

## Mandom's Production and Supply System

Mandom's overseas expansion began with the establishment of Tancho Corporation in Manila, Philippines in 1958. Since then, we have focused our overseas business growth on Asia. Our business operations in Asia have involved understanding the values of each country and area while working to satisfy local consumers by providing a variety of product lineups that suit their economic clout and tastes.

Mandom currently operates four factories at three production bases, Japan, Indonesia and China, which are able to produce and supply cosmetics that match consumer characteristics in each area of Asia.

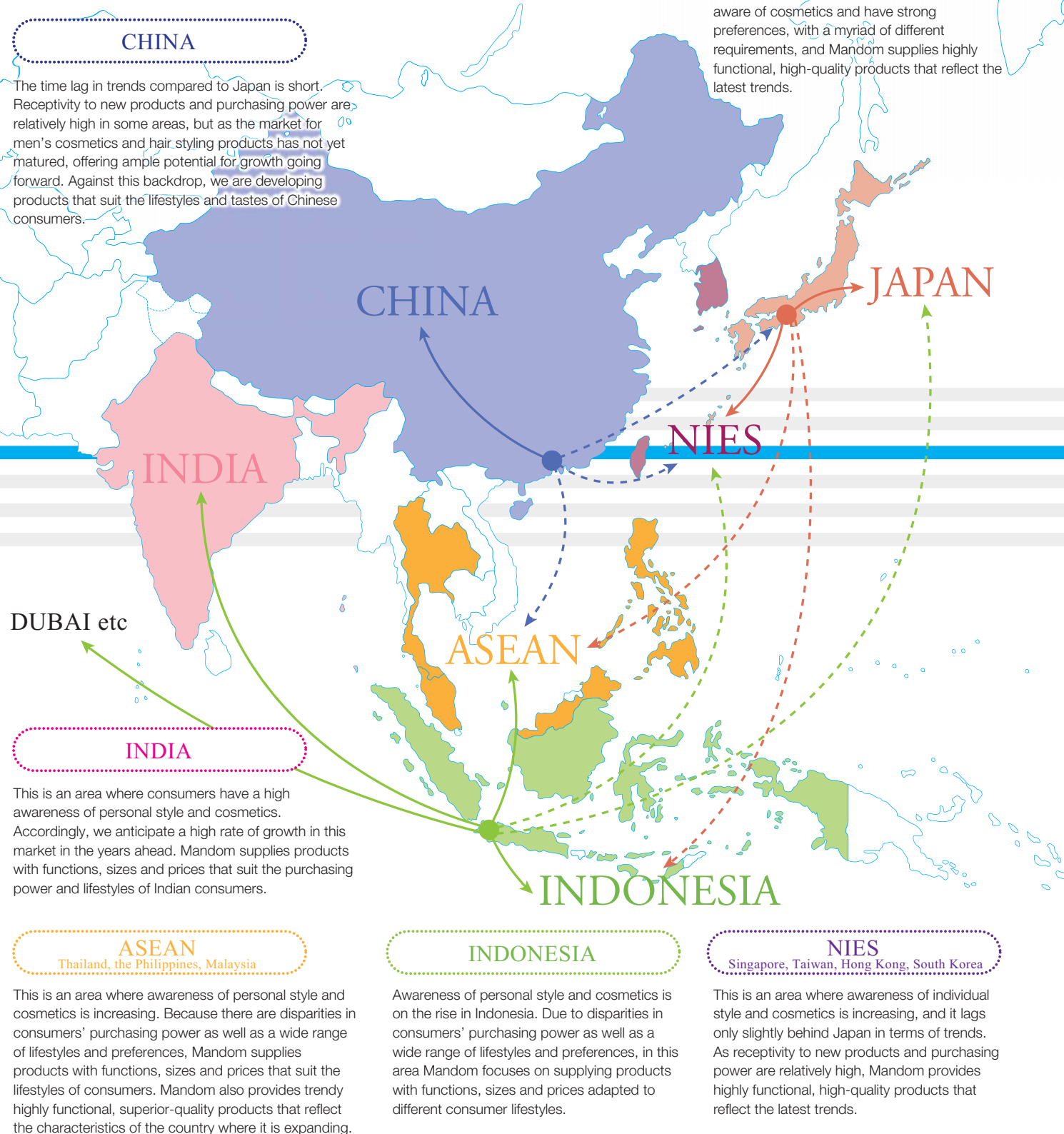
This feature introduces Mandom's production and supply system, which can address shifts in consumer trends as the Asian market continues to develop.

## Special Feature



## 1. Production and Supply System and Area Characteristics

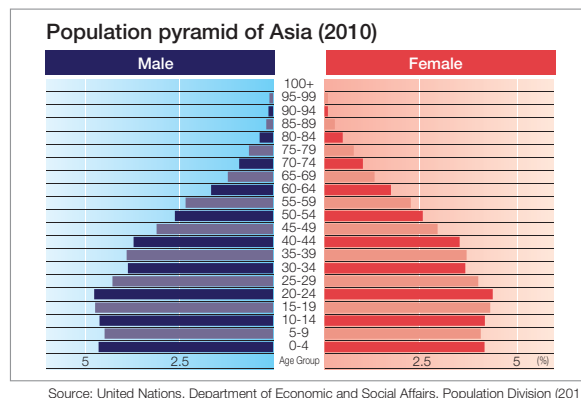
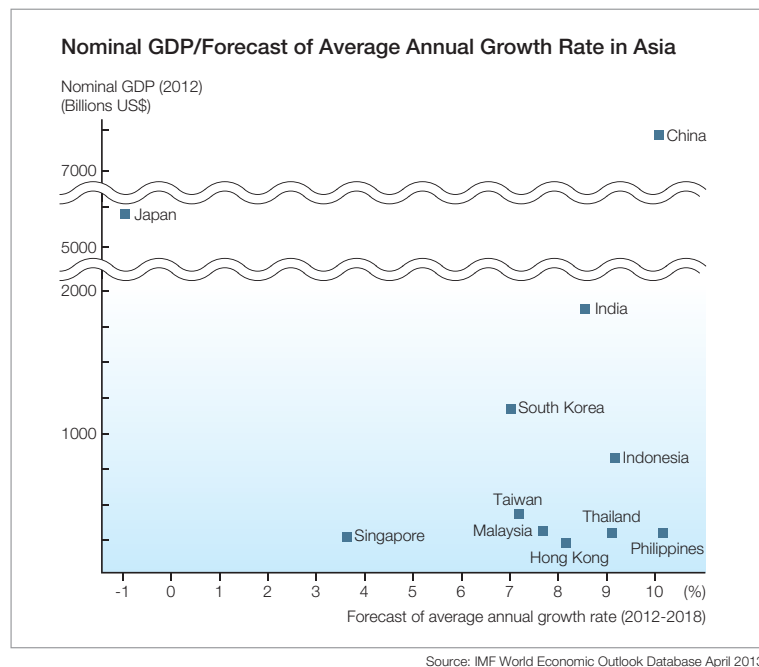
Mandom currently produces and ships approximately 1 billion cosmetics and other products from four factories at its three production bases, Japan, Indonesia and China. Mandom produces and supplies its product lineups based on six strategic area classifications that reflect market economic conditions, consumer preferences, lifestyles and purchasing power.





## 2. The Booming Asian Cosmetics Market

Mandom is currently expanding its business centered on Asia, which is in the midst of rapid economic growth. Experiencing a population boom, Asia is forecasted to expand its economic and market size as an area that will drive global growth.



We expect the Asian cosmetics market to grow because of increases in the prices, functionality and quality of Mandom products. This growth reflects higher demand for cosmetics, improved purchasing power along with changing lifestyles and preferences accompanying economic growth. Under these circumstances, Mandom aims to build a production and supply system responsive to higher cosmetics demand as well as required improvements in functionality and quality.

## 3. Mandom's Production and Supply System Objectives

### (1) Mandom's Production and Supply System Objectives

Mandom aims to build a production and supply system able to keep pace with the rapidly changing and expanding Asian market. Significant disparities exist among Asian countries. For example, Japan is an area where consumers are highly aware of cosmetics and possess substantial purchasing power, making it a market oriented toward highly functional, superior quality products. Yet in the ASEAN region, although consumer awareness of personal style has risen, the existing gaps in purchasing power make it an area where we are tailoring product functions, sizes and prices to suit consumer lifestyles.

As the Asian market grows, changes in product mix accompany market expansion, intensifying competition, and shifts in consumer purchasing power and preference. Accordingly, it is becoming necessary for us to build a production and supply system that reflects these changes.

To that end, Mandom aims to build a production and supply system that leverages the synergies of each production base. Through this system, we will increase production volume while enhancing price and quality

competitiveness to flexibly address expected market growth and intensifying competition in Asia.

### (2) Realizing Our Production and Supply System Objectives

In the fiscal year ending March 31, 2014, Mandom will undertake capital investment at the Fukusaki and Sunter factories in order to build a production and supply system responsive to market growth in Asia.

These investments will allow the Fukusaki Factory to adapt to changes in the Japanese market and the rising demand for highly functional, superior quality products accompanying increases in production levels in Asian countries. In addition, the Sunter Factory will be relocated to the new Cibitung Factory to establish a production system that can increase production volume in line with growing demand while providing stable-quality, lower-priced products.

Looking ahead, Mandom will develop flexible and suitable production strategies able to address the economic conditions of Asian countries while meeting consumer needs and wants.

### Fukusaki Factory (Japan)

Boasting sophisticated production technology and the latest facilities, the Fukusaki Factory turns out highly functional and high-quality products that directly address the latest trends and consumer wants in Japan. This factory primarily supplies products to the Japan and NIES areas.

We are developing mass-production technology that stably mass-produces products of the same consistent quality as well as an integrated production system that encompasses everything from content filling to finishing and packaging. In addition, we maintain superior price competitiveness by manufacturing aerosol and paper products internally.

Serving as part of a flexible production system that is responsive to changing market needs, we aim to transform the Fukusaki Factory into a facility capable of continuously innovating production technology to improve product quality while functioning as a mother factory that supports this innovation at other Group production bases.

- Site area: 71,058m<sup>2</sup>; Annual production volume: 150 million units\*



Fukusaki Factory

### Zhongshan Factory (China)

The Zhongshan Factory manufactures core products using the development and production know-how transferred from Japan. Primarily supplying products to China, this factory also provides products on a supplementary basis for Group companies.

Our goal for the Zhongshan Factory is develop a facility able to address product strategies that will allow us to keep pace with the Chinese market, which is anticipated to significantly expand.

- Site area: 27,253m<sup>2</sup>; Annual production volume: 12 million units\*



Zhongshan Factory

### Sunter Factory (Indonesia)

Through an efficient product system and distribution structure, this factory possesses a competitive edge in both quality and cost. This factory primarily supplies the Indonesia, ASEAN and India area as well as other locations via the International Trading Business.

The Sunter Factory, Mandom's largest in terms of production volume, supplies products to Asian countries thanks to its flexible design capable of high-mix, low-volume production.

Our objective is to enable these factories to produce stable-quality, lower-priced product lineups that suit Asian consumers' wide array of wants while functioning as production centers that supply products throughout Asia.

- Site area: 36,153m<sup>2</sup>; Annual production volume: 782 million units\*



Sunter Factory

### Cibitung Factory (Indonesia)

The Cibitung Factory handles the molding of containers that feature superior quality and pricing. This factory primarily manufactures containers used for products manufactured by the Sunter Factory.

Possessing a container molding factory, a rarity in cosmetics manufacturing industry, the Cibitung Factory is able to improve container quality, reduce costs, maintain a stable packaging supply and flexibly adjust production.

- Site area: 54,422m<sup>2</sup>

\*Annual production volume based on fiscal 2012 performance



Cibitung Factory