

Mandom Report 2018

GATSBY

LÚCIDO

Bifesta

PIXY

LÚCIDO-L

Pucelle



MANDOM MISSION

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

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

MANDOM SPIRIT

Dedication to Service (Oyakudachi)
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. 72 "Mandom Group Companies."

Reporting period

FY2017 (ended March 2018)

► Mandom and Group companies in Japan: April 1, 2017-March 31, 2018 ► Overseas Group companies: January 1, 2017-December 31, 2017

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

Reference Guidelines

- "International <IR> Framework" released by the International Integrated Reporting Council (IIRC)
- "Guidance for Collaborative Value Creation" released by the Ministry of Economy, Trade, and Industry



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.

Top Message




Lessons Learned from Business Crises

— Mr. Nishimura, what have you learned from your business experience?

I joined Mandom in 1977 at a time when we were launching a sales company and shifting focus to the realm of direct sales. My first job was in sales, to shift distribution through distributors to direct sales through the more than 70 sales offices of the sales company. However, we had to abandon these manufacturer-centric, strong-armed reforms after only two years because they did not receive the support of the market or our business partners. We were forced to liquidate the sales company, which had lost its financial balance. We were overly focused on sales, ideas took off and landed only within the manufacturer, a mindset that contrasts sharply with our current philosophy of “Oyakudachi” dedication to service. As a result,

Mandom was forced to dispose of a large quantity of returned goods, sell portions of the land of our founding place, and most intolerably, make personnel reductions. Leaving would have been painful, but staying was also agonizing. Seeing the Company in near collapse, I learned an important lesson as I vowed never to repeat this.

In 1980, as the Company aimed to regain its footing, we underwent managerial reforms and the management became significantly younger. While younger managers could match their predecessors in mental and physical energy, they lacked managerial experience, and unlike today, there was no function set in place for drawing up management strategy. We all had to come together for the rebuild. First, we grasped the current status of the Company and identified all



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



Mandom Corporation
President Executive Officer and Director

Motonobu Nishimura

of the problematic issues. So many issues came up that the walls of the conference room were covered by cards forming affinity diagrams. We concentrated similar issues, organized them into categories, further concentrated them into related groups, and designed cause and effect flow charts. We ultimately linked them with our corporate mission, divided the issues into those requiring overall company initiatives and those which could be handled by individual departments, and created project teams. This was the origin of the MP meetings (Middle-Range Planning meetings). At the time, there were about 20 such teams, comprised of six or seven employees who would meet for two days a month to discuss these issues. All personnel truly participated in this process as everyone from officers down to young employees with only three or four years of experience belonged to these teams. There were so many issues to be discussed in the MP meetings, many of which produced proposals which were quickly reflected in business operations. For the

first two years of MP meetings, before we put our focus on the market or consumers, we first had to strive to unify our vector within the Company, in order to restore our profitability, of course, but more so to rebuild as an organization. At first, most of the inputs from employees were of what I would describe as “geocentric” beliefs. However, further discussion of these issues would lead us to a more “heliocentric” understandings. For example, for the issue of frequent product shortages at sales locations and the resulting inconvenience to business partners, the team would discuss what measures could be taken. An employee may express a desire for a more detailed production plan to be made at factories to prevent product shortages. The discussion would often develop in the following way: “What does the factory base their production plan on?” → “The sales plan from the Sales Division” → “What does the Sales Division base their sales plan on?” → “The sales plan from sales locations around the country.” Ultimately, the team would reach

the conclusion that “product shortages could be reduced if each sales staff member more accurately grasps the information of their area and produces a more accurate sales plan.” Naturally, measures to combat product shortages must be conducted through cooperation of all related departments, including production, sales, purchasing, and product development. Once teams began to think about what is currently possible, they began to head towards problem resolution. By continuing such discussions among all employees, our vectors started to align and the whole company has begun heading in a single direction.

When we began to really feel these changes and movements, we were able to build a business development foundation based on a consumer-

centric perspective, which has continued to this day.

We also developed Mandom terminology which took the perspective of customers. Our customers are not just “shouhisha (consumer)” but “seikatsusha (liver).” We started using the term “shopping place” instead of “sales place.” Sales is not to “push” our products, but rather to have the customers “pull” the products themselves. “Sales promotions” should rather be “choice promotions,” to prompt customers to choose us. As a result of this large shift in our mindset, the whole Company started to move in a positive direction, and began over-the-counter trading of our stock in 1988. Eight years had passed since I saw the Company nearly collapse. How the large gears started to turn, pushing us up to reach the point of our stock entering the over-the-counter market, was a very important experience to me.

Mandom as a “human-oriented” company

— What is the significance of Mandom’s Corporate Mission?

A central pillar to our current mission is Dedication to Service (Oyakudachi) for consumers.

To us, “Oyakudachi” is the concept of identifying needs of people from across the globe, not just the established or the opinion-leaders, in their daily lives, not just during special moments. We hope to provide value which is “Something New” or “Something Different” based on solid technology and a stylish, fun concept. We hope that our products will help consumers from around the world to feel a little bit of magic, to feel positive and cheerful, through cleaning their body, grooming, and dressing neatly in their day-to-day lives.

In addition, we also feel that it is important to imagine and act without being constrained by common sense, preconceptions, previously accepted values, and past successes during this time when forecasting the future is a difficult task. It is vital to act boldly, facing shifts in the current of times, be prepared to cut our own path forward by being brave, taking risks and



challenges.

We will utilize this mentality passed down over the 90-year history of the Company in order to become a company which is needed in society at not only our 100th anniversary, but beyond. At the core of the reformulated MISSION, constructed last year, 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 built, and adjusting it to the needs of the times.

— In this age of stunning technological and scientific progress, why focus on being “human oriented?”

Currently, I can strongly feel how technology is growing

at an exponential rate. In the 21st century, society is supported through assorted technologies and science, including artificial intelligence, robotics, IoT, and life sciences. However, we must prevent technology from evolving in a way which ignores the needs of others and focuses solely on itself. In order to achieve that, individuals must acquire proper knowledge about new technologies and possess the ability to judge logically what the Earth and the people who live on it need using a strong moral code. **Ultimately, society requires heart. Human judgment is the foundation for such a society.**

Even as we debate and reconstruct our corporate mission, the tide of digitalization will not stop, as evolving AIs and forms of services will become more common. In that light, we ultimately reached a thinking which focused on people, which cared for human hearts, and which sought value creation only possible by humans. We often discussed the question of what capabilities are unique to humans.

Only humans are capable of being deeply touched by beauty and feeling a sense of satisfaction. This awareness of beauty is unique to humans. Humans also possess an incredible imagination which is not bound by past data or the status quo. **Human imagination is the only thing capable of producing new value** which can make one feel beautiful, cool, cute, excited, fun, or sad, to stir people's heart. We believe that it is the duty of humans to light the fire of these passions and make the impossible possible with an unbending spirit, with the help of strong-willed partners who share the same values. In other words, **we believe that it is a job for humans and role of humans and human-oriented companies, one of which we aspire to be, to grab and shake hearts and create our shared future.**

— What is the most important part of the Middle-Range Planning?

Fiscal 2017 marks the start of our twelfth Middle-Range Planning (MP-12), which is positioned as a period to develop the infrastructure for realizing VISION 2027, the 100th anniversary of the establishment of the company. **We thought that the most important factor in developing this infrastructure is to spread**



and deepen understanding of the corporate mission. In order to share the corporate mission across the Mandom Group, the text for training has been translated into eight languages: Mandarin Chinese, Cantonese, Korean, Vietnamese, Indonesian, and Thai, in addition to Japanese and English versions. These were not simple direct translations but rather versions crafted over time with the help of local staff to express what the Company truly is trying to express in its mission. In order to spread this mission to all employees, we first held assorted discussions through officers' gatherings. Then department and division managers learned about this mission from these officers. Finally, they went out as evangelists to spread this message to on-the-ground staff through workshops. These efforts reached 1,009 employees in Japan and overseas in about six months. This initiative especially appears to have had a significant impact overseas. Even in Japan, I have heard that employees now have a deeper understanding of how their current work ties into department and management goals. **Work does not exist in a vacuum. All tasks will ultimately tie in with the missions to "create" and "expand" Mandom World.** Employees have come to understand that the mission, vision, strategy, and tactics exist to support those missions.

Top Message

— How will you spread “Oyakudachi” from Japan to other countries?

Overseas markets overall, and Asia in particular, are diverse in many ways. It is vital that we respect the culture, history, and customs of each country we operate in, deepen our understanding of consumers, markets, and products through locally rooted management, and show dedication to service (Oyakudachi) to our overseas customers. For example, in Indonesia, we launch various sizes of the same product. Mandom provides products in a small, six gram pouch, called sachets, for single-use customers who want to use a product on special occasions, such as when they prepare for a formal event, even if it is financially difficult for them to use the product every day.

In Japan, Lúcido skin care and odor care products proposing the “smart aging” concept are currently performing well. However, even if these products found success in Japan, they may not necessarily perform well in the Asian market. Nevertheless, considering future population trends, a middle-age and senior market will certainly emerge in Asian countries. As such, we hope to be sensitive to the needs and wants of these customers and respond accordingly.

Therefore, in May 2018, we concentrated all of the

marketing functions which had been spread between our Osaka main office and Tokyo to the Tokyo office, located in Aoyama. We are aiming to promote the concept of total marketing on a global scale and concentrate the needs and wants of each country by sharing marketing know-how through cross-border personnel exchange. We have built a system to develop products that can be launched either globally or locally. We aim to utilize its location in the Aoyama/Omoteshando area, which is a rich source of trend, and designated this site as not just a simple “work site,” but rather a “station to dispatch new and interesting things.” We hope to spread the “Oyakudachi” in Japan in overseas markets by drawing an image of happy people (imagination) and creating values that help people (creation).

— In a fiercely competitive environment, how do you make proposals to be the “only one” in women’s cosmetics?

We have been making efforts in cosmetics for women from an early stage. At first, we released cute products which targeted young women that you might see in variety shops. However, these products did not lead to success. In order to strengthen our proposals for women’s cosmetics, we conducted assorted surveys. One very surprising discovery was that in women’s cosmetics, lineups are set up for specific purpose and function, with very firmly cemented order of use for each item. Japanese women apparently feel a strong sense of guilt if they do not use the products according to the proper order. On the other hand, there are many working women nowadays who want to spend more time on hobbies, household chores, or child-care. As such, we put out a water-based cleansing lotion which did everything, from cleansing to skin care, in one single bottle. This product was a hit. I would like for us to continue proposing product concepts based on a respect for the lifestyles of women, release highly functional products, and offer cosmetics which can provide “Oyakudachi” to women.



How to become a Truly Global Company

— How will you strengthen the mainstay brand Gatsby?

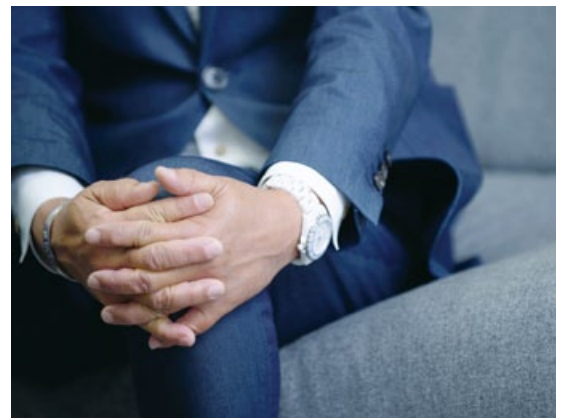
40 years have passed since the launch of our Gatsby brand. We have had six major renewal of the brand, making this the seventh generation of Gatsby. In most cases, when a highly fashionable brand targets young people, the product will end its life cycle as the consumers who supported it during its peak grow older. There are very few brands like Gatsby, which avoid obsolescence and continue to be enjoyed by consumers of all ages, primarily young people, across the span of multiple generations and cultural shifts. However, we acknowledge that as we attempt to expand our markets, primarily in Asia, Gatsby is facing a turning point as the business environment undergoes massive changes, including the diversification of communication, values, and lifestyles among young people. We are considering expanding the quantity and quality of Gatsby's Oyakudachi through re-branding. Because Gatsby is designated as a global brand, we created a brand book in order to unite and cement the brand value of Gatsby in each country we sell the product, including Japan. In order to deepen the understanding of this initiative, the Company is holding international marketing conferences where those in charge of the brand in each country assemble. Each brand supervisor receives certification as a brand ambassador at the end of this conference. These "thinking and acting" mark the beginning of the path toward re-branding.

— What issues are important for global development?

We have made progress in the global branding of our products. However, now we must move on to the process of globalizing our human assets and the management itself. As such, we must orient to a global standard, including diversity management, corporate governance, CSR, accounting systems, and a common

language. We must construct a management platform which will become the common yardstick to assess these efforts, including finance/management accounting and human resource/evaluation systems. If we can globalize management, we will be able to evaluate personnel on a global axis. While we currently conduct job rotation within the Group, the response has been irregular whenever such transfer was conducted. As such, we must design a system in which the headquarters concentrates all human resources data based on a single standard in order to support the personal career plans of employees and develop global human assets.

We acknowledge that the development of globally-minded human assets is a major issue. For example, Indonesia is a large business hub with over 5,000 employees, including factory workers and sales support staff at retail stores. Since there is a custom of workers keeping the same role over long term, job rotation for the purpose of human asset development was not carried out. In the future, we aim to use measures such as job rotation to develop human assets locally and from a global perspective. In terms of securing human assets, we have not proactively hired from top Indonesian universities on a regular basis until recently. However, since 2017, we have implemented a program to train new employees in Japan for their first three years in the Company, after which they are returned to Indonesia, and the local population has accepted this program as highly attractive.



Top Message

— What are your thoughts on global risk management in overseas development?

There are many cases in which Japanese companies move production to Asia to achieve lower labor costs. However, we entered Asia as a potential market from the very beginning. As such, we know the difficulty of developing local markets ourselves. While respecting the diversity of history, culture, traditions, and customs, we have strove to show our dedication to service (Oyakudachi) to local consumers through locally rooted management. This mindset has brought our company to where we are today, and this is also our strength.

However, changes occurring in Asia do not occur on the same timeline as changes in Japan. Regardless of the business, the speed of change has accelerated with technological developments and cutting-edge products. There are many trends which have spread at a faster pace than seen in Japan, such as mobile payments and the sharing economy. In regions where we have a long history of operation, such as



Indonesia, we have established a management base rooted in the local community. However, in an age when the environment is changing at a dizzying pace, we must not be constrained by past successes and make bold reforms to clear the path toward the future. Mandom aims to achieve both localization and globalization based on providing Oyakudachi to local consumers by executing actions based on our corporate mission, which represents the universal value of our existence as a company.



Future Potential

— As a cosmetics manufacturer, what potential do you see in the future?

We established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University and have been conducting research in the field of regenerative medicine, focusing on stem cells in particular, to create innovative cosmetic technologies. This research aims to elucidate the mechanisms of living things; specifically, how the stem cells which form hair, skin, and the components of the skin, such as sweat glands and sebaceous glands, control each of these organs, and what status they may take. Researchers aim to use this knowledge to create a unique evaluation system which uses regenerative organs to screen

potential cosmetic materials and ingredients without any animal testing. We believe that this completely new evaluation system could lead to previously-unrealizable high-function cosmetics or external medicines. In 2016, the team discovered human sweat gland stem cells and succeeded in regenerating a sweat gland-like structure in vitro. The team was also the first in the world to visualize the three-dimensional structure of human sweat glands. These successes link with the ability to evaluate the perspiration function of sweat glands. This research makes it possible to discover cosmetic ingredients with new functions that may be able to stop sweating itself.

In order to respond to drastic environmental changes, such as the advancement and diversification

of consumer wants, a maturing Japanese market, and globalization, we must accelerate innovation, improve quality, and expand our scope to produce innovation that surpasses even our own imaginations. It is difficult to achieve this with our business resources alone. When I see the progress and success of the research in our joint laboratory, I am glad that we took a step toward open innovation. Osaka University is an important hub for research in regenerative medicine which is expanding its connections with other universities in and outside Japan, research institutions, and medical institutions. The university possesses impressive research facilities and high quality and quantity information. It has developed an environment to apply and research cutting-edge technologies. Our full-time researchers and the specially appointed researchers at Osaka University are diverse in past experiences, fields of study, and research experience. As such, they notice different elements of the same phenomenon due to their differing perspectives. I believe that this will lead to new discoveries. In this way, I feel that open innovation was a very meaningful initiative for us.

— How does the company achieve sustainable growth?

In the midst of this fourth industrial revolution, the roles required of people are changing significantly. Those roles require imagination,

creativity, comprehensive judgment, hospitality, and negotiating skills, which can only be accomplished by people. In order to attract human assets with such abilities to join the Company and feel a sense of satisfaction in their work, there needs to be more than a financial motivation. I believe that being able to work under a mission one can be proud of, with shared values, and a mutual sense of trust between colleagues will become vital, as elements such as social contributions, a stimulating workplace, and a cultural environment grow in importance. As such, we must provide a place for human assets to gather, nurture creativity, and create an environment and corporate culture which fosters such traits.

If we consider management as a going concern, set in a specific time, we are just a part of one short period of a long history. We believe that people and mission are crucial to the long-term existence of a company as it is handed down to the next generation. It is the mission of our generation, to pass to the next generation a Mandom which is stronger, better, and more global. Even if the times change, our mission shall be passed down. If we stay true to this mission of Dedication to Service (Oyakudachi) to consumers, we shall remain sustainable as a matter of course.



Interviewer

Hiroko Ozawa

International Integrated Reporting Council (IIRC) Japan Office



Hiroko Ozawa joined Ernst & Young ShinNihon LLC after working as an advisor for corporate acquisitions and business restructuring at a corporate auditing consulting firm. She possesses experience promoting CSR/compliance for a wide range of industries and in advisory works for non-financial reporting, primarily sustainability reports. She began working at the Japan Office of IIRC from May 2012.

Historical Highlights and Brand Developments

► Japan

1927.12

Established Kintsuru Perfume Corporation



1933.4

Launched Tancho Tique, a hit product which laid the foundation for future success



1959.4

Company name changed to Tancho Corporation



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



1971.4

Company name changed to Mandom Corporation

1976.3

Construction of Fukusaki Factory completed; commenced operations

1978.5

Switched from distributors to direct sales

1980.4

Switched from direct sales to distributors

1982.4

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

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

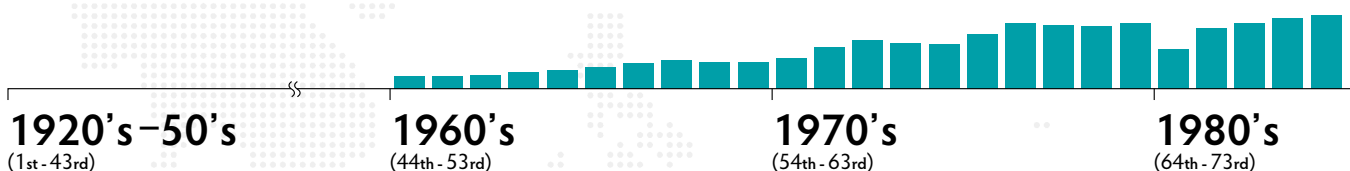


Face the needs and wants
of consumers head-on;
create new markets and
expand business scope

Domestic net sales

Overseas net sales

* Post-1997 consolidated base



1988.1

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

1994.6

New Head Office building completed upon finishing second phase construction

1995.6

Motonobu Nishimura appointed president of Mandom Corporation

2002.1

Listed on the Second Section of the Tokyo Stock Exchange

2003.3

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

2015.7

Established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University

2017.4

Revised the Mission, and formulated VISION 2027 which outlines where the Company it aspires to be in 2027, the 100th anniversary.

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 brand

**1989.9**

Launched Lúcido, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry

**LÚCIDO****1996.2**

Launched Gatsby facial cleansing paper
Introduced a new way of grooming

**1999.3**

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

**2001.3**

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

2006.8

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

**2011.2**

Commenced full-scale renewal of Lúcido as an aging care brand

**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

**1993.9**

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

**LÚCIDO-L****2003.2**

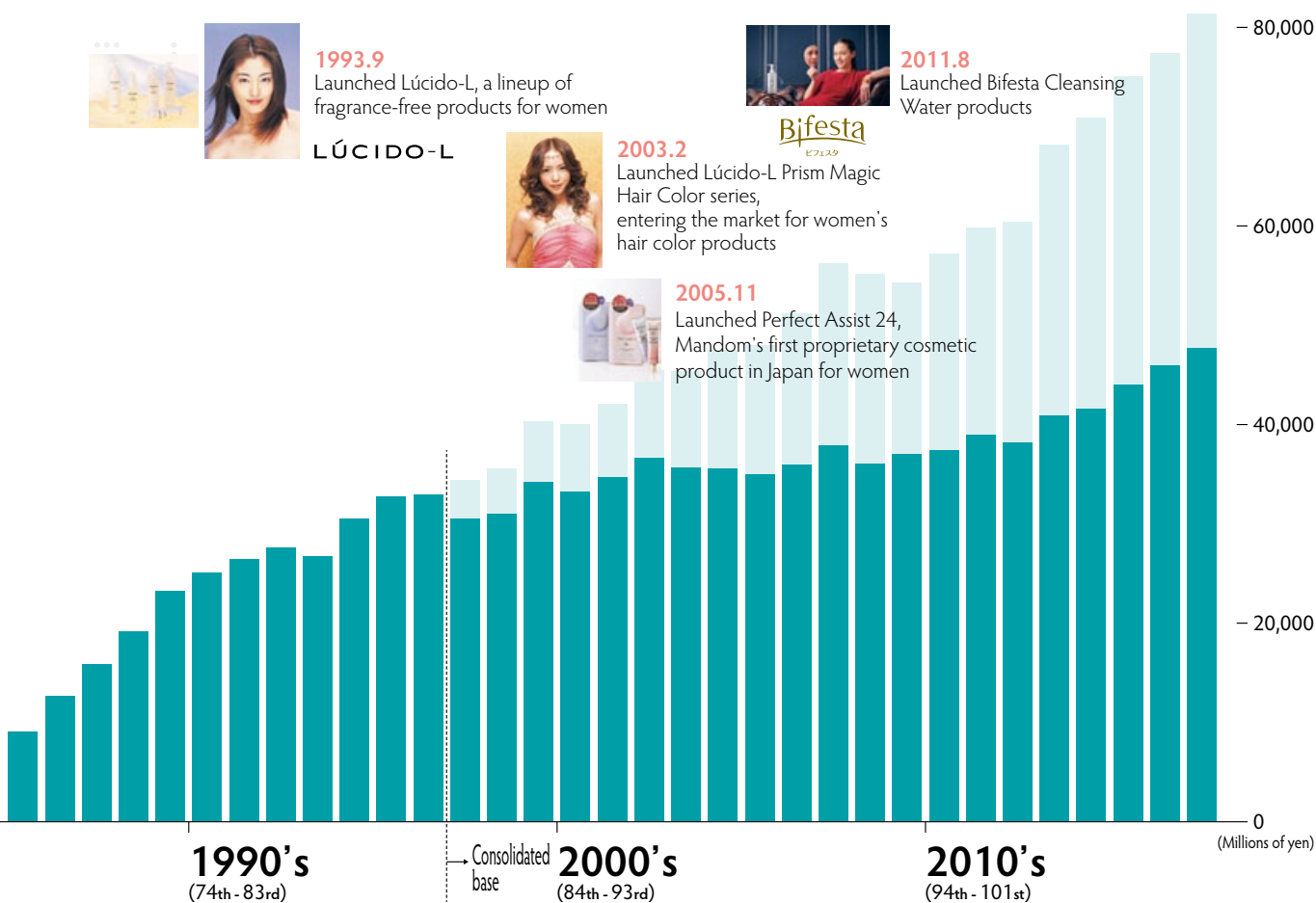
Launched Lúcido-L Prism Magic Hair Color series, entering the market for women's hair color products

**2005.11**

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

**2011.8**

Launched Bifesta Cleansing Water products

**Bifesta**

► Overseas Developments



1969.11

Started joint venture P.T. Tancho Indonesia in Jakarta, Indonesia (now consolidated subsidiary PT Mandom Indonesia Tbk)



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



PIXY

1982.10

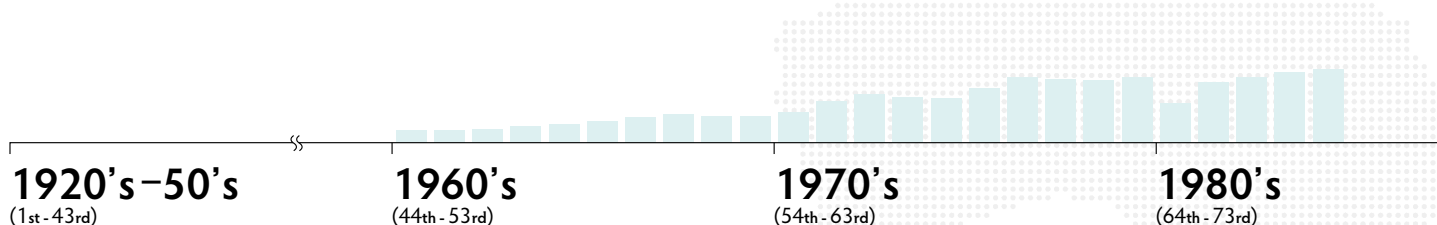
Launched Pixy women's cosmetics in Indonesia

Providing style to consumers of various regions by expanding globally with a focus on Asia

Overseas net sales

Domestic net sales

* Post-1997 consolidated base



1987.11

Launched women's cosmetic item
Pixy Moisture Lipstick in Indonesia

**2003.10**

PT Mandom Indonesia Tbk won the Economic Value Added (EVA) Award in Indonesia (also received awards in 2004, 2005, and 2006)

1993.9

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

2007.12

PT Mandom Indonesia Tbk achieved annual sales of 1 trillion rupiah

1993.9

Launched women's cosmetic item
Pucelle Splash Cologne in Indonesia

**2013.12**

PT Mandom Indonesia Tbk achieved annual sales of 2 trillion rupiah

1994.11

Launched men's hair styling product
Gatsby Water Gloss in Indonesia
Expanded product line for various sizes; became widely known, primarily for the sachett-size version

**2014.5**

Launched men's hair styling product
Gatsby Styling Pomade in Indonesia

**2015.6**

New factory and headquarters commenced operations at PT Mandom Indonesia Tbk

1995.2

Launched women's cosmetic item
Pixy Two Way Cake in Indonesia

**2001.3**

Commenced operations at PT Mandom Indonesia Tbk's Cibitung Factory

Bifesta**2017.4**

Developed Bifesta as global brand

**1988.2**

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

2002.5

Started marketing Gatsby and Lúcido-L simultaneously in Asia

**1989.12**

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

**2008.5**

Established Mandom China Corporation (consolidated subsidiary) in China

**1990.4**

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

**2012.3**

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

**1992.2**

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

**2015.1**

Established Mandom Vietnam Company Limited (consolidated subsidiary) in Vietnam

**1993.7**

Started a joint venture in Hong Kong (now an equity method affiliate Sunwa Marketing Co., Ltd.)

**1996.12**

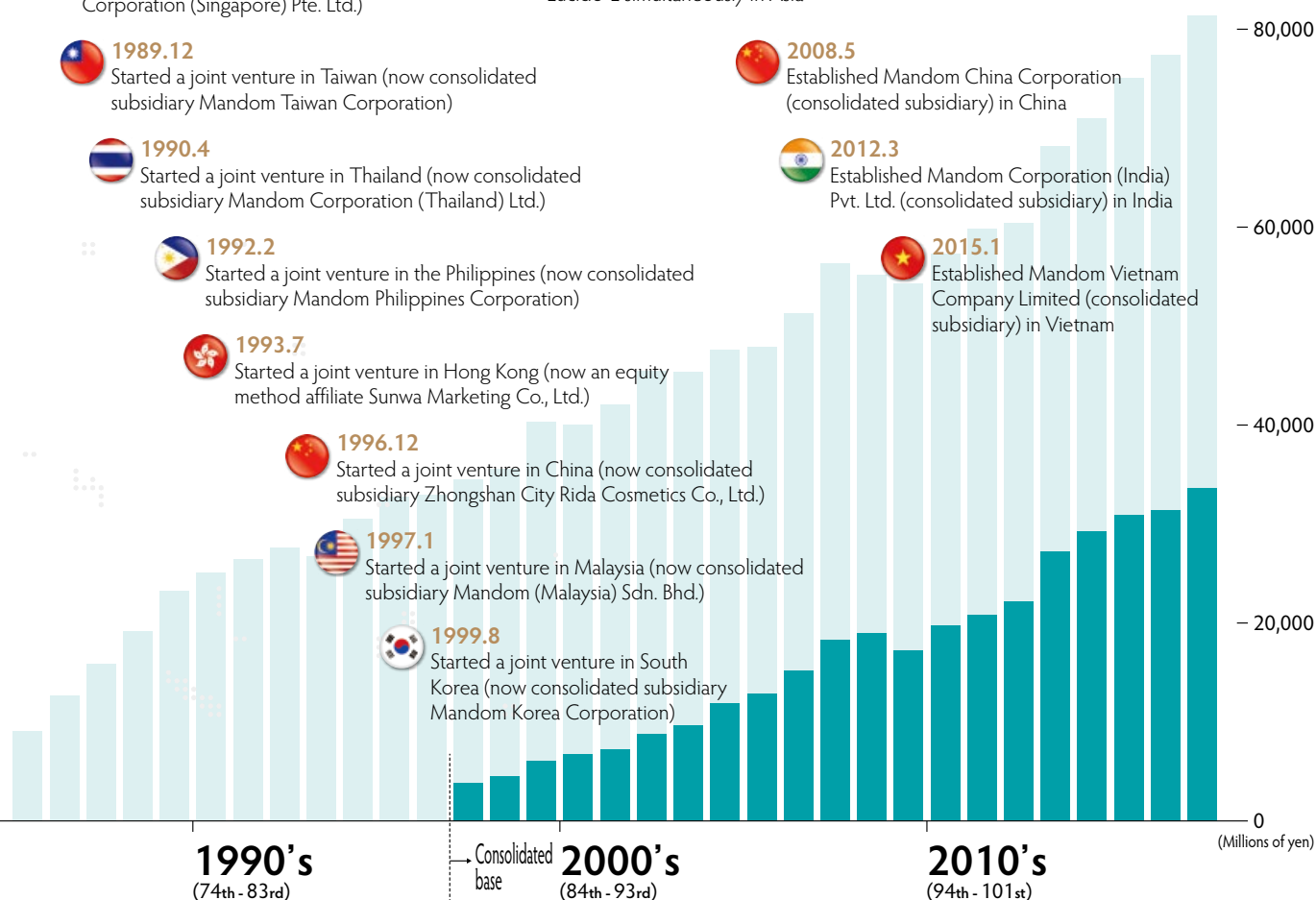
Started a joint venture in China (now consolidated subsidiary Zhongshan City Rida Cosmetics Co., Ltd.)

**1997.1**

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

**1999.8**

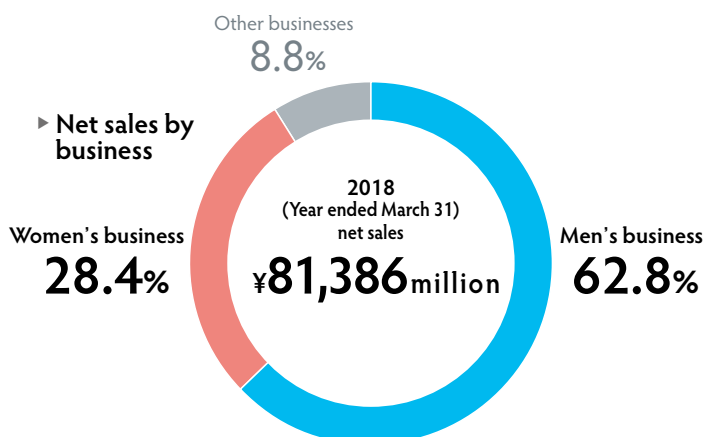
Started a joint venture in South Korea (now consolidated subsidiary Mandom Korea Corporation)



Brand Expansion

The Mandom Group has five strategic business areas, with operations concentrated in two areas—men's business and women's business*—through which it responds carefully to a range of consumer demands.

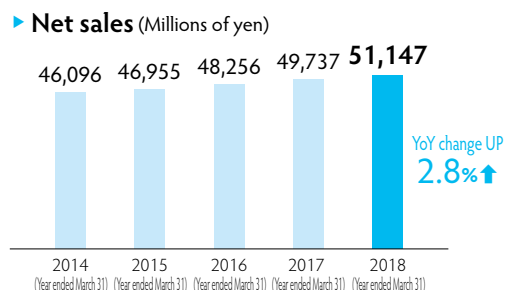
* The remaining three areas are categorized as "other business" (professional use business, other business, and international trading business).



► Men's Business

Business offering a range of products including men's everyday grooming products as well as general fashion items, such as hair styling, skin care, and body care products

Target categories: Hair styling/hair coloring/scalp care/face care/body care



GATSBY

Japan Overseas



A men's cosmetic brand targeting young men
Developing horizontally across Asia as a core brand of the Mandom Group

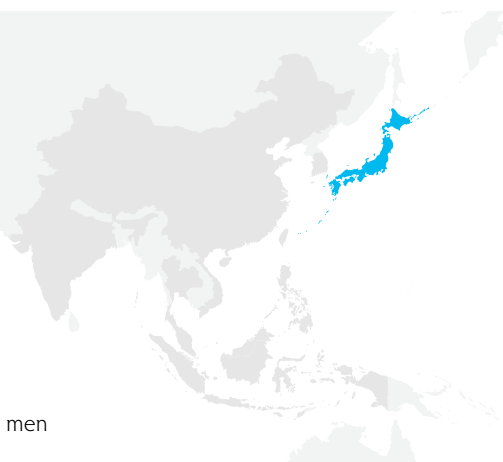


LÚCIDO

Japan



A men's smart aging cosmetic brand targeting middle-aged men
Developing in Japan



► Overseas Development Regions

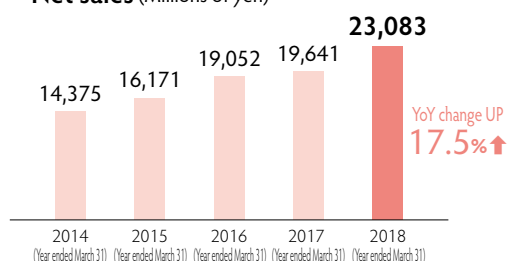
Men's business	Japan	Indonesia	Singapore	Taiwan	Hong Kong	South Korea	Malaysia	Philippines	Thailand	Vietnam	China	India
GATSBY	●	●	●	●	●	●	●	●	●	●	●	●
LÚCIDO	●											
Women's business	Japan	Indonesia	Singapore	Taiwan	Hong Kong	South Korea	Malaysia	Philippines	Thailand	Vietnam	China	India
Bifesta	●		●	●	●	●	●	●	●		●	
PIXY		●					●					
LÚCIDO-L	●	●	●	●	●	●	●		●		●	
Pucelle		●					●			●		

► Women's Business

Business offering a range of products spanning everyday women's grooming and fashion items, including hair styling products, body care products, and products to bring a splash of color to the beauty lives of women, such as make-up and skin care items

**Target categories: Make-up/skin care/hair styling/hair coloring/
hair treatment/body care**

► Net sales (Millions of yen)



Bifesta

Japan Overseas



A cleansing and facial wash brand gives busy modern women beautiful skin
Rolling out horizontally across various countries as a Japanese brand

PIXY

Overseas



A brand that utilizes the beauty, technology, and fashion sense of Japan to pull out the diverse beauty of Asian women
Developing in Indonesia and certain other countries

LÚCIDO-L

Japan Overseas



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

Pucelle

Overseas



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

Business Domains

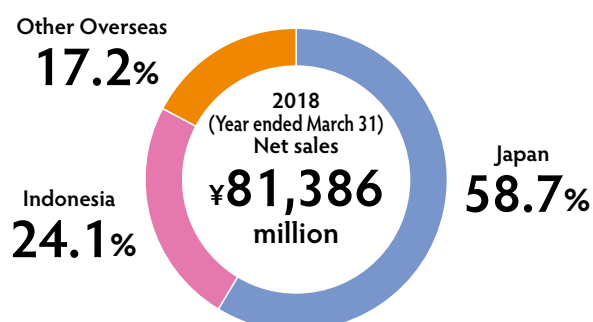
Mandom Group Business Areas

The Mandom Group is developing its global operations, particularly in Asia. The Group segments its operations into three regions: Japan, Indonesia, and Other Overseas.

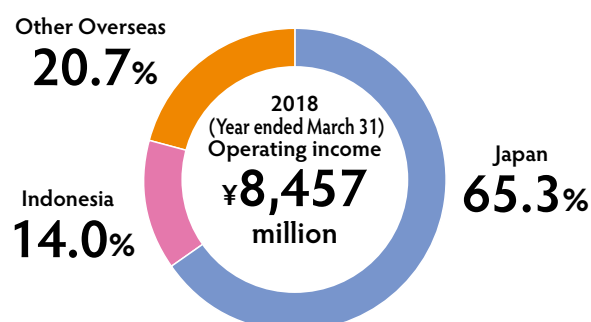
We create and invigorate markets by responding meticulously to conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.



► Composition of consolidated sales by region



► Composition of consolidated operating income by region



▶ Japan

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

Market Environment

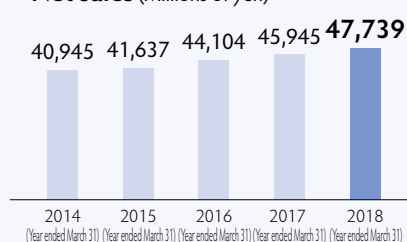
While there are signs of recovery in individual consumption, spending on cosmetics has not risen and demand appears to be even. On the other hand, inbound demand from overseas visitors remains strong, contributing to growth in the market. The Japanese cosmetics market grew slightly to around ¥1.6 trillion, according to the Ministry of Economy, Trade and Industry production statistics. Due to the effects of aging and a declining population, slight growth is expected for the foreseeable future.



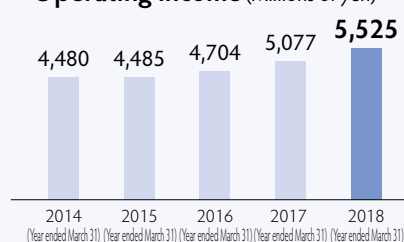
Net sales,
year on year **+3.9%**

Average growth,
past five years **+4.6%**

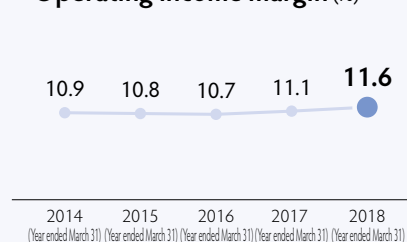
▶ Net sales (Millions of yen)



▶ Operating income (Millions of yen)



▶ Operating income margin (%)



Gatsby

Demand fell for the summer seasonal "Ice Type," a highly refreshing product that is a strength of the company, due to unseasonable summer weather.

On the other hand, we released a new series in the "Direct-application deodorant" category in which the market is swift growth in recent years. Mandom aimed to strengthen its position in this market through television commercials. While the year on year rate of growth was significantly higher than the overall category, it was not able to surpass the sales of the top brand.

Lúcido

Mandom executed a large product renewal in August 2017. We launched a television commercial for "Aging Care Milk" starring Tadanobu Asano as a new character. This commercial was ranked as the most likable among cosmetics in November 2017 based on a survey by CM Soken Consulting as a commercial research service.

As a result of these efforts and expanding its sale in stores, this product was ranked number one in the weekly rankings for the first time.



(Research by CM Soken Consulting)

Survey period: October 20, 2017-November 19, 2017, Top 5 Tokyo channels/Survey target: 3,000 people in seven prefectures in Kanto region (surveyed on November 4 and 9: 1,500 people)

Bifesta

In August 2017, Mandom executed a product renewal to improve the freshness of the series and launched television commercials for "Cleansing Sheet."

As a result, the product saw significantly more than double digit growth and its market share increased substantially.

The partial make-up remover "Eye Makeup Remover" also showed strong growth, surpassing 50% of market share.

Other

In terms of inbound demand, there continued to be strong demand from overseas visitors to Japan, primarily from China, for the women's items, such as "Bifesta Cleansing," and particularly the "Barrier Repair Masks," leading to strong results.

► Indonesia

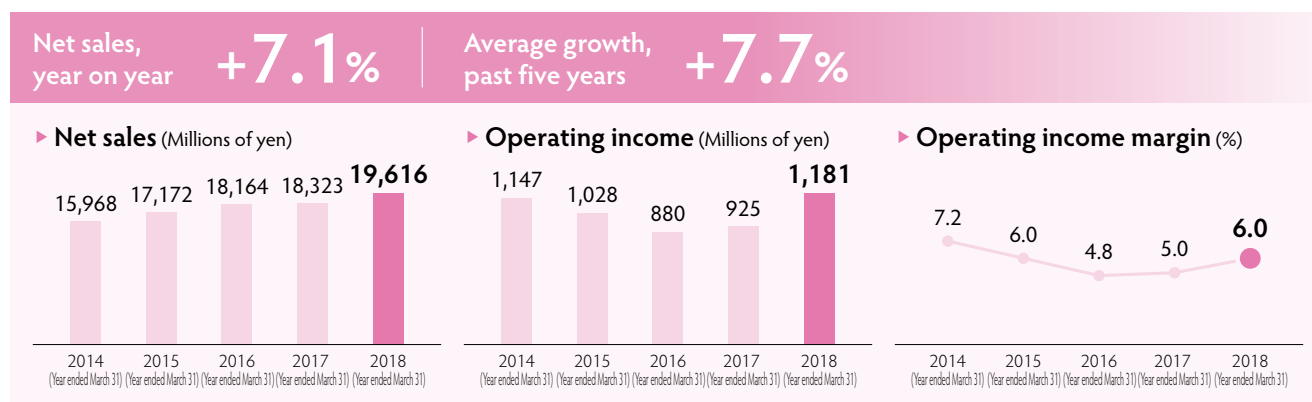
The largest overseas business area and growth leader for the Mandom Group



Market Environment

Sales have grown steadily in line with higher income among the population. However, this growth rate is below previous levels. In distribution, consumers' purchasing channels have shifted from traditional market, such as privately run shops, to modern market such as convenience stores, hypermarkets, and other organized retailers.

Particularly in the modern market, it has led to a fierce competition between major global companies with large advertising budgets that run sales promotions as they try to secure shelf space in stores and sell 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, 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 possesses an unshakable reputation as the country's leader in men's cosmetics.

Gatsby

In fiscal 2017, the pomade boom in the hair styling category continued.

The so-called "Barber-style," of closely cutting the sides and area around the neck and pulling the remaining, longer hair of the front and top back, or swooping all the hair to one side of the head, became trendy. Pomade was very useful for either of these trendy hair styles, leading to the strong sales. Mandom expects this boom to continue.



Pixy

In fiscal 2017, sales of Pixy struggled, due to competition from rival brands and as the brand lost its sense of "freshness." Mandom took efforts to boost its brand image and to secure new users from among the young customer base, as its most important topic.

As a product initiative, we proactively strengthened its decorative (make-up) category for younger women by adding a new color 6SKU to LIP CREAM and releasing the new product MATTE IN LOVE (10SKU) in December.

As a communications initiative, we executed initiatives linked in real life and online and was able to reach many people as it targeted younger customers.

► Other Overseas

This area possesses a large potential for future growth and is expected to become the engine of growth in the future.

Market Environment

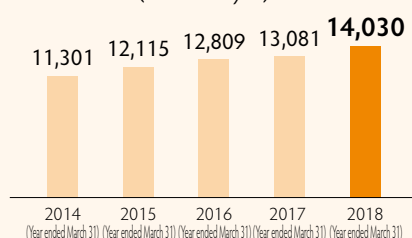
The newly industrializing economies (NIES) with comparatively high GDP levels—Singapore, Hong Kong, Taiwan, and South Korea—have matured as markets, despite cosmetics markets growing in tandem with economic growth in these areas, and many Japanese and international cosmetics brands are engaged in fierce competition; the environment is highly competitive. Conversely, the cosmetics market is growing rapidly in countries in Indochina, China, 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. Further significant market expansion is expected. 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.



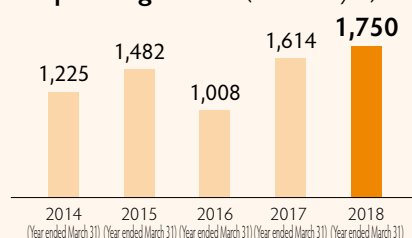
Net sales,
year on year **+7.3%**

Average growth,
past five years **+10.0%**

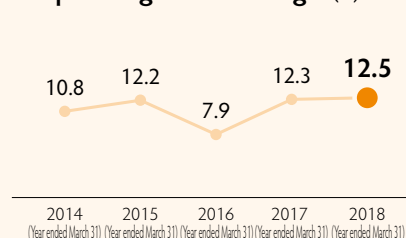
► Net sales (Millions of yen)



► Operating income (Millions of yen)



► Operating income margin (%)



ASEAN area

From fiscal 2017, the Bifesta brand has been designated as a global brand and has performed well. Like Japan, the performance drivers in fiscal 2016, Eye Makeup Remover and Cleansing Sheet, saw significant growth.

Mandom has utilized digital media marketing, primarily through social networking service, to promote the characteristics of "Water Cleansing," which is sensitive on skin and can easily remove make-up, in accordance to the cleaning customs of each country. We have focused on expanding product awareness and creating fans.

China

In fiscal 2017, we focused on strengthening sprays and waxes in the hair styling category for our core Gatsby brand in the Men's business.

The central product in this market is sprays. However, we see of the "Barber Style" trend taking root in the country, as it did in ASEAN countries such as Indonesia. As such, we are responding by releasing Dressing Pomade in the country.

Bifesta in the woman's business was able to continue to secure significant growth.

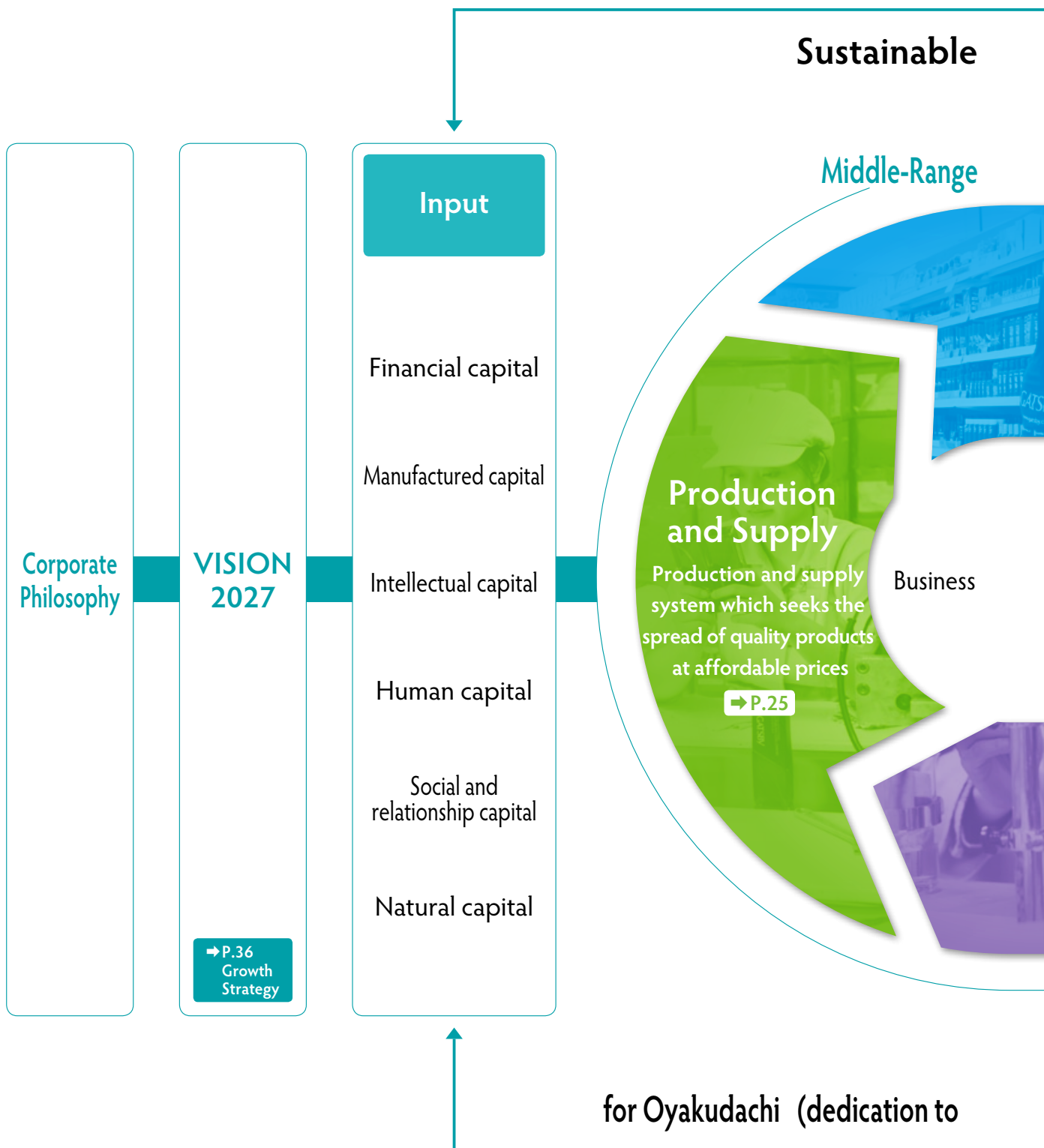
Sales are growing in China, primarily for Eye Make-up Remover.

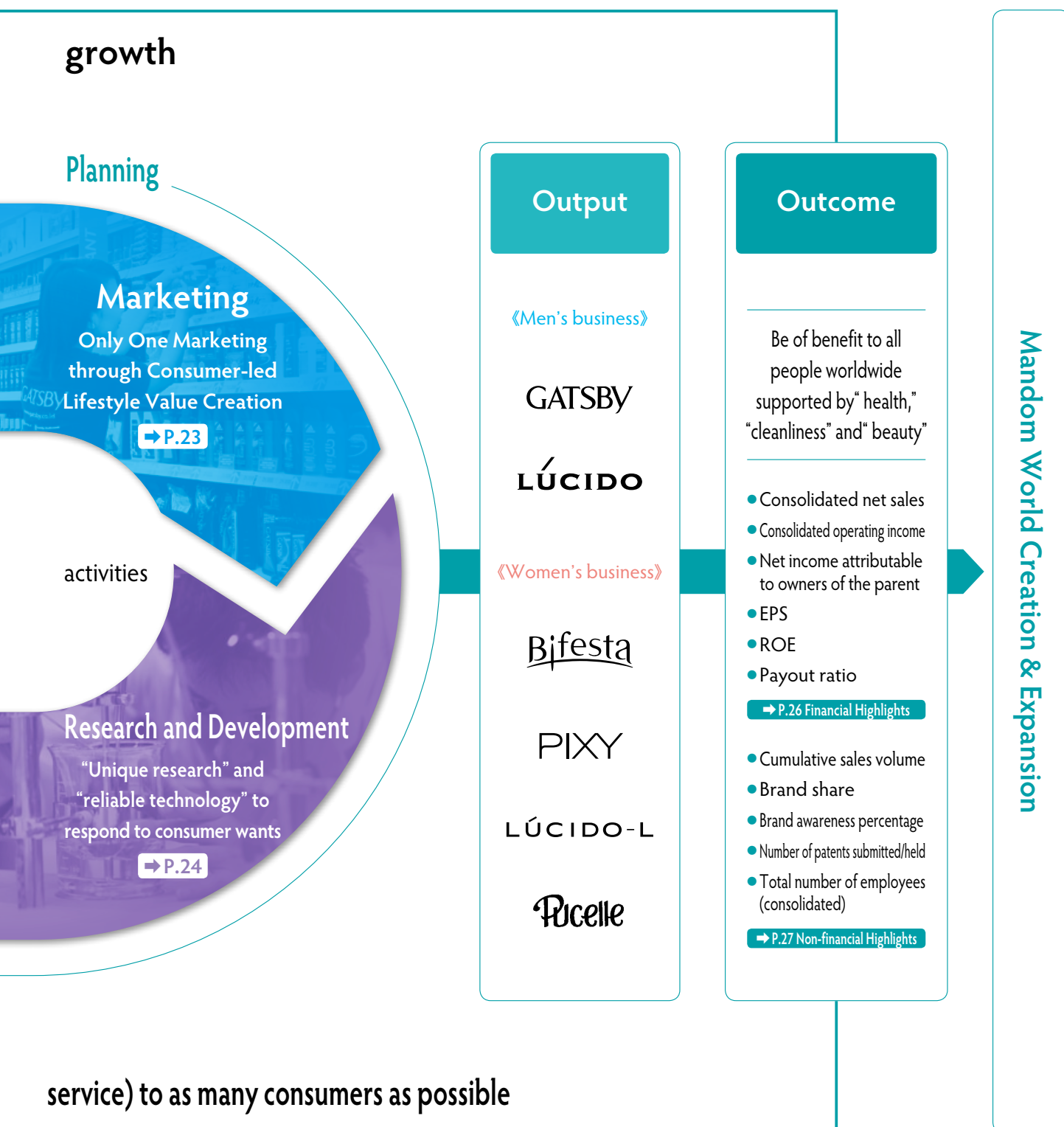
In addition, this brand has been introduced in about 3,600 stores of major chains in fiscal 2018, showing signs of further sales growth.

Within the Group, we have made efforts toward online shopping in China from an early stage. Sales in this field are contributing to stronger results.



Mandom Group Value Creation Process







Business activities

Three Strengths





Marketing Strengths

Only One Marketing through Consumer-led Lifestyle Value Creation

Oyakudachi through the concept of Consumer-led Lifestyle Value Creation

We are constantly interacting with consumers to respond to their latent needs and wants and guide their discoveries and feelings.

As a result, we have proposed new ways of grooming, including hair coloring for men and facial cleansing paper. We have created various markets in this way.

We have spread this concept of creating products through Consumer-led Lifestyle Value Creation outside of Japan into our overseas markets. For example, in Indonesia, we visit consumer homes to check how our products are used in average homes in order to explore the latent needs and wants of consumers. We also engage in proactive conversations with consumers and visit hair salons, which are often the source of style trends.

Even if we have not developed a product category in Japan, we will enter into new areas if there is demand from local consumers. By introducing products into the market, we are expanding our business rooted in the local area.



Facial cleansing paper



Hair coloring for men



Home visit

Mandom taps into completely untapped overseas markets and has claimed the top share in the styling market of many countries

We have entered overseas regions while viewing them as potential markets, not simply production areas for cheap labor.

There are many countries which lack a market for men's hair styling products, a strength for Mandom. As such, the Company has introduced such products into the market through the Gatsby hair styling products to form a market from the very bottom.

We have continued to provide Oyakudachi to consumers of various countries by offering products which capture the needs and wants of local consumers and building a distribution network which makes it easy for middle-class consumers to acquire our goods. As a result, there is a high level of awareness of the Gatsby brand in many countries, and the brand has penetrated the market and become the top brand in the men's hair styling market.

In recent years, Mandom has released the styling product Pomade based on the tastes of each country for men who want to try the "Barber Style (slicked-back style)," which has become a trendy hair style in Asia. This product has received rave reviews.



Pomade products of each country



Making proposals at a store

Increasing interaction with consumers

Mandom pays close attention to the perspective of consumers; we do not refer to locations where one can purchase products as a "sales area," but rather a "shopping area."

In order to create "shopping areas" which make it easy and attractive for consumers to purchase products, our salespeople and field staff regularly visit stores.

Our staff visits **more than 200,000 stores annually** (about 80 stores per person in an average month). Through this, we not only increase interactions with the consumers and stores, but also gain useful information which is fed back into the company and used in business activities.



Research and Development Strengths

“Unique research” and “reliable technology” to respond to consumer wants

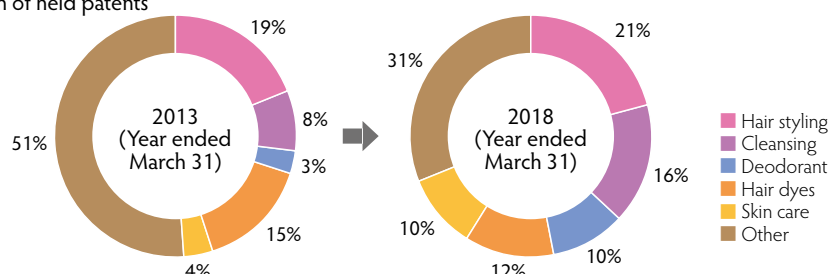
Conducting unique research to respond to diversifying consumer wants

As a manufacturer with strengths in men's cosmetic products for many years, Mandom possesses a large vault of knowledge regarding men's hair and skin and even now is developing new technologies.

We have conducted research that focuses on human senses, such as stimulation due to cold and body odor, as well as how skin makes an impression. Mandom was the first in the industry to discover the triggering mechanism for “middle-aged body odor **” and developed the material “white activated carbon.”

In recent years, the Company has strengthened research for cleansing, face washing, and skin care due to changes in the tastes of young men and improvements in the women's business, resulting in more patents. *Oily smell of sweat from middle-age men

► Breakdown of held patents



Research on body odor

Technology development through Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University

In July 2015, Mandom established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University in order to conduct joint technology development which used stem cell technology utilized in regenerative medicine for cosmetics research.

In October 2016, the team identified human sweat gland stem cells and succeeded in regenerating sweat glandular-like structures in vitro.

In May 2017, the team successfully observed human sebaceous glands in three dimensions and established a unique means of evaluating sebum secretion.



Received an award at the 30th Annual Meeting of the Japanese Society for Alternatives to Animal Experiments

From fiscal 2007, Mandom has offered International Research Grants on Alternatives to Animal Experiments to serve society and the industry through the promotion of developing methods alternative to animal experiments.

In the past 11 years, we have provided grants to research teams both in and outside Japan for 26 different development projects. We plan to continue this initiative in the future.

In November 2017, the ten year history of these research grants was recognized by the Japanese Society for Alternatives to Animal Experiments as Mandom was given an award at the 30th Annual Meeting.

Strengthening personnel by training overseas staff

There were few staff in Indonesia with knowledge of prescription development. As such, the common trend was to design products based on prescriptions developed in Japan to respond to local consumers wants.

Since fiscal 2012, one or two Indonesian research staff are brought to Japan for training every year.

This initiative allowed local staff to learn knowledge regarding prescription development and translate the local consumer wants into products more speedily.

One recent success of this initiative was that an Indonesian staff member who participated in this training developed the prescription for Gatsby Styling Pomade, which has been a huge hit in Asia overall and Indonesia in particular.



STYLING POMADE SUPREME HOLD



STYLING POMADE PERFECT RISE



STYLING POMADE URBAN DRY



Production and Supply Strengths

Production and supply system which seeks the spread of high-quality and low-cost products

Product supply system which fits various GDP levels and local requirements

As it reinforces the concept of products through Consumer-led Lifestyle Value Creation in each Asian country we operates, Mandom has three manufacturing bases in Japan, Indonesia, and China in order to provide high-quality, reasonably priced products and services which fit the income levels, wants, and changes in tastes and lifestyle of consumers in various countries.

Our Fukusaki Factory in Japan takes 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 many markets. Our factory in China supplies products to the country's domestic market and additional provides production for the Group.

► Manufacturing base and production volume based on fiscal 2017 performance



Fukusaki Factory (Japan)
Site area: 71,058m²
Production volume: 184 million units



Zhongshan Factory (China)
Site area: 27,253m²
Production volume: 17 million units



[Manufacturing plant]
Factory 1 (Indonesia)
Site area: 147,936m²
Production volume: 585 million units



[Factory for molding plastic containers]
Factory 2 (Indonesia)
Site area: 54,442m²



Paper line
(Japan, Fukusaki Factory)



Line for molding plastic containers
(Indonesia, Factory 2)

Securing cost competitiveness by possessing manufacturing facilities unmatched by other companies

Mandom possesses manufacturing facilities with characteristics not seen in other companies as it creates new product categories to respond to the latent needs and wants of consumers. At the Fukusaki factory in Japan, we manufacture **paper-related products** such as facial cleansing paper and facial masks, as well as **aerosol-related products** such as deodorant sprays and hair sprays.

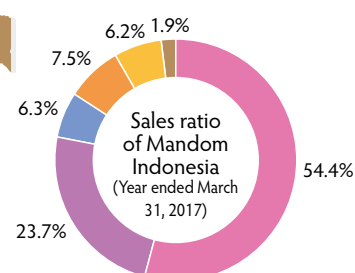
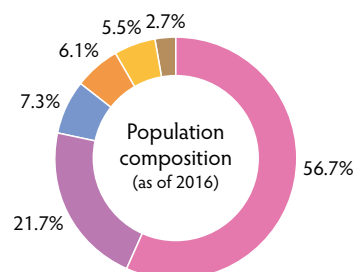
At the Indonesian factory, we possess a factory for molding plastic containers so that it can manufacture containers for cosmetics.

By possessing these manufacturing facilities, we can secure cost competitiveness and provide high-quality, reasonably priced products to consumers in various countries.

Forming a powerful distribution network in Indonesia

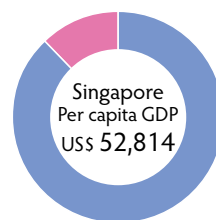
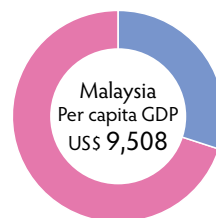
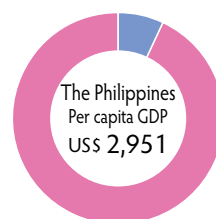
Indonesia spans more than 5,000km east to west and is comprised of more than 13,000 islands. After establishing a joint company in 1969, Mandom worked together with local partners to form a distribution network which now extends to 139 sales hubs (as of 2017).

The population composition by area and sales composition for the Company match nearly perfectly, creating an environment in which consumers can purchase Mandom products no matter where in the country there are.



► Comparison of sales by manufacturing center

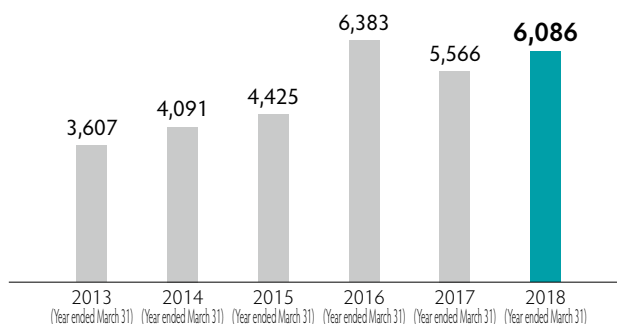
■ Made in Japan
■ Made in Indonesia



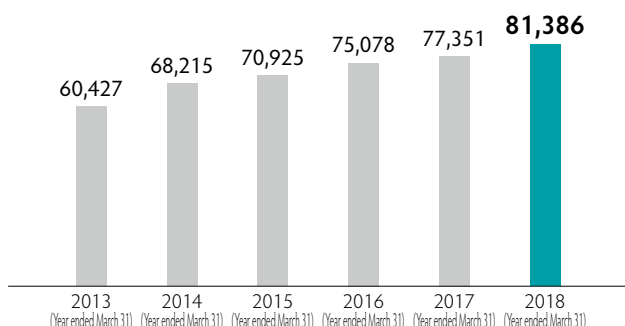
Financial and Non-financial Highlights

Financial Highlights

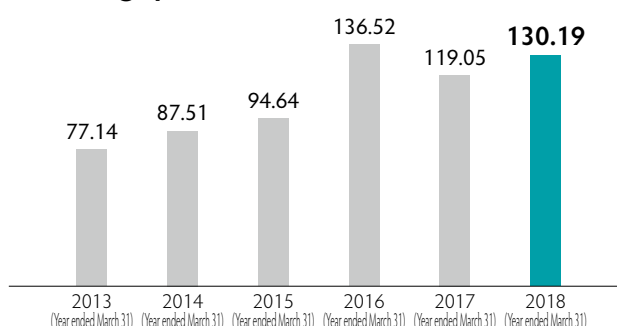
► Net income attributable to owners of the parent (Millions of yen)



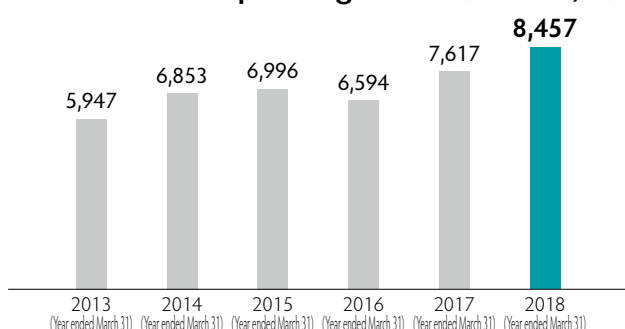
► Consolidated net sales (Millions of yen)



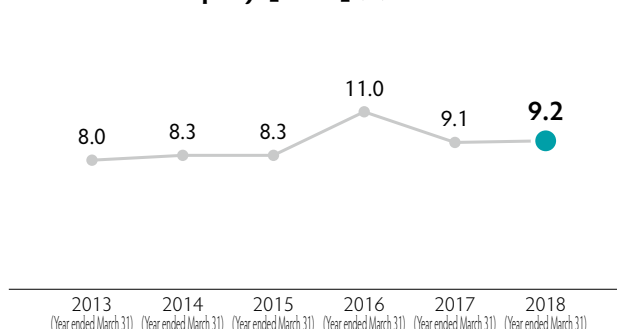
► Earnings per share [EPS]* (Yen)



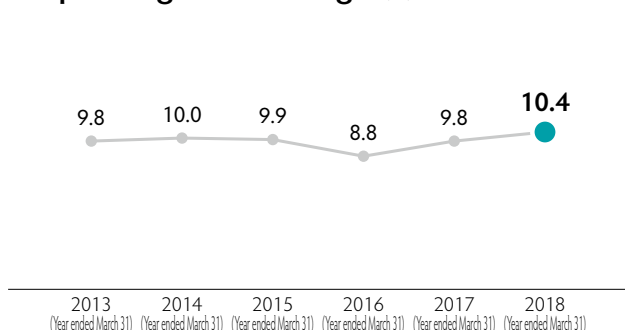
► Consolidated operating income (Millions of yen)



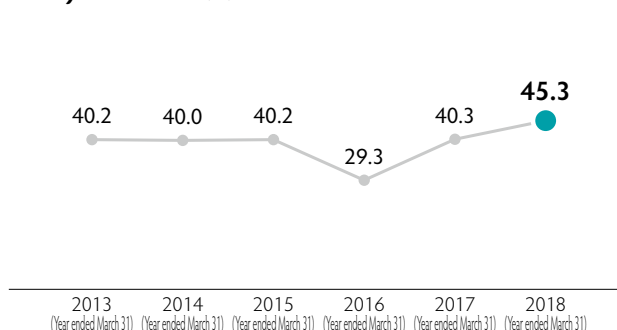
► Return on equity [ROE] (%)



► Operating income margin (%)



► Payout ratio (%)



* We executed a 2-for-1 stock split of common stock on October 1, 2017. EPS above is all figures taking into consideration the impact of stock split.

Non-financial Highlights

► Cumulative sales volume

Gatsby Moving Rubber^{*1}

^{*1} Period: August 2006-March 2018 (total of domestic and overseas)

190 million units

Deodorant paper^{*2}

^{*2} Period: February 1996-March 2018 (Japan only)

Applicable products: Gatsby Facial Cleansing Paper

Gatsby Body Paper

Lúcido Deo Paper

Mandom Happy Deo Body Sheets

400 million units

Bifesta Cleansing Series^{*3}

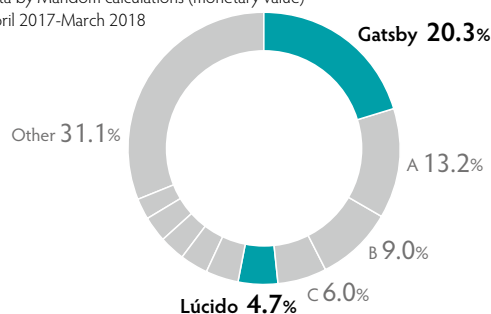
^{*3} Period: August 2011-March 2018 (Japan only)

45 million units

► Domestic brand share of men's cosmetic product market

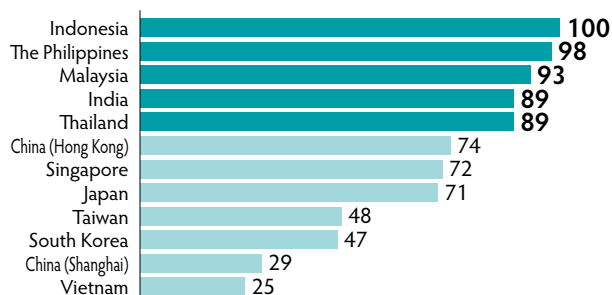
Market data by Mandom calculations (monetary value)

Period: April 2017-March 2018



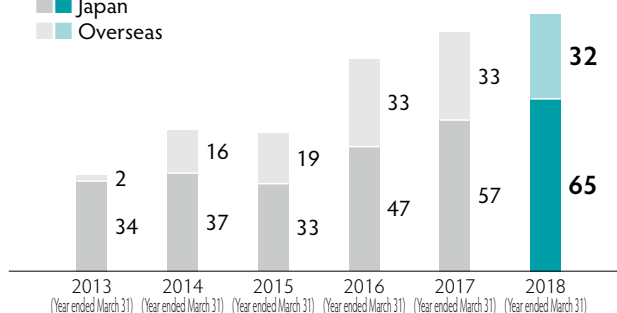
► Gatsby brand awareness (%)

Mandom survey (2017)



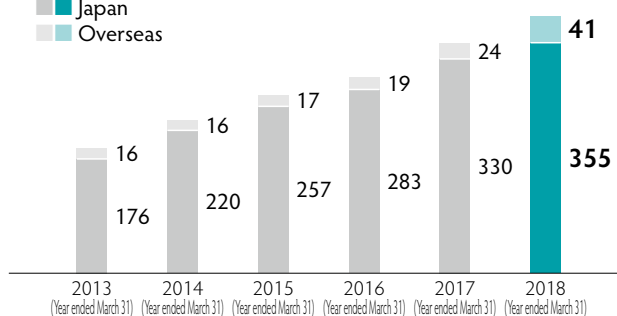
► Number of patent applications submitted per year (Cases)

■ Japan
■ Overseas

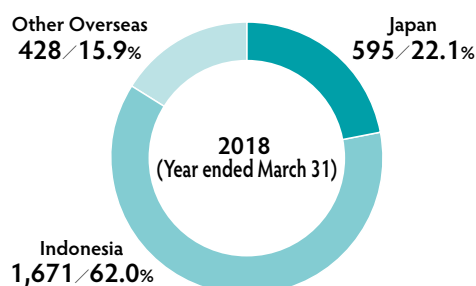


► Number of patents held (Cases)

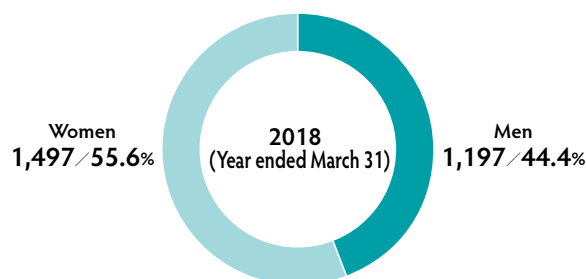
■ Japan
■ Overseas



► Number of employees in consolidated companies (By area)



► Number of employees in consolidated companies (By gender)



Executives, Audit & Supervisory Board Members (As of July 1, 2018)



Motonobu Nishimura *President Executive Officer & Director* (Born on January 9, 1951)

April	1977	Joined the Company
April	1983	General Manager, the 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)

Shinichiro Koshiba *Senior Managing Executive Officer & Director* (Born on December 24, 1963)

In charge of the International Business Operation Units, the International Business Division 1, the International Business Strategy Division

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.)
April	2002	General Manager, the Sales Planning Division
June	2008	Executive Officer
April	2013	Managing Executive Officer
April	2014	In charge of the Marketing Units
June	2016	Director (current position)
April	2018	Senior Managing Executive Officer (current position)
		In charge of the International Business Operation Units (current position)
		Audit & Supervisory Board Member, Chairman, PT Mandom Indonesia Tbk (current position)



Yasuaki Kameda *Senior Managing Executive Officer & Director* (Born on November 1, 1961)

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

April	1984	Joined the Company
April	2008	General Manager, the Product Development Department Section 1 (now the Product Planning Division)
April	2009	Executive Officer
April	2012	In charge of the Chain Store Sales Division 1, the Chain Store Sales Division 2 and the Distribution Channel Development Division; General Manager, the Chain Store Sales Division 2
April	2014	In charge of the Corporate Planning Division (now the Corporate Administration Division) and the Corporate Communications & Investor Relations Division (now the Investor Relations Division); General Manager, the Corporate Planning Division
April	2015	Managing Executive Officer
		In charge of the Corporate Planning Unit
April	2017	In charge of the Corporate Planning & Financial Units and the Human Resources & the General Resources Units (current position)
June	2017	Director (current position)
April	2018	Senior Managing Executive Officer (current position)

Takeshi Hibi *Managing Executive Officer & Director* (Born on April 16, 1960)

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

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



Executive Officers

Hironao Suzuki Managing Executive Officer

In charge of the Technology and Production Units, the Purchasing Division, and the Production Engineering Division

Tatsuya Arichi Managing Executive Officer

Representative Director and President, PT Mandom Indonesia Tbk

Ken Nishimura Managing Executive Officer

In charge of the Marketing Units, the Marketing Division 2, the Group Marketing Strategy Division, the Public Relations Division, and the New Business Development Division

Noboru Nonaka Executive Officer

Senior Managing Director, PT. Mandom Indonesia Tbk

Koichi Watanabe Executive Officer

Senior Managing Director, PT. Mandom Indonesia Tbk

Misao Tsubakihara Executive Officer

In charge of the Product Assurance Division, the Technical Development Center, the Fundamental Research Institute, and the Technical Strategy Division; General Manager, the Technical Development Center



Tatsuyoshi Kitamura **Director** (Born on March 13, 1956)

In charge of the CSR Promotion Division, and the Internal Audit Division

April	1978	Joined the Company
December	1997	Director and President, Mandom Corporation (Singapore) Pte. Ltd.
September	2001	General Manager, the International Operations Division (now the Overseas Business Operations Department 1, the Overseas Business Operations Department 2)
June	2004	Executive Officer
April	2008	Representative Director and President, PT Mandom Indonesia Tbk
June	2011	Managing Executive Officer
		In charge of the Manufacturing and Logistics Units
April	2014	In charge of the General Administration Division and the Legal Affairs Division; General Manager, the 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 the Human Resources & the General Resources Units
April	2016	Senior Managing Executive Officer
		Director and Chairman, PT Mandom Indonesia Tbk
April	2017	In charge of the International Business Operation Units
		Audit & Supervisory Board Member, Chairman, PT. Mandom Indonesia Tbk
April	2018	In charge of the CSR Promotion Division, and the Internal Audit Division (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, the 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 Evolva, Inc. (until June 2012)
June	2014	External Director of the Company (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, the 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.
November	2015	External Director, Yume no Machi Souzou linkai Co., Ltd. (current position)
April	2016	Adviser, Osaka Gas Liquid Co., Ltd.
June	2016	Full-time Audit & Supervisory Board Member, Osaka Gas Liquid Co., Ltd. (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

Kenji Uchiyama
Executive Officer

In charge of the Product Planning Division, the Communication Design Division, the Marketing Division 1, and the International Marketing Division; General Manager, the Communication Design Division

Masahiro Ueda
Executive Officer

Senior Managing Director, PT. Mandom Indonesia Tbk

Kiyoshi Tai
Executive Officer

In charge of the Chain Store Sales Division Section 1, the Chain Store Sales Division Section 2, the Chain Store Sales Division Section 3; General Manager, the Chain Store Sales Division Section 2

Yoshikazu Hongo
Executive Officer

In charge of the International Business Division 2; General Manager, the International Business Division 2

Norihito Azuma
Executive Officer

In charge of the Fukusaki Factory and the Production Engineering Division; General Manager, the Fukusaki Factory

Masanori Sawada
Executive Officer

In charge of the Information Systems Division and the Finance Division; General Manager, the Finance Division

Masahiko Ushigami
Executive Officer

In charge of the General Administration Division, and the Human Resources Division; General Manager, the Human Resources Division

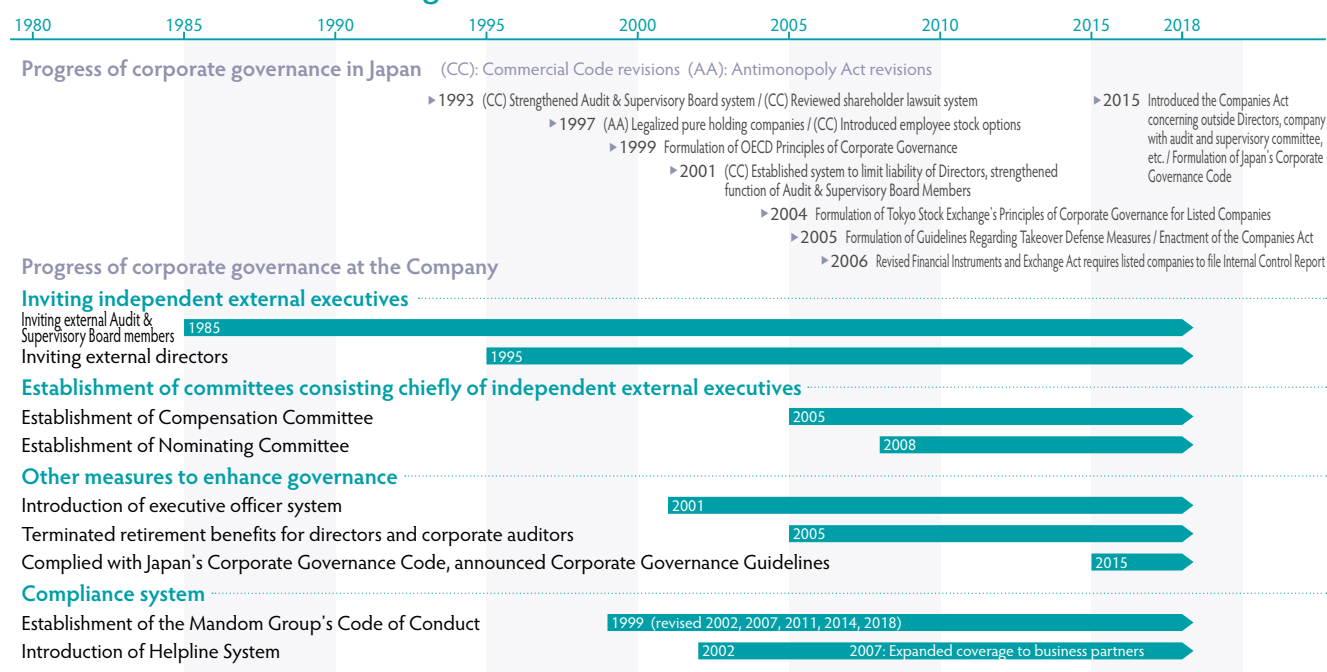
Corporate Governance

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

Proactive initiatives ahead of legislation



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.

Businesses and Strengths

Growth Strategy

Sustainability

Financial Data

Mandom Report 2018

Election and Composition of Officers

Mandom acknowledges the importance of diversity in the composition of its officers and strives to select personnel with various business experiences. While there are currently no female or foreign national Director or Audit & Supervisory Board member, Mandom acknowledges this as an important issue in order to promote diversity. The Company plans to proactively promote female and foreign national employees to executive and managerial positions to provide opportunities to shine. In fact, there are two female directors at a listed subsidiary in Indonesia. At the Company, a female employee took office as executive officer in April 2015.

The fields of experience for officers elected for fiscal 2019 are listed below.

In addition, 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, Mandom aims to reinforce its corporate governance and augment the Group's overall management quality, and has formulated the "Standards for the Independence of Independent Outside Executives."

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. Please refer to the Mandom website for details regarding the Standards for the Independence of Independent Outside Executives.



Corporate Governance Guidelines
Standards for the Independence of Independent Outside Executives
https://www.mandom.co.jp/ir/src/g_guideline_ex2.pdf (Japanese language)

Please refer to the Mandom website for information regarding the reasons for nomination and election of individual manager, director, and Audit & Supervisory Board member.



Corporate Governance Guidelines
Attachment "Explanation of individual reasons for the selection of the principle members of the managerial team and the nomination of candidates for directors and Audit & Supervisory Board members"
https://www.mandom.co.jp/ir/src/g_guideline_ex1.pdf (Japanese language)

Overview of executives (As of June 22, 2018)

Name	Position and responsibility within the Company	Field of experience *1								
		Management planning	Global	Marketing	Sales	Technology / Production	Finance / Accounting	Human Resources	Legal	Social capital environment
Motonobu Nishimura	President Executive Officer & Director/ Chairman of Nominating Committee/ Chairman of Compensation Committee				●		●			
Shinichiro Koshiba	Senior Managing Executive Officer & Director		●	●	●					
Yasuaki Kameda	Senior Managing Executive Officer & Director	●		●	●		●		●	
Takeshi Hibi	Managing Executive Officer & Director		●		●					
Tatsuyoshi Kitamura	Director		●	●	●	●		●	●	●
External	Satoshi Nakajima	●						●		
	Satoshi Nagao	●	●	●	●		●	●	●	●
	Ryuichi Terabayashi			●	●					
	Hiroo Mizuno				●	●		●		
External	Yukihiro Tsujimura								● Attorney	
	Masahiro Nishio						● CPA			

* 1 Areas of practical or supervising experience. Global refers to managerial experience upon being transferred to an overseas subsidiary or affiliate of Mandom. For independent external directors and independent external Audit & Supervisory Board members, this refers to experience in other companies.

* 2 Attendance since election at the General Meeting of Shareholders held on June 23, 2017.

* 3 Participated as observer.

Overview of activities of external directors (Fiscal 2018)

1. Visit to sales divisions in Japan

Purpose:

- ① To utilize the outside perspective, wealth of knowledge, and excellent insights of external directors in formulating sales strategy.
- ② Boost motivation of on-the-ground sales staff by asking questions and exchanging opinions with external directors.

Interviewed 93 people over ten days at nine different departments in Japan

Date	Place	Division	Visitor		Notes
			Satoshi Nakajima	Satoshi Nagao	
June	Osaka HQ	Fukuoka sales office	○	○	
July	Yokohama	Yokohama sales office	○	○	
July	Tokyo	Tokyo sales office	○	○	
July	Tokyo	Sales Planning Division	○	○	
October	Nagoya	Nagoya sales office	○	○	
October	Osaka HQ	Osaka sales office	○	○	
November	Tokyo	Sales Planning Division, Chain Store Sales Division 2	○		Interview with general manager
December	Tokyo	Sales Planning Division, Chain Store Sales Division 2		○	Interview with general manager
December	Saitama	Saitama sales office	○	○	
December	Tokyo	East Japan Sales Division	○	○	Interview with general manager

2. Inspection visit to overseas subsidiaries

Purpose:

- ① To grasp the business status and standardize operations
 - ② To inspect market of each country
- Visited South Korea, China, and Taiwan over nine days

Date	Country	Company name	Days	Visitor	
				Satoshi Nakajima	Satoshi Nagao
November	South Korea	Mandom Korea Corporation	3 days	○	○
November	China	Mandom China Corporation	3 days	○	○
December	Taiwan	Mandom Taiwan Corporation	3 days	○	

Supervision

Attendance in Fiscal 2018 (number of times attended/number of times held)

Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
13/13	3/3	1/1	
13/13			
10/13 *2			
12/13			
13/13			
13/13	3/3	1/1	
13/13	3/3	1/1	
13/13			13/13
10/13 *2			10/13 *2
13/13	*3	*3	13/13
13/13	*3	*3	13/13

Execution

Management Council

Number of meetings held in Fiscal 2018

11 times

Members

Directors
External Director
Audit & Supervisory Board Member
External Audit & Supervisory Board Member
Advisors*4

Of which, external members:

2 directors
2 Audit & Supervisory Board members
1 Advisor*4

Executive Board

Number of meetings held in Fiscal 2018

11 times

Members

President Executive Officer
Supervisory Executive Officer
(*Observers)
External Directors / Advisors*4

*4 Position abolished as of June 22, 2018

Evaluation of the Effectiveness of the Board of Directors

1. The Company carried out evaluation and analysis 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 Corporate Governance Guidelines (the "CG Guidelines") in accordance with Section 4 "Responsibilities of the Board" of the Corporate Governance Code (the "CG Code"), a questionnaire* was distributed to members of the Board of Directors in January 2018. Every person responded and all responses were received.

* 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.



- (2) Based on these responses, the representative director (President Executive Officer) interviewed each director during February to confirm their content.



- (3) In March, the results of the questionnaire and interviews were submitted to the members of the Nominating Committee in order to evaluate and deliberate the results from an outside perspective. The Nominating Committee secured a suitable timeframe and opportunity for deliberation, held careful discussions, and then made a report to the Board of Directors in April.



- (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.

2. Items seen as improved from fiscal 2017 and related comments addressing them

Supplementary Principle 4.1.2

Recognizing that a Middle-Range Plan is a commitment to shareholders, the Board of Directors and the senior management should do their best to achieve the plan. Should the company fail to deliver on its Middle-Range Plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.



"We are becoming increasingly precise and accurate when identifying factors which led to discrepancy between plans and results, helped by the implementation of matrix business management method and refined means to analyze changes in gross profit per unit. We must identify the cause for any discrepancy in the course of effectively executing the PDCA cycle. Among other things, I suggest there could have been more discussions to analyze the cause of sluggishness for our mainstay Gatsby products."

Supplementary Principle 4.1.3

Based on the company objectives (corporate philosophies, etc.) and specific business strategies, the board should engage in the appropriate oversight of succession planning for the CEO and other top executives.



"Regarding the succession program, the process of selection and career planning has been clarified, although the personnel development side of the program is still an issue to be addressed. We plan to select and train future management core assisting CEO, from the next generation leaders program starting from the next fiscal

year (fiscal 2018)."

Principle 4.6 Business Execution and Oversight of the Management

In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.



"Monitoring by three persons, including two external directors, is sufficient in executing this role."

Principle 4.14 Director and Audit & Supervisory Board member Training

New and incumbent directors and Audit & Supervisory Board member should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and Audit & Supervisory Board member along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.



"The Audit & Supervisory Board, starting from this fiscal year, holds study sessions led by Audit & Supervisory Board members at Management Council meetings, to provide opportunities to learn the roles and responsibilities of Audit & Supervisory Board members, not only for directors and executive officers but also for the Audit & Supervisory Board members themselves."

3. Issues to be addressed identified during the evaluation/analysis process

Please refer to the Mandom website.



"Corporate Governance Guidelines" Appendix "Summary of evaluation results and analysis of the effectiveness of the Board of Directors"
https://www.mandom.co.jp/ir/src/g_guideline_ex3.pdf (Japanese language)

Content of Executive Compensation

Policy and design-making process

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)	252	167	84	6
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	36	36	–	3
External directors	24	24	–	2
External Audit & Supervisory Board members	14	14	–	2

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, which is the single-year target in the Middle-Range

Planning, 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.

Introduction of Restricted Stock Compensation Plan

As noted above, the compensation for executive directors had been comprised of "fixed compensation" and "performance-linked compensation" with considerations to the performance and achievement against single-year targets. However, at the meeting of its Board of Directors held on April 27, 2018, the Directors decided to introduce a restricted stock compensation plan (the "Compensation Plan") as a "middle-range performance-linked compensation" that will be linked to the Middle-Range Planning. At the 101st Annual General Shareholders' Meeting held on June 22, 2018, the shareholders approved this proposal.

► Purpose of introduction

The Compensation Plan is introduced in order to further promote shared value with shareholders and provide an incentive for the Company's Directors (excluding Outside Directors, "Eligible Directors") to strive to continually increase the Company's corporate value.

► Overview

The Eligible Directors shall make in-kind contribution of all monetary compensation receivables to be granted according to the Compensation Plan, and shall, in return, receive the Company's common shares that

will be issued or disposed of by the Company. The total amount of monetary compensation receivables to be paid to Eligible Directors based on the Compensation Plan shall not exceed 150 million yen per year (however, this does not include the portion of employee's salary for Directors who concurrently serve as employees). However, we envision that an amount corresponding to compensation for performance of duties over the three fiscal years covered by the Middle-Range Planning will be paid in a lump sum in the first year of that period, so in principle the amount of compensation shall, in practice, not exceed 50 million yen per fiscal year.

Please refer to the Mandom website for details.

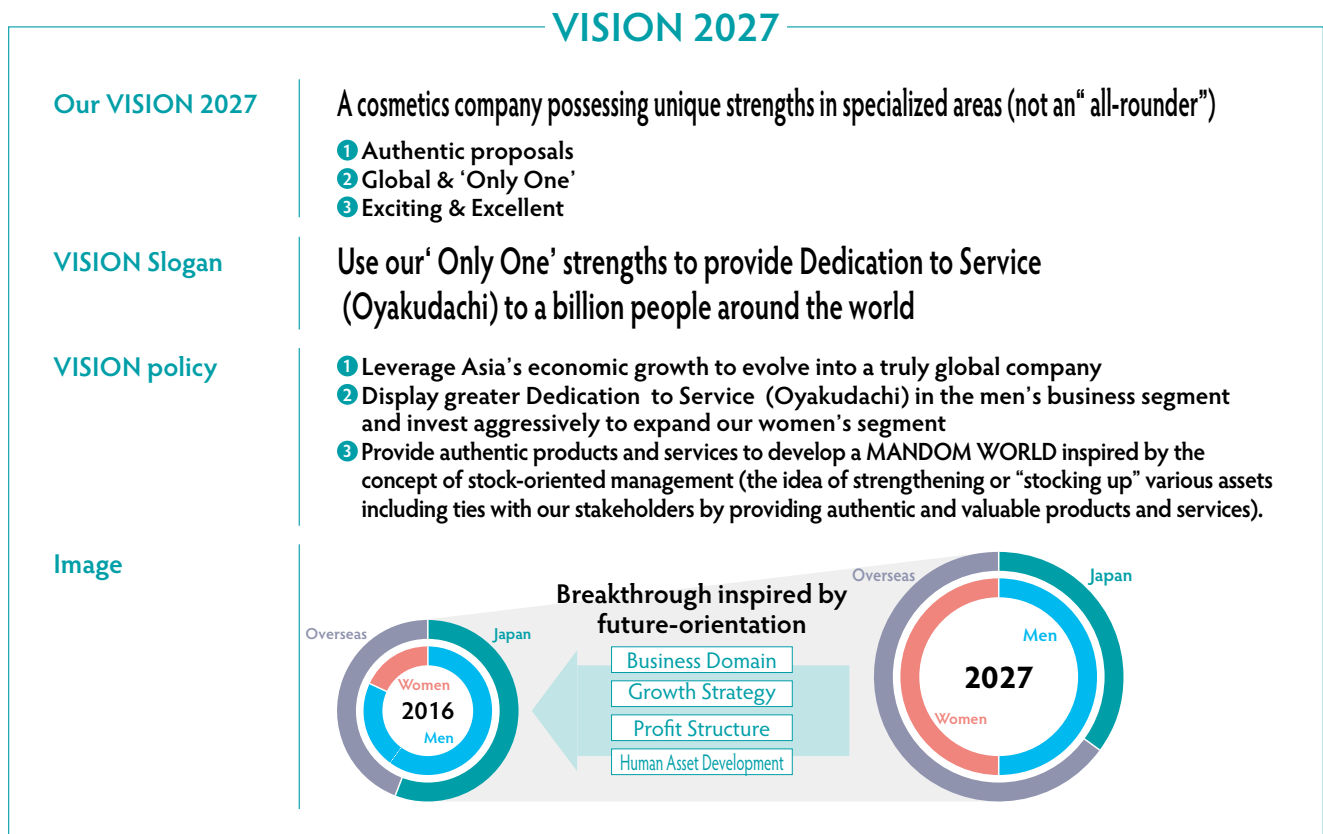


Notice Regarding Introduction of Restricted Stock Compensation Plan
<https://www.mandom.co.jp/english/ir/src/english/2018042701.pdf>

Growth Strategy

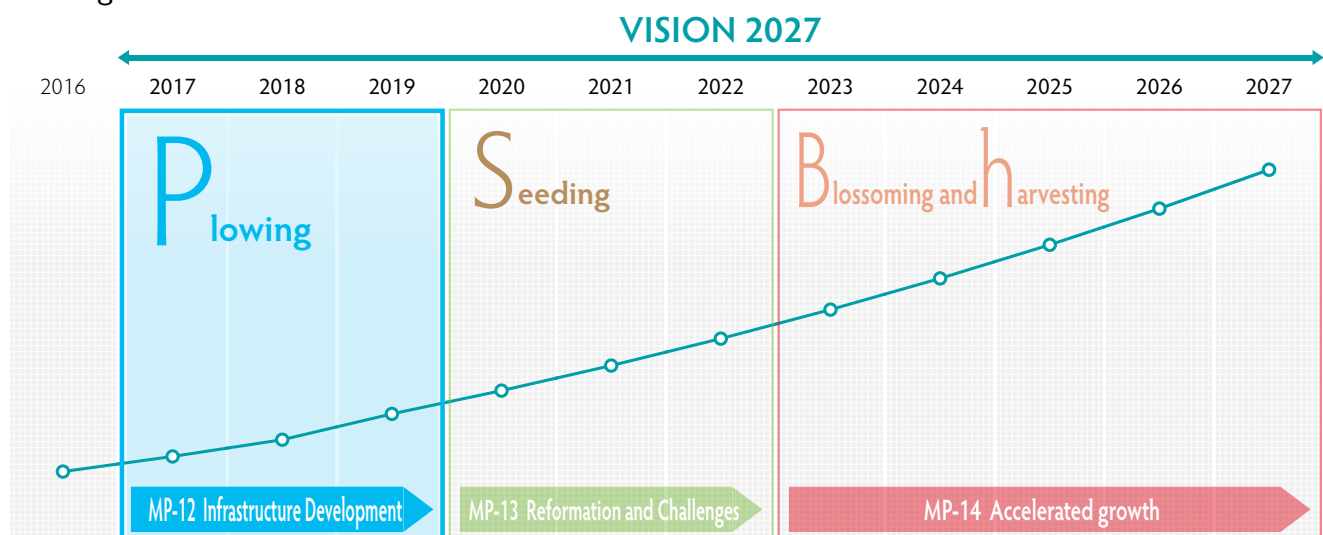
For its 90th anniversary, We have formulated the MISSION with concern for a human-oriented business approach at the core. VISION2027 (embodying our dreams, unrestricted by past experience) was also formulated to express a future-orientated approach.

Mandom is evolving with the aim of realizing VISION 2027 by 2027, the 100th anniversary of the company.



Positioning of 12th Middle-Range Planning (MP-12)

MP-12 (April 2017-March 2020) is designated as the “Infrastructure Development period,” a first step in realizing of VISION 2027.



* Growth image

Management Policy of MP-12

In an unpredictable world, “creating a future” is the surest way of determining what tomorrow will bring.

Our ability to create a future depends on how successful we are in gathering the strengths of the Mandom Group by using “backcasting” (as opposed to “forecasting”) approach.

Mandom has identified its current external environment and issues to form a policy during this infrastructure development period as it aspires to become the company we envision by the milestone year 2027, the centennial of our establishment.

External environment	Threats		Opportunities	
	<ul style="list-style-type: none">•Demographic changes such as declining birthrate and aging population•Diversification of consumer wants and needs•Sudden shifts in consumer purchasing styles (emergence of e-commerce)•Intensification of competition from global companies in Asia and new entrants from other industries		<ul style="list-style-type: none">•Invigoration of senior market•Potential unique niche markets•Innovation through new marketing methods•Invigoration of Asia market	
Issue awareness	Product	Area	Infrastructure development	
	<ul style="list-style-type: none">•Mandom has secured the top share of the men's hair styling market in many countries. However, we have not sufficiently secured market share in other categories•Insufficient products and services to address declining birthrate and aging population•Inability to respond flexibly to diversity of countries of operation•Sales scope of women's cosmetics remains small	<ul style="list-style-type: none">•Indonesia: Company must strengthen ability to respond to sudden market environment changes, such as standard of income increases and changes to distribution•Other overseas: Business scope remains small in each country•There remain areas not fully explored, even within Asia	<ul style="list-style-type: none">•Overseas developments have been executed on a single country basis, preventing Group synergies from forming•Management platform is not integrated across the Group	
Response				
	<ul style="list-style-type: none">•Make additional proposals in men's business area as a core business•Expand women's business area: Expand volume of existing categories, enter new categories•Strengthen response for middle-age and senior customers in Japan as a developed nation facing these issues while meanwhile considering horizontal deployment of dedication to service (Oyakudachi) in Asian nations in the future•Develop global brands•Products responding to diversity of countries of operation•Create a new communications model in order to forge strong bonds with consumers	<ul style="list-style-type: none">•Indonesia: Further strengthen business, including product development and expansion in stores•Other overseas: Set Indochina (five nations with a total population roughly the size of Indonesia and average age lower than that of Indonesia) and China (high potential) as areas of focus•Aim to strengthen a profitability structure by dividing areas among three businesses	<ul style="list-style-type: none">•Shift to a matrix structure with businesses and functions as axes and strengthen function axis to generate Group synergies•Prioritize marketing functions (category-based strategy) and aim to optimize technology and production for a global perspective•Develop business infrastructure (personnel development, accounting system, information systems, etc.) for the Group to support such initiatives	
Policy				
	<p>1. Promotion of category strategies and thorough implementation of activity</p> <p>① Nurturing of a category that can become a firm mainstay</p> <p>② Increase of brand values</p>	<p>2. Improvement of growth in overseas operations focusing on Indonesia</p> <p>① Indonesia: Display greater Dedication to Service (Oyakudachi) for middle-income class</p> <p>② Asian countries other than Indonesia: Advance marketing measures unique to each country by understanding consumer wants and achieving profitability</p>	<p>3. Building a group operation system and improving productivity per unit</p> <p>① Increases in the decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and building a structure for increasing productivity per unit</p> <p>② Construction of a structure that allows prompt strategy formulation and implementation at the operating company</p>	

MP-12 (12th Middle-Range Planning)

Theme

Corporate Infrastructure Development for Realizing VISION 2027

Management Basic Policy

1. Promotion of category strategies and thorough implementation of activity

- ① Nurturing of a category that can become a firm mainstay
- ② Increase of brand values

2. Improvement of growth in overseas operations focusing on Indonesia

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

3. Building a group operation system and improving productivity per unit

- ① Increases in the decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and building a structure for increasing productivity per unit
- ② Construction of a structure that allows prompt strategy formulation and implementation at the operating company

Management Basic Target

Growth Potential

Consolidated Net Sales	Men's business	Women's business	Overseas
Final year of MP-12	Average annual growth rate:	Average annual growth rate:	Average annual growth rate:
¥90,000 million	3% or more	10% or more	10% or more

Profitability

Consolidated Operating Profit Margin
10%

Shareholder Returns

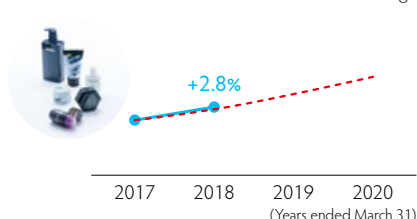
Consolidated Payout Ratio Consolidated basis, excluding extraordinary items
40% or higher

Progress of MP-12 Management Basic Targets

Mandom has set three important growth areas and displayed average annual growth rate targets for each area. In the management plan, we expect a scenario in which the growth rate rises over a cumulative period of two or three years, not at the same annual rate each year.

Men's business

*Growth curve image



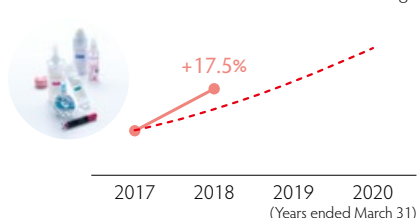
The fiscal 2017 growth rate in the men's business was 2.8%.

From fiscal 2018, the Company acknowledges that the strengthening of the Gatsby brand both in Japan and overseas and the development of new, attractive products which can open up new ways of grooming are important topics.

On the other hand, Lúcido maintains its strong results, we will continue to propose grooming options to middle-aged men that fit their needs.

Women's business

*Growth curve image

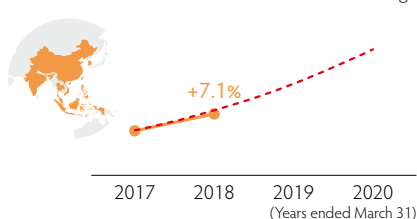


The fiscal 2017 growth rate in the women's business was 17.5%.

We will continue to strengthen its horizontal deployment of Bifesta both in Japan and overseas as its global brand. As Barrier Repair showed strong results in Japan due to inbound demand from overseas tourists, we launched this product in Thailand, Taiwan, Hong Kong, Singapore, and Malaysia. We aim to further promote horizontal deployment and enhance its shopping areas in each overseas market. We also plan to continue to strengthen the brand activity for Pixy through proactive communications initiatives and product proposals which aim to secure new customers.

Overseas

*Growth curve image



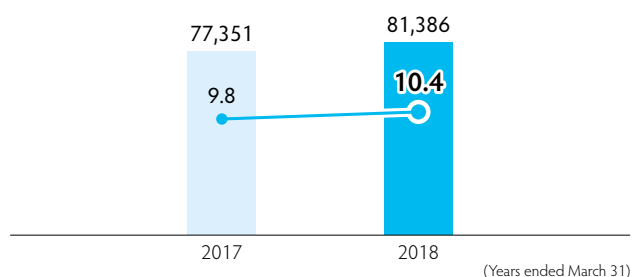
The fiscal 2017 growth rate overseas was 7.1%. However, we view the growth rate as largely on target because the growth rate is rising over the cumulative two, three years of the three year plan.

In Indonesia, we view middle-income class Indonesians are its core targets and aims to promote the expansion of volume of Dedication to Service (Oyakudachi) as its most important topic.

While the results in Asian countries other than Indonesia, some countries have been sluggish, the income and consumption levels in each country are steadily rising. We aim to increase its speed to avoid missing this wave as it strives to accelerate growth.

Profitability

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

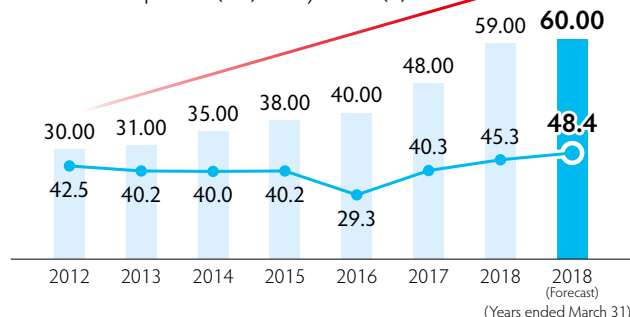


In terms of profitability, operating income margin was 10.4% against a target of 10%.

MP-12 is designated as a period of corporate infrastructure development. We will proactively invest in the development of the Group business infrastructure. However, it still plans to secure an operating income margin over 10% by improving the efficiency of marketing costs.

Shareholder Returns

■ Cash dividends per share (Yen) ● Payout ratio (%)



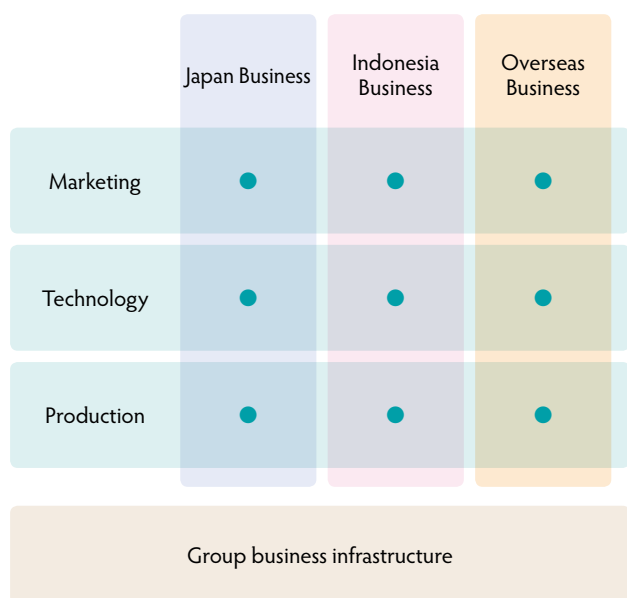
In terms of shareholder returns for the fiscal 2017, payout ratio was 45.3%, including commemorative dividends for the Company's 90th anniversary, reaching the target of 40% or higher (consolidated base excluding extraordinary factors). We also plan to increase dividends in fiscal 2018, which would be the seventh consecutive year of dividend increases. Payout ratio will be 48.4% if results end in line with forecasts. In addition to securing a payout ratio of higher than 40%, we aim to continue to increase dividends.

* We executed a 2-for-1 stock split of common stock on October 1, 2017. The figures in the above graph are figures taking into consideration the impact of stock split.

Measures Taken for MP-12 Basic Management Policies

(1) Create a Group operating structure, the key to the infrastructure development period

We developed a matrix structure as one method to generate Group synergies.



Points

- ① Considering the importance and growth potential of the Indonesian market, we decided to split the overseas business category, which had included all overseas markets, in the "Indonesia business" and "Overseas business," as part of a three business structure along with the "Japan business."
- ② We will strengthen the function axis (horizontal axis) in order to promote Group synergies in the category/brand axis. We aim to create new value through communications and collaboration.
- ③ We will simultaneously develop Group business infrastructure (personnel, finance, systems, governance, etc.) which is crucial to Group management as it aims to form a strong structure.

(2) Strengthen marketing functions

As a part of its marketing strategy promotion that spreads across the Group, we are holding international marketing conferences for its Gatsby and Bifesta brands, which have been designated as global brands. At these meetings, the personnel in charge of marketing the Gatsby and Bifesta brands in the Group companies, including in Japan, gather together to integrate the shared value of these brands and share examples of successful marketing initiatives in each country. We aim to generate organic synergies in each country or region where the Group is operating.

We also concentrated all of the marketing functions which had been spread between the Osaka main offices and Tokyo to Aoyama, Tokyo in order to achieve the goals of becoming a "human-oriented" company which "imaging ways of making people happy (Imagination)" and "creating value that benefits people (Creativity)." We are aiming to further promote the concept of total marketing on a global scale by establishing places to create new value within the Group for the purpose of sharing information of marketing know-how through personnel exchange which crosses borders, such as meetings between personnel in charge of global brands. We aim to utilize its location in the Aoyama/Omotesando area, which is the source of much information about trends, and designate this site as not just a simple "work site," but rather a "place to create something new and interesting." We will create an environment in which ideas can emerge more easily and improve its information gathering and transmission capabilities. We will further strengthen its marketing capabilities, already a strength, and create a hub to contribute to increase corporate value of the Company in the medium to long term as it looks toward the future.



International marketing conference



Aoyama Marketing office

(3) Adding a new factory building at Fukusaki Factory

The Fukusaki Factory is the sole manufacturing base in Japan. This Factory not only produces high-quality products for Japan and some overseas countries, but also serves the roles of supporting personnel development and technological innovation at the Group's manufacturing bases.

In 2017, Mandom launched VISION 2027, which outlines the profile of the company it aspires to be at its 100th anniversary. As such, we decided to renew the Fukusaki Factory into a manufacturing base fit to realize VISION 2027, which can respond to the scale of Dedication to Service (Oyakudachi) expected in 2027. We plan to implement an automatic transport system for raw materials, minimize transport distance, reduce the amount of time required to exchange manufacturing equipment in order to produce multi-product at a small volume high efficiency by utilizing IoT, and use a layout design based on GMP standards to increase production capabilities by 1.6 times the current level.

In addition to pursuing efficiency, we aim to create a "human-oriented" factory where workers are able to execute their tasks lively. We plan to develop a comfortable, safe, and pleasant working environment by enhancing the worker cafeteria and relaxing break rooms, strengthening the safety management



structure, and promoting labor-saving measures and the utilization of robot technology. We aim to not only boost the motivation of its employees, but improve skills and share its values of "manufacturing" in the Group both in Japan and overseas.

We aim to create a "person/environment-friendly factory which can create the future" by adding new value as a cosmetics factory through an initiative to allow visitors to enjoy the manufacturing technology of Mandom while learning. One such measure is the construction of a large presentation room at the entrance in which we can display the charms of this factory to visitors. Construction is to start in February 2019. Operation is expected for November 2020. We plan to invest 11.0 billion yen in this project.

(4) Promoting reforms to workstyles

For "Mandom World Creation & Expansion," we aim to improve

- Productivity per unit
- Individual growth and fulfillment in work
- Creativity

for making both Individuals and the Company Happy*." *Please refer to page 42 for details.

Major successes in initiatives to reform workstyles in 2017

① Reduction of overtime

We made progress in transforming the mindset of each employee as it aims to improve productivity per unit, a goal of the Management Basic Policy. As a result, we cut overtime overall by 13.9% year-over-year. We have continued this initiative into 2018, made progress in transforming the mindset of employees across the company, and aimed for further improvements in productivity.

As a result, we were able to reduce its paper by about eight tons in one year (about 200 m of A4 size paper). In addition to continuing to reduce paper materials, we plan to remove unused storage cabinets and install meeting space in their place.

② Promotion of paperless meetings

From June 2017, we have promoted the concept of paperless meetings. We are promoting the concept of "complete paperlessness" across the company, including officer meetings, in order to resolve issues from the perspectives of "productivity" and "creativity." We also identified documents which could be digitalized or which did not require storage in each department and disposed of such documents together.

③ Securing new knowledge and know-how about workstyles

In order to achieve a flexible workstyle, we experimented with sliding work schedules, flex-time, work from home, and satellite offices. We were able to acquire knowledge and know-how it did not possess previously through these experiments. We plan to fully implement these experiments from 2018 and aim for further improvements in productivity.

Sustainability

Philosophy Training

The Company believes that the most important topic in the globalization of its business is the spread of its mission to each Group employee. The Company built a framework to spread its mission to each Group employee by creating a "briefing book," a shared text of the Mandom mission and vision in eight languages, including Japanese. With input from local staff, the translation of this text was executed with careful consideration to select the optimal words and phrases to express the intent of this document.

We focused particular attention on consistency, a sense of oneness, continuity, and passionate instruction by management. First, officers were trained by top management. After that, management trained department managers in "evangelist training" sessions. Then these "evangelists" conducted "philosophy sharing workshops" for their department members.

Mission training across Group

From top management to officers



All Group employees share the Mission with consistency and a sense of oneness

From officers to department managers



These were not simple lecture-style sessions. In these workshops, participants read materials, listened to evangelists and then shared their realizations, thoughts, and how they would reflect what they learned in their daily actions. These interactive workshops were held in each department.

These workshops began in Japan and then ultimately spread to all overseas subsidiaries. "Evangelist training" sessions were held four times in Japan and five times overseas. "Mission sharing workshops" were held 21 times in Japan and ten times overseas. This process took 26 days in total. 1,009 people were trained. Overall distance traveled was about 60,000 km, or one and a half times around the Earth!

In just one year from the announcement, the Company put in this much time and effort and was able to spread its "mission" and "vision" to all members of the Mandom Group and prepare to put them into practice.

Naturally, the Company does not consider this training by itself sufficient to spread complete understanding and practice of the Mandom mission and will continue such efforts, including adding self-evaluation of one's actions based on the mission as an item on each employee's individual yearly objectives list.

All Group employees share how they practice the Mission in daily actions

From department managers to employees



Human Asset Development

— Thoughts about human assets —

Two major financial crises in the past forced Mandom to reduce its employee rolls. This made the Company and its employees (Individuals) unhappy.

We emerged from this experience determined to make both the Company and Individuals happy. Handed down through generations, this remains our guiding principle today.

We continue to honor it as we propose new visions, strategies and policies as means of executing our MISSION. Employee development and the resulting corporate growth will bring happiness to both parties.

Sources of individuals' happiness

Individuals attain a sense of reward from working hard to complete a job in a workplace that is safe, reliable and stable. They enjoy themselves both in and out of office and lead proud, healthy lives.

Sources of Company's happiness

The Company satisfies society with its Dedication to Service (Oyakudachi) and achieves strong earnings. All its stakeholders, including its employees, are happy as a result. We continue our efforts to enhance our corporate value that assist us to remain a going concern.

To realize VISION 2027

We act each day in accordance with the "Group Human Asset VISION 2027," aiming to be a company where all employees feel fulfilled by participating as "human assets."

In order to make the "Group Human Asset VISION 2027" a reality, employees must take responsibility as Human Assets to provide support for the Company and society. The Company, in turn, shall seek to develop their capabilities as Human Assets and provide this diverse talent pool with

opportunities for motivation and active engagement. The HR Division shall redesign and develop systems and structures that allow both parties to realize these ideals and provide Dedication to Service (Oyakudachi).

• Key initiatives regarding human asset development and training

Please refer to the Mandom website for details.



https://www.mandom.co.jp/english/csr/src/practice_development.html

Basic training

New employee training/new manager training/manager training

Compliance Education

Confidential information management education/Company-wide education on Mandom Code of Conduct

Health and Safety Education/ Environmental Protection Education

Health and Safety/Environmental Protection Education at Fukushima Factory

Lifestyle Support

Career training (employees in their 30s, 40s and 50s)

Support for Employee Skill Development

Correspondence education/Language study support system

Others

Forum 8 (cross-industry exchange)/Study abroad system

Decent Work and Work-Life Balance

At Mandom we aim to achieve Decent Work practices, encourage proper health management by employees, and promote work-life balance, having in place the following systems and measures.

Please refer to the Mandom website for details.



https://www.mandom.co.jp/english/csr/src/practice_decentwork.html

• Promotion of better work-life balance

The Company provides support so that employees can continue to work even as their lives change. The Company has developed various systems for child-raising and nursing

in order to improve work-life balance of its employees.

From 2009, the Company has held three-person meetings between pregnant employees, their supervisors, and personnel from human resources division to ensure that the employee can return to work without concern following the pregnancy.

In nursing support, in addition to creating a nursing time-off system which allows employees an additional five days off per year for nursing elderly relatives, from 2012 the Company has introduced a flex-time working schedule and allowed lapsed paid leave to be pooled for nursing purposes.

Diversity & Inclusion

In April 2015 Mandom established Diversity Promotion Office and we are trying to build an organizational system that embodies diversity and inclusion in order to retain workers of diverse attributes and value systems, and enable them to reach their full potential.

Please refer to the Mandom website for details.



https://www.mandom.co.jp/english/csr/src/practice_diversity.html

• Action plan for promoting women's participation and work-life balance

In April 2016, a Japanese law took effect, which obliges large companies and local and central governments to set numerical targets for hiring and promoting women. Mandom understands that promotion of women is an important theme that draws expectations and demands from a broad range of players in the society. Accordingly, this theme has been reflected in one of the CSR Material Issues for the Mandom Group - "Achieving employee satisfaction (ES) and diversity". In line with the objectives and purposes of the law, Mandom will develop and execute phased action plan to help realize a society where women are promoted and encouraged to exercise their individuality and unleash their full potential. (We

will also disclose our actions and keep the information up to date through the official website of Ministry of Health, Labor and Welfare).

Mandom's efforts also include establishing an employment environment allowing employees to balance work and child-rearing based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and establishing diverse working conditions inclusive of employees who are not raising children.

Please refer to the Mandom website for details.



Work customs ▶ Decent Work and Work-Life Balance
https://www.mandom.co.jp/english/csr/src/practice_decentwork.html

• Creating an environment enabling participation by diverse human resources, including people with disabilities

We aim to build an organization that encourages diversity and inclusion. As part of this, we are creating workplace environments that allow us to hire more people with disabilities and facilitate their participation

Please refer to the Mandom website for details.



Human rights ▶ Promotion of diversity
<https://www.mandom.co.jp/english/csr/src/human.html>

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.

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 2016 (April 1, 2016-March 31, 2017)		Fiscal 2017 (April 1, 2017-March 31, 2018)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Paltac Corporation	24,573	31.8	25,609	31.5
PT Asia Paramita Indah	15,542	20.1	17,318	21.3

As shown in the chart above, during the fiscal years ended March 31, 2017 and 2018, 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 41.7% and 42.5% of consolidated net sales in the fiscal years ended March 31, 2017 and 2018, 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.

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.

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.

Framework for a Global Society and Mandom Group CSR

This year, 2015, is a watershed year for international initiatives aimed at sustainable development, including the Sustainable Development Goals (SDGs) for 2030, which were adopted at the UN Sustainable Development Summit held on September 25, 2015, and are to be applied worldwide.

In April 2015, the Mandom Group established a new CSR Promotion Division to specialize in strengthening the group's CSR promotion system, one of our key action points

for 2015.

In September, together as a whole the Mandom Group declared support for the Ten Principles of the UN Global Compact by joining the compact. This endeavor offers a new opportunity for each and every one of our employees to strengthen our relationships with a broad range of stakeholders and allows them to share in the values of the international community toward sustainable social development.

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 anticorruption as principles to be respected by global enterprises.

The Ten Principles of the UN Global Compact

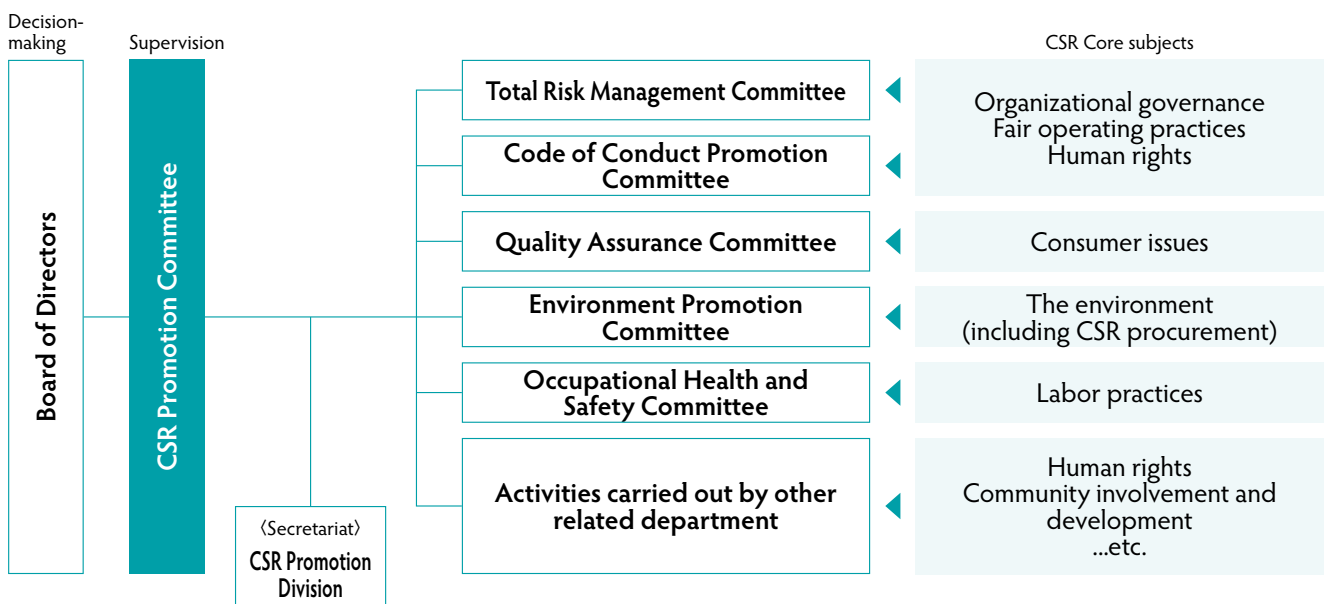
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition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



Mandom Group CSR Promotion System

We established a CSR Promotion Committee, headed by the President Executive Officer. We then developed the group's

approach to CSR and began working to select CSR material issues by consulting with related departments through related committees and meetings.



Our Approach to CSR

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



External websites

UNGC

United Nations Global Compact <https://www.unglobalcompact.org/>

SDGs

Sustainable Development Goals
<https://www.unglobalcompact.org/sdgs>

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.

Human rights

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

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.

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, and after-use disposal recycling.

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.

Consumer issues

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

Community Involvement and Development

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



Please refer to the Mandom website for details. <https://www.mandom.co.jp/english/csr/>

Analyses of Management and Finances

Analysis of Operating Results

(1) Summary

During the consolidated fiscal year, Japan's economy showed a gradual recovery against a backdrop of improvements in corporate profits and the employment situation despite concern over uncertainty in the global economy. Additionally the economies throughout Asia - our main sphere of international operations - showed a gradual recovery despite continued uncertainty about the future.

Given these economic conditions, consolidated net sales increased by ¥4.035 billion year on year (5.2% increase), amounting to ¥81.386 billion. Consolidated operating was up ¥840 million (11.0%) year on year to ¥8.457 billion. Consolidated ordinary income came in at ¥9.264 billion, which was a ¥1.080 billion (13.2%) increase compared to the prior fiscal year. Consolidated net income attributable to owners of the parent increased ¥520 million (9.4%) year on year to ¥6.086 billion.

(2) Net Sales and Cost of Sales

Consolidated net sales totaled ¥81.386 billion (up 5.2% year on year). This marks the eighth consecutive year of record sales. The increase was mainly attributable to steady sales of the Gatsby brand in the men's business and strong sales of the Bifesta brand in the women's business both in Japan and overseas.

Cost of sales was ¥36.550 billion (up 3.9%). This was mainly due to higher sales both in Japan and overseas. Gross profit rose ¥2.649 billion (up 6.3%) to ¥44.836 billion due to a lower cost of sales ratio.

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

SG&A expenses amounted to ¥36.379 billion (up 5.2%). This was due to increases in selling expenses both in Japan and overseas. Operating income rose ¥840 million (up 11.0%) to ¥8.457 billion due to higher gross profit.

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

Non-operating income has been increasing since the previous term, while non-operating expenses have been decreasing. As a result, net non-operating profit was up ¥240 million from the previous term. In extraordinary items, however, extraordinary income decreased ¥239 million due to lower extraordinary income.

As a result, ordinary income totaled ¥9.264 billion (up 13.2%). Income before income taxes was ¥9.218 billion (up 10.0%).

(5) Income Taxes, Net Income Attributable to Noncontrolling Interests and Net Income Attributable to Owners of the Parent

Income taxes totaled ¥2.544 billion (up 13.9%), principally due to an increase in corporate tax payable by the parent company. Net income attributable to noncontrolling interests was ¥587 million, due mainly to the increase in net income of the Group's Indonesian subsidiary.

As a result, net income attributable to owners of the parent amounted to ¥6.086 billion (up 9.4%).

Analysis of Financial Position and Cash Flows

(1) Assets, Liabilities and Total Equity

Total assets were ¥93.195 billion as of March 31, 2018, up ¥9.359 billion (11.2 %) from a year earlier.

Current assets were ¥59.247 billion. This was mainly due to increases of ¥1.732 billion in cash and deposits and ¥2.299 billion in securities.

Non-current assets were ¥33.947 billion. This was mainly due to an increase of ¥3.857 billion in investment securities.

Total liabilities were ¥17.445 billion as of March 31, 2018, up ¥3.200 billion (22.5 %) from a year earlier.

Current liabilities were ¥11.755 billion. This was mainly due to an increase of ¥1.164 billion in accounts payable.

Non-current liabilities were ¥5.690 billion. This was mainly due to an increase of ¥1.271 billion in deferred tax liabilities.

Total equity was ¥75.749 billion as of March 31, 2018, up ¥6.159 billion (8.9 %) from a year earlier. This was mainly due to an increase of ¥3.702 billion in retained earnings resulting from ¥6.086 billion in net income attributable to owners of the parent and ¥2.384 billion in dividends of surplus.

(2) Status of Cash Flows

Cash and cash equivalents as of March 31, 2018, came to ¥13.640 billion, up ¥760 million from the end of the previous fiscal year. This was due to an increase of ¥841 million in income before income taxes to ¥9.218 billion.

Factors influencing cash flows during the term are as follows.

► Cash Flows from Operating Activities

Net cash provided by operating activities was ¥10.246 billion. This was mainly an increase resulting from income before income taxes and minority interest of ¥9.218 billion and depreciation and amortization of ¥3.315 billion and a decrease resulting from ¥2.353 billion in corporate and other taxes paid and a ¥1.065 billion increase in accounts receivable.

► Cash Flows from Investing Activities

Net cash used in investing activities was ¥6.776 billion. This was mainly an increase resulting from ¥27.0 billion in proceeds from redemptions and sales of marketable

securities and a decrease resulting from outlays for the acquisition of marketable securities of ¥29.299 billion and outlays for the acquisition of tangible fixed assets of ¥2.572 billion.

► Cash Flows from Financing Activities

Net cash used in financing activities was ¥2.669 billion. This was mainly a decrease resulting from dividend payments of ¥2.383 billion.

Capital Policy

In a competitive environment in which the global markets grow more intense daily, the Company, under the going concern assumption, adopts a basic capital policy rooted in the maintenance of a strong financial foundation in order to achieve sustainable growth. The capital policy calls for the proactive utilization of strategic investments, such as overseas investments, R&D investments, capital investments, and M&A, as well as the prioritizing of the stable and continuous return of profits to shareholders through dividends.

In addition, we consider that it is its first priority to improve its corporate value by expanding its mainstay cosmetics business. Therefore, we do not set targets for

ROE, while it has set a payout ratio as described earlier and targets related to growth and profitability (operating income margin) as numerical targets in its management plan. However, we keep the improvement of capital efficiency in mind. As such, in addition to enhancing shareholder returns and proactive business investments, we will also consider the acquisition of treasury stock depending on a number of factors, including economic conditions, company assets, and stock price trends. We have never experienced M&A transactions before. However, if we find any deal that will bring us future growth, we are willing to take it into consideration.

Facilities

(1) Overview of capital investments

The Group maintains a basic policy of making capital investments in facilities to manufacture products that sustain a competitive advantage. Total capital investments were ¥2.855 billion as of March 31, 2018, down ¥454 million from a year earlier.

Breakdown by segment is listed on the right.

Segment name	Fiscal 2017 (millions of yen)	YoY change
Japan	1,464	(27.2)
Indonesia	1,242	3.8
Other Overseas	148	48.7
Total	2,855	(13.7)

(2) New important facilities

The Group determines its plans for capital investments while comprehensively taking into consideration investment efficiency and other factors. In principle, each consolidated company separately determines its capital investment plan.

However, the Group makes adjustments mainly to the reporting companies when determining the plan.

The plans for new important facilities as of March 31, 2018 are listed below.

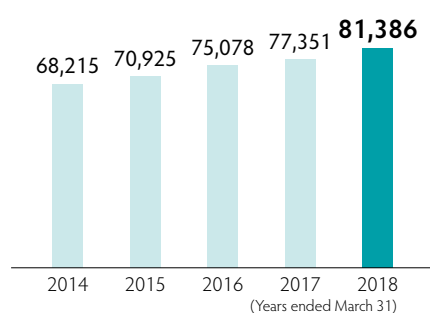
Company name	Office name (location)	Segment name	Facilities	Planned amount of investment		Method of financing	Planned date of start/finish		Enhanced capabilities after completion
				Total amount (millions of yen)	Amount paid (millions of yen)		Start	Finish	
Reporting company	Fukusaki Factory (Fukusaki-cho, Kansai-gun, Hyogo)	Japan	Production facilities	11,000	119	Own capital	February 2019	November 2020	60% increase

* Consumption tax, etc. is not included in the above amount.

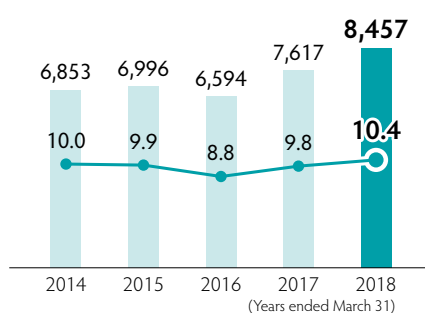
11-Year Consolidated Financial Highlights

	2008	2009	2010	2011
Operating Results (Millions of yen)				
Net sales	56,289	55,178	54,304	57,262
Overseas ratio (%)	32.6	34.5	31.7	34.5
Operating income	6,837	4,926	5,368	5,747
Overseas ratio (%)	38.0	41.8	34.0	36.6
Ordinary income	6,704	5,175	5,715	6,006
Net income attributable to owners of the parent	3,499	3,011	2,802	2,672
Capital investment	2,096	2,039	3,221	1,696
Depreciation and amortization	2,236	2,353	2,125	2,394
Research and development	2,024	2,037	1,846	1,850
Financial Position (Millions of yen)				
Total assets	54,218	49,078	54,182	53,328
Liabilities	8,349	6,698	9,123	8,036
Total equity	45,868	42,379	45,058	45,291
Cash Flows (Millions of yen)				
Cash flows from operating activities	7,614	3,458	7,766	4,063
Cash flows from investing activities	(5,040)	(1,204)	(5,111)	(1,408)
Free cash flows	2,574	2,253	2,655	2,655
Cash flows from financing activities	(1,659)	(2,045)	(2,291)	(1,661)
Per Share Data* (Yen)				
Book value per share (BPS)	889.83	830.97	887.32	892.78
Earnings per share (EPS)	73.56	63.30	59.70	57.15
Cash dividends per share	40.00	30.00	30.00	30.00
Financial Index (%)				
Operating income margin	12.1	8.9	9.9	10.0
Shareholders' equity ratio	78.1	80.5	76.6	78.3
Return on equity (ROE)	8.4	7.4	6.9	6.4
Return on assets (ROA)	12.7	10.0	11.1	11.2
Payout ratio	54.4	47.4	50.3	52.5

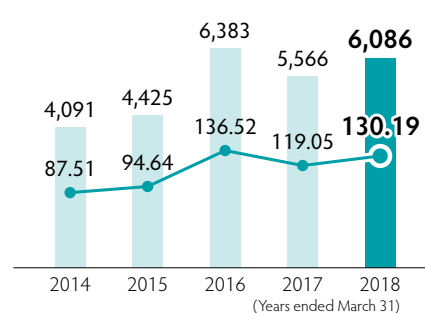
■ Net sales (Millions of yen)



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



■ Net income attributable to owners of the parent (Millions of yen)
● Earnings per share* (Yen)



* We conducted a 2-for-1 stock split of common stock on October 1, 2017. All of the figures for Per Share Data are figures taking into consideration the impact of stock split.

(Years ended March 31)

	2012	2013	2014	2015	2016	2017	2018
	59,801	60,427	68,215	70,925	75,078	77,351	81,386
	34.9	36.8	40.0	41.3	41.3	40.6	41.3
	6,050	5,947	6,853	6,996	6,594	7,617	8,457
	37.1	34.1	34.6	35.9	28.7	33.3	34.7
	6,308	6,241	7,330	7,595	7,415	8,183	9,264
	3,299	3,607	4,091	4,425	6,383	5,566	6,086
	2,157	1,467	7,632	3,443	3,725	3,309	2,855
	2,242	2,165	2,143	2,599	2,919	3,165	3,315
	1,921	1,792	1,960	1,731	1,558	1,717	1,813
	55,600	60,163	67,858	75,980	79,821	83,835	93,195
	8,517	9,126	12,679	15,000	13,965	14,245	17,445
	47,082	51,037	55,179	60,980	65,856	69,590	75,749
	3,692	7,605	7,303	5,488	7,232	9,045	10,246
	(2,694)	(5,387)	(5,596)	(5,141)	(2,383)	(5,920)	(6,776)
	998	2,218	1,706	346	4,849	3,124	3,469
	(1,668)	(1,646)	(1,833)	(341)	(3,534)	(2,215)	(2,669)
	930.50	1,005.54	1,091.54	1,197.11	1,277.01	1,352.88	1,484.67
	70.55	77.14	87.51	94.64	136.52	119.05	130.19
	30.00	31.00	35.00	38.00	40.00	48.00	59.00
	10.1	9.8	10.0	9.9	8.8	9.8	10.4
	78.3	78.2	75.2	73.7	74.8	75.4	74.5
	7.7	8.0	8.3	8.3	11.0	9.1	9.2
	11.6	10.8	11.5	10.6	9.5	10.0	10.5
	42.5	40.2	40.0	40.2	29.3	40.3	45.3

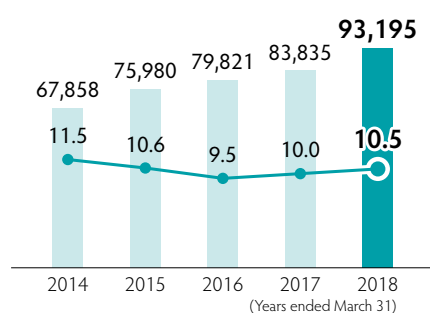
Businesses and Strengths

Corporate Governance

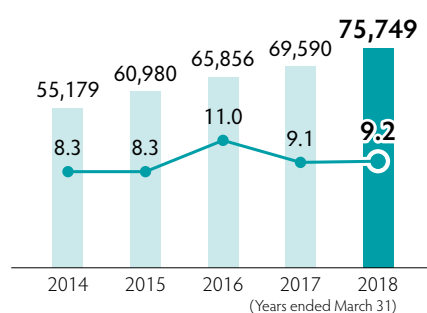
Growth Strategy

Sustainability

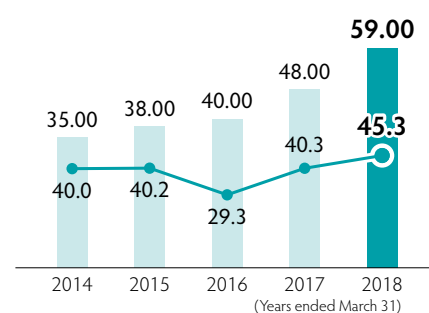
■ Total assets (Millions of yen)
● Return on assets (%)



■ Total equity (Millions of yen)
● Return on equity (%)



■ Cash dividends per share* (Yen)
● Payout ratio (%)



Financial Data

Consolidated Financial Statements

Consolidated Balance Sheet

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2018

Millions of yen

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 12)	¥ 13,640	¥ 12,880
Short-term investments (Notes 3 and 12)	22,302	19,030
Receivables (Note 12):		
Trade notes and accounts	10,438	9,498
Unconsolidated subsidiary and associated company	201	91
Other	59	248
Allowance for doubtful accounts	(20)	(17)
Inventories (Note 4)	10,761	10,499
Deferred tax assets (Note 8)	887	836
Prepaid expenses and other current assets	980	1,066
Total current assets	59,248	54,131
PROPERTY, PLANT, AND EQUIPMENT:		
Land	511	511
Buildings and structures	24,202	24,145
Machinery and equipment	18,988	18,325
Furniture and fixtures	6,156	5,794
Lease assets (Note 11)	47	51
Construction in progress	774	532
Total	50,678	49,358
Accumulated depreciation	(32,410)	(30,686)
Net property, plant, and equipment	18,268	18,672
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 3 and 12)	11,317	7,533
Investments in unconsolidated subsidiary and associated company	693	620
Deferred tax assets (Note 8)	326	267
Software (Note 1)	1,365	958
Other assets (Note 1)	1,979	1,655
Total investments and other assets	15,680	11,033
TOTAL	¥ 93,196	¥ 83,836

*Shares have been restated to reflect a two-for-one stock split effected October 1, 2017.

See notes to consolidated financial statements.

	Millions of yen	
	2018	2017
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank loans (Notes 5 and 12)	¥ 272	¥ 283
Payables (Note 12):		
Trade notes and accounts	7,103	5,874
Unconsolidated subsidiary and associated company	41	11
Other	236	243
Accrued income taxes (Note 12)	1,184	1,076
Accrued expenses	2,386	2,143
Other current liabilities	533	547
Total current liabilities	11,755	10,177
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 6)	2,321	1,938
Deferred tax liabilities (Note 8)	2,387	1,116
Other long-term liabilities	983	1,014
Total long-term liabilities	5,691	4,068
COMMITMENTS (Note 11)		
EQUITY (NOTES 7 AND 14):		
Common stock—authorized, 81,969,700 shares; issued, 48,269,212 shares in 2018 and 2017*	11,395	11,395
Capital surplus	11,235	11,235
Retained earnings	47,967	44,264
Treasury stock—at cost, 1,516,097 shares and 1,514,722 shares in 2018 and 2017*, respectively	(1,867)	(1,863)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	5,419	2,799
Foreign currency translation adjustments	(4,467)	(4,353)
Defined retirement benefit plans	(269)	(224)
Total	69,413	63,253
Noncontrolling interests	6,337	6,338
Total equity	75,750	69,591
TOTAL	¥ 93,196	¥ 83,836

Consolidated Financial Statements

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2018

Millions of yen

	2018	2017
NET SALES	¥ 81,387	¥ 77,351
COST OF SALES	36,550	35,164
Gross profit	44,837	42,187
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 9, 10, and 11)	36,379	34,569
Operating income	8,458	7,618
OTHER INCOME (EXPENSES):		
Interest and dividend income	373	332
Foreign exchange gain (loss)	8	(52)
Loss on disposal of property, plant, and equipment	(52)	(31)
Gain on sales of property, plant, and equipment	7	5
Claims insurance		220
Compensation expenses	(49)	(130)
Equity in earnings of associated company	307	235
Other – net	167	181
Other income – net	761	760
INCOME BEFORE INCOME TAXES	9,219	8,378
INCOME TAXES (Note 8):		
Current	2,511	2,163
Deferred	33	70
Total income taxes	2,544	2,233
NET INCOME	6,675	6,145
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	588	579
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 6,087	¥ 5,566

Yen

	2018	2017
PER SHARE OF COMMON STOCK (Note 2.n):		
Basic net income	¥ 130.19	¥ 119.05
Cash dividends applicable to the year	51.00	41.50

*Per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.

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, 2018

Millions of yen

	2018	2017
NET INCOME	¥ 6,675	¥ 6,145
OTHER COMPREHENSIVE INCOME (LOSS) (Note 13):		
Unrealized gain on available-for-sale securities	2,621	417
Foreign currency translation adjustments	(337)	(567)
Defined retirement benefit plans	(96)	(43)
Share of other comprehensive loss in associates	(44)	(12)
Total other comprehensive income (loss)	2,144	(205)
COMPREHENSIVE INCOME	¥ 8,819	¥ 5,940
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 8,549	¥ 5,490
Noncontrolling interests	270	450

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2018

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock*	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
BALANCE, APRIL 1, 2016	46,756	¥ 11,395	¥ 11,235	¥ 40,638	¥ (1,859)
Net income attributable to owners of the parent				5,566	
Cash dividends, ¥41.5 per share*				(1,940)	
Purchase of treasury stock	(2)				(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					
BALANCE, APRIL 1, 2017	46,754	11,395	11,235	44,264	(1,863)
Net income attributable to owners of the parent				6,087	
Cash dividends, ¥51.0 per share*				(2,384)	
Purchase of treasury stock	(1)				(4)
Net change in the year					
BALANCE, MARCH 31, 2018	46,753	¥ 11,395	¥ 11,235	¥ 47,967	¥ (1,867)

* Shares and per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.
See notes to consolidated financial statements.

	Millions of yen					
	Accumulated Other Comprehensive Income (Loss)					
	Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling interests	Total Equity
BALANCE, APRIL 1, 2016	¥ 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, ¥41.5 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	112
BALANCE, APRIL 1, 2017	2,799	(4,353)	(224)	63,253	6,338	69,591
Net income attributable to owners of the parent				6,087		6,087
Cash dividends, ¥51.0 per share*				(2,384)		(2,384)
Purchase of treasury stock				(4)		(4)
Net change in the year	2,620	(114)	(45)	2,461	(1)	2,460
BALANCE, MARCH 31, 2018	¥ 5,419	¥ (4,467)	¥ (269)	¥ 69,413	¥ 6,337	¥ 75,750

* Shares and per share figures have been restated to reflect a two-for-one stock split effected October 1, 2017.
See notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Cash Flows

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2018

Millions of yen

	2018	2017
OPERATING ACTIVITIES:		
Income before income taxes	¥ 9,219	¥ 8,378
Adjustments for:		
Income taxes paid	(2,353)	(2,312)
Depreciation and amortization	3,315	3,166
Loss on disposal of property, plant, and equipment	54	31
Gain on sales of property, plant, and equipment	(7)	(5)
Claims insurance		(220)
Insurance received	171	488
Changes in assets and liabilities:		
(Increase) decrease in receivables	(1,066)	443
Increase in inventories	(323)	(1,245)
Increase (decrease) in payables	829	(260)
Increase in liability for retirement benefits	452	232
Other – net	(45)	349
Total adjustments	1,027	667
Net cash provided by operating activities	10,246	9,045
INVESTING ACTIVITIES:		
Transfers to time deposits other than cash equivalents	(3,677)	(2,638)
Proceeds from maturity of time deposits other than cash equivalents	2,856	2,514
Proceeds from sales of property, plant, and equipment	12	16
Acquisition of property, plant, and equipment	(2,572)	(3,302)
Acquisition of intangible fixed assets (Note 1)	(993)	(514)
Proceeds from sales and redemptions of investment securities		7
Payments for purchases of investment securities	(9)	(8)
Proceeds from sales and redemptions of short-term investment securities	27,000	17,700
Payments for purchases of short-term investment securities	(29,299)	(19,699)
Other – net (Note 1)	(95)	3
Net cash used in investing activities	(6,777)	(5,921)
FINANCING ACTIVITIES:		
Dividends paid	(2,655)	(2,200)
Other – net	(14)	(16)
Net cash used in financing activities	(2,669)	(2,216)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(40)	(228)
NET INCREASE IN CASH AND CASH EQUIVALENTS	760	680
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,880	12,200
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 13,640	¥ 12,880

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, 2018

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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

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, 2018, include the accounts of the Company and its 12 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.

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. Software — Software is carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 5 years.

h. 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

Consolidated Financial Statements

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.

i. Research and Development Costs — Research and development costs are charged to income as incurred.

j. Leases — In March 2007, the Accounting Standards Board of Japan ("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 that 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.

k. 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.

l. 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.

m. 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.

n. 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 stocks 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.

On October 1, 2017, the Company effected a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on August 23, 2017. All prior-year share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2018. Such restatements include calculations regarding the Company's weighted-average number of common stocks, basic net income per share, and cash dividends per share.

o. New Accounting Pronouncements:

(a) The Company and its domestic consolidated subsidiaries
Tax effect accounting - On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively.

The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. Earlier application is permitted for annual periods ending on or after March 31, 2018.

The Company expects to apply the revised accounting standard for annual periods beginning on April 1, 2018, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.
Revenue recognition - On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018.

The Company expects to apply the accounting standard and guidance for annual periods beginning on April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

(b) Foreign consolidated subsidiaries

Accounting Standards	Overview	Date of Application
IFRS 15 Revenue from Contracts with Customers	Revised Accounting for Revenue Recognition	Annual periods beginning on January 1, 2018
IFRS 16 Leases	Revised Accounting for Leases	Annual periods beginning on January 1, 2019

The Company is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Short-term investments:		
Certificates of deposit	¥ 13,300	¥ 12,500
Commercial paper other than cash equivalents	4,499	3,000
Time deposits other than cash equivalents	4,503	3,530
Total	¥ 22,302	¥ 19,030
Investment securities:		
Marketable equity securities	¥ 11,313	¥ 7,530
Nonmarketable equity securities	4	3
Total	¥ 11,317	¥ 7,533

Information regarding securities classified as available for sale as of March 31, 2018 and 2017 is as follows:

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
March 31, 2018				
Equity securities	¥ 3,505	¥ 7,808	¥ (0)	¥ 11,313
Debt securities	4,499		(0)	4,499
Other	13,300			13,300
March 31, 2017				
Equity securities	¥ 3,498	¥ 4,032	¥ (0)	¥ 7,530
Debt securities	3,000		(0)	3,000
Other	12,500			12,500

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Equity securities	¥ 4	¥ 3

There were no sales of available-for-sale securities for the years ended March 31, 2018 and 2017.

4. INVENTORIES

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen	
	2018	2017
Merchandise	¥ 2,317	¥ 2,018
Finished products	5,522	5,419
Work in process	434	432
Raw materials and supplies	2,488	2,630
Total	¥ 10,761	¥ 10,499

5. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2018 consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 2.88% to 3.15% in Philippine pesos at March 31, 2018. The loan proceeds were mainly utilized to support financing of working capital in the Philippines.

Consolidated Financial Statements

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 Benefit Pension Plans

(1) The changes in defined benefit obligations for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Balance at beginning of year	¥ 4,925	¥ 4,581
Current service cost	317	287
Interest cost	166	136
Actuarial loss	197	95
Past service cost	91	
Benefits paid	(152)	(170)
Foreign currency translation	(78)	(11)
Other	6	7
Balance at end of year	¥ 5,472	¥ 4,925

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Balance at beginning of year	¥ 2,987	¥ 2,871
Expected return on plan assets	78	74
Actuarial gain (loss)	17	(8)
Contributions from the employer	149	149
Benefits paid	(74)	(105)
Other	(7)	6
Balance at end of year	¥ 3,150	¥ 2,987

(3) Reconciliations between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Funded defined benefit obligations	¥ 3,352	¥ 3,184
Plan assets	(3,150)	(2,986)
	202	198
Unfunded defined benefit obligations	2,119	1,740
Net liability arising from defined benefit obligations	¥ 2,321	¥ 1,938

	Millions of yen	
	2018	2017
Liability for retirement benefits	¥ 2,321	¥ 1,938

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Service cost	¥ 317	¥ 287
Interest cost	166	136
Expected return on plan assets	(78)	(74)
Recognized actuarial loss	58	66
Amortization of past service cost	68	(35)
Net periodic retirement benefit costs	¥ 531	¥ 380

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Prior service cost	¥ 23	¥ 35
Actuarial loss	107	31
Total	¥ 130	¥ 66

(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, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Unrecognized prior service cost		¥ (23)
Unrecognized actuarial loss	¥ 593	491
Total	¥ 593	¥ 468

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2018 and 2017 consisted of the following:

	2018	2017
Debt investments	40%	42%
Equity investments	29	31
General accounts	14	14
Cash and cash equivalents	7	9
Other	10	4
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, 2018 and 2017 were mainly set forth as follows:

	2018	2017
Discount rate	0.5%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary/wage increment	2.2%	2.5%

Defined Contribution Pension Plans

The Company and its consolidated subsidiaries recognized the defined contribution cost of ¥108 million and ¥94 million for the years ended March 31, 2018 and 2017, 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 ¥187 million and ¥274 million for the years ended March 31, 2018 and 2017, respectively.

Consolidated Financial Statements

The financial statements of the Plan as of March 31, 2017 and 2016 were as follows:

(1) The funded status of the Plan as of March 31, 2017 and 2016 were as follows:

	Millions of yen	
	2017	2016
Plan assets	¥ 10,658	¥ 41,268
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(18,633)	(48,678)
Net balance	¥ (7,975)	¥ (7,410)

The net balance above was mainly caused by past service cost of ¥10,012 million and ¥10,845 million for the years ended March 31, 2018 and 2017, respectively. Past service cost under the Plan was amortized on a straight-line basis over 12 years and over 13 years for the years ended March 31, 2018 and 2017, respectively. The special contributions of ¥128 million and ¥123 million for the years ended March 31, 2018 and 2017, 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, 2018 and 2017 were as follows:

	2018	2017
The contribution ratio of the Group in the Plan	13.2%	13.3%

The ratios above do not represent the actual actuarial liability ratio of the Group.

7. 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 (noncash 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.

On October 1, 2017, the Company effected a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on August 23, 2017.

8. 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% each for the years ended March 31, 2018 and 2017. 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, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Deferred tax assets:		
Accrued bonuses	¥ 265	¥ 268
Enterprise tax	76	70
Inventories	138	151
Liability for retirement benefits	639	542
Long-term liabilities	90	90
Property, plant, and equipment	34	34
Other	851	927
Less valuation allowance	(361)	(461)
Total	1,732	1,621
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	2,387	1,233
Other	525	406
Total	2,912	1,639
Net deferred tax liabilities	¥ (1,180)	¥ (18)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate for the years ended March 31, 2018 and 2017 reflected in the accompanying consolidated statement of income is as follows:

	2018	2017
Normal effective statutory tax rate	30.81%	30.81%
Expenses not deductible for income tax purposes	1.80	1.38
Dividends and incomes not taxable for income tax purpose	(0.36)	(0.31)
Difference in subsidiaries' tax rates	(1.97)	(1.90)
Tax credit for research and development costs and others	(3.08)	(2.48)
Change in valuation allowance	0.11	0.20
Capital levy on inhabitant tax	0.24	0.27
Other – net	0.05	(1.32)
Actual effective tax rate	27.60%	26.65%

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2018 and 2017 were ¥1,814 million and ¥1,717 million, respectively.

10. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2018 and 2017 were ¥5,208 million and ¥5,331 million, respectively.

11. LEASES

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

Total rental expenses for the years ended March 31, 2018 and 2017 were ¥1,535 million and ¥1,525 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen	
	2018	2017
Due within one year	¥ 144	¥ 144
Due after one year		144
Total	¥ 144	¥ 288

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12. 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 on a regular basis of 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 for 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 trends and relationships of business partners.

Derivatives have been utilized in accordance with internal policies, which regulate authorization and credit limit amounts. 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 reports.

(4) Concentration of Credit Risk

As of March 31, 2018, 52.3% of total receivables is from 2 major customers of the Group.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

	Millions of yen	
	Carrying Amount	Fair Value
March 31, 2018		
Cash and cash equivalents	¥ 13,640	¥ 13,640
Short-term investments and investment securities	33,615	33,615
Receivables	10,678	10,678
Total	¥ 57,933	¥ 57,933
Short-term bank loans	¥ 272	¥ 272
Payables	7,380	7,380
Accrued income taxes	1,184	1,184
Total	¥ 8,836	¥ 8,836
	Millions of yen	
	Carrying Amount	Fair Value
March 31, 2017		
Cash and cash equivalents	¥ 12,880	¥ 12,880
Short-term investments and investment securities	26,560	26,560
Receivables	9,820	9,820
Total	¥ 49,260	¥ 49,260
Short-term bank loans	¥ 283	¥ 283
Payables	6,128	6,128
Accrued income taxes	1,076	1,076
Total	¥ 7,487	¥ 7,487

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) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen	
	2018	2017
Investments in equity instruments that do not have a quoted market price in an active market	¥ 4	¥ 3

(6) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen
March 31, 2018	Due in 1 Year or Less
Cash and cash equivalents	¥ 13,640
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	4,499
Other	17,803
Receivables	10,678
Total	¥ 46,620
	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
Total	¥ 41,730

13. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen	
	2018	2017
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 3,776	¥ 589
Amount before income tax effect	3,776	589
Income tax effect	(1,155)	(172)
Total	¥ 2,621	¥ 417
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (337)	¥ (567)
Total	¥ (337)	¥ (567)
Defined retirement benefit plans:		
Adjustments arising during the year	¥ (255)	¥ (97)
Reclassification adjustments to profit or loss	125	31
Amount before income tax effect	(130)	(66)
Income tax effect	34	23
Total	¥ (96)	¥ (43)
Share of other comprehensive loss in associates:		
Gains arising during the year	¥ (44)	¥ (12)
Total	¥ (44)	¥ (12)
Total other comprehensive income (loss)	¥ 2,144	¥ (205)

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14. SUBSEQUENT EVENTS

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2018 is expected to be approved at the Company's annual general shareholders' meeting to be held on June 22, 2018 (the "General Meeting of Shareholders"):

	Millions of yen
Year-end cash dividends, ¥35 per share	¥ 1,613

(2) Introduction of Restricted Stock Compensation Plan

The Company hereby announced that, at the meeting of its Board of Directors held on April 27, 2018, the directors reviewed the executive compensation plan of the Company and decided to introduce a restricted stock compensation plan (the "Compensation Plan") and submitted a proposal regarding the Compensation Plan to the 101st General Meeting of Shareholders for June 22, 2018, and the Compensation Plan is expected to be approved there.

1. Purpose of and conditions related to introduction of the Compensation Plan

(a) Purpose of introduction of the Compensation Plan

The Compensation Plan is introduced in order to further promote shared value with shareholders and provide an incentive for the Company's Directors (excluding outside directors, "Eligible Directors") to strive to continually increase the Company's corporate value.

(b) Conditions related to introduction of the Compensation Plan

Under the Compensation Plan, since compensation for the Eligible Directors for granting restricted stocks shall be monetary compensation receivables, the introduction of the Compensation Plan is subject to approval of payment of said compensation at the General Meeting of Shareholders.

Director compensation of no more than ¥450 million per year (however, this does not include the portion of employee's salary for directors who concurrently serve as employees) was approved at the 89th annual general shareholders' meeting on June 23, 2006, but at the General Meeting of Shareholders, it is expected to be approved by our shareholders to introduce the Compensation Plan and establish a compensation limit separate from the above in relation to the Compensation Plan for Eligible Directors.

2. Overview of the Compensation Plan

The Eligible Directors shall make in-kind contribution of all monetary compensation receivables to be granted according to the Compensation Plan, and shall, in return, receive the Company's common stocks that will be issued or disposed of by the Company.

The total amount of monetary compensation receivables to be paid to Eligible Directors based on the Compensation Plan shall not exceed ¥150 million per year (however, this does not include the portion of employee's salary for directors who concurrently serve as employees). However, we envision that an amount corresponding to compensation for performance of duties over the three fiscal years covered by the middle-range planning will be paid in a lump sum in the first year of that period, so in principle the amount of compensation shall, in practice, not exceed ¥50 million per fiscal year. The next fiscal year in which the new Compensation Plan will be introduced is the second year of the three-year middle-range planning, so the total amount of monetary compensation receivables to be paid to Eligible Directors in the next fiscal year shall not exceed ¥100 million. We envision that Eligible Directors who are appointed in the middle of the three-year middle-range planning shall be paid a lump sum corresponding to compensation for performance of duties from when they are appointed to the last day of the final year of the three-year period of the middle-range planning. The specific timing of payment and amounts for each Eligible Director shall be determined by the Board of Directors.

The total number of shares to be newly issued or disposed of under the Compensation Plan shall not exceed 39,000 shares per year (however, in the event of a stock split [including allotment of the Company's common stocks without contribution] or a reverse split effective the day after resolution at the General Meeting of Shareholders or thereafter, the total number of shares may be reasonably adjusted on the effective date or thereafter according to the ratio of the stock split or reverse stock split). However, as provided above, we envision that an amount corresponding to compensation for performance of duties over the three fiscal years covered by the middle-range planning will be paid in a lump sum in the first year of that period, so in principle the amount of monetary compensation receivables shall, in practice, not exceed 13,000 shares per fiscal year. Basically, the amount to be paid per share shall be the closing price of common stocks of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on said business day) and shall be determined by the Board of Directors within a range that is not particularly advantageous to the Eligible Directors receiving the Company's common stocks.

The condition of such issuance or disposal of common stocks of the Company under the Compensation Plan shall be that an agreement restricting transfer shall be concluded between the Company and the Eligible Director to receive restricted stock compensation that includes (1) prohibition of transfer of the shares to a third party, establishment of security interests or other such disposal for a certain period of time and (2) a provision that the Company may acquire the shares without contribution under certain circumstances, such as in accordance with the level of achievement of performance targets set in advance by the Company's Board of Directors with respect to consolidated sales, consolidated operating margin, etc. The shares shall be managed by the Eligible Directors in a dedicated account opened with Nomura Securities Co., Ltd. so that the shares cannot be transferred, have security interests established in them or otherwise disposed of during the period in which transfer is restricted.

3. Application of the Compensation Plan to executive officers

Subject to approval of introduction of the Compensation Plan at the General Meeting of Shareholders, the Company also plans to introduce the same plan for executive officers of the Company.

15. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," 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 for which such information is evaluated regularly by the chief operating decision-maker 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					
	2018					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations*	Consolidated
Sales:						
Sales to external customers	¥ 47,740	¥ 19,616	¥ 14,031	¥ 81,387		¥ 81,387
Intersegment sales or transfers	4,633	3,118	367	8,118	¥ (8,118)	
Total	¥ 52,373	¥ 22,734	¥ 14,398	¥ 89,505	¥ (8,118)	¥ 81,387
Segment profit**	¥ 5,526	¥ 1,182	¥ 1,750	¥ 8,458		¥ 8,458
Assets	62,110	19,119	11,967	93,196		93,196
Other:						
Depreciation	2,178	1,067	70	3,315		3,315
Investments in an associated company under the equity method			671	671		671
Increase in property, plant, and equipment and intangible assets	2,252	1,550	152	3,954		3,954

	Millions of yen					
	2017					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations*	Consolidated
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

Notes: **"Reconciliations" represent eliminations of intersegment sales or transfers.

***"Segment profit" represents operating income included in the consolidated statement of income.

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(4) Information about Products and Services

Millions of yen				
2018				
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 51,147	¥ 23,083	¥ 7,157	¥ 81,387

Millions of yen				
2017				
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 49,737	¥ 19,642	¥ 7,972	¥ 77,351

(5) Information about Geographical Areas

(a) Sales

Millions of yen				Millions of yen			
2018				2017			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 46,817	¥ 17,354	¥ 17,216	¥ 81,387	¥ 45,073	¥ 15,573	¥ 16,705	¥ 77,351

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

(b) Property, plant, and equipment

Millions of yen				Millions of yen			
2018				2017			
Japan	Indonesia	Other	Total	Japan	Indonesia	Other	Total
¥ 10,646	¥ 7,287	¥ 335	¥ 18,268	¥ 11,029	¥ 7,407	¥ 236	¥ 18,672

(6) Information about Major Customers

Millions of yen		
2018		
Name of Customer	Sales	Related Segment Name
PALTAC Corporation	¥ 25,610	Japan
PT Asia Paramita Indah	17,319	Indonesia

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

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, 2018, 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, 2018, 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.

June 14, 2018

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu Limited

Mandom Group Detailed History

► Overall Management ► Research, Product Development and Marketing

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
- 1966.11 ► 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 and the third round of full-scale renewal of the Gatsby brand
- 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
- 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 Beaucos 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 on the open market



1999. 1 ▶ Launched System E/O, a line of skin treatment for women with sensitive skin through mail-order sales
 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)

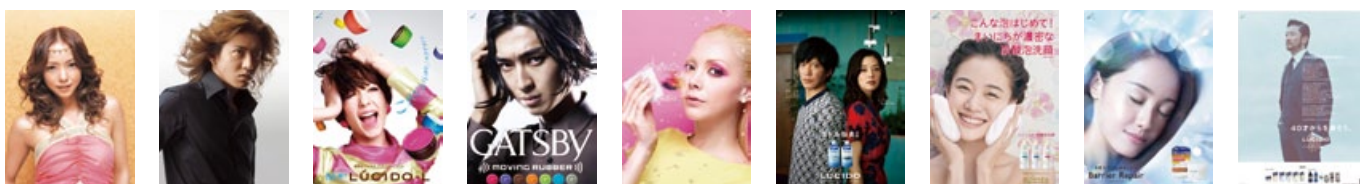
2000-

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
 3 ▶ Designated for listing on the First Section of the Tokyo Stock Exchange
 ▶ Issued 1.65 million shares, increasing capital
 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
2006. 8 ▶ 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
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 Beauco Corporation and mbs Corporation
 7 ▶ Acquired 88,800 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 ▶ 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 ▶ Revised the Mission, and formulated VISION 2027 which outlines where the Company it aspires to be in 2027, the 100th anniversary.
 ▶ Commenced Mandom Corporation's 12th three-year Middle-Range Planning
 ▶ Introduced work-from-home as one part of its workstyle reform initiative
 10 ▶ Executed stock split (split each common share into two)



Mandom Group Companies (As of March 31, 2018)

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	Cosmetries and skin care products	1927	—	—
Piacelabo 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	Cosmetries, makeup and skin care products	1969	Consolidated	60.8%
Mandom Corporation (Singapore) Pte. Ltd.	Singapore	Sale of cosmetics and other products	Cosmetries, toiletries and skin care products	1988	Consolidated	100.0%
Mandom Taiwan Corporation	Taiwan	Sale of cosmetics and other products	Cosmetries and skin care products	1989	Consolidated	100.0%
Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sale of cosmetics and other products	Cosmetries, toiletries and skin care products	1993	Equity-method affiliate	44.0%
Mandom Korea Corporation	South Korea	Sale of cosmetics and other products	Cosmetries, toiletries and skin care products	1999	Consolidated	100.0%
Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sale of cosmetics and other products	Cosmetries, toiletries and skin care products	1997	Consolidated	99.1%
Mandom Philippines Corporation	Philippines	Sale of cosmetics and other products	Cosmetries and skin care products	1992	Consolidated	100.0%
Mandom Corporation (Thailand) Ltd.	Thailand	Sale of cosmetics and other products	Cosmetries, toiletries and skin care products	1990	Consolidated	100.0%
Mandom Vietnam Company Limited	Vietnam	Sale of cosmetics and other products	Cosmetries and skin care products	2015	Consolidated	100.0%
Mandom China Corporation	China (Shanghai)	Sale of cosmetics and other products	Cosmetries and skin care products	2008	Consolidated	100.0%
Zhongshan City Rida Cosmetics Co., Ltd.	China (Zhongshan)	Manufacture and sale of cosmetics and other products	Cosmetries and skin care products	1996	Consolidated	66.7%
Mandom Corporation (India) Pvt. Ltd.	India	Sale of cosmetics and other products	Cosmetries and skin care products	2012	Consolidated	100.0%

Notes: 1. Mandom Corporation (India) Pvt. Ltd. is not currently operating its businesses.
2. Voting Rights percentages are rounded off after the first decimal place.

Company Outline / Stock and Shareholder Information (As of March 31, 2018)

Company Outline

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: 2,694 (Consolidated) / 574 (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

Number of Shares Authorized for Issue: 81,969,700

Shares of Common Stock Issued and Outstanding: 48,269,212

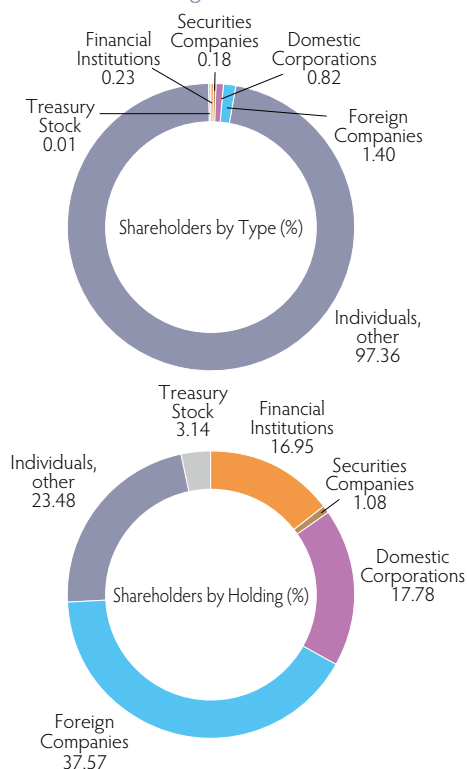
Number of Shareholders: 17,196

Stock Listing: First Section, Tokyo Stock Exchange

Securities Code: 4917

Transfer Agent: The Mitsui Sumitomo Trust and Banking Co., Ltd.

Common Stock Holdings



Major Shareholders

Shareholder name or title	No. of shares owned (Thousands)	Ratio of share ownership (%)
Nishimura International Scholarship Foundation	3,600	7.70
BNP PARIBAS SEC SERVICES LUXEMBOURG/JASDEC/ ABERDEEN GLOBAL CLIENT ASSETS	2,649	5.67
The Master Trust Bank of Japan, Ltd. (trust account)	1,581	3.38
Japan Trustee Services Bank Ltd. (trust account)	1,491	3.19
Motonobu Nishimura	1,435	3.07
Mandom Employee Shareholding Association	1,228	2.63
GOLDMAN, SACHS & CO. REG	788	1.69
Japan Trustee Services Bank Ltd. (trust account 5)	744	1.59
GOVERNMENT OF NORWAY	682	1.46
SEB AB FOR AND ON BEHALF OF DIDNER AND GERGE GLOBAL	680	1.45

Notes: 1. Figures less than 1,000 shares have been rounded down.
 2. Ratios of share ownership are rounded to the second decimal place.
 3. We hold 1,516,097 shares of treasury stock which are not listed above.
 4. Ratios of share ownership are calculated excluding treasury stock.

Stock Price and Transaction Volume



* We executed a 2-for-1 stock split of common stock on October 1, 2017. The figures in the above graph take into consideration the impact of stock split.

Introduction to Our IR(-related) 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 ▶ <https://www.mandom.co.jp/english/ir/>

CSR Information ▶ <https://www.mandom.co.jp/english/csr/>

IR information



CSR information



mandom corp.



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a low-carbon society.