

# Annual Report 2017





## **MANDOM MISSION**

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### **Human to Human**

**Mandom is a "human-oriented" company. Guided by our original concepts of Health, Cleanliness & Beauty, we reach boldly beyond the norm to bring wonder and inspiration to people's everyday lives.**

## **MANDOM PRINCIPLES**

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**Consumer-led Lifestyle Value Creation**  
**Challenge, Change, Innovation**  
**Active Employee Engagement**  
**Social Responsibility & Sustainability**  
**Human Assets**

## **MANDOM SPIRIT**

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**Dedication to Service (O-YA-KU-DA-CHI)**  
**Respect for Humanity**  
**Freedom & Open-Mindedness**





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## Report coverage

The Mandom Group includes Mandom Corporation as well as consolidated subsidiaries and equity method affiliates in Japan and overseas (for details, see p. 76: Mandom Group Companies).

## Reporting period

FY2016 (ended March 2017)

- Mandom and Group companies in Japan
  - ▶ April 1, 2016 – March 31, 2017
- Overseas Group companies
  - ▶ January 1, 2016 – December 31, 2016

\* To the extent it is possible, the latest information at the time this report was written is included.

### 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.



## To Our Stakeholders

**While striving to be of benefit to consumers worldwide, we seek to evolve in order to remain a company that is valuable for society.**

On December 23, 2017, Mandom will mark the 90th anniversary of its founding, thanks to your hard work and generous support. I would like to take this opportunity to express my heartfelt gratitude to you all for your contribution.

Over the past 90 years, we have steadfastly pursued to serve our customers in accord with the corporate spirit inherited from our predecessors. Today, however, in this rapidly changing era, we are required to evolve. Due to exponential technological advances, changes of a magnitude that previously occurred only once in a decade are now being witnessed nearly every year. Amid growing uncertainties as to what the future brings, we can no longer simply continue in the old way, following the fixed pattern.

This is why, as we approach this major milestone of the 90th anniversary, we have reviewed our corporate principles to redefine our mission and adopt a new future vision embodying our dreams and free from our past experience, so that we will have attained an irreplaceable presence in society by the centennial in 2027 and beyond.

At the core of the newly reformulated MISSION is the concept of being a “human-oriented company.” We have arrived at this concept by revisiting the starting point of our corporate activities, exploring

Mandom’s reason for existence that our predecessors have solidified, and adjusting it to the needs of the times.

This concept expresses our respect for all that is human and our commitment to doing what is only possible by humans in the face of surging waves of digitalization and artificial intelligence. In other words, we want to be a company that truly cares about people and their feelings, knowing what brings people utility, pleasure and joy and creating such value.

VISION 2027 expresses what kind of company we want to have become by 2027, the centennial year, that is, our vision for the future toward which we aspire. Dreams are important, for they inspire and empower us. With our dreams as future targets, we will chart our route by backcasting,\* taking firm steps while continuously challenging, changing and innovating.

The Mandom Group will move forward as one united team, continuing to offer products and services that treasure human sensibilities, to become a company by our centennial year that is cherished and needed, and that will remain so in the years ahead.

I ask for the continued understanding and support of our stakeholders as we forge ahead.

July 2017

*M Nishimura*

**Motonobu Nishimura**  
President Executive Officer  
and Director

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

## VISION2027

### Our VISION 2027

A cosmetics company possessing unique strengths in specialized areas (not an “all-rounder” )

- ① Authentic proposals
- ② Global & ‘Only One’
- ③ Exciting & Excellent

### VISION Slogan

Use our ‘Only One’ strengths to provide dedication to service (O-YA-KU-DA-CHI) to a billion people around the world

### VISION policy

- ① Leverage Asia’s economic growth to evolve into a truly global company
- ② Display greater dedication to service (O-YA-KU-DA-CHI) in the men’s business segment and invest aggressively to expand our women’s segment
- ③ Provide authentic products and services to develop a MANDOM WORLD inspired by the concept of stock-oriented management (the idea of strengthening or “stocking up” various assets including ties with our stakeholders by providing authentic and valuable products and services).

### Image



# History

## 90 years of Mandom

Over the years, Mandom has offered consumers a host of unique products tailored to lifestyles in every era.

We are striving to accelerate growth in Asia as we aim to become a global cosmetics company by 2027 — one that has unique strengths beyond general cosmetics.

### 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



1982.10

Launched 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



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



GATSBY



1987.11

Launched women's cosmetic item Pixy Moisture Lipstick in Indonesia



1989.9 LÚCIDO

Launched 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 changed to Tancho Corporation



1971.4

Company name changed to Mandom Corporation



1972.10

Established Japan Doctor Renaud Cosmetics Company (now consolidated subsidiary Pielababo Corporation)

1976.3

Construction of Fukusaki Factory completed; commenced operations

1982.4

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

1988.11

Mandom Corporation shares traded on the over-the-counter market

### Overseas Developments

1958.4

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)



1989.12

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



1988.2

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



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

**LÚCIDO-L**



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



**2011.8**  
Launched Bifesta Cleansing Water products

**Bifesta**  
ビフェスタ



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



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



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



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



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



**2014.2**  
Launched the Lúcido Deodorant series aimed at combating body odors that develop during middle age



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

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



# 1990

# 2000

# 2010

**1994.6**  
New Head Office building completed upon finishing second phase construction

**2002.1**  
Listed on the Second Section of the Tokyo Stock Exchange

**2006.11**  
R&D building completed on Mandom headquarters site

**1995.6**  
Motonobu Nishimura appointed president of Mandom Corporation

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

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

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

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

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

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

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

**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.)

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

**1996.12**  
Started a joint venture in China (now consolidated subsidiary Zhongshan City Rida Cosmetics Co., Ltd.)

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

**1997.1**  
Started a joint venture in Malaysia (now consolidated subsidiary Mandom (Malaysia) Sdn. Bhd.)

**2015.1**  
Established Mandom Vietnam Company Limited (consolidated subsidiary) in Vietnam

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

# 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 cosmetics—through which it responds carefully to a range of consumer demands.

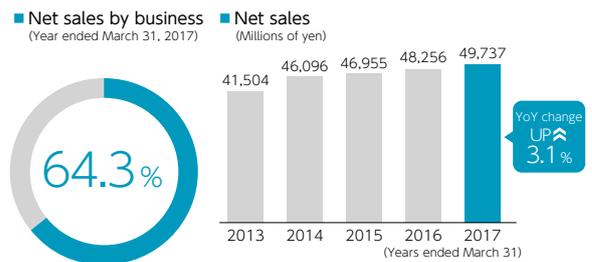
The remaining three areas are categorized as “other business” (professional use business, other business, and international trading business).

## 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



### GATSBY

Japan Overseas

A total men’s grooming brand targeting young men  
Developing horizontally across Asia as a core brand of the Mandom Group



### LÚCIDO

Japan

A men’s grooming brand targeting middle-aged men  
Developing in Japan



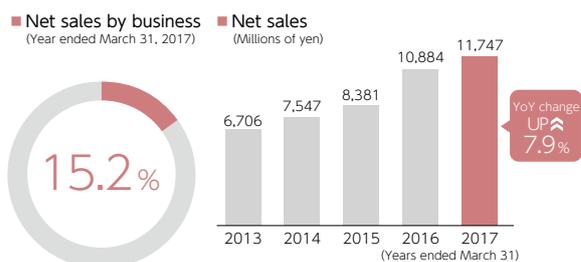
## Overseas Development Regions

|          | Japan | Indonesia | Singapore | Taiwan | Hong Kong | South Korea | Malaysia | Philippines | Thailand | Vietnam | 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



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



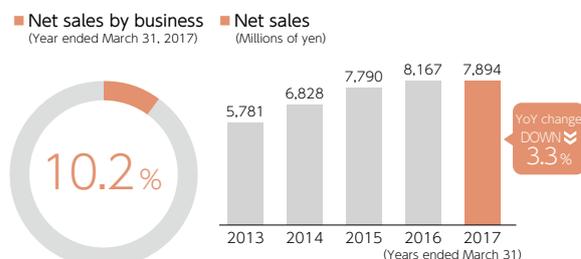
A total cosmetics brand for sophisticated women  
Rolling out in a number of countries, centered on Indonesia



## Women's Cosmetics Business

Business providing a range of products spanning everyday women's grooming and fashion

Target Categories: Hair styling Hair coloring  
Hair treatment Body care



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



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



# ASIA 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.

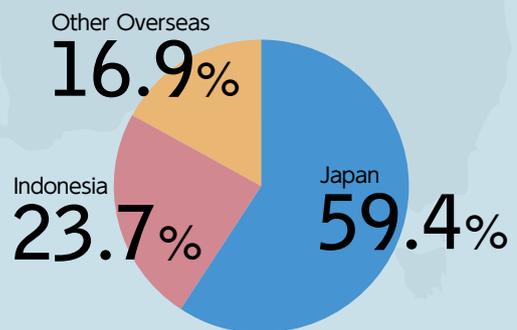
We create and invigorate markets by responding meticulously to conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.



Sales by region over the past five years



Composition of sales by region





## Japan

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

Net sales, year on year

**+4.2%**

Average growth, past five years

**+4.7%**

■ Net sales (Millions of yen)



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



In the men's grooming business, results improved as summer seasonal products under the Gatsby brand performed solidly, due in part to lingering summer heat, and the Lúcido brand, which was also strong.

In the women's cosmetics business, Bifesta cleansing products and Barrier Repair facial masks continued to perform well.

In the women's cosmetries business, sales of Lúcido-L were brisk, while Mandom Happy Deo summer season products were in a slump.



## Indonesia

The largest business area and growth leader in the overseas group

Net sales, year on year

**+0.9%**

Average growth, past five years

**+7.9%**

■ Net sales (Millions of yen)



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



Despite a decline in the yen equivalent value due to appreciation, men's grooming proved to be a solid growth driver on the back of an extremely strong sales of Gatsby Styling Pomade.

Performance in the women's cosmetics business was sluggish due to the competitive actions of rivals to the Pixy brand. In response, we are launching and strengthening new products targeting younger consumers.



## Other Overseas

An area with high growth potential for our overseas business

Net sales, year on year

**+2.1%**

Average growth, past five years

**+10.7%**

■ Net sales (Millions of yen)



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



Despite a decline in yen equivalent value due to appreciation, in the men's grooming business the Gatsby brand performed favorably on a local currency basis. In Taiwan, sales of facial and body wipes are growing, as they are in Japan.

In the women's cosmetics business, the horizontal rollout of cleansing products under the Bifesta brand resulted in a positive performance.

In the women's cosmetries business, sales of Lúcido-L oil treatment were favorable in several countries.

# Mandom Group Value Creation

Sustainable



for O-YA-KU-DA-CHI (dedication to service)

# Process

## growth

### OUTPUT

《Products》

Core brands

Men's Grooming Business

**GATSBY LÚCIDO**

Women's Cosmetics Business

**Bifesta PIXY**  
ビフェスタ

Women's Cosmetics Business

**LÚCIDO-L Pucelle**

《Effects of business activities》

Generate profit

Generate cash

Increase market value

Provide return to shareholders

Enhance ROE

### OUT COME (As of March 31, 2017)

Net sales  
¥77,351 million

¥49,737 million

¥11,747 million

¥7,894 million

Operating income  
¥7,618 million  
(Operating income margin: 9.8%)

Net income attributable  
to owners of the parent  
¥5,566 million

Cash flows from operating activities  
¥9,045 million

Total market value  
¥122,029 million  
(up ¥4,905 million YoY)

Total dividends paid to shareholders  
¥2,244 million  
(Payout ratio 40.3%)

ROE  
9.1%

### Value Creation

Create value  
for all stakeholders

●Be of benefit to all people  
worldwide supported  
by "health," "cleanliness"  
and "beauty"

- Consumers
- Shareholders and investors
- Business partners
- Employees
- Society and the environment

●Build on profit-making ability

●Strengthen product  
development

●Develop globally minded  
human resources

to as many consumers as possible



# Research and Development

## Meeting Diverse Needs and Wants throughout Asia's Countries and Regions

### Remarkable results in the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University

In October 2016, Mandom announced that it had discovered human sweat gland stem cells, and then succeeded in the *in vitro* regeneration of a sweat gland-like structure. Following up on from this result, in May 2017, Mandom announced that it had succeeded in extracting sebaceous glands from human skin tissue (following ethical review) in an observable state. Researchers saw the internal location of sebum in 3D and the state of newly made or suppressed sebum. This was achieved through dyeing following treatment with a test reagent that stimulated or suppressed sebum secretion in the skin's sebaceous gland. The research results revealed the possibility of proposing new ways to improve the amount and quality of sweat, as well as control actual secretions of sebum, rather than the standard symptomatic treatment that "puts a lid on" sweat glands, or deals with sebum that has already been discharged.

### Temporary degradation in skin condition different from aging discovered in women around 30

Research into the correlation between the estrus cycle and the skin condition of women around 30 years of age found that the amount of sebum secretion increased when the basal body temperature was high relative to periods of lower body temperature. At the same time, the amount of transepidermal water loss (TWL) was also high. (The skin's barrier function is weaker.)

In addition, it was confirmed that the skin is duller (color is darker with more redness) when body temperature is high and the pores become more pronounced. Mandom perceives this temporary worsening of skin condition as degradation rather than aging over time, and will apply this knowledge to the development of skincare products for women.



# Production and Supply

Providing High-Quality, Reasonably Priced Products and Services That Can Be Purchased by General Consumers in Asian Countries and Regions

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 additionally provides production for the Group.



Production volume based on fiscal 2016 performance

|   |  |                                  |                   |
|---|--|----------------------------------|-------------------|
| 1 | Fukusaki Factory (Japan)                                       | Site area: 71,058m <sup>2</sup>  | 179 million units |
| 2 | Zhongshan Factory (China)                                      | Site area: 27,253m <sup>2</sup>  | 13 million units  |
| 3 | Factory 1 (Indonesia) (Manufacturing plant)                    | Site area: 147,936m <sup>2</sup> | 711 million units |
| 4 | Factory 2 (Indonesia) (Factory for molding plastic containers) | Site area: 54,442m <sup>2</sup>  |                   |



# Marketing

Maximizing Engagement between Consumers of Asia's Countries and Regions and Our Products and Services

Established Marketing Division 3 in response to changes in consumer purchasing behavior

In April 2017, Mandom established a third marketing division to take care of not only strategy planning and implementation, but also developing in-house e-commerce (EC) programs. The aim is to expand marketing and create a marketing model based on EC. The third marketing division will provide support and serve as the point of contact for all things related to EC development at Group companies.

Supporting Middle-Aged Men by establishing Middle (316) Day

Mandom proposes "smart aging" (aging with style) for middle-aged men, our target market for Lúcido products. To help promote this concept, we designated March 16 as "Middle (316) Day." An advertisement was placed in newspapers on the Middle (316) Day (March 16) in 2017. Prior to this, we held a focus group for middle-aged men in their 40's and released a report called *The Middle-40's Man White Paper 2017*, a collection of insights into the mindset, changes in awareness, lifestyle and grooming sensibilities of middle-aged men.

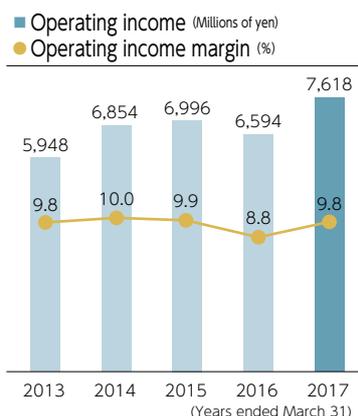
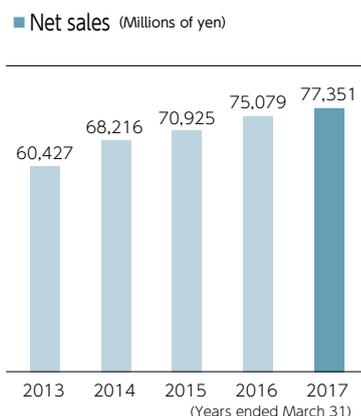
\*The Middle-40's Man White Paper 2017  
<http://www.lucido.jp/special/middlehakusho2017.pdf>  
 (Japanese language)



# 11-Year Consolidated Financial Highlights

MANDOM CORPORATION and Its Consolidated Subsidiaries

|   | 2007     | 2008     | 2009     | 2010     |
|---|----------|----------|----------|----------|
| <b>Operating Results (Millions of yen)</b>      |          |          |          |          |
| Net sales                                       | ¥ 51,250 | ¥ 56,289 | ¥ 55,178 | ¥ 54,304 |
| Overseas ratio (%)                              | 29.7     | 32.6     | 34.5     | 31.7     |
| Operating income                                | 5,196    | 6,837    | 4,926    | 5,369    |
| Overseas ratio (%)                              | 36.7     | 38.0     | 41.8     | 34.0     |
| Net income attributable to owners of the parent | 2,488    | 3,500    | 3,011    | 2,802    |
| <b>Financial Position (Millions of yen)</b>     |          |          |          |          |
| Total assets                                    | 51,620   | 54,219   | 49,078   | 54,182   |
| Liabilities                                     | 7,438    | 8,350    | 6,698    | 9,123    |
| Total equity                                    | 44,182   | 45,869   | 42,380   | 45,059   |
| <b>Cash Flows (Millions of yen)</b>             |          |          |          |          |
| Cash flows from operating activities            | 3,411    | 7,614    | 3,459    | 7,767    |
| Cash flows from investing activities            | (1,121)  | (5,041)  | (1,205)  | (5,111)  |
| Cash flows from financing activities            | (2,554)  | (1,660)  | (2,045)  | (2,291)  |
| <b>Per Share Data (Yen)</b>                     |          |          |          |          |
| Book value per share (BPS)                      | 1,727.55 | 1,779.67 | 1,661.94 | 1,774.64 |
| Earnings per share (EPS)                        | 104.28   | 147.13   | 126.60   | 119.40   |
| Cash dividends per share                        | 60.00    | 80.00    | 60.00    | 60.00    |
| <b>Financial Index (%)</b>                      |          |          |          |          |
| Operating income margin                         | 10.1     | 12.1     | 8.9      | 9.9      |
| Shareholders' equity ratio                      | 79.6     | 78.1     | 80.5     | 76.6     |
| Return on equity (ROE)                          | 6.1      | 8.4      | 7.4      | 6.9      |
| Return on assets (ROA)                          | 9.9      | 12.7     | 10.0     | 11.1     |
| Payout ratio                                    | 57.5     | 54.4     | 47.4     | 50.3     |





For more information, please see our IR website.  
<http://www.mandom.co.jp/ir/src/investors.html>

(Years ended March 31)

|  | 2011     | 2012     | 2013     | 2014     | 2015     | 2016     | 2017     |
|--|----------|----------|----------|----------|----------|----------|----------|
|  | ¥ 57,263 | ¥ 59,802 | ¥ 60,427 | ¥ 68,216 | ¥ 70,925 | ¥ 75,079 | ¥ 77,351 |
|  | 34.5     | 34.9     | 36.8     | 40.0     | 41.3     | 41.3     | 40.6     |
|  | 5,747    | 6,050    | 5,948    | 6,854    | 6,996    | 6,594    | 7,618    |
|  | 36.6     | 37.1     | 34.1     | 34.6     | 35.9     | 28.7     | 33.3     |
|  | 2,673    | 3,299    | 3,607    | 4,092    | 4,425    | 6,383    | 5,566    |
|  | 1,696    | 2,157    | 1,467    | 7,632    | 3,443    | 3,725    | 3,309    |
|  | 2,394    | 2,242    | 2,165    | 2,143    | 2,600    | 2,919    | 3,166    |
|  | 1,850    | 1,921    | 1,792    | 1,960    | 1,732    | 1,558    | 1,717    |
|  | 53,328   | 55,601   | 60,164   | 67,859   | 75,980   | 79,822   | 83,836   |
|  | 8,036    | 8,518    | 9,127    | 12,680   | 15,000   | 13,965   | 14,245   |
|  | 45,292   | 47,083   | 51,037   | 55,179   | 60,980   | 65,857   | 69,591   |
|  | 4,063    | 3,693    | 7,605    | 7,303    | 5,488    | 7,233    | 9,045    |
|  | (1,408)  | (2,695)  | (5,387)  | (5,597)  | (5,141)  | (2,383)  | (5,921)  |
|  | (1,661)  | (1,668)  | (1,647)  | (1,833)  | (341)    | (3,535)  | (2,216)  |
|  | 1,785.56 | 1,861.01 | 2,011.09 | 2,183.09 | 2,394.23 | 2,554.01 | 2,705.76 |
|  | 114.30   | 141.11   | 154.29   | 175.02   | 189.28   | 273.04   | 238.10   |
|  | 60.00    | 60.00    | 62.00    | 70.00    | 76.00    | 80.00    | 96.00    |
|  | 10.0     | 10.1     | 9.8      | 10.0     | 9.9      | 8.8      | 9.8      |
|  | 78.3     | 78.3     | 78.2     | 75.2     | 73.7     | 74.8     | 75.4     |
|  | 6.4      | 7.7      | 8.0      | 8.3      | 8.3      | 11.0     | 9.1      |
|  | 11.2     | 11.6     | 10.8     | 11.5     | 10.6     | 9.5      | 10.0     |
|  | 52.5     | 42.5     | 40.2     | 40.0     | 40.2     | 29.3     | 40.3     |





## 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

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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<br>Up 3.0%YoY | ¥7,618million<br>Up 15.5%YoY | ¥8,183million<br>Up 10.4%YoY | ¥5,566million<br>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<br>Final FY of MP-12<br>¥90,000million | Men's business<br>Average growth rate target:<br>3% or higher | Women's business<br>Average growth rate target:<br>10% or higher | Overseas<br>Average growth rate target:<br>10% or higher |
|---|---|--|--|

#### Profitability

|   |
|---|
| Consolidated operating profit margin<br>10% |
|---|

#### Shareholder Returns

|   |
|---|
| Dividend payout on a consolidated basis, excluding extraordinary items<br>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 through 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

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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 of 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<br>Up 3.4% YoY | ¥8,000 million<br>Up 5.0% YoY | ¥8,500 million<br>Up 3.9% YoY | ¥5,600 million<br>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.



July 2017

**Motonobu Nishimura**  
President Executive Officer  
and Director

# Executives, Audit & Supervisory Board Members

(As of July 1, 2017)



**Motonobu Nishimura**  
President Executive Officer & Director

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**  
Senior Managing Executive Officer & Director

In charge of the International Business Operation Units, Overseas Business Planning Division, and Overseas Business Strategy 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 Overseas Business Planning Division)  
 Executive Officer  
 June 2004 Representative Director and President, PT Mandom Indonesia Tbk  
 April 2008 Managing Executive Officer  
 June 2011 In charge of Manufacturing and Logistics Units  
 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  
 April 2016 Senior Managing Executive Officer (current position)  
 Director and Chairman, PT Mandom Indonesia Tbk  
 April 2017 In charge of the International Business Operation Units (current position)  
 Audit & Supervisory Board Member, Chairman, PT Mandom Indonesia Tbk (current position)



**Shinichiro Koshiba**  
Managing Executive Officer & Director

In charge of Marketing Units, Marketing Division 2, Marketing Division 3, Group Marketing Strategy Division, and Public Relation Division

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.)  
 General Manager, Sales Planning Division  
 April 2002 Executive Officer  
 June 2008 Managing Executive Officer (current position)  
 April 2013 In charge of Marketing Units (current position)  
 April 2014 In charge of Marketing Units (current position)  
 June 2016 Director (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 linkai Co., Ltd. (current position)  
 April 2016 Adviser, Osaka Gas Liquid Co., Ltd.  
 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 DDI Corporation (now 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 Evolve, Inc. (until June 2012)  
 June 2014 External Director of the Company (current position)



**Takeshi Hibi**  
**Managing Executive Officer & Director**

In charge of Domestic Sales Units, Sales Planning Division, Distribution Channel Development Division, East Japan Sales Division, and West Japan Sales Division

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  
 June 2016 Director (current position)  
 April 2017 In charge of Domestic Sales Units



**Yasuaki Kameda**  
**Managing Executive Officer & Director**

In charge of Corporate Planning & Financial Units and Human Resources & General Resources Units, Corporate Administration Division, Investor Relations Division, Legal Affairs Division, and Secretarial Office

Born on November 1, 1961  
 April 1984 Joined the Company  
 April 2008 General Manager, Product Development Department Section 1 (now the Product Strategy Division)  
 April 2009 Executive Officer  
 April 2012 In charge of the Chain Store Sales Division 1, Chain Store Sales Division 2 and Distribution Channel Development Division; General Manager, Chain Store Sales Division 2  
 April 2014 In charge of the Corporate Planning Division (now the Corporate Administration Division) and Corporate Communications & Investor Relations Division (now the Investor Relations Division); General Manager, Corporate Planning Division  
 April 2015 Managing Executive Officer (current position)  
 April 2017 In charge of Corporate Planning Unit  
 In charge of Corporate Planning & Financial Units and Human Resources & General Resources Units (current position); General Manager, Corporate Strategy Division  
 June 2017 Director (current position)



**Masayoshi Momota**  
**Director**

In charge of CSR Promotion Division, and 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)  
 June 2010 In charge of the International Business Operations Division (now the Overseas Business Planning Division)  
 June 2013 Auditor, Chairman, PT Mandom Indonesia Tbk  
 Senior Managing Executive Officer  
 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 (now the Investor Relations Division)  
 June 2015 In charge of the Internal Audit Division (current position)  
 April 2017 In charge of the CSR Promotion Division (current position)



**Ryuichi Terabayashi**  
 Audit & Supervisory Board Member



**Hiroo Mizuno**  
 Audit & Supervisory Board Member



**Yukihiro Tsujimura**  
 External Audit & Supervisory Board Member



**Masahiro Nishio**  
 External Audit & Supervisory Board Member

**Executive Officers** (As of July 1, 2017)

**Hironao Suzuki**  
**Managing Executive Officer**  
 In charge of Technology and Production Units  
 In charge of the Purchasing Division, Fukusaki Factory, and Production Engineering Division; General Manager, Fukusaki Factory

**Tatsuya Arichi**  
**Managing Executive Officer**  
 Representative Director and President, PT Mandom Indonesia Tbk

**Kazunori Koshikawa**  
**Executive Officer**  
 In charge of the Information Systems Division and Finance Division; General Manager, Finance Division

**Norikazu Furubayashi**  
**Executive Officer**  
 In charge of special issues on technology and production

**Noboru Nonaka**  
**Executive Officer**  
 Senior Managing Director, PT. Mandom Indonesia Tbk

**Koichi Watanabe**  
**Executive Officer**  
 Senior Managing Director, PT. Mandom Indonesia Tbk

**Takeshi Mito**  
**Executive Officer**  
 In charge of the General Administration Division, and 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 Institute; General Manager, Technical Development Center

**Kenji Uchiyama**  
**Executive Officer**  
 In charge of the GB Marketing Division, and the Marketing Division 1; General Manager, GB Marketing Division and Communication Strategy Division

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

**Kuniyuki Ota**  
**Executive Officer**  
 Senior Managing Director, PT. Mandom Indonesia Tbk

**Kiyoshi Tai**  
**Executive Officer**  
 In charge of Chain Store Sales Division Section 1, Chain Store Sales Division Section 2, Chain Store Sales Division Section 3; General Manager, Chain Store Sales Division Section 2

**Ken Nishimura**  
**Executive Officer**  
 In charge of Corporate Strategy Division; General Manager, Corporate Strategy Division

# 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.

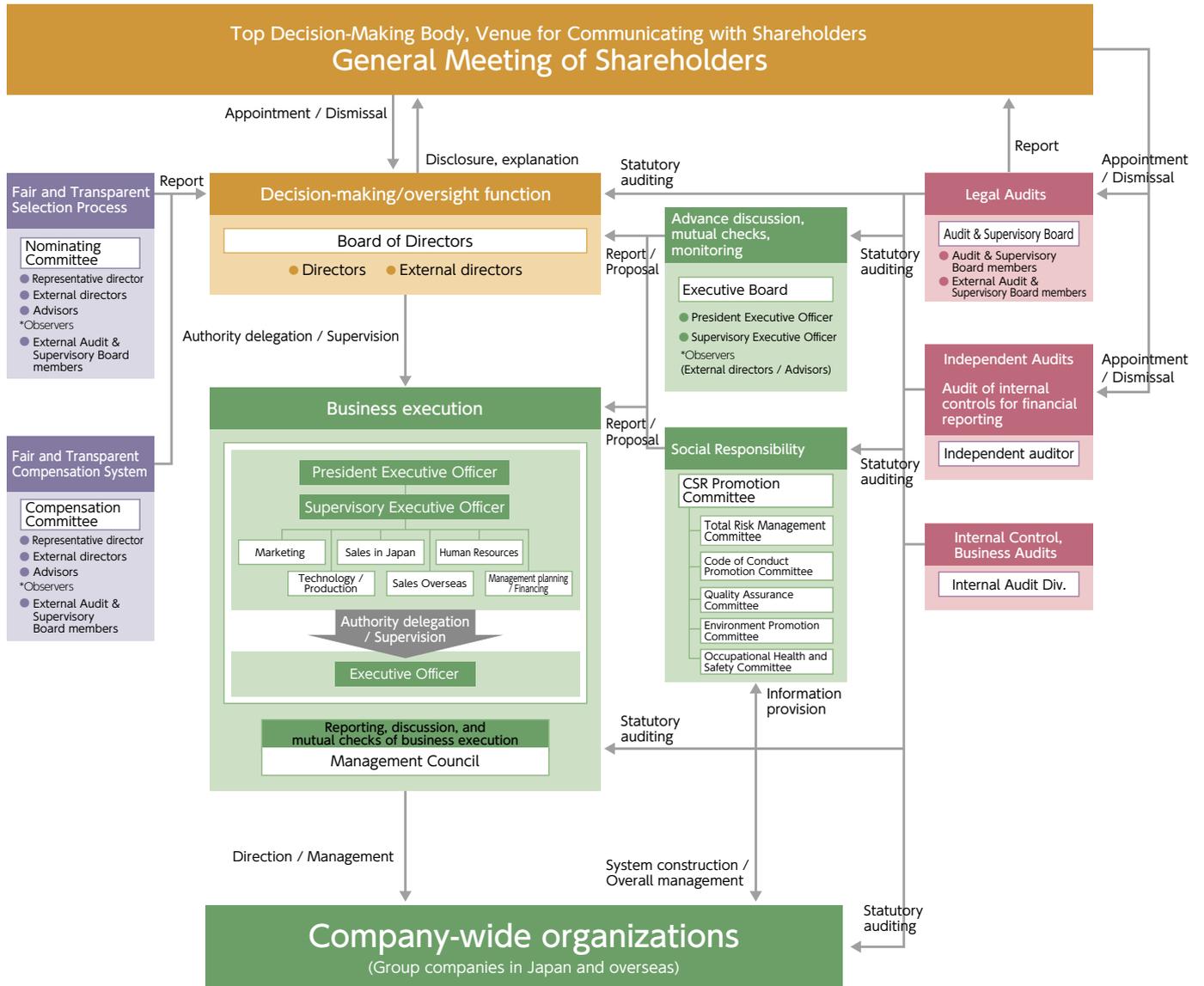
The Group's corporate governance structure is shown on the next page (Corporate Governance System).

### 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



# Corporate Governance

## 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<sup>(1)</sup> of the Company or an affiliated company<sup>(2)</sup> of the Company (below, referred to collectively as the "Mandom Group")
2. An entity that is a major supplier<sup>(3)</sup> of the Mandom Group or a person executing the business<sup>(1)</sup> of such an entity
3. A major customer of the Mandom Group<sup>(4)</sup> or a person executing the business<sup>(1)</sup> 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<sup>(1)</sup> 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<sup>(1)</sup> 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<sup>(5)</sup> 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<sup>(2)</sup> of the Mandom Group serves as an external executive of another company, a person executing the business<sup>(2)</sup> 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<br>(13 meetings including one extraordinary meeting) | Audit & Supervisory Board<br>(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.

## Corporate Governance

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<sup>(\*)</sup> 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<sup>(\*)</sup>)
- (3) An individual or, if a person who belongs to a company or other organization, an important person executing the business<sup>(\*)</sup> 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<sup>(\*)</sup>, to whom the above item 7 applies
- (5) A certified public accountant and important person executing the business<sup>(\*)</sup> belonging to an audit firm to which the above item 8 applies

### Notes

- (\*) 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
- (\*) Affiliated company: An affiliated company as provided in Article 2-3-22 of the Ordinance on Company Accounting
- (\*) Entity that is a major supplier of the Mandom Group:
- (i) A business partner group (business partner or its affiliated company<sup>(\*)</sup>) 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
- (\*) 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
- (\*) 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
- (\*) Important person executing the business: Persons executing the business in item (\*) 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<sup>(\*)</sup> 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.

# Corporate Governance

## 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

# Other Overseas



# ASIA Global

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 local market conditions and such characteristics as consumer preferences, lifestyles and purchasing power.



# INDONESIA





# JAPAN

# Company

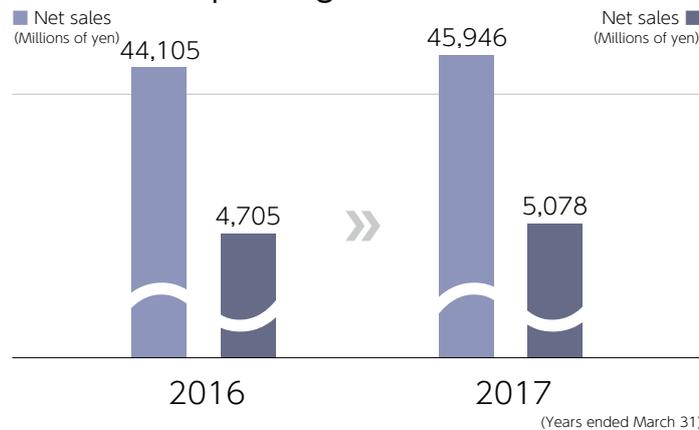




# JAPAN

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

## Net sales / Operating income



## Net sales by business



### Economic Climate

Japan's economy showed a gradual recovery, buoyed by strong corporate profits and improvement in employment, despite concerns over uncertainty in the global economy.

### Cosmetics Market Environment

The Japanese cosmetics market grew slightly to around ¥1.5 trillion, according to the Ministry of Economy, Trade and Industry production statistics for the cosmetics industry. Although demand from overseas tourists in Japan continued to rise, growth in domestic personal consumption was sluggish, stemming from uncertainties about the future. Due to the effects of aging and a declining population, no major growth is expected in this mature market.

### Mandom's Strengths in the Market

In Japan, the Mandom Group's main channel is self-service sales, which include such distribution channels as drugstores and convenience stores. As a leading manufacturer of men's cosmetics in particular, we are always on the lookout for new market categories and seeking ways to propose new grooming techniques to create markets, and

we have a high degree of influence in this area.

In recent years, Mandom has also been stepping up measures in women's cosmetics. To build our market presence, we are leveraging existing distribution channels and working to offer high-performance, reasonably priced skin care products that are unique or use our proprietary technology, via self-service retailers. We are also offering body care products for women that capitalize on the expertise we have gained from the men's cosmetics market.

### Performance for Fiscal 2016

In fiscal 2016, sales in Japan rose 4.2% year on year, to ¥45,946 million. For Gatsby, our core brand in the men's grooming business, prolonged hot weather led to robust sales of summer seasonal products. In addition, sales of Lúcido were also favorable, as were sales of our Bifesta cleansing series and Barrier Repair Facial Masks in the women's cosmetics business, and Lúcido-L hair treatment in the women's cosmetics business.

Thanks to the impact of higher sales, operating income grew 7.9% year on year, to ¥5,078 million, despite aggressive investment in the marketing of new products.



## Men's Grooming Business

### Market Environment

The Japanese domestic market for men's cosmetics is worth approximately ¥120 billion, according to Mandom's calculations, although growth is flat.

The hair styling market, which has continued to shrink since 2001, nudged upward in fiscal 2015 but was flat in fiscal 2016. Sales in the face care products edged up, buoyed by favorable performance of skin cream, skin milk and skin lotion. The scalp care market declined, due to sluggish performance of hair tonics, a core category. The body care market remained robust, continuing to deliver the highest growth within the men's cosmetics market. Going forward, the face and body care markets are expected to grow, as consumers pay more attention to their skin.

### Initiatives in Fiscal 2016

Amid the "neo-classical" trend to produce hair with a glossy shine and strong hold, in fiscal 2016 we added Freeze Back to our Gatsby Styling Grease series to capture the trend toward hairstyles with an all-back, three-dimensional shape.

Broadening our lineup in this way helped to energize the hair styling market.

For Lúcido, our One Push Care Color series of hair dye increased in sales, thanks to the impact of demand from overseas tourists.

In shops in popular tourist areas, it is common to see customers purchase multiple items. We are continually

developing the Lúcido brand through communications that instill the brand message: "the brand for smart aging from the 40's onwards." At stores, we continued to steadily expand testing, concentrated on events and distributing mini samples at cash registers. On the advertising front, we ran newspaper ads declaring March 16 "Middle Day" and set up "40's Life," a lifestyle information site on our website. We also published a survey entitled *The Mid-40s Man White Paper*, on the grooming sensibilities of middle-aged men, as part of our ongoing effort to position Lúcido as a brand for middle-aged men. This brand also saw favorable developments in the Deodorant Series centering on body shampoo and the Skin Care Series, which includes emulsions.



Lúcido One Push Care Color



Gatsby Freeze Back Styling Grease

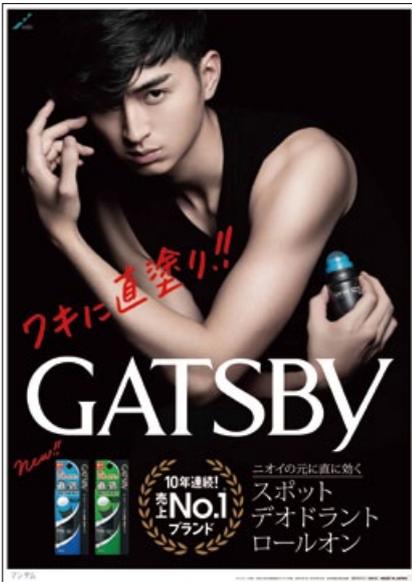


The "Middle Day" Lúcido, newspaper advertisement and the *Mid-40s Man White Paper*

# JAPAN

## Future Initiatives

For Gatsby, growing awareness of deodorant among men is prompting annual market growth. We strengthened the “direct-application deodorant” category by launching the Spot Deodorant series. In our publicity and sales promotion activities, we succeeded in gaining



Gatsby Spot Deodorant poster

market share by rolling out consistent communications that expressed product characteristics such as “apply directly to the source of odor for direct effect.”

As a new product targeting young men who are not users of existing fragrance products, we introduced the Energy Fragrance series as a product offering new value by “boosting the spirit.” This launch had the effect of invigorating the fragrance market and increasing the percentage of use.

Under the Lúcido brand, we stepped up measures to counter the distinctive middle-aged body odor, launching an additional “ice-” type body paper product that can be used for the scalp. By proposing products that can be used comfortably from summer on, we will expand the brand’s market share.



Two Lúcido Body Paper products

## Women’s Cosmetics Business

### Market Environment

In Japan, the women’s cosmetics market remains in an expansionary phase, due to a sense of economic improvement and the impact of demand from overseas tourists. However, the self-service sales market, at the center of Mandom’s growth, has been essentially flat since fiscal 2015. Amid the current frugal mindset among consumers, demand continues to grow for products that are inexpensively priced and highly functional. Accordingly, a rising level of corporate effort is needed to succeed in this increasingly tough competitive environment.

### Initiatives in Fiscal 2016

In fiscal 2016, we worked to strengthen our categories within the Bifesta brand. We extended Bifesta, a lineup consisting solely of cleansing products, by launching a facial cleansing product. Within this market, the foam type facial cleansing category is showing strong growth. To capitalize on this momentum, we introduced three products in the Foaming Facial Cleansing series, for a single push on the pump that delivers fluffy but rich, dense foam containing carbon dioxide gas. We accompanied the launch with a new brand character, and ran an aggressive marketing campaign, including television commercials.

Within cleansing products, sales of the Bifesta Cleansing Sheet expanded substantially. The product earned high marks on “buzz” marketing sites, gaining strong support not only among Japanese consumers but also overseas tourists. We also continued to see strong performance for Eye Makeup Remover.



Three Bifesta Foaming Facial Cleaning products



We expanded the number of stores carrying Barrier Repair Facial Mask in an effort to increase the number of domestic customers. This move, plus the ongoing impact of demand from overseas tourists, led to continued favorable performance.



Barrier Repair Facial Masks

In the women's body care market, moisturizing products are becoming more popular in step with growing awareness of skin care. In addition to rising demand for body milk and body gel, in recent years demand for body oil has surged. In summer seasonal products, the market is growing for direct-application and sheet-type products that have a preventive effect on underarm sweat stains.

### Future Initiatives

Within the Bifesta brand, we introduced an additional type of the popular Bifesta Cleansing Sheet and launched a balm-type product into a market that has been expanding in recent years.

We introduced Cleansing Balm Hot Type for removing makeup while being applied gradually onto skin, as slight heat softens skin and opens up pores. We will redouble our efforts in this category.

In the Barrier Repair brand, we offer the skin care series, which helps restore luster to skin that has a reduced barrier function due to internal and external factors on busy days. We introduced three products blended with rice milk: essence, skin lotion and cream. By leveraging the brand value created through favorable results with facial masks, we aim to attract customers for basic skin care.



Bifesta Cleansing Balm



Barrier Repair Three Skin Care Series products

## Women's Cosmetics Business

### Market Environment

Although the market for women's styling products has been shrinking, the market for non-bath hair treatments is growing in line with a rising emphasis in recent years on healthy, beautiful hair.

### Initiatives in Fiscal 2016

In fiscal 2016, we augmented our Lúcido-L Oil Treatment series, which has been popular since launch, with # EX Hair Oil Essence Charge, a deep-repair product. By bolstering the lineup, we enhanced the series' presence in the market.

In our Mandom body care series, we extended our lineup of products in the Dear Flora series, which is based on Mandom's unique "flower oil theory." We launched Flower Body Oil and Oil in Hand & Nail Cream, and continued to expand the number of moisturizing products, as in the previous year.



Lúcido-L EX Hair Oil Essence Charge

### Future Initiatives

We plan to substantially overhaul our Happy Deo series, which features Disney designs, and enhance summer seasonal products. We have revamped the designs on body wiping sheets, and recast the lineup by enabling selections based on the desired skin finish. These products now comprise three series, including Deodorant Roll-on with long-lasting deodorant effect, and Deodorant Mist, which is easy to apply when out and about and leaves the skin feeling fresh and sweet smelling.



Mandom Happy Deodorant Roll-on



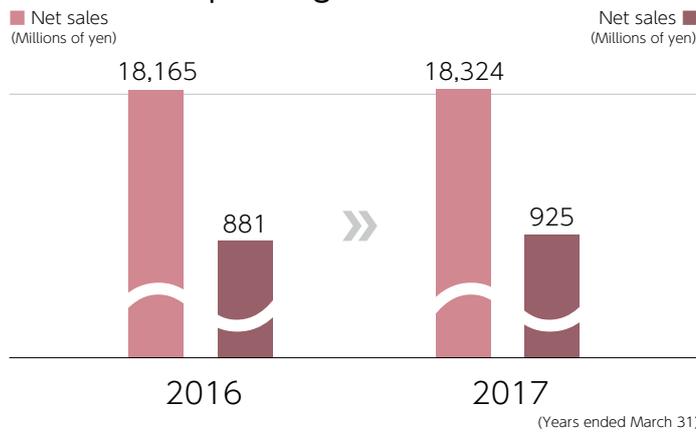
Mandom Happy Deo Deodorant Mist

© Disney

# INDONESIA

The largest business area and growth leader in the overseas group

## Net sales / Operating income



## Net sales by business



### Economic Climate

Consumption in Indonesia has shown temporary signs of decelerating over the past few years, but recently, modest economic growth has continued. Income levels are rising steadily, leading to a substantial increase in the middle-income bracket. Given also that Indonesia is the world's fourth most populous country and the percentage of working-age people is rising, we see Indonesia as a promising market with growing internal demand.

### Cosmetics Market Environment

In Indonesia's cosmetics market, consumers' purchasing behavior is changing as higher income levels expand the middle class. For products where consumer preferences are shifting from staple items to those that are more luxury-oriented, we expect the market to grow 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 major global companies with large advertising budgets that run

sales promotions and local firms competing with standard products.

### Mandom's Strengths in the Market

In an age when the concept of men's cosmetics had yet to be established in consumers' minds,



A modern trade store in Indonesia



we developed products that reflected the desires of local consumers and expanded the business while opening up and cultivating the men's cosmetics market by ourselves. We have built a broad distribution network that now supplies products everywhere to the more than 13,000 islands in the Indonesian archipelago, working in cooperation with local distributors. Mandom has a share of more than 80% in the men's hair styling market and is recognized as the country's unshakeable leader in 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 this market since the 1980s, particularly makeup and fragrances. Our sales in Indonesia are now roughly evenly split between men's and women's products.

## Performance for Fiscal 2016

In fiscal 2016, sales in Indonesia increased 0.9% year on year, to ¥18,324 million, despite the negative impact of yen exchange rates, thanks largely to favorable performance in men's cosmetics—notably from our core Gatsby brand. Owing to post-fire recovery and a reduced cost-of-sales ratio, operating income rose 5.1%, to ¥925 million.

## Men's Grooming Business

### Market Environment

Rising income levels plus growing consumer confidence and increasing fashion awareness continue to shore up performance in the men's cosmetics market. The hair styling market has grown steadily every year, and the face care and



Outdoor ad for Gatsby Styling Pomade

# INDONESIA



body care markets are also expected to enjoy sharp growth. This has created fierce competition among global companies.

## Initiatives in Fiscal 2016

Fiscal 2016 was characterized by a pomade boom in the hair styling category. We added the new Supreme Hold to our Gatsby Styling Pomade, which proved popular in the previous year, and mini-sized versions of each product. Sales of these products have risen substantially and they have become core products in the brand.

Gatsby Styling Wax also continued to perform favorably, and results in the styling category grew steadily.

In the body care category, Gatsby Urban Cologne continues to experience favorable sales.

## Future Initiatives

We continued to make aggressive marketing investments in the hair styling category centered on television commercials for Gatsby Styling Pomade, which is performing solidly.

In the body care category, to sustain the positive performance of Gatsby Urban Cologne we ran a television commercial in January, and we plan to enhance our efforts in this area.

## Women's Cosmetics Business

### Market Environment

Women's awareness of cosmetics is growing in tandem with rising income levels. Western cosmetics brands are increasing their sales through modern trade outlets, while rising Halal-certified brands are also selling well. Halal certification is 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 2016

In fiscal 2016, sales of Pixy struggled, due to competition from rival brands and as the brand lost its sense of "freshness." In response, we launched new products calculated to appeal to the youth market. In the base makeup category, we augmented our flagship Pixy Two Way Cake with Pixy Two Way Cake Cover Smooth. The product comes in a new, easy-to-use case, in line with our goal of attracting new customers through a new image. In the decorative category, which has strong ties to fashion, we launched



the new Lip Cream. Featuring highly fashionable designs and trendy colors that attract young customers, the product began delivering results soon after its introduction. We also invested in television commercials, with the aim of building a new Pixy brand image that will lift performance.

### Future Initiatives

We plan to reinvigorate the Pixy brand through stronger marketing, including TV commercials centered on Lip Cream, promotions and events. These efforts are intended to rejuvenate the brand's image and more firmly establish Pixy's position as a total cosmetics brand.

## Women's Cosmetics Business

### Market Environment

Reflecting Indonesia's strong preference for scents, fragrances are a favorite way to attract 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.



Pixy Lip Cream

### Initiatives in Fiscal 2016

In fiscal 2016, we boldly expanded the roll out of Pink Me, a new series under the Pucelle brand, whose target customers are those with a changing preference for light fragrances. We worked vigorously to support store sales, and Pink Me is currently performing well.

### Future Initiatives

For the Pucelle brand, we aim to redouble our efforts for Mist Cologne, a mainstay product. We are planning to support store sales through a sales promotion campaign. We also intend to add more new products from autumn under the Pucelle brand and strengthen store sales support, thereby improving our competitiveness.



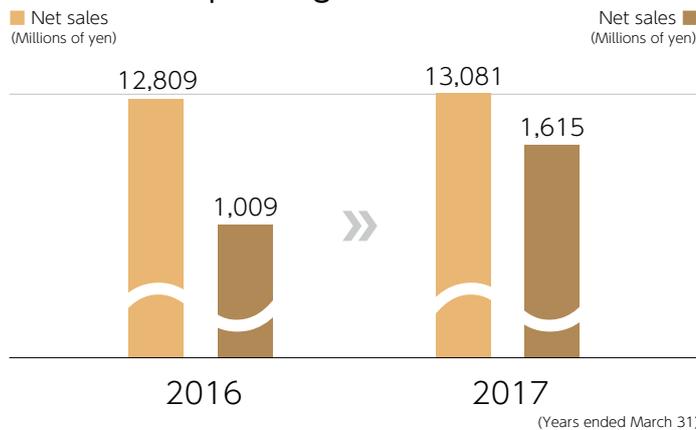
Pucelle lineup



# Other Overseas

An area with high growth potential for our overseas business

## Net sales / Operating income



## Net sales by business



## Economic Climate

Cosmetics markets are growing in tandem with economic growth in this area. Despite this general growth, the newly industrializing economies (NIES) 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.

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 growing domestic consumption are sustaining 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 2016

In fiscal 2016, although being affected by downward pressure due to the appreciation of the yen, the Other Overseas segment benefited from

favorable performance by the women's cosmetics brand Bifesta. Segment sales consequently rose 2.1% year on year, to ¥13,081 million.

Operating income surged 60.0%, to ¥1,615 million, owing to lower marketing expenditures.

## China

In recent years, China's economy has continued to grow steadily, though at a slower rate than before. At the beginning of 2016, the economy showed signs of decelerating, but an expansion in infrastructure investment and the introduction of a tax rebate on compact cars helped drive growth back in a positive direction, and personal consumption continued its robust growth.

The cosmetics market is expanding every year, thanks to the growth of incomes and heightened fashion awareness among women. Although the market has strong potential, competition has intensified following the entry of global brands from Europe, the United States and South Korea, as well as Japan.

In fiscal 2016, in the men's grooming business we focused on strengthening sprays and waxes in the hair styling category for our core Gatsby brand. Though hair spray remains the mainstream product, in recent years demand has risen among young



men—particularly university students—for more elaborate hair styles, so demand for hair wax is expected to grow. Mandom has been holding styling courses and other events on university campuses to raise awareness of hair wax and to create a market.

Another area experiencing rapid growth is Bifesta, in our women’s cosmetics line. Since launching this brand, we have focused consistently on sales promotions at stores. The resulting jump in popularity, as word spread from stores and on social networking sites, created a tailwind that contributed to robust sales. In China, our eye makeup remover is highly popular and contributing substantially to sales. We expect sales to grow further in the fiscal 2017, ending March 31, 2018 as more stores begin offering this product. Leading with e-commerce initiatives in China, we have developed a flagship site focusing on the Gatsby and Bifesta brands. Our e-commerce efforts should also contribute to performance increases.



A styling course held on a university campus in China

### Mainland Southeast Asia

GDP levels still 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 significantly as the cosmetics market grows.

In fiscal 2016, in the women’s cosmetics business Bifesta had a strong showing in Thailand. As cleansing products began to gain traction in the market, we proposed water cleansing, a move that enabled us to secure a foothold ahead of our competitors. In Vietnam, we established Mandom Vietnam Company Limited in January 2015, and the company began full-fledged sales activities in November of that year. We are currently creating a distribution network concentrating on Gatsby hair styling products. We are strengthening our market presence through television commercials and outdoor advertising such as an advertising-wrapped bus, an unusual sight in the Vietnamese market.

Mandom Corporation (Thailand) Ltd. supervises overseas 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.

In Cambodia, we are currently developing business in the face care, body care and hair styling categories. Our efforts include ongoing communications featuring our brand ambassador, the popular local vocalist Nico, and include television and SNS advertisements, as well as *GATSBY Magazine* —a marketing tool unique to Cambodia.

Our business partners use *GATSBY Magazine* as a product catalog. We also distribute the magazine for free to consumers at hair salons and sports clubs. *GATSBY Magazine* is proving to be a valuable communication tool; customers can use it as a hair catalog when getting their hair cut and it raises awareness and provides education on grooming habits for target customers, as well.



*GATSBY Magazine*, featuring brand ambassador Nico

# CSR

## The Mandom Group approach to CSR: Thinking and working to serve society and the environment

### Framework for a global society and Mandom Group CSR

At the Sustainable Development Summit held on September 25, 2015, sustainable development goals (SDGs) were adopted as shared targets to be achieved by 2030. New initiatives were launched across the whole of global society aimed at sustainable development.

In the Mandom Group, one of the themes of our declared initiatives from fiscal 2015 was similarly to strengthen our CSR promotion system. In April 2015, we

set up the CSR Promotion Division, a corporate department dedicated to this task.

In September 2015, we signed the UN Global Compact to express our support for its ten principles in four areas of activity, with the aim of allowing all Mandom Group employees to share in the values of global society as a step toward sustainable development, and create new opportunities to strengthen relations with a diverse and wide range of stakeholders.

Also in September 2015, the Mandom Group announced its participation in the UN Global Compact, through which it supports ten principles related to human rights, labor, the environment, and anti-corruption as principles to be respected by global enterprises.

#### The Ten Principles of the UN Global Compact

|                 |   |
|-----------------|---|
| Human Rights    | <b>Principle 1</b> ▶ Businesses should support and respect the protection of internationally proclaimed human rights; and                     |
|                 | <b>Principle 2</b> ▶ make sure that they are not complicit in human rights abuses.  |
| Labour          | <b>Principle 3</b> ▶ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; |
|                 | <b>Principle 4</b> ▶ the elimination of all forms of forced and compulsory labour;  |
|                 | <b>Principle 5</b> ▶ the effective abolition of child labour; and   |
| Environment     | <b>Principle 6</b> ▶ the elimination of discrimination in respect of employment and occupation.   |
|                 | <b>Principle 7</b> ▶ Businesses should support a precautionary approach to environmental challenges;  |
|                 | <b>Principle 8</b> ▶ undertake initiatives to promote greater environmental responsibility; and   |
| Anti-Corruption | <b>Principle 9</b> ▶ encourage the development and diffusion of environmentally friendly technologies.  |
|                 | <b>Principle 10</b> ▶ Businesses should work against corruption in all its forms, including extortion and bribery.                            |



### The Sustainable Development Goals: 17 Goals to Transform Our World

#### SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



## Mandom Group CSR Promotion System

With the aim of strengthening our CSR promotion system, we set up the CSR Promotion Committee chaired by the President Executive Officer. The committee ensures a consistent approach to CSR promotion across the Mandom Group. It reinforces CSR activities, and monitors the progress of CSR material issues, liaising with relevant departments through five related committees and councils as well as other bodies.



## Our Approach to CSR and CSR guidelines

In developing our approach to CSR, we referred to the Mandom Group's corporate philosophy 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.

## The Future We Want



Reference:  
 UNGC: United Nations Global Compact <https://www.unglobalcompact.org/>  
 SDGs: Sustainable Development Goals <https://www.unglobalcompact.org/sdgs>

# Organizational Governance

## Corporate Governance

Our Group's mission is co-existence, mutual growth and mutual creation with society 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 and sound 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 24-31](#)

## Compliance

Rather than relying on external standards and adopting a passive compliance stance that centers on just adhering to regulations required by laws, the Mandom Group sets voluntary standards that exceed legal requirements, taking an independent and proactive stance toward protecting consumer safety and benefits.



The Mandom Group's Code of Conduct (Japanese only)

With regard to 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.

### Key themes

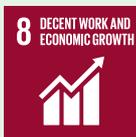
**Material issue No.01 Building a risk management system and continuous improvement**

**Material issue No.02 Promoting corporate philosophy/culture and compliance**

### Course of action for CSR material issue

- Through a Risk Management Committee, provide guidance and supervision regarding continuous improvements in business continuity management and planning (BCM/BCP) and efforts to build the risk management system for the group as a whole.
- Build the corporate philosophy for the Mandom Group from a global perspective and provide education to promote a complete understanding aimed at thorough implementation.

### Related SDG themes



### Main specific activities in FY2016

#### Building a risk management system and continuous improvement

- At overseas group companies, developed disaster mitigation manuals and emergency contact networks, and carried out disaster drills.
- Redeveloped rules and manual for the management of confidential information.
- April: Conducted training on operation of an emergency/crisis task force for 17 employees, including top management staff.
- August: Conducted training on emergency press conferences for 10 employees, including top management staff.
- October and November: Provided education on confidential information management to all domestic employees and 22 top management staff from all overseas group companies.

#### Promoting corporate philosophy/culture and compliance

- Reviewed a plan for rebuilding the group's corporate philosophy system in projects.
- Formulated an action plan to provide education to promote complete understanding of the corporate philosophy.

# Human Rights

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

|  |  |
|--|--|
| <b>Key themes</b>                              | <span style="background-color: #4CAF50; color: white; padding: 2px;">Material issue</span> <span style="background-color: #4CAF50; color: white; padding: 2px;">No.03</span>   |
| <b>Course of action for CSR material issue</b> | <p><b>Continuous investment in education on human rights</b></p> <ul style="list-style-type: none"> <li>● Conduct in-house human rights education aimed at training employees to act in a way befitting a corporation engaged in global business and designed to build an inclusive society.</li> </ul>  |
| <b>Related SDG themes</b>                      | <div style="display: flex; justify-content: space-around;"> <div style="background-color: #FF9800; color: white; padding: 5px; text-align: center;"> <b>5</b><br/>GENDER<br/>EQUALITY<br/></div> <div style="background-color: #9C27B0; color: white; padding: 5px; text-align: center;"> <b>8</b><br/>DECENT WORK AND<br/>ECONOMIC GROWTH<br/></div> <div style="background-color: #E91E63; color: white; padding: 5px; text-align: center;"> <b>10</b><br/>REDUCED<br/>INEQUALITIES<br/></div> <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center;"> <b>16</b><br/>PEACE, JUSTICE<br/>AND STRONG<br/>INSTITUTIONS<br/></div> </div> |
| <b>Main specific activities in FY2016</b>      | <ul style="list-style-type: none"> <li>● Began considering the review of provisions of "Respect for Human Rights and Ban on Discriminatory Practices" in the Mandom Group Code of Conduct.</li> <li>● With the cooperation of groups outside the company, carried out LGBT manners education for relevant divisions (20 participants).</li> <li>● Started CSR Material Issue No. 10: Building and implementing CSR procurement system, which incorporates human rights due diligence.</li> </ul>   |

## LGBT Manners Education

We continue to provide human rights education to employees with the aim of fostering human resources suited to a company engaged in global business and helping to build an inclusive society.

In particular, respect for human rights and understanding of diversity—as expressed in our company name, which blends the words human and freedom—are indispensable values for the Mandom Group, which is engaged in business in many countries and regions in the world.



# 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.

|  |   |
|--|---|
| <b>Key themes</b>                              | <span style="background-color: #4CAF50; color: white; padding: 2px;">Material issue</span> <span style="background-color: #4CAF50; color: white; padding: 2px;">No.04</span> <b>Improving health and safety in the workplace</b><br><span style="background-color: #4CAF50; color: white; padding: 2px;">Material issue</span> <span style="background-color: #4CAF50; color: white; padding: 2px;">No.05</span> <b>Achieving employee satisfaction (ES) and diversity</b>  |
| <b>Course of action for CSR material issue</b> | <ul style="list-style-type: none"> <li>● Urgent issue: Elucidate the cause of the fire at the plant in Indonesia, prevent any recurrence, and provide relief to the victims and bereaved families.</li> <li>● Build and continuously improve a labor system with the aim of achieving Decent Work practices and ideal work-life balance, securing diverse human resources, and providing fair and impartial evaluations.</li> </ul>   |
| <b>Related SDG themes</b>                      | <div style="display: flex; justify-content: space-around;"> <div style="background-color: #4CAF50; color: white; padding: 5px; text-align: center;"> <b>3</b><br/>GOOD HEALTH<br/>AND WELL-BEING<br/></div> <div style="background-color: #FF9800; color: white; padding: 5px; text-align: center;"> <b>5</b><br/>GENDER<br/>EQUALITY<br/></div> <div style="background-color: #9C27B0; color: white; padding: 5px; text-align: center;"> <b>8</b><br/>DECENT WORK AND<br/>ECONOMIC GROWTH<br/></div> <div style="background-color: #E91E63; color: white; padding: 5px; text-align: center;"> <b>10</b><br/>REDUCED<br/>INEQUALITIES<br/></div> </div>   |
| <b>Main specific activities in FY2016</b>      | <p><b>Improving health and safety in the workplace</b></p> <ul style="list-style-type: none"> <li>● Disclosed information in May 2016 regarding the factory fire in Indonesia by issuing the final report of the Accident Investigation Committee made up of third-parties.</li> <li>● Taking a lesson from the accident in Indonesia, July 10 was declared to be Safety and Reliability Day, an opportunity to think about workplace health and safety.</li> <li>● Efforts by the Occupational Health and Safety Committee were expanded in scope, and the committee decided on the action policy in September.</li> </ul> <p><b>Achieving employee satisfaction (ES) and diversity</b></p> <ul style="list-style-type: none"> <li>● Analyzed the current situation, identified issues, and formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, which came into effect in April 2016.</li> <li>● Disclosed information on the action plan and our achievements on a website operated by the Ministry of Health, Labour and Welfare.</li> <li>● Started diversity education for managers.</li> <li>● Carried out universal manners training.</li> <li>● Bolstered and reviewed the system to support balancing of work and in-home care. Started activities to inform employees using in-house newsletter.</li> <li>● Reviewed diversity strategy with an eye toward the 100th anniversary of our founding.</li> </ul> |

# 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, after-use disposal and recycling.

## Key themes

- Material issue No.06 Environmental considerations in products and services
- Material issue No.07 Promoting Measures Toward a Carbon-Free Society
- Material issue No.08 Protecting biodiversity
- Material issue No.09 Promoting a recycling-oriented society

## Course of action for CSR material issue

- Continuously improve the eco-friendliness of commodities by building a management system for evaluating environmentally friendly processes and their results in products and services.
- Promoting measures to create a carbon-free society based on the Paris Agreement, and efforts to reduce greenhouse gas emissions at all facilities.
- Grasp the impact on biodiversity of each product throughout its life cycle and carry out measures to protect biodiversity.
- Achieve and maintain zero emissions by fully recycling industrial waste.

## Related SDG themes



### 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 them with a formulation that does not cause such concerns.

On August 29, 2016, we re-launched two facial cleansing products using environment friendly biodegradable facial scrub:

- Gatsby Facial Wash Perfect Scrub (130 g)
- Gatsby Facial Wash Micro Rich Scrub (130 g)

## Main specific activities in FY2016

### Environmental considerations in products and services

- Decided in June 2016 to switch to alternate raw material for plastic microbeads in facial cleansers.
- Began review of in-house criteria for environmentally-friendly products (3R/4R\*).

\*3R:Reduce, Reuse, Recycle / 4R:Reduce, Reuse, Recycle, Renewable (Use of renewable resources)

### Promoting Measures Toward a Carbon-Free Society

- Continued compliance with Japanese domestic Act on the Rational Use of Energy (reduction every year in energy consumption intensity of at least 1% year-on-year).
- Switched to energy-saving equipment such as LED lighting and upgraded transformers, and repaired existing energy-saving equipment for better efficiency.
- Held in-house seminar and dialogue regarding the Paris Agreement (April 27, 2017).

### Protecting biodiversity

- Formulated Biodiversity Conservation Policy, which was added to the Environmental Policies in April 2016.
- Started considering procurement of biodiversity-friendly, sustainable raw materials.

### Promoting a recycling-oriented society

- At the Fukusaki Factory  
Efforts were made to improve the recycling rate by re-investigating the contents of waste for final disposal.

### Corporate response toward the realization of the Paris Agreement and a Carbon-Free Society

On April 27, 2017, with the cooperation of Ms. Miki Baba, Deputy Editor of *Nikkei Ecology*, Nikkei Business Publications, Inc., we organized a lecture on the subject: "How have global corporations responded in the wake of the Paris Agreement?" and held a dialogue and exchange of opinions among selected employees and members of the subcommittee of the Environment Promotion Committee.



Long-term goals

- Reduce total CO<sub>2</sub> emissions for domestic business by 6.5% of more relative to FY2013 levels by 2027. (Goal setting for overseas sites is under review.)
- Achieve the following by 2027:  
Switch all palm oil used in our raw materials to certified palm oil.
- Achieve the following by 2027:  
Use certified paper for all paper containers and packaging.
- Continuously achieve zero emissions.

## 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 sound business activities.

Key themes

Material issue No.10 Building and implementing CSR procurement system

### Supplier CSR Guidelines Drafted

Mandom believes that its suppliers are partners that can assist with sustainable development. In August 2016, Mandom gathered the opinions of its suppliers through issuing the Supplier CSR Guidelines formulated at the CSR Procurement Subcommittee.

Our hope going forward is that not only our primary suppliers but also other upstream suppliers comply by these guidelines, with the goal of extending compliance throughout the entire supply chain.

Course of action for CSR material issue

- Draft Supplier CSR Guidelines and gain the cooperation of suppliers to build and operate a CSR procurement system (Based on the specific topics within three core subjects— human rights, labor practices and the environment).

Related SDG themes



Main specific activities in FY2016

- In September 2016, we requested cooperation from key primary suppliers in Japan (78 companies) to abide by Supplier CSR Guidelines, and conducted a questionnaire survey.  
Applicability: Primary domestic suppliers that produce raw materials and container/packaging materials, as well as those involved in contract production (78 companies).

# Consumer Issues

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

**Key themes**

- Material issue No.11 Taking responsibility for quality and the health and safety of consumers**
- Material issue No.12 Creating new shared values with consumers**

### 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. As the quality philosophy and practices have been adopted 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.

**Course of action for CSR material issue**

- Effective administration and continuous improvement of a quality management system in every phase of our business activities—planning, design and development, procurement, production, shipping and sales.
- Build a system of communication that enables the use of feedback from a wide range of consumers; build a product planning system that takes into consideration user-friendliness and safety.

**Related SDG themes**



### Taking responsibility for quality and the health and safety of consumers

- Provided quality assurance education for product planning division.
- Lead internal quality auditor developed using qualifying examinations provided by an outside organization.
- On web pages for all hair dye products, posted information to prevent skin disorders due to hair dyeing or serious worsening of symptoms, as well as precautions for use, based on notification from the Consumer Affairs Agency and the Ministry of Health, Labor and Welfare.

### Creating new shared values with consumers

- Made the following improvements based on feedback from customers.
  - (1) Changed back side labeling of Gatsby Styling Foam to make it easier to read.
  - (2) For safety reasons, changed the shape of the promotional sticker of Lúcido-L Oil Hair Treatment.
  - (3) Changed specifications of product boxes to prevent tampering with hair color products.
- Assisted with odor care tests and odor care seminars.

**Main specific activities in FY2016**



# Community Involvement and Development

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

- Key themes**
- Material issue No.13 Detecting and contributing to new social paradigms
  - Material issue No.14 Co-creating value with society

- Course of action for CSR material issue**
- Look into actions that can promote thorough in-company understanding of and ability to contribute to international frameworks such as the UN Global Compact's 10 Principles and the Sustainable Development Goals (SDGs).
  - Build co-creative relationships with research organizations, NGOs, NPOs and others to achieve sustainable social development and begin taking measures (research into alternative methods to replace animal experiments; joint research with the Graduate School of Pharmaceutical Sciences, Osaka University).

**Related SDG themes**

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE  


**17** PARTNERSHIPS FOR THE GOALS  


- Main specific activities in FY2016**
- Detecting and contributing to new social paradigms**
    - In September 2015, signed UN Global Compact, and in September 2016, submitted Mandom's first COP (Communication on Progress) to UNGC Headquarters.
    - Invited experts for seminars and dialogues.
    - Continued to promote thorough understanding of basic knowledge about CSR and sustainability using in-house newsletter.
  - Co-creating value with society**
    - Continued efforts in the Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University.
    - Continued Mandom International Research Grants on Alternatives to Animal Experiments.

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

In June 2015, Osaka University and Mandom jointly established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University. The laboratory employs cutting-edge technologies from fields that have seen remarkable growth in recent years, such as regenerative medicine, and applies them to research the development of next-generation functional cosmetics and quasi-drugs.

At the same time, as one of our efforts to broaden our global network of technology in Asia, Mandom is actively helping to invite young lecturers from universities in Asia to the Graduate School of Pharmaceutical Sciences of Osaka University.



# 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 strong corporate earnings and improvements in the employment situation, balanced however by concerns about growing uncertainty in the global economy. 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 3.0%, to ¥77,351 million. Consolidated net income attributable to owners of the parent decreased 12.8%, to ¥5,566 million. (Hereinafter, all figures are stated in Japanese yen, consolidated as of March 31, 2017, and all percentage changes are relative to the previous consolidated fiscal year.)

### 2. Net Sales and Cost of Sales

Net sales totaled ¥77,351 million, up ¥2,272 million (3.0%). This marks the seventh consecutive year of record sales. The increase was mainly attributable to steady sales of the Gatsby brand in the men's grooming business and strong sales of the Bifesta brand in the women's cosmetics business.

The cost of sales was ¥35,164 million, up ¥958 million (2.8%) year on year, due mainly to a lower cost of sales ratio in Japan and a resurgence in performance at our Indonesian subsidiary. As a result, gross profit rose ¥1,314 million (3.2%), to ¥42,187 million.

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

SG&A expenses amounted to ¥34,569 million, up ¥291 million (0.8%). Although selling expenses fell overseas, the increase in SG&A was driven principally by aggressive investments in marketing (sales promotion and advertising) in Japan. As a result, operating income rose to ¥7,618 million, up ¥1,023 million (15.5%).

### 4. Non-Operating Profit (Expenses), Extraordinary Profit (Losses), Ordinary Income and Income before Income Taxes

Non-operating income has been decreasing since the previous term, while non-operating expenses have been rising. As a result, net non-operating profit was down ¥255 million from the previous term. In extraordinary items, extraordinary income decreased by ¥3,089 million because of factors such as the disappearance in the period under review of a gain on the disposal of property, plant and equipment at our Indonesian subsidiary in the previous term.

As a result, ordinary income totaled ¥8,183 million, up ¥768 million (10.4%). Income before income taxes decreased ¥2,321 million (21.7%) to ¥8,378 million.

### 5. Income Taxes, Net Income Attributable to Noncontrolling Interests and Net Income Attributable to Owners of the Parent

Income taxes totaled ¥2,233 million, down ¥148 million (6.2%), principally due to a decrease in corporate tax payable by the parent company. Net income attributable to noncontrolling interests declined to ¥579 million, down ¥1,356 million from the previous term, due mainly to the decrease in net income of the Group's Indonesian subsidiary.

As a result, net income attributable to owners of the parent amounted to ¥5,566 million, down ¥816 million (12.8%).

## Important Factors Influencing Consolidated Operating Results

### 1. Factors Influencing Profitability

The Group operates in a highly competitive business environment. Particularly in Japan, where merchandizing position in the market is critical, we may strategically revise prices and implement sales promotions. These strategies exert downward pressure on selling prices and can cause selling expenses to rise, eroding profitability. 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 risks 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 innovate 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 2015<br>(April 1, 2015-<br>March 31, 2016) |              | Fiscal 2016<br>(April 1, 2016-<br>March 31, 2017) |              |
|------------------------|---|--------------|---|--------------|
|                        | Amount<br>(millions of yen)                       | Ratio<br>(%) | Amount<br>(millions of yen)                       | Ratio<br>(%) |
| Paltac Corporation     | 22,473  | 29.9         | 24,573  | 31.8         |
| PT Asia Paramita Indah | 15,396  | 20.5         | 15,542  | 20.1         |

As shown in the chart above, during the fiscal years ended March 31, 2016 and 2017, respectively, 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 (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 42.3% and 41.7% of consolidated net sales in the fiscal years ended March 31, 2016 and 2017, respectively, and the volume 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.

## Analysis of Financial Position and Cash Flows

### 1. Assets, Liabilities and Total Equity

Total assets were ¥83,836 million as of March 31, 2017, up ¥4,013 million from a year earlier, due to increases in investment securities and in merchandise and finished goods. Total liabilities were ¥14,245 million, up ¥279 million from the end of the previous fiscal year, due mainly to an increase in liability for retirement benefits. Thanks to increased retained earnings, among other factors, total equity amounted to ¥69,591 million, up ¥3,734 million, and the shareholders' equity ratio was 75.4%.

### 2. Status of Cash Flows

Cash and cash equivalents as of March 31, 2017, came to ¥12,880 million, up ¥679 million from the end of the previous fiscal year. This was due to a decrease in accounts receivable and repayment of short-term bank loans despite a 21.7% drop in income before income taxes to ¥8,378 million.

Factors influencing cash flows during the term are as follows.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥9,045 million, up 25.1%. Contributing factors include ¥8,378 million in income before income taxes and ¥3,166 million in depreciation and amortization, while income taxes paid were ¥2,312 million.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities was ¥5,921 million, up 148.5%. Uses of cash included ¥19,699 million for the acquisition of short-term investment securities and ¥3,302 million for the acquisition of property, plant and equipment. The main source of cash was ¥17,700 million generated from sales and the redemption of short-term investment securities.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities was ¥2,216 million, down 37.3%, due mainly to dividends paid of ¥2,200 million.

## Management Policy

### 1. Management Policy and Operating Environment

Looking forward, we expect the economic environment in Japan to be characterized by an ongoing, modest recovery, driven by certain domestic improvements, though with some delays. Overseas, however, the sense of uncertainty is growing, due to the normalization of US financial policies and concerns over an economic downturn in China and emerging markets in Asia.

Operating in this uncertain environment, which makes forecasting problematic, we have formulated VISION 2027 to express how we would like the Group to look in 2027, our 100th anniversary, taking relatively certain population trends into account. We have adopted an approach using backcasting\* that is not swayed by past achievements. In this way, we aim to be a cosmetics company that is peerless in its strengths, rather than an integrated provider of cosmetics.

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

### 2. Management Strategy and the Targets of Management Indicators

We are positioning the first three years of VISION 2027, the fiscal years ending March 31, 2018 to 2020, as the time for putting in place corporate foundations under a middle-range planning. We have formulated the following basic management policies and basic management targets, which we aim to achieve through this planning.

#### (Basic Management Policies)

1. Promote category-based strategies and thoroughly enhance brand value
2. Enhance growth in overseas business, particularly in Indonesia
3. Create a Group operating structure and boost productivity per unit

#### (Basic Management Targets)

- Consolidated net sales of ¥90 billion
- Consolidated operating margin of 10%
- Consolidated payout ratio of 40% or higher

Note: Excluding extraordinary factors

### 3. 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.

### 4. 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, 2017 was 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 dividends per year, a mid-term and a year-end dividend.

The entity for approving the distribution of these funds is the Board of Directors for mid-term dividends, and the General Meeting of Shareholders for year-end dividends.

Total dividends for the term under review were set at ¥96 per share. As a result, the dividend payout ratio amounted to 40.3% 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.

## Challenges to Be Addressed

### 1. Maintaining or Growing the Men's Business and Reinforcing the Women's Business

To achieve sustainable business growth, we believe it is necessary to maintain or expand the men's business, the core of our operations, accounting for 60% of net sales and the foundation that support profits. We also consider it important to strengthen business development in the women's business, which is expected to grow further. To achieve these goals, we will employ stronger initiatives that sustain our cultivation of existing brands and categories. At the same time, we will concentrate on business domains in new categories.

### 2. Developing Stronger Global-Minded Human Resources

The Mandom Group aims to continue growing as a global company with Asia as its focus. We recognize the need to develop globally-minded employees who will serve as the foundation for supporting this business. To this end, we will make a thorough effort to educate our employees about our ideals and bolster their communication skills. We will also step up the development of personnel who can provide the foundation to support us as a global company through initiatives that promote an understanding and deepening of cultures, business practices and values of the countries where we operate.

### 3. Strengthening Programs that Improve Stability

Believing that stability is an absolute requirement in the manufacturing sector, the Mandom Group considers the pursuit of productivity and economy as a constant endeavor. To augment the stability that underpins this pursuit, we will strive to continually improve activities at each of the Group's manufacturing sites.

### 4. Bolstering Corporate Social Responsibility Activities

Among our missions is "co-existence, mutual growth and mutual creation with society." Consequently, we undertake CSR initiatives that provide ongoing quality guarantees and continuing support for the environment. We are also putting in place structures that promote social contribution activities throughout the entire Group.

## Consolidated Financial Statements

### Consolidated Balance Sheet

MANDOM CORPORATION and its Consolidated Subsidiaries  
As of March 31, 2017

Millions of yen

|   | 2017            | 2016            |
|---|-----------------|-----------------|
| <b>Assets</b>   |                 |                 |
| <b>CURRENT ASSETS:</b>  |                 |                 |
| Cash and cash equivalents (Note 13)                             | ¥ 12,880        | ¥ 12,200        |
| Short-term investments (Notes 3 and 13)                         | 19,030          | 17,029          |
| Receivables (Note 13):  |                 |                 |
| Trade notes and accounts  | 9,498           | 10,135          |
| Unconsolidated subsidiary and associated company                | 91              | 268             |
| Other   | 248             | 596             |
| Allowance for doubtful accounts                                 | (17)            | (17)            |
| Inventories (Note 4)  | 10,499          | 9,415           |
| Deferred tax assets (Note 9)                                    | 836             | 856             |
| Prepaid expenses and other current assets                       | 1,066           | 975             |
| <b>Total current assets</b>                                     | <b>54,131</b>   | <b>51,457</b>   |
| <b>PROPERTY, PLANT, AND EQUIPMENT:</b>                          |                 |                 |
| Land  | 511             | 511             |
| Buildings and structures  | 24,145          | 23,540          |
| Machinery and equipment   | 18,325          | 16,951          |
| Furniture and fixtures  | 5,794           | 5,479           |
| Lease assets (Note 12)  | 51              | 64              |
| Construction in progress  | 532             | 287             |
| <b>Total</b>  | <b>49,358</b>   | <b>46,832</b>   |
| Accumulated depreciation  | (30,686)        | (28,507)        |
| <b>Net property, plant and equipment</b>                        | <b>18,672</b>   | <b>18,325</b>   |
| <b>INVESTMENTS AND OTHER ASSETS:</b>                            |                 |                 |
| Investment securities (Notes 3 and 13)                          | 7,533           | 6,942           |
| Investments in unconsolidated subsidiary and associated company | 620             | 529             |
| Deferred tax assets (Note 9)                                    | 267             | 262             |
| Other assets  | 2,613           | 2,307           |
| <b>Total investments and other assets</b>                       | <b>11,033</b>   | <b>10,040</b>   |
| <b>TOTAL</b>  | <b>¥ 83,836</b> | <b>¥ 79,822</b> |

See notes to consolidated financial statements.

|  | Millions of yen |                 |
|--|-----------------|-----------------|
|  | 2017            | 2016            |
| <b>LIABILITIES AND EQUITY</b>  |                 |                 |
| <b>CURRENT LIABILITIES:</b>  |                 |                 |
| Short-term bank loans (Notes 5 and 13)   | ¥ 283           | ¥ 308           |
| Payables (Note 13):  |                 |                 |
| Trade notes and accounts   | 5,874           | 6,173           |
| Unconsolidated subsidiary and associated company   | 11              | 12              |
| Other  | 243             | 56              |
| Accrued income taxes (Note 13)   | 1,076           | 1,134           |
| Accrued expenses   | 2,143           | 2,115           |
| Other current liabilities  | 547             | 566             |
| Total current liabilities  | 10,177          | 10,364          |
| <b>LONG-TERM LIABILITIES:</b>  |                 |                 |
| Liability for retirement benefits (Note 6)   | 1,938           | 1,710           |
| Deferred tax liabilities (Note 9)  | 1,116           | 909             |
| Other long-term liabilities  | 1,014           | 982             |
| Total long-term liabilities  | 4,068           | 3,601           |
| <b>COMMITMENTS (Note 12)</b>   |                 |                 |
| <b>EQUITY (Notes 7 and 15):</b>  |                 |                 |
| Common stock   |                 |                 |
| authorized, 81,969,700 shares;   |                 |                 |
| issued, 24,134,606 shares in 2017 and 2016   | 11,395          | 11,395          |
| Capital surplus  | 11,235          | 11,235          |
| Retained earnings  | 44,264          | 40,638          |
| Treasury stock - at cost, 757,361 shares and 756,548 shares in 2017 and 2016, respectively | (1,863)         | (1,859)         |
| Accumulated other comprehensive income (loss):   |                 |                 |
| Unrealized gain on available-for-sale securities   | 2,799           | 2,382           |
| Foreign currency translation adjustments   | (4,353)         | (3,878)         |
| Defined retirement benefit plans   | (224)           | (205)           |
| Total  | 63,253          | 59,708          |
| Noncontrolling interests   | 6,338           | 6,149           |
| Total equity   | 69,591          | 65,857          |
| <b>TOTAL</b>   | <b>¥ 83,836</b> | <b>¥ 79,822</b> |

## Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2017

|   | Millions of yen |          |
|---|-----------------|----------|
|   | 2017            | 2016     |
| <b>NET SALES</b>  | ¥ 77,351        | ¥ 75,079 |
| <b>COST OF SALES</b>  | 35,164          | 34,207   |
| Gross profit  | 42,187          | 40,872   |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 10, 11 and 12) | 34,569          | 34,278   |
| Operating income  | 7,618           | 6,594    |
| <b>OTHER INCOME (EXPENSES):</b>   |                 |          |
| Interest and dividend income  | 332             | 310      |
| Foreign exchange (loss) gain  | (52)            | 33       |
| Gain on sales of investment securities                                    |                 | 34       |
| Loss on disposal of property, plant, and equipment                        | (31)            | (61)     |
| Loss on fire (Note 8)   |                 | (1,024)  |
| Gain on sales of property, plant, and equipment                           | 5               | 4,034    |
| Claim of insurance  | 220             | 482      |
| Compensation expenses   | (130)           | (1)      |
| Equity in earnings of associated company                                  | 235             | 274      |
| Other—net   | 181             | 23       |
| Other income (expenses) - net   | 760             | 4,104    |
| <b>INCOME BEFORE INCOME TAXES</b>   | 8,378           | 10,698   |
| <b>INCOME TAXES</b> (Note 9):   |                 |          |
| Current   | 2,163           | 2,339    |
| Deferred  | 70              | 42       |
| Total income taxes  | 2,233           | 2,381    |
| <b>NET INCOME</b>   | 6,145           | 8,317    |
| <b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>                | 579             | 1,934    |
| <b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                    | ¥ 5,566         | ¥ 6,383  |

|  | Yen      |          |
|--|----------|----------|
|  | 2017     | 2016     |
| <b>PER SHARE OF COMMON STOCK</b> (Note 2.m): |          |          |
| Basic net income                             | ¥ 238.10 | ¥ 273.04 |
| Cash dividends applicable to the year        | 83.00    | 80.00    |

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, 2017

|   | Millions of yen |         |
|---|-----------------|---------|
|   | 2017            | 2016    |
| <b>NET INCOME</b>                                   | ¥ 6,145         | ¥ 8,317 |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Note 14): |                 |         |
| Unrealized gain on available-for-sale securities    | 417             | 795     |
| Foreign currency translation adjustments            | (567)           | (1,940) |
| Defined retirement benefit plans                    | (43)            | (148)   |
| Share of other comprehensive loss in associates     | (12)            | (13)    |
| Total other comprehensive income (loss)             | (205)           | (1,306) |
| <b>COMPREHENSIVE INCOME</b>                         | ¥ 5,940         | ¥ 7,011 |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>  |                 |         |
| Owners of the parent                                | ¥ 5,490         | ¥ 5,584 |
| Noncontrolling interests                            | 450             | 1,427   |

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2017

|   | Thousands                                    | Millions of yen |                 |                   |                |
|---|--|-----------------|-----------------|-------------------|----------------|
|   | Outstanding Number of Shares of Common Stock | Common Stock    | Capital Surplus | Retained Earnings | Treasury Stock |
| <b>BALANCE, APRIL 1, 2015</b>   | 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  |  |                 |                 |                   |                |
| <b>BALANCE, APRIL 1, 2016</b>   | 23,378                                       | 11,395          | 11,235          | 40,638            | (1,859)        |
| Net income attributable to owners of the parent   |  |                 |                 | 5,566             |                |
| Cash dividends, ¥83 per share   |  |                 |                 | (1,940)           |                |
| Purchase of treasury stock  | (1)  |                 |                 |                   | (4)            |
| Disposal of treasury stock  | 0  |                 | 0               |                   | 0              |
| Change in the parent's ownership interest due to transactions with noncontrolling interests |  |                 | 0               |                   |                |
| Net change in the year  |  |                 |                 |                   |                |
| <b>BALANCE, MARCH 31, 2017</b>  | 23,377                                       | ¥ 11,395        | ¥ 11,235        | ¥ 44,264          | ¥ (1,863)      |

See notes to consolidated financial statements.

|   | Millions of yen                                  |  |                                  |          |                          |              |
|---|--|--|----------------------------------|----------|--------------------------|--------------|
|   | Accumulated Other Comprehensive Income (Loss)    |  |                                  | Total    | Noncontrolling interests | Total Equity |
|   | Unrealized Gain on Available-for-Sale Securities | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans |          |                          |              |
| <b>BALANCE, APRIL 1, 2015</b>   | ¥ 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)    | 1,144                    | 345          |
| <b>BALANCE, APRIL 1, 2016</b>   | 2,382  | (3,878)                                  | (205)                            | 59,708   | 6,149                    | 65,857       |
| Net income attributable to owners of the parent   |  |  |                                  | 5,566    |                          | 5,566        |
| Cash dividends, ¥83 per share   |  |  |                                  | (1,940)  |                          | (1,940)      |
| Purchase of treasury stock  |  |  |                                  | (4)      |                          | (4)          |
| Disposal of treasury stock  |  |  |                                  | 0        |                          | 0            |
| Change in the parent's ownership interest due to transactions with noncontrolling interests |  |  |                                  | 0        |                          | 0            |
| Net change in the year  | 417  | (475)                                    | (19)                             | (77)     | 189                      | 122          |
| <b>BALANCE, MARCH 31, 2017</b>  | ¥ 2,799  | ¥ (4,353)                                | ¥ (224)                          | ¥ 63,253 | ¥ 6,338                  | ¥ 69,591     |

See notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries  
For the Year Ended March 31, 2017

Millions of yen

|  | 2017     | 2016     |
|--|----------|----------|
| <b>OPERATING ACTIVITIES:</b>   |          |          |
| Income before income taxes   | ¥ 8,378  | ¥ 10,698 |
| Adjustments for:   |          |          |
| Income taxes paid  | (2,312)  | (2,249)  |
| Payments for loss on fire  |          | (400)    |
| Depreciation and amortization  | 3,166    | 2,919    |
| Loss on fire (Note 8)  |          | 1,024    |
| Loss on disposal of property, plant, and equipment                                     | 31       | 59       |
| Gain on sales of investment securities   |          | (34)     |
| Gain on sales of property, plant, and equipment  | (5)      | (4,034)  |
| Claim of insurance   | (220)    | (482)    |
| Insurance received   | 488      |          |
| Changes in assets and liabilities:   |          |          |
| Decrease (increase) in receivables   | 443      | (1,048)  |
| Increase in inventories  | (1,245)  | (101)    |
| Increase (decrease) in payables  | (260)    | 1,175    |
| Increase in liability for retirement benefits  | 232      | 122      |
| Other—net  | 349      | (416)    |
| Total adjustments  | 667      | (3,465)  |
| Net cash provided by operating activities  | 9,045    | 7,233    |
| <b>INVESTING ACTIVITIES:</b>   |          |          |
| Transfers to time deposits other than cash equivalents                                 | (2,638)  | (5,067)  |
| Proceeds from maturity of time deposits other than cash equivalents                    | 2,514    | 3,686    |
| Proceeds from sales of land right  |          | 2,523    |
| Proceeds from sales of property, plant, and equipment                                  | 16       | 824      |
| Acquisition of property, plant, and equipment  | (3,302)  | (3,500)  |
| Proceeds from sales and redemptions of investment securities                           | 7        | 64       |
| Payments for purchases of investment securities  | (8)      | (8)      |
| Proceeds from sales and redemptions of short-term investment securities                | 17,700   | 31,600   |
| Payments for purchases of short-term investment securities                             | (19,699) | (31,993) |
| Other—net  | (511)    | (512)    |
| Net cash used in investing activities  | (5,921)  | (2,383)  |
| <b>FINANCING ACTIVITIES:</b>   |          |          |
| Proceeds from short-term bank loans  |          | 319      |
| Repayments of short-term bank loans  |          | (1,707)  |
| Dividends paid   | (2,200)  | (2,131)  |
| Other—net  | (16)     | (16)     |
| Net cash used in financing activities  | (2,216)  | (3,535)  |
| <b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b> | (228)    | (380)    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                       | 680      | 935      |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                    | 12,200   | 11,265   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | ¥ 12,880 | ¥ 12,200 |

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, 2017

### 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 2016 consolidated financial statements to conform to the classifications used in 2017.

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, 2017, include the accounts of the Company and its 12 (12 in 2016) 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 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 or net selling value, cost being determined primarily by the weighted average method.

**e. Property, Plant, and Equipment** — Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment of the Company and its domestic consolidated subsidiaries is computed substantially by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998, building improvements and structures acquired on or after April 1, 2016, and lease assets of the Company and its domestic consolidated subsidiaries. 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.

Pursuant to an amendment to the Corporate Tax Act, the Company adopted Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force No. 32, "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The impact of the change on profit and loss for the current fiscal year is immaterial.

**f. Long-Lived Assets** — The Group assesses 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.

The Company accounts 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 and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects. Actuarial gains and losses are mainly amortized by the declining-balance method over 7 years within the average remaining service period, and past service costs are mainly amortized by the straight-line method over 7 years within the average remaining service period.

In May 2012, the 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 the method 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. 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 permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases that existed at the transition date and that do not transfer ownership of the leased property to the lessee as operating lease transactions.

**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 rates to the temporary differences.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

**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 consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement 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 attributable 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.

### 3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2017 and 2016, consisted of the following:

|  | Millions of yen |          |
|--|-----------------|----------|
|  | 2017            | 2016     |
| Short-term investments:                      |                 |          |
| Certificates of deposit                      | ¥ 12,500        | ¥ 7,700  |
| Commercial paper other than cash equivalents | 3,000           | 5,500    |
| Time deposits other than cash equivalents    | 3,530           | 3,529    |
| Government, corporate, and other bonds       |                 | 300      |
| Total  | ¥ 19,030        | ¥ 17,029 |
| Investment securities:                       |                 |          |
| Marketable equity securities                 | ¥ 7,530         | ¥ 6,932  |
| Nonmarketable equity securities              | 3               | 10       |
| Total  | ¥ 7,533         | ¥ 6,942  |

Information regarding the securities classified as available for sale as of March 31, 2017 and 2016, is as follows:

|                   | Millions of yen |                 |                 |            |
|-------------------|-----------------|-----------------|-----------------|------------|
|                   | Cost            | Unrealized Gain | Unrealized Loss | Fair Value |
| March 31, 2017    |                 |                 |                 |            |
| Equity securities | ¥ 3,497         | ¥ 4,032         | ¥ (0)           | ¥ 7,529    |
| Debt securities   | 3,000           |                 | (0)             | 3,000      |
| Other             | 12,500          |                 |                 | 12,500     |
| March 31, 2016    |                 |                 |                 |            |
| Equity securities | ¥ 3,489         | ¥ 3,460         | ¥ (17)          | ¥ 6,932    |
| Debt securities   | 5,800           |                 |                 | 5,800      |
| Other             | 7,700           |                 |                 | 7,700      |

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2017 and 2016, were as follows:

|                   | Millions of yen |      |
|-------------------|-----------------|------|
|                   | 2017            | 2016 |
| Equity securities | ¥ 3             | ¥ 10 |

Proceeds from sales of available-for-sale securities for the year ended March 31, 2016, was ¥63 million. There were no sales of available-for-sale securities for the year ended March 31, 2017.

### 4. INVENTORIES

Inventories as of March 31, 2017 and 2016 consisted of the following:

|                            | Millions of yen |         |
|----------------------------|-----------------|---------|
|                            | 2017            | 2016    |
| Merchandise                | ¥ 2,018         | ¥ 2,093 |
| Finished products          | 5,419           | 4,085   |
| Work in process            | 432             | 463     |
| Raw materials and supplies | 2,630           | 2,774   |
| Total                      | ¥ 10,499        | ¥ 9,415 |

### 5. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2017 consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 2.88% to 3.00% in Philippine pesos at March 31, 2017. The loan proceeds were mainly utilized to support financing of working capital in the Philippines.

## 6. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain domestic consolidated subsidiaries 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 salary 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 subsidiaries participate in a contributory multiemployer pension plan (the "Plan"), which is accounted for in the same way as defined contribution pension plans.

In connection with the enforcement of the Defined Benefit Corporate Pension Law, the Company and its domestic consolidated subsidiaries applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of the pension obligations, and applied for transfer of the substitutional portion of past pension obligations to the government, and obtained approval by the Ministry of Health, Labour and Welfare on March 1, 2017. The Company and its domestic consolidated subsidiaries are transitioning from welfare pension funds to corporate pension funds.

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, 2017 and 2016, were as follows:

|   | Millions of yen |         |
|---|-----------------|---------|
|   | 2017            | 2016    |
| Balance at beginning of year (as previously reported) | ¥ 4,581         | ¥ 4,343 |
| Current service cost                                  | 287             | 322     |
| Interest cost   | 136             | 134     |
| Actuarial loss  | 95              | 139     |
| Benefits paid   | (170)           | (227)   |
| Foreign currency translation                          | (11)            | (138)   |
| Other   | 7               | 8       |
| Balance at end of year                                | ¥ 4,925         | ¥ 4,581 |

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

|                                 | Millions of yen |         |
|---------------------------------|-----------------|---------|
|                                 | 2017            | 2016    |
| Balance at beginning of year    | ¥ 2,871         | ¥ 2,899 |
| Expected return on plan assets  | 74              | 72      |
| Actuarial loss                  | (8)             | (82)    |
| Contributions from the employer | 149             | 150     |
| Benefits paid                   | (105)           | (151)   |
| Other                           | 6               | (17)    |
| Balance at end of year          | ¥ 2,987         | ¥ 2,871 |

(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, 2017 and 2016, were as follows:

|   | Millions of yen |         |
|---|-----------------|---------|
|   | 2017            | 2016    |
| Funded defined benefit obligation                     | ¥ 3,184         | ¥ 3,048 |
| Plan assets   | (2,986)         | (2,871) |
|   | 198             | 177     |
| Unfunded defined benefit obligation                   | 1,740           | 1,533   |
| Net liability arising from defined benefit obligation | ¥ 1,938         | ¥ 1,710 |

|                                   | Millions of yen |         |
|-----------------------------------|-----------------|---------|
|                                   | 2017            | 2016    |
| Liability for retirement benefits | ¥ 1,938         | ¥ 1,710 |

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2017 and 2016 were as follows:

|                                       | Millions of yen |       |
|---------------------------------------|-----------------|-------|
|                                       | 2017            | 2016  |
| Service cost                          | ¥ 287           | ¥ 322 |
| Interest cost                         | 136             | 134   |
| Expected return on plan assets        | (74)            | (72)  |
| Recognized actuarial loss             | 66              | 1     |
| Amortization of past service cost     | (35)            | (35)  |
| Net periodic retirement benefit costs | ¥ 380           | ¥ 350 |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016 were as follows:

|                    | Millions of yen |       |
|--------------------|-----------------|-------|
|                    | 2017            | 2016  |
| Prior service cost | ¥ 35            | ¥ 35  |
| Actuarial loss     | 31              | 195   |
| Total              | ¥ 66            | ¥ 230 |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016 were as follows:

|                                 | Millions of yen |        |
|---------------------------------|-----------------|--------|
|                                 | 2017            | 2016   |
| Unrecognized prior service cost | ¥ (23)          | ¥ (58) |
| Unrecognized actuarial loss     | 491             | 461    |
| Total                           | ¥ 468           | ¥ 403  |

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2017 and 2016 consisted of the following:

|                           | 2017 | 2016 |
|---------------------------|------|------|
| Debt investments          | 42%  | 44%  |
| Equity investments        | 31   | 29   |
| General accounts          | 14   | 15   |
| Cash and cash equivalents | 9    | 9    |
| Other                     | 4    | 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 by 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, 2017 and 2016, were mainly set forth as follows:

|  | 2017 | 2016 |
|--|------|------|
| Discount rate                          | 0.5% | 0.5% |
| 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 ¥94 million and ¥93 million for the years ended March 31, 2017 and 2016, respectively.

#### Multiemployer Pension Plan

The Company and its domestic consolidated subsidiaries participate in 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 it and its domestic consolidated subsidiaries. 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 ¥274 million and ¥282 million for the years ended March 31, 2017 and 2016, respectively.

The financial statements of the Plan as of March 31, 2016 and 2015, were as follows:

(1) The funded status of the Plan as of March 31, 2016 and 2015, were as follows:

|  | Millions of yen |           |
|--|-----------------|-----------|
|  | 2016            | 2015      |
| Plan assets  | ¥ 41,268        | ¥ 42,144  |
| Sum of actuarial liabilities of pension plan and minimum actuarial reserve | (48,678)        | (50,406)  |
| Net balance  | ¥ (7,410)       | ¥ (8,262) |

The net balance above was mainly caused by past service cost of ¥10,845 million for 2017 and ¥11,333 million for 2016. Past service cost under the Plan was amortized on a straight-line basis over 13 years for 2017 and over 14 years for 2016. The special contributions of ¥123 million and ¥117 million for the years ended March 31, 2017 and 2016, respectively, which are utilized for such amortization, were expensed in the consolidated statements of income of the Group.

(2) The contribution ratio of the Group in the Plan for the years ended March 31, 2017 and 2016, were as follows:

|   | 2017  | 2016  |
|---|-------|-------|
| The contribution ratio of the Group in the Plan | 13.3% | 12.9% |

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 their articles of incorporation. The Company meets all of the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash 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 expenses related to the fire accident.

## 9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.81% and 33.02% for the years ended March 31, 2017 and 2016, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

|  | Millions of yen |       |
|--|-----------------|-------|
|  | 2017            | 2016  |
| Deferred tax assets:                             |                 |       |
| Accrued bonuses                                  | ¥ 268           | ¥ 269 |
| Enterprise tax                                   | 70              | 82    |
| Inventories                                      | 151             | 176   |
| Liability for retirement benefits                | 542             | 482   |
| Long-term liabilities                            | 90              | 90    |
| Property, plant, and equipment                   | 34              | 34    |
| Other  | 927             | 941   |
| Less valuation allowance                         | (461)           | (479) |
| Total  | 1,621           | 1,595 |
| Deferred tax liabilities:                        |                 |       |
| Unrealized gain on available-for-sale securities | 1,233           | 1,060 |
| Other  | 406             | 327   |
| Total  | 1,639           | 1,387 |
| Net deferred tax (liabilities) assets            | ¥ (18)          | ¥ 208 |

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2017 and 2016, reflected in the accompanying consolidated statement of income is as follows:

|  | 2017   | 2016   |
|--|--------|--------|
| Normal effective statutory tax rate                                  | 30.81% | 33.02% |
| Expenses not deductible for income tax purposes                      | 1.38   | 1.27   |
| Dividends and incomes not taxable for income tax purpose             | (0.31) | (9.65) |
| Difference in subsidiaries' tax rates                                | (1.90) | (4.33) |
| Tax credit for research and development costs and others             | (2.48) | (0.91) |
| Change in valuation allowance  | 0.20   | 2.31   |
| Capital levy on inhabitant tax                                       | 0.27   | 0.21   |
| Decrease adjustment of deferred tax assets for changing the tax rate |        | 0.54   |
| Other – net  | (1.32) | (0.21) |
| Actual effective tax rate  | 26.65% | 22.25% |

## 10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2017 and 2016 were ¥1,717 million and ¥1,558 million, respectively.

## 11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2017 and 2016 were ¥5,331 million and ¥4,998 million, respectively.

## 12. LEASES

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

Total rental expenses for the years ended March 31, 2017 and 2016 were ¥1,247 million and ¥1,497 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2017 and 2016 were as follows:

|                     | Millions of yen |       |
|---------------------|-----------------|-------|
|                     | 2017            | 2016  |
| Due within one year | ¥ 144           | ¥ 144 |
| Due after one year  | 144             | 289   |
| Total               | ¥ 288           | ¥ 433 |

### 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 to achieve higher yields within specified limits on the amounts, but not for speculative purposes.

#### (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

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of 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, 2017, 54.9% of total receivables is from 2 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, 2017 and 2016, were as follows:

| Millions of yen                                  |                 |                 |
|--|-----------------|-----------------|
| March 31, 2017                                   | Carrying Amount | Fair Value      |
| Cash and cash equivalents                        | ¥ 12,800        | ¥ 12,880        |
| Short-term investments and investment securities | 26,560          | 26,560          |
| Receivables                                      | 9,820           | 9,820           |
| <b>Total</b>                                     | <b>¥ 49,260</b> | <b>¥ 49,260</b> |
| Short-term bank loans                            | ¥ 283           | ¥ 283           |
| Payables   | 6,128           | 6,128           |
| Accrued income taxes                             | 1,076           | 1,076           |
| <b>Total</b>                                     | <b>¥ 7,487</b>  | <b>¥ 7,487</b>  |

| 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                                      | 10,982          | 10,982          |
| <b>Total</b>                                     | <b>¥ 47,143</b> | <b>¥ 47,143</b> |
| Short-term bank loans                            | ¥ 308           | ¥ 308           |
| Payables   | 6,241           | 6,241           |
| Accrued income taxes                             | 1,134           | 1,134           |
| <b>Total</b>                                     | <b>¥ 7,683</b>  | <b>¥ 7,683</b>  |

**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  |      |      |
|--|------|------|
|  | 2017 | 2016 |
| Investments in equity instruments that do not have a quoted market price in an active market | ¥ 3  | ¥ 10 |

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

| Millions of yen  |                       |
|--|-----------------------|
| March 31, 2017   | Due in 1 Year or Less |
| Cash and cash equivalents                                      | ¥ 12,880              |
| Short-term investments and investment securities:              |                       |
| Available-for-sale debt securities with contractual maturities | 3,000                 |
| Other  | 16,030                |
| Receivables  | 9,820                 |
| <b>Total</b>   | <b>¥ 41,730</b>       |

| 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 | 5,800                 |
| Other  | 11,229                |
| Receivables  | 10,982                |
| <b>Total</b>   | <b>¥ 40,211</b>       |

#### 14. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

|   | Millions of yen |           |
|---|-----------------|-----------|
|   | 2017            | 2016      |
| Unrealized gain on available-for-sale securities: |                 |           |
| Gains arising during the year                     | ¥ 589           | ¥ 1,145   |
| Reclassification adjustments to profit or loss    |                 | (33)      |
| Amount before income tax effect                   | 589             | 1,112     |
| Income tax effect                                 | (172)           | (317)     |
| Total   | ¥ 417           | ¥ 795     |
| Foreign currency translation adjustments -        |                 |           |
| Adjustments arising during the year               | ¥ (567)         | ¥ (1,940) |
| Total   | ¥ (567)         | ¥ (1,940) |
| Defined retirement benefit plans:                 |                 |           |
| Adjustments arising during the year               | ¥ (97)          | ¥ (190)   |
| Reclassification adjustments to profit or loss    | 31              | (40)      |
| Amount before income tax effect                   | (66)            | (230)     |
| Income tax effect                                 | 23              | 82        |
| Total   | ¥ (43)          | ¥ (148)   |
| Share of other comprehensive loss in associates - |                 |           |
| Gains arising during the year                     | ¥ (12)          | ¥ (13)    |
| Total   | ¥ (12)          | ¥ (13)    |
| Total other comprehensive income (loss)           | ¥ (205)         | ¥ (1,306) |

#### 15. SUBSEQUENT EVENT

##### Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2017 is expected to be approved at the Company's shareholders' meeting to be held on June 23, 2017:

|  | Millions of yen |
|--|-----------------|
|  | 2017            |
| Year-end cash dividends, ¥53 per share | ¥ 1,238         |

#### 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 decisionmaker 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 consolidated subsidiaries oversee activities in Japan; PT Mandom Indonesia Tbk oversees activities in Indonesia; 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    |          |          |          |                 |              |
|--|--------------------|----------|----------|----------|-----------------|--------------|
|  | 2017               |          |          |          |                 |              |
|  | Reportable Segment |          |          |          | Reconciliations | Consolidated |
| Japan  | Indonesia          | Other    | Total    |          |                 |              |
| Sales:   |                    |          |          |          |                 |              |
| Sales to external customers                                      | ¥ 45,946           | ¥ 18,324 | ¥ 13,081 | ¥ 77,351 |                 | ¥ 77,351     |
| Intersegment sales or transfers                                  | 4,517              | 2,649    | 179      | 7,345    | ¥ (7,345)       |              |
| Total  | ¥ 50,463           | ¥ 20,973 | ¥ 13,260 | ¥ 84,696 | ¥ (7,345)       | ¥ 77,351     |
| Segment profit   | ¥ 5,078            | ¥ 925    | ¥ 1,615  | ¥ 7,618  |                 | ¥ 7,618      |
| Assets   | 54,649             | 18,632   | 10,555   | 83,836   |                 | 83,836       |
| Other:   |                    |          |          |          |                 |              |
| Depreciation   | 2,144              | 957      | 65       | 3,166    |                 | 3,166        |
| Investments in an associated company under the equity method     |                    |          | 598      | 598      |                 | 598          |
| Increase in property, plant, and equipment and intangible assets | 2,451              | 1,380    | 103      | 3,934    |                 | 3,934        |

|  | Millions of yen    |          |          |          |                 |              |
|--|--------------------|----------|----------|----------|-----------------|--------------|
|  | 2016               |          |          |          |                 |              |
|  | Reportable Segment |          |          |          | Reconciliations | Consolidated |
| Japan  | Indonesia          | Other    | Total    |          |                 |              |
| 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      |
| 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        |

Notes: 1. "Reconciliations" represent 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  |                    |         |          |
|-----------------------------|------------------|--------------------|---------|----------|
|                             | 2017             |                    |         |          |
|                             | Products for Men | Products for Women | Other   | Total    |
| Sales to external customers | ¥ 49,737         | ¥ 19,642           | ¥ 7,972 | ¥ 77,351 |

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

**(5) Information about geographical areas**

(a) Sales

| Millions of yen |           |          |          |
|-----------------|-----------|----------|----------|
| 2017            |           |          |          |
| Japan           | Indonesia | Other    | Total    |
| ¥ 45,073        | ¥ 15,573  | ¥ 16,705 | ¥ 77,351 |

| Millions of yen |           |          |          |
|-----------------|-----------|----------|----------|
| 2016            |           |          |          |
| Japan           | Indonesia | Other    | Total    |
| ¥ 43,322        | ¥ 15,441  | ¥ 16,316 | ¥ 75,079 |

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

(b) Property, plant, and equipment

| Millions of yen |           |       |          |
|-----------------|-----------|-------|----------|
| 2016            |           |       |          |
| Japan           | Indonesia | Other | Total    |
| ¥ 11,029        | ¥ 7,407   | ¥ 236 | ¥ 18,672 |

| Millions of yen |           |       |          |
|-----------------|-----------|-------|----------|
| 2016            |           |       |          |
| Japan           | Indonesia | Other | Total    |
| ¥ 10,922        | ¥ 7,181   | ¥ 222 | ¥ 18,325 |

**(6) Information about major customers**

| Name of Customer       | Millions of yen |                      |
|------------------------|-----------------|----------------------|
|                        | 2017            | Related Segment Name |
| PALTAC Corporation     | ¥ 24,573        | Japan                |
| PT Asia Paramita Indah | 15,542          | Indonesia            |

| Name of Customer       | Millions of yen |                      |
|------------------------|-----------------|----------------------|
|                        | 2016            | Related Segment Name |
| Paltac Corporation     | ¥ 22,473        | Japan                |
| PT Asia Paramita Indah | 15,397          | Indonesia            |



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## 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, 2017, 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, 2017, 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 15, 2017

Member of  
 Deloitte Touche Tohmatsu Limited

# Mandom Group Detailed History

## 1927–1969

- 1927.12 ▶ Established Kintsuru Perfume Corporation
- 1932.11 ▶ Shinpachiro Nishimura appointed president of Tancho Corporation
- 1933. 4 ▶ Launched Tancho Tique, a hit product which laid the foundation for future success
- 1958. 4 ▶ Formed a technical tie-up with a local company in Manila, the Philippines, and began operations; this marked the first step in overseas expansion
- 1959. 4 ▶ Company name changed to Tancho Corporation
- 1961. 5 ▶ Hikoji Nishimura appointed president of Tancho Corporation
- 1966.11 ▶ Chairman Shinpachiro Nishimura passed away on November 3
- 1969.11 ▶ Started joint venture P.T. Tancho Indonesia in Jakarta, Indonesia (now consolidated subsidiary PT Mandom Indonesia Tbk)

## 1970–

- 1970. 6 ▶ Received a commendation from the Minister of International Trade and Industry (now Minister of Economy, Trade and Industry) for its economic contributions as an export company (also received this commendation again in 1971 and 1972)
  - 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
- 1971. 4 ▶ Company name changed to Mandom Corporation
- 1972.10 ▶ Established Japan Doctor Renaud Cosmetics Company (now consolidated subsidiary Piacelabo Corporation)
- 1976. 3 ▶ Construction of Fukusaki Factory completed; commenced operations
- 1978. 5 ▶ Switched from distributors to direct sales
  - 7 ▶ Launched the new Gatsby and Spalding product lines, the first time in Japan's cosmetics industry that two major lines were introduced simultaneously

## 1980–

- 1980. 4 ▶ Switched from direct sales to distributors
  - 8 ▶ Ikuo Nishimura appointed president
- 1982. 4 ▶ Commenced Mandom Corporation's first five-year Middle-Range Planning (MP Project)
  - 9 ▶ Commenced sale of Pagliacci lineup through beauty salons throughout Japan
  - 10 ▶ Launched Pixy women's cosmetics in Indonesia
- 1983. 4 ▶ Introduced new CI system. Changed company logo
- 1984. 4 ▶ Adopted information card system
  - 7 ▶ Launched Pucelle My Lip, the Company's first product geared to the women's cosmetics market
- 1985. 2 ▶ Established Mic Corporation to enter the women's cosmetics market via door-to-door sales
  - 3 ▶ Commenced the first over-the-counter sales of hair foam for men
- 1986. 1 ▶ Established External Corporate Auditors
  - 9 ▶ Completed construction of a factory specializing in aerosol products at the Fukusaki Factory
- 1987. 4 ▶ Commenced Mandom Corporation's second three-year Middle-Range Planning

- 1987.11 ▶ Launched women's cosmetic item Pixy Moisture Lipstick in Indonesia
- 1988. 2 ▶ Started a joint venture in Singapore (now consolidated subsidiary Mandom Corporation (Singapore) Pte. Ltd.)
  - 11 ▶ Mandom Corporation shares traded on the over-the-counter market
    - ▶ Issued 500,000 shares, increasing capital
- 1989. 3 ▶ Received ECO Mark certification for foam products from the Japan Environment Association for the first time in the industry
  - 9 ▶ Launched Lúcido, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry
    - ▶ Japan Doctor Renaud Cosmetics Company was changed to Piacelabo Corporation
  - 12 ▶ Started a joint venture in Taiwan (now consolidated subsidiary Mandom Taiwan Corporation)

## 1990–

- 1990. 4 ▶ Commenced Mandom Corporation's third three-year Middle-Range Planning
  - ▶ Started a joint venture in Thailand (now consolidated subsidiary Mandom Corporation (Thailand) Ltd.)
  - 7 ▶ Prices revised due to abolishment of sales subsidies
- 1991. 4 ▶ Completed construction of Mandom Tokyo Building
- 1992. 2 ▶ Started a joint venture in the Philippines (now consolidated subsidiary Mandom Philippines Corporation)
  - 9 ▶ Established M-ZA Corporation, a company with cosmetics procured through selective distribution
- 1993. 2 ▶ Construction completed on the first stage of new Head Office building; commenced operations in the new building
  - 4 ▶ Commenced Mandom Corporation's fourth three-year Middle-Range Planning
  - 7 ▶ Started a joint venture in Hong Kong (now an equity-method affiliate Sunwa Marketing Co., Ltd.)
  - 9 ▶ Launched Lúcido-L, a lineup of fragrance-free products for women
    - ▶ P.T. Tancho Indonesia listed on the Jakarta Stock Exchange (currently the Indonesia Stock Exchange)
  - 10 ▶ Established Guinot Japan Corporation, a sales company that distributes French cosmetics for esthetic salons
- 1994. 6 ▶ New Head Office building completed upon finishing second phase construction
- 1995. 6 ▶ Motonobu Nishimura appointed president of Mandom Corporation
  - ▶ Established External Director
- 1996. 4 ▶ Commenced Mandom Corporation's fifth three-year Middle-Range Planning
  - ▶ Established Beauocos Corporation, which imports and processes cosmetics for group companies
  - ▶ Launched "Mandom World," the Group's website on the Internet
  - 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.)
  - 4 ▶ Established Konan Service Corporation (now mbs Corporation)
- 1998. 8 ▶ Repurchased 1.7 million shares of Mandom common stock
- 1999. 1 ▶ Launched System E/O, a line of skin treatment for women with sensitive skin through mail-order sales



- 1999. 3 ▶ Achieved ¥10 billion sales of Gatsby products, a first in the Japanese cosmetics industry for men's products
- 4 ▶ Commenced Mandom Corporation's sixth three-year Middle-Range Planning
- 8 ▶ Started a joint venture in South Korea (now consolidated subsidiary Mandom Korea Corporation)

## 2000—

- 2000. 5 ▶ Ikuo Nishimura, Director and Corporate Advisor of Mandom Corporation, passed away on May 23
- 8 ▶ Mandom Corporation's share trading unit lowered from 1,000 shares to 100 shares
- 11 ▶ Fukusaki Factory and Logistics Center certified to ISO14001, the international standard for environmental management systems
- 2001. 3 ▶ Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory
  - ▶ Launched Gatsby Hair Color series, developing a market for men's hair color products
- 6 ▶ Adopted Executive Officer system
- 8 ▶ Repurchased 2.33 million shares of Mandom common stock on the open market
- 2002. 1 ▶ Listed on the Second Section of the Tokyo Stock Exchange
- 3 ▶ Completed construction of the Mandom Group's Tokyo Nihonbashi Building
  - ▶ Gatsby Hair Color commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area
- 4 ▶ Commenced Mandom Corporation's seventh three-year Middle-Range Planning
- 5 ▶ Started marketing Gatsby and Lúcido-L simultaneously in Asia
- 2003. 1 ▶ Honorary Advisor Hikoji Nishimura passed away on January 25
- 2 ▶ Launched Lúcido-L Prism Magic Hair Color series, entering the market for women's hair color products
- 3 ▶ Designated for listing on the First Section of the Tokyo Stock Exchange
  - ▶ Issued 1.65 million shares, increasing capital
- 9 ▶ Launched men's hair color for gray hair in the Lúcido brand
- 10 ▶ Achieved "zero emission" status at the Fukusaki Factory
  - ▶ PT Mandom Indonesia Tbk won the Economic Value Added (EVA) Award in Indonesia (also received awards in 2004, 2005, and 2006)
- 2004. 2 ▶ Recalled Gatsby Ex Hi-Bleach, a Mandom product, due to a burn injury accident
- 3 ▶ Acquired Occupational Health and Safety Management System (OHSAS 18001) certification at the Fukusaki Factory, Logistics Center, and Production Engineering Division
- 10 ▶ Outsourced third-party logistics (3PL) operations to Nippon Express Co., Ltd.
- 2005. 2 ▶ Executed an absorption merger of M-ZA Corporation, a wholly owned subsidiary
- 3 ▶ Transferred all stocks of Mic Corporation, a wholly owned subsidiary, to BHL SA.
- 4 ▶ Commenced Mandom Corporation's eighth three-year Middle-Range Planning
- 6 ▶ Terminated retirement benefits for directors and corporate auditors
- 11 ▶ Developed a preservative-free product incorporating "alkanediol"
  - ▶ Launched Perfect Assist 24, Mandom's first proprietary cosmetic product for women

- 2006. 8 ▶ Launched Gatsby Moving Rubber and commenced the sixth round of full-scale renewal of the Gatsby brand
  - ▶ Acquired 330,000 shares of treasury stock
- 11 ▶ R&D building completed on Mandom headquarters site
- 2007. 1 ▶ Revised work rules in response to the introduction of the citizen judge system scheduled to start from 2009
- 2 ▶ Received a 12th (2006) Best Disclosure Award from the Tokyo Stock Exchange
- 12 ▶ PT Mandom Indonesia Tbk achieved annual sales of 1 trillion rupiah
- 2008. 4 ▶ Commenced Mandom Corporation's ninth three-year Middle-Range Planning
- 5 ▶ Established Mandom China Corporation (a consolidated subsidiary) in China
- 8 ▶ Commenced full-scale renewal of the Lúcido-L brand
- 2009. 3 ▶ Reorganized sales offices in the Tokyo metropolitan area (sold the Mandom Tokyo Building, Mandom Group Tokyo Nihonbashi Building, and the Mandom Nihonbashi Bakurocho Building)
- 4 ▶ Executed absorption mergers of Beaucos Corporation and mbs Corporation
- 7 ▶ Acquired 88,000 shares of treasury stock

## 2010—

- 2010.10 ▶ Transferred all the stocks of Guinot Japan Corporation, a wholly owned subsidiary, to Wamiles Cosmetics Inc.
- 2011. 2 ▶ Commenced full-scale renewal of Lúcido as an aging care brand
- 4 ▶ Commenced Mandom Corporation's 10th three-year Middle-Range Planning
- 8 ▶ Launched the Gatsby global website and Facebook page on the Internet
  - ▶ Launched Bifesta, a cosmetics brand for women
- 2012. 3 ▶ Established Mandom Corporation (India) Pvt. Ltd. (consolidated subsidiary) in India
- 2013. 8 ▶ Released Gatsby brand Hair Jam as a new styling offering following on the heels of wax
- 2014. 2 ▶ Launched the Lúcido Deodorant series aimed at combating body odors that develop during middle age
- 3 ▶ Launched LÚCIDO Professional, a new approach to engage hairdressing channels
  - ▶ Extended Fukusaki Factory's production building
- 4 ▶ Commenced Mandom Corporation's 11th three-year Middle-Range Planning
- 2015. 1 ▶ Established Mandom Vietnam Company Limited (consolidated subsidiary) in Vietnam
- 6 ▶ Relocated head office and factory of PT Mandom Indonesia Tbk from Jakarta to Bekasi
- 7 ▶ Established the Laboratory of Advanced Cosmetic Science at Osaka University
  - ▶ Fire accident at a PT Mandom Indonesia Tbk plant, resulting in loss of life
- 10 ▶ Announced "Corporate Governance Guidelines"
- 2016. 10 ▶ At the Laboratory of Advanced Cosmetic Science, discovered human sweat gland stem cells and succeeded in regenerating a sweat gland-like structure in vitro
- 2017. 4 ▶ Commenced Mandom Corporation's 12th three-year Middle-Range Planning



# Mandom Group Companies

(As of March 31, 2017)

## Japan

| Company Name         | Location | Main Businesses   | Main Products                    | Establishment | Accounting Method on Consolidated Financial Statements | Voting Rights |
|----------------------|----------|---|----------------------------------|---------------|--|---------------|
| Mandom Corporation   | Japan    | Manufactures and sells products for mass distribution via distributors, primarily to drug stores and convenience stores | Cosmetics and skin care products | 1927          | —  | —             |
| Piaclebo Corporation | Japan    | Provides professional-use products and technologies to hair salons via distributors                                     | Cosmetics for hair salons        | 1972          | Consolidated   | 100.0%        |
| mbs Corporation      | Japan    | Insurance agency services, travel services, general services and quality control of domestic Group company products     |                                  | 1997          | Non-consolidated                                       | 100.0%        |

## Overseas

| Company Name                             | Location          | Main Businesses                                      | Main Products                                | Establishment | Accounting Method on Consolidated Financial Statements | Voting Rights |
|--|-------------------|--|--|---------------|--|---------------|
| PT Mandom Indonesia Tbk                  | Indonesia         | Manufacture and sale of cosmetics and other products | Cosmetics, makeup and skin care products     | 1969          | Consolidated   | 60.8%         |
| Mandom Corporation (Singapore) Pte. Ltd. | Singapore         | Sale of cosmetics and other products                 | Cosmetics, toiletries and skin care products | 1988          | Consolidated   | 100.0%        |
| Mandom Taiwan Corporation                | Taiwan            | Sale of cosmetics and other products                 | Cosmetics and skin care products             | 1989          | Consolidated   | 100.0%        |
| Sunwa Marketing Co., Ltd.                | China (Hong Kong) | Sale of cosmetics and other products                 | Cosmetics, toiletries and skin care products | 1993          | Equity-method affiliate                                | 44.0%         |
| Mandom Korea Corporation                 | South Korea       | Sale of cosmetics and other products                 | Cosmetics, toiletries and skin care products | 1999          | Consolidated   | 100.0%        |
| Mandom (Malaysia) Sdn. Bhd.              | Malaysia          | Sale of cosmetics and other products                 | Cosmetics, toiletries and skin care products | 1997          | Consolidated   | 99.1%         |
| Mandom Philippines Corporation           | Philippines       | Sale of cosmetics and other products                 | Cosmetics and skin care products             | 1992          | Consolidated   | 100.0%        |
| Mandom Corporation (Thailand) Ltd.       | Thailand          | Sale of cosmetics and other products                 | Cosmetics, toiletries and skin care products | 1990          | Consolidated   | 100.0%        |
| Mandom Vietnam Company Limited           | Vietnam           | Sale of cosmetics and other products                 | Cosmetics and skin care products             | 2015          | Consolidated   | 100.0%        |
| Mandom China Corporation                 | China (Shanghai)  | Sale of cosmetics and other products                 | Cosmetics and skin care products             | 2008          | Consolidated   | 100.0%        |
| Zhongshan City Rida Cosmetics Co., Ltd.  | China (Zhongshan) | Manufacture and sale of cosmetics and other products | Cosmetics and skin care products             | 1996          | Consolidated   | 66.7%         |
| Mandom Corporation (India) Pvt. Ltd.     | India             | Sale of cosmetics and other products                 | Cosmetics and skin care products             | 2012          | Non-consolidated                                       | 100.0%        |

Note: Voting Rights percentages are rounded off after the first decimal place.

# Company Outline / Stock and Shareholder Information

## Company Outline (As of March 31, 2017)

**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:** 2,662 (Consolidated)  
 558 (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

## Stock and Shareholder Information (As of March 31, 2017)

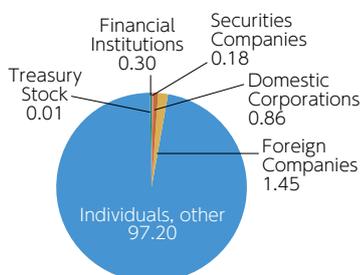
**Number of Shares Authorized for Issue:** 81,969,700  
**Shares of Common Stock Issued and Outstanding:** 24,134,606  
**Number of Shareholders:** 14,090  
**Stock Listing:** First Section, Tokyo Stock Exchange  
**Securities Code:** 4917  
**Transfer Agent:** The Mitsui Sumitomo Trust and Banking Co., Ltd.

### Major Shareholders

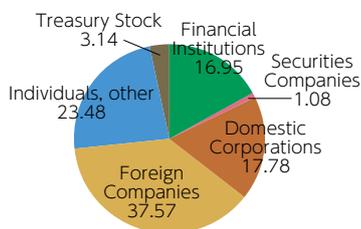
| Shareholder name or title  | No. of shares owned (Thousands) | Ratio of share ownership (%) |
|--|---------------------------------|------------------------------|
| Nishimura International Scholarship Foundation                             | 1,800                           | 7.46                         |
| BNP PARIBAS SEC SERVICES LUXEMBOURG/ JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS | 1,588                           | 6.58                         |
| Japan Trustee Services Bank Ltd. (trust account)                           | 973                             | 4.03                         |
| The Master Trust Bank of Japan, Ltd. (trust account)                       | 900                             | 3.73                         |
| Mandom Corporation   | 757                             | 3.14                         |
| Motonobu Nishimura   | 720                             | 2.98                         |
| Mandom Employee Shareholding Association                                   | 629                             | 2.61                         |
| GOLDMAN, SACHS & CO. REG   | 518                             | 2.15                         |
| Japan Trustee Services Bank Ltd. (trust account 5)                         | 385                             | 1.60                         |
| STATE STREET BANK AND TRUST COMPANY 505004                                 | 373                             | 1.55                         |

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

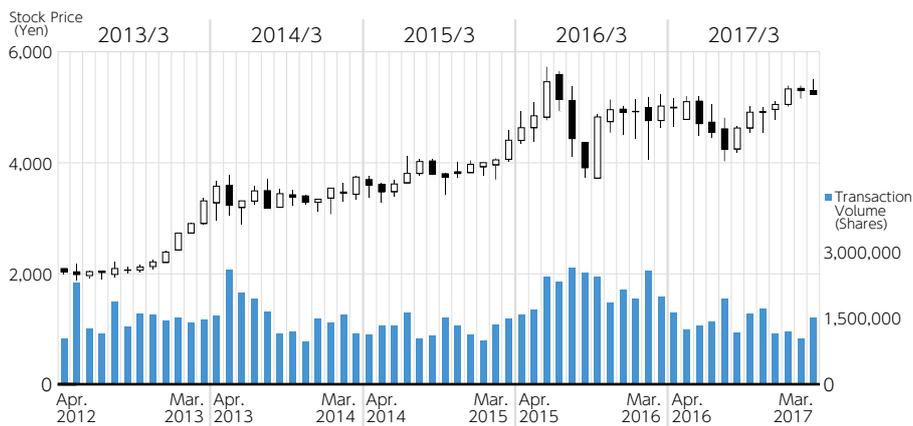


Shareholders by Type (%)



Shareholders by Holding (%)

### Stock Price and Transaction Volume



### Mandom Group Corporate IR Activities

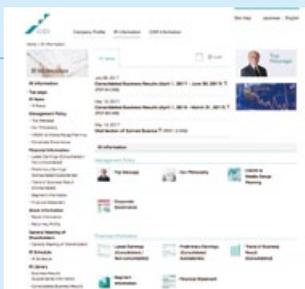
Based on the Japanese disclosure system, we disclose our corporate information in a timely and proper manner and achieve our accountability goals.

- 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.
- 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.
- Sound relationships with a variety of stakeholders will be maintained and further enhanced. We will achieve full accountability for disclosed information.

### Introduction to Our IR Site

The Company is working to use its website for IR activities, in the aim of providing information fairly and in a timely manner to shareholders and investors.

**IR information** ▶ <http://www.mandom.co.jp/english/ir/>  
**CSR information** ▶ <http://www.mandom.co.jp/english/csr/>



IR Information



CSR Information

**Contact:** Investor Relations Division **Address:** 5-12 Juniken-cho, Chuo-ku, Osaka 540-8530, Japan  
**E-mail:** [ir@mandom.co.jp](mailto:ir@mandom.co.jp) **URL:** <http://www.mandom.co.jp/english/>

mandom corp.

