growing steadily, beginning with cleansing lotion.

Mandom has a three-pronged production structure with plants in Japan, Indonesia and China that manufacture and supply our products. Mandom's Fukusaki Factory in Japan is our "mother factory," and we will continue striving to expand production volume there. It is important for us to increase quality there too, because it is a center for innovation that can consistently provide high added-value through technology and a production system that leads the Mandom Group. At the same time, we have created a structure capable of large-scale production at our site in Indonesia, and we manufacture and supply a variety of products there for the Asia region with around 650 million items being shipped every year.



Overview of the Eleventh Three-Year Middle-Range Planning (MP-11)

Our eleventh three-year middle-range planning (MP-11) that started in April 2014 concluded in March 2017. Looking back at the plan overall, we fell short of our initial targets and a number of issues remain to be dealt with before we can become the company that we want to be. Nonetheless, we have seen resurgence in growth rates and have generated certain key results.

In the men's grooming business, we posted average annual growth of 2.6%. Looking at this business area in Japan, Mandom currently commands around a 64-percent market share in hair styling products and around a 33–34-percent market share for skin care and body care products. We have captured high shares in these three markets, which make up approximately 60% of the market for men. On the other hand, we only have a 3% share in the remaining 40%, or in the scalp care market.



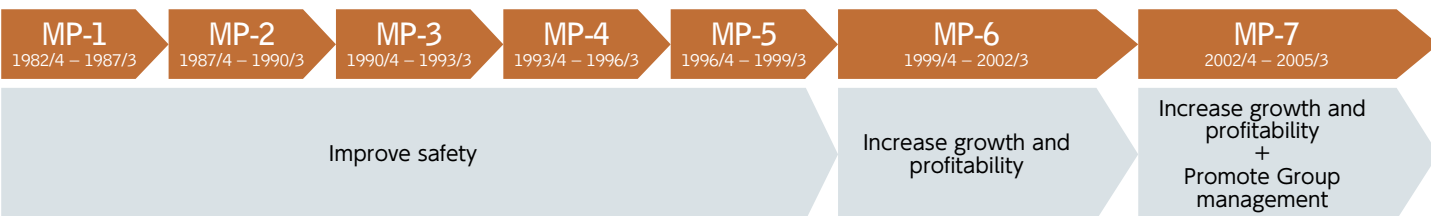
Regarding developments in Asia and global markets, our hairstyling-related products are by far the strongest in our range, with sales ratios continuing to climb. As a company with a competitive advantage in hair styling products, we believe we have an important role to play in energizing the entire hair styling market by continuing to provide new value in this category. To drive further growth going forward, however, we realize that we must focus more intently on the skin care, body care and scalp care markets. For that reason, we need to develop products that are more closely suited to these markets by having dialogues with target consumers. At the same time, consumers' requirements are becoming increasingly diverse and sophisticated, which is also being accompanied by more diversity in ways of communicating, as well as media and purchasing behavior. Therefore, it is

important for us to find the most efficient way to reach our core target with the optimum mix of media. We are continuing to push the envelope in Japan and have been successful with Lúcido, which is centered on the idea of fragrance-free, smart aging for people over 40. Recognition and understanding of the Lúcido brand and what we propose have increased over the years, especially for body care, scalp care and care-related hair dye, having started off with odor care. This has resulted in the highest sales since its launch in 1989.

In the women's cosmetics business, we achieved average annual growth of 15.9%, which exceeded our initial target. In the cleansing category in particular, we have steadily shifted to water-based products and have expanded the market shares in such areas as makeup remover for the eye area and cleansing sheets. Also, due in part to demand from tourists in Japan, we saw solid growth for facial masks in the Barrier Repair line. In Asia, a large number of consumers have embraced our products, particularly in Thailand, Hong Kong and Singapore, where the women's cosmetics business has performed well for us, on the whole. Indonesia, where we produce and provide the Pixy brand, is now a strong pillar of earnings. Despite some difficulties caused by our competitors' strategies, we succeeded in establishing the foundation for growth by providing new products and clearly marketing a revamped image that suits the requirements and wants of our target: middle-class consumers.

In overseas business, we recorded annual average growth of just 4.8%, due in part to a decline in the yen equivalent amount because of foreign exchange rate fluctuations. In Indonesia, a key growth engine in Asia, we were significantly impacted by a factory fire in 2015. Nevertheless, the dedication and quick action of local staff helped avoid catastrophic damage and production is slowly being resumed. Even though we didn't make as much headway as we initially planned in overseas business, once again we posted close to double-digit growth over the previous fiscal year. Given these circumstances, we believe we can continue to post sustainable growth going forward.

Changes in middle-range planning



Implementation of the Twelfth Three-Year Middle-Range Planning (MP-12)

Our twelfth middle-range planning (April 2017 through March 2020) aimed at driving new growth commenced this fiscal year.

Mandom has implemented middle-range planning (MP) since April 1982 as a management strategy for growth. In the first planning, we focused on improving safety before centering our goals on increasing growth and profitability, establishing foundations for new earnings and driving sustainable growth, accelerating growth and cultivating new business. When MP-9 that focused on establishing foundations for new growth came to an end, it was becoming increasingly difficult to envision the future as an extension of past values and successful experiences, due in part to radical changes taking place in the social landscape and business environment surrounding our operations. Rather than merely looking to build on the current situation, we changed our mindset to be more future-oriented and we set appropriate challenges by backcasting,* taking firm steps toward where we want to be as a company in the future. MP-12 has been positioned as the period to develop corporate infrastructure for realizing VISION 2027. The Mandom Group is currently setting a platform for significant growth in line with expansion in Asia in the coming era of “demographic dividends.” At the same time, we seek to drive stable, solid growth in sales and profits.

*Method that starts with defining a desired future or target and then works backwards to identify the necessary policies and programs to achieve them

Outline of Twelfth Three-Year Middle-Range Planning (MP-12) (April 2017 through March 2020)

Theme Corporate Infrastructure Development for Realizing VISION2027

Basic management policy

1. Promote category strategies and thorough implementation of activity

- 1) Nurture a category that can become a firm mainstay
- 2) Increase brand values

2. Improve growth in overseas operations focusing on Indonesia

- 1) Indonesia: Display greater Dedication to Service (O-YA-KU-DA-CHI) for middle-income class
- 2) Asian countries other than Indonesia: Advance marketing measures unique to each country by understanding consumer wants and achieve profitability

3. Build a group operation system and improve productivity per unit

- 1) Increase decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and build a structure for increasing productivity per unit
- 2) Construct a structure that allows prompt strategy formulation and implementation at the operating company

Key management targets

Growth Potential

| Consolidated Net Sales | Men's business | Women's business | Overseas |
|------------------------|-----------------------------|-----------------------------|-----------------------------|
| Final FY of MP-12 | Average growth rate target: | Average growth rate target: | Average growth rate target: |
| ¥90,000million | 3% or higher | 10% or higher | 10% or higher |

Profitability

| Consolidated operating profit margin |
|--------------------------------------|
| 10% |

Shareholder Returns

| Dividend payout on a consolidated basis, excluding extraordinary items |
|--|
| 40% or higher |





Under MP-12, first we will promote category-based strategies and thoroughly enhance brand value. We believe we can develop business across the globe centered on Japan amid continuing progress throughout the Asia region. We hope to create a horizontal organizational structure to help promote shared development worldwide as well as fine-tuned local development. In particular, we will pour our efforts into the skin care category on a global scale, in addition to the Japanese market, since there is the biggest scope for growth in this product area. We are making steady progress in joint research and development in the field of skin care though an academic-industrial alliance with Osaka University; the possibility of commercializing highly functional skin care products in the future has increased. Our competitors are showing fast-paced growth in this category in Asia, so aggressive development is a must for us in this category.

Second, we will work to enhance growth in overseas business, particularly in Indonesia. The market environment in Indonesia has completely changed in terms of quality and speed of change. Of the over 250 million people in Indonesia, it is estimated that around 90 million are middle class, which is our target market. Their needs and wants are changing rapidly. We therefore feel that we should remove any slight differences that impact the market and enhance the presence of our products, beginning with women's cosmetics centered on the Pixy brand. Additionally, we intend to gain Halal certification at our Indonesian factory for the products we distribute in Indonesia in order to cater to a wide range of local requirements. We will look to growth in the ASEAN and Indochina regions with a focus on Indonesia, a core area for the Company.

Third, we will create a group operating structure and boost productivity per unit. To outpace our major competitors, we believe it is important to accelerate decision-making, including communication and collaboration, and boost productivity per unit for quality and quantity both in Japan and on a global scale.

Outlook for the Coming Year

In fiscal 2017, the initial year of the Mandom Group's new three-year middle-range planning (MP-12), the Japanese economy is expected to continue a moderate recovery on the back improving employment, incomes and the effects of several governmental measures. Despite these, the outlook remains unclear due in particular to uncertainty in the global economy. Although Asian economies are projected to grow moderately, uncertainty over the future is also increasing, especially over a possible downward swing in business.

Against this backdrop, the Mandom Group is targeting double-digit growth, as before, on a local currency basis in Asian countries. Although double-digit growth as in Asia may be difficult in Japan due in part to the maturity of the market, we did manage to grow by more than 4% in the fiscal 2016. We will aim to push this even further by seeking to boost sales in the skin care market for women and by challenging the skin care category for men in fiscal 2017.

Consolidated Forecast for Fiscal 2017

| Net sales | Operating income | Ordinary income | Net income attributable to owners of the parent |
|--------------------------------|-------------------------------|-------------------------------|---|
| ¥80,000 million Up 3.4% YoY | ¥8,000 million Up 5.0% YoY | ¥8,500 million Up 3.9% YoY | ¥5,600 million Up 0.6% YoY |

In addition, we are pushing ahead with joint research into skin care with other organizations with a view to commercialization in the near future. We are starting to see promising results in the study of sweat glands, especially in the testing stage, which is backed by extensive research and knowledge. If the accuracy of testing can be increased, we will be able to discover a host of potential raw materials and other materials. Rather than aim for 100%, if we can generate efficacy and effectiveness that is significantly better than current products—even at a level of 50-60%—we will be able to create new products. We expect that this will enable us to also build new sales channels based on product functions.

Given these circumstances, the Mandom Group will work to maintain and expand the men's business, further strengthen the women's field and reinforce overseas business centered on Indonesia, with the aim of increasing sales. At the same time, we intend to boost profits at every stage by continuing to reduce costs and increase efficiency in selling, general and administrative expenses, while also investing heavily in marketing to raise brand value.

The principal exchange rate assumptions used in our forecasts are ¥110 to the US dollar, 13,200 rupiah to the U.S. dollar and ¥0.0083 to the rupiah.

Based on this, we are forecasting consolidated net sales of ¥80 billion, up 3.4% year on year, consolidated operating income of ¥8 billion, up 5.0%, consolidated ordinary income of ¥8.5 billion, up 3.9%, and net income attributable to owners of the parent of ¥5.6 billion, up 0.6%.

In Conclusion

Looking at the issue of globalization, rather than simply trying to protect resources, everyone is scrambling to use them, both fossil energy and other kinds of resources, and running the risk that they will be completely depleted. It is important to exercise restraint and to share whenever possible. It is also important to show restraint when it comes to convenience rather than having no end to our desires. We have to maintain a good balance between human and social nature as a good corporate citizen with the dynamism to survive, regardless of the circumstances, that leads to a suitable social life. Since our lives will increasingly rely on technology, it is vital that we look at what we need to do in order to benefit the earth and its people. Obviously, companies that continue operating have an obligation to bear the social costs. Today, there are strong expectations for companies to fulfill their social responsibilities, and if their social value dissipates, so too will their economic value. We believe that a prerequisite for sustainable development as a company is the ability to always act sincerely, fulfill our obligations and be of benefit to society. The Mandom Group will forge ahead with business activities as a unified whole with the aim of continuing to be an entity that is indispensable to society.

We ask all our stakeholders for their continued understanding and support of our business going forward.



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and Director