

Corporate Governance

Corporate Governance Policy

The Mandom Group's mission is co-existence, mutual growth and mutual creation with global society. 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.

Mandom's corporate governance initiatives

		Fiscal year of introduction	1980	1985	1990	1995	2000	2005	2010	2015	2020
1. Recruitment of independent external executives	External Audit & Supervisory Board members	1985									
	External directors	1995									
2. Establishment of committees consisting chiefly of independent external executives	Compensation Committee	2005									
	Nominating Committee	2008									
3. Introduction of executive officer system		2001									

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 external directors, 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.

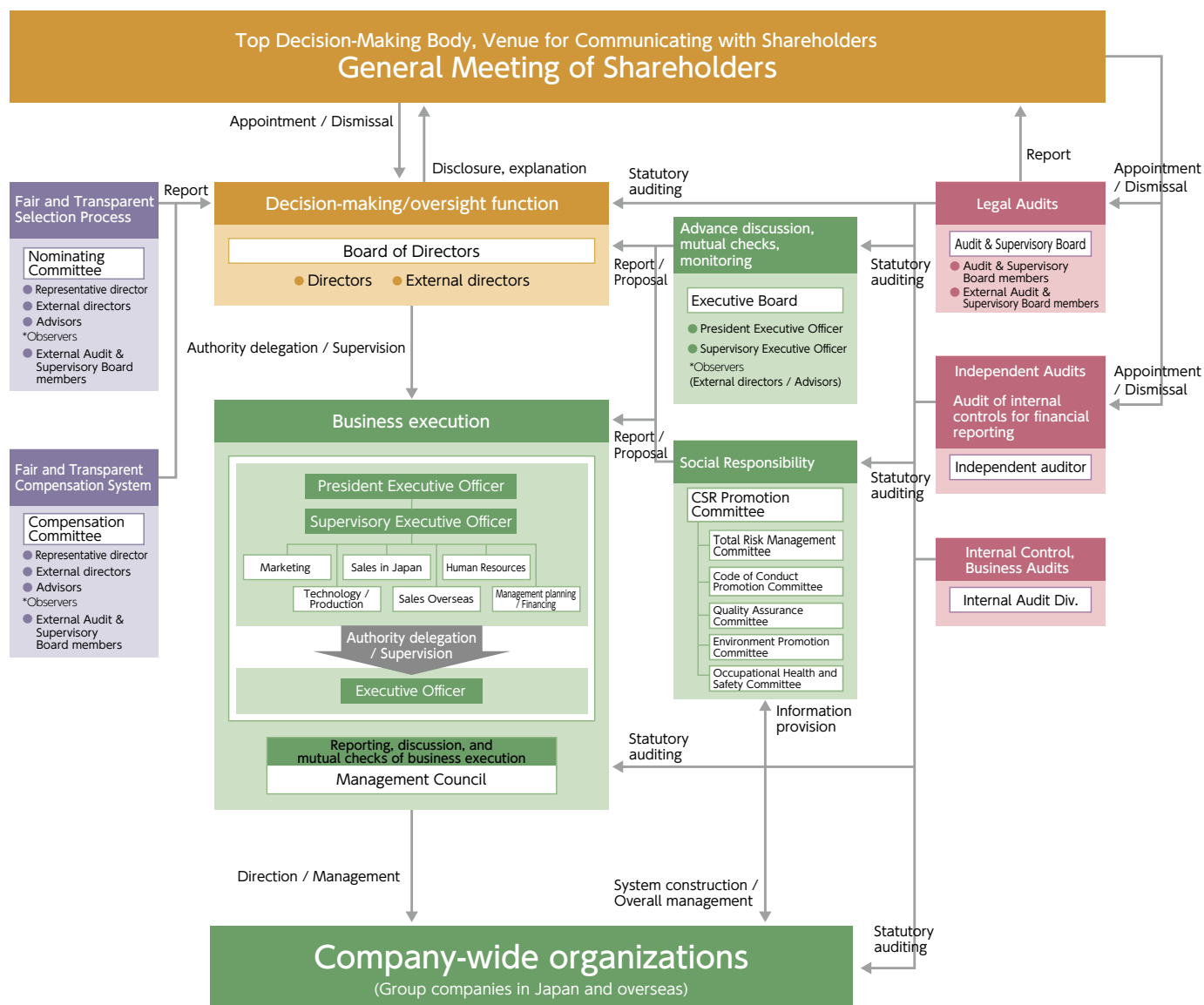
The Group's corporate governance structure is shown on the next page (Corporate Governance System).

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 independent external non-executive 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.

Corporate Governance System



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Reasons for Adopting the 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 them quickly and introduce preventive measures.

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 division's 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 Finance 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 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 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 Management Division and Financial 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.

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, 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 and SUMCO 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, SUMCO 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 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⁽²⁾ of the Mandom Group serves as an external executive of another company, a person executing the business⁽²⁾ of that company
10. People to whom item 1 above has applied in the past

Record of attendance at Board of Directors and Audit & Supervisory Board meetings

		Board of Directors (13 meetings including one extraordinary meeting)	Audit & Supervisory Board (13 meetings)
		No. of attendances	No. of attendances
Director	Satoshi Nakajima	13	—
Director	Satoshi Nagao	13	—
Audit & Supervisory Board member	Yukihiro Tsujimura	13	13
Audit & Supervisory Board member	Masahiro Nishio	10	10

Notes: 1. Audit & Supervisory Board member Masahiro Nishio has attended all ten meetings of the Board of Directors and all ten meetings of the Audit & Supervisory Board held since his appointment on June 24, 2016.

2. In addition to the Board of Directors meetings mentioned above, written resolutions deemed equivalent to resolutions of the Board of Directors in accordance with Article 370 of the Companies Act and Article 27 of the Company's Articles of Incorporation were drawn up three times.

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11. People to whom one of items 2 to 9 has applied in the past year
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^(*) 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^(*))
- (3) An individual or, if a person who belongs to a company or other organization, an important person executing the business^(*) 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^(*), to whom the above item 7 applies
- (5) A certified public accountant and important person executing the business^(*) 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 who are senior executives (general manager class) or higher

External directors provide recommendations and advice on such broad-ranging items as management strategy and corporate governance based on extensive expertise 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, 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

1. Total Amount of Compensation by Executive Category, 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)	¥210	¥146	¥64	6
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	34	34	—	2
External executives	38	38	—	5

2. 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 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

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. The Board of Directors then resolves the 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 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.

Summary of results of evaluations and analysis of the effectiveness of the Board of Directors

As specified in the Corporate Governance Guidelines (CG Guidelines) corresponding to Supplementary Principles 4-11 (3) of the Corporate Governance Code (CG Code), Mandom carried out an evaluation and analysis of the effectiveness of the Board of Directors in the year ended March 2017 (the 100th annual business period). An outline of that report is included below.

1. Summary of methods used for evaluation and analysis of the Board of Directors

An evaluation and analysis was carried out using the following procedure:

1. To investigate whether the Company's Board of Directors was effectively fulfilling its role in line with the policies and other items set out in the CG Guidelines in accordance with Section 4 of the CG Code (Responsibilities of the Board), a questionnaire^(*) was distributed to members of the Board of Directors and members of the Nominating Committee. Every person responded and all responses were received.

2. Based on these responses, the representative director (President Executive Officer) interviewed each director to confirm their content.
3. The results of the questionnaire and interviews were submitted to the members of the Nominating Committee, who, having secured a suitable timeframe and opportunity for deliberation, held careful discussions within the Nominating Committee and then made a report to the Board of Directors.
4. In response to the report of the Nominating Committee, having understood and accepted its content, the Board of Directors confirmed the results of the evaluation and analysis of its own effectiveness.

(*)1 Regarding the structure of the questionnaire, the policies and other items specified in the CG Guidelines in accordance with Section 4 of the CG Code were grouped into 23 items, with a four-level evaluation scale for each item and a space for free comments, for instance to raise any issues. For the evaluation results, the highest of the four evaluation levels (optimal) was recorded in 82.7% of cases, and the second evaluation level (appropriate but with some issues) was recorded in 17.3% of cases.

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2. Summary of evaluation results and analysis of the effectiveness of the Board of Directors

1. The Board of Directors of Mandom determined that it had achieved effectiveness on the basis of the rationale set out below.
 - (1) Through multiple discussions of a careful and constructive nature, including advanced discussions at the Executive Board, the Executive Camp, and elsewhere, a set of new concepts was created which served as the basis for the formulation of the Twelfth Middle-Range Planning (April 2017 to March 2020) and VISION 2027, with its key phrase, "Serving one billion people worldwide with unique strengths."
 - (2) A number of independent external directors were recruited who meet the Standards for the Independence of Independent External Executives, as formulated by the Board of Directors, and who are capable of fulfilling advisory and monitoring roles, and these directors have fulfilled their responsibilities and duties.
 - (3) Board of Directors regulations, regulations on decision-making authority, and other regulations stating clearly the criteria for matters to be decided by the Board of Directors itself and matters to be delegated to senior management are appropriately in place and operational, so that the flexibility of business execution is being ensured, and oversight by the Board of Directors is being performed appropriately.
 - (4) The Nominating Committee and Compensation Committee are well-structured and operated, and decision-making by the Board of Directors based on the reports of the committees is being carried out appropriately.
2. In the process of evaluating and analyzing the effectiveness of the Board of Directors, the observations and proposals set out below were made, which the Mandom Board of Directors recognizes as issues to be addressed and is committed to working to improve.
 - (1) Toward fulfilment of the management plan, dedicated efforts are being made based on the sharing of issues. However, by additionally making effective use of management accounting and other tools to ensure more comprehensive analysis of the gap between plans and results, and by implementing continuous improvement based on the analysis to achieve an upward spiral of improvement, it would be possible to reflect the analysis results effectively in strategy and planning for the next fiscal period, leading to further improvements in management efficiency.

- (2) With the aim of realizing growth-oriented governance, the Board of Directors is in the process of establishing a corporate culture that welcomes innovative proposals from senior management that involve risk. However, if senior management, the directors, and Audit & Supervisory Board members were to reaffirm the importance of proactive risk-taking supported by improved accuracy in risk evaluation and of ensuring the flexibility of decision-making and business execution, their awareness would be raised, allowing more advanced and innovative decision-making to be carried out in a flexible way.
- (3) For the management of subsidiaries as part of the installation and operation of internal control systems, the creation of relevant structures is progressing, following implementation of the Affiliated Company Management Regulations. By additionally devoting attention to oversight of these regulations and the detailed guidance of their operation, and by gradually progressing with the alignment of accounting systems, it would be possible to realize growth built on the assured soundness of subsidiaries, including overseas subsidiaries.

3. Response going forward

1. Evaluation and analysis of the effectiveness of the Board of Directors will be carried out in every fiscal year and the results will be disclosed.
2. In the year ending March 2018 (the 101st annual business period), emphasis will be placed on improvement in the issues identified in section 2.2 above to further increase the effectiveness of the Board of Directors.

Comment from an external director

Effectiveness of the Mandom Board of Directors

Method of evaluation and analysis of the effectiveness of the Mandom Board of Directors

A rational method for evaluating the effectiveness of the Mandom Board of Directors was used. Members of the Board of Directors and members of the Nominating Committee completed a questionnaire prepared so that it reflects the policy directions expressed in the Corporate Governance Guidelines (CG Guidelines) in accordance with the principles of Section 4 of the Corporate Governance Code (CG Code): Responsibilities of the Board. The results of the questionnaire were discussed repeatedly by a highly objective Nominating Committee composed of the representative director, independent external directors, and advisors. The findings were reported to the Board of Directors.

This reflects two aims: to guarantee that Mandom abides by the policies of the CG Guidelines, which are based on respect for the spirit of the CG Code, serious consideration of its basic principles and principles, and the declaration of policy directions that faithfully reflect all 73 of these principles; and to guarantee effectiveness by conducting as objective an evaluation as possible.

Evaluation of my role as an external director and of the Mandom Board of Directors

Aware of my position and role as an independent external director, I do my best to objectively evaluate discussion items tabled at the Board of Directors and from the shareholders' viewpoint, and voice my concerns and opinions frankly. I feel that these opinions and proposals are taken seriously.

The Board of Directors succeeds in enabling constructive debate and the discussion reaches a suitably active level. I also think there is a high level of transparency and soundness.

However, one more thing I would say is that I think the concept of interactive growth is important: accurate and active exchanges of opinion to establish a shared understanding of the situation would have a mutually educational effect, which would raise the quality level of the Board of Directors itself and thereby achieve an overall advance in the level of management. I

think there is still room for improvement through a conscious effort in this direction.

For instance, although the operation of the CG Code, the internal control system, and other "defensive" monitoring systems provides a certain level of functionality, I think it would not be accurate to say that "growth-oriented" solutions leading to future growth have been sufficiently addressed. I think that one of the challenges that needs to be tackled is to do more to create a corporate culture and ethos encouraging proactive and risk-taking initiatives that break the mold of conventional operating practices.

In May 2017, Mandom launched VISION 2027, which outlines the profile of the company it aspires to be in 2027, the 100th anniversary or centenary. I look forward to seeing all executives and employees of the Mandom Group striding forward with conviction to realize this profile to which all stakeholders can aspire. To contribute my part, however small, toward great advances for the Mandom Group, I am committed to fulfilling my own role as an external director.

July 2017



Satoshi Nagao
External Director
Mandom Corporation