

Business Domains

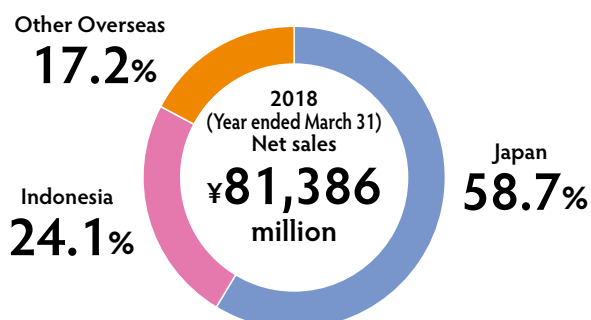
Mandom Group Business Areas

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

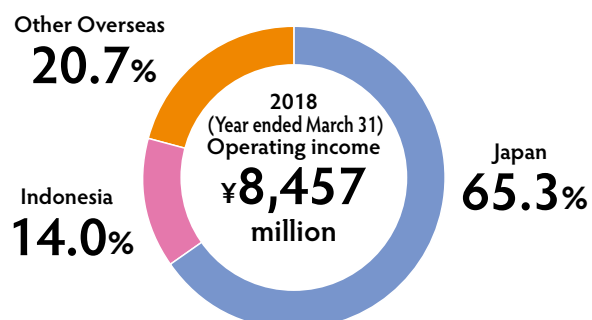
We create and invigorate markets by responding meticulously to conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.



► 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

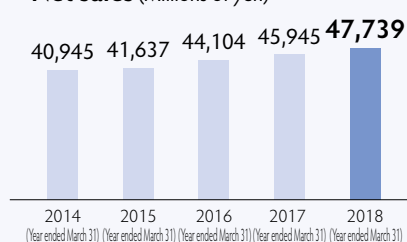
While there are signs of recovery in individual consumption, spending on cosmetics has not risen and demand appears to be even. On the other hand, inbound demand from overseas visitors remains strong, contributing to growth in the market. The Japanese cosmetics market grew slightly to around ¥1.6 trillion, 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.



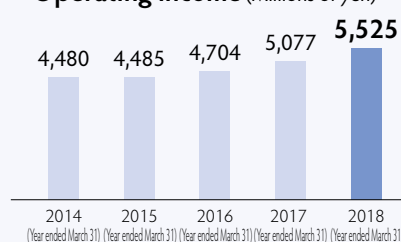
Net sales,
year on year **+3.9%**

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

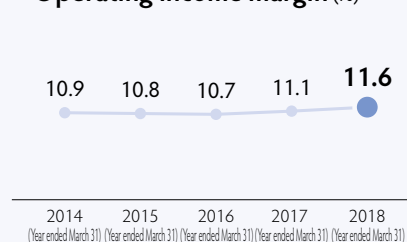
▶ Net sales (Millions of yen)



▶ 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

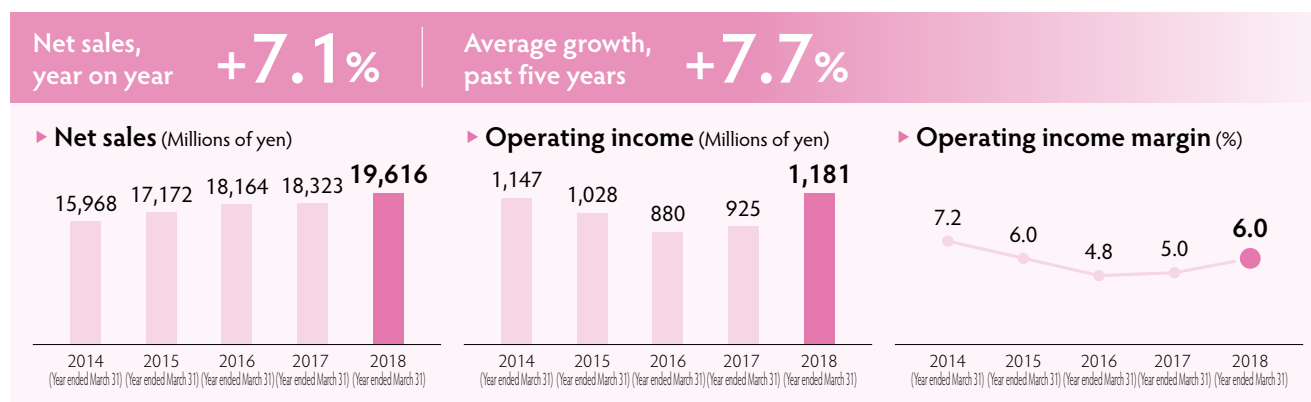
The largest overseas business area and growth leader for the Mandom Group



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

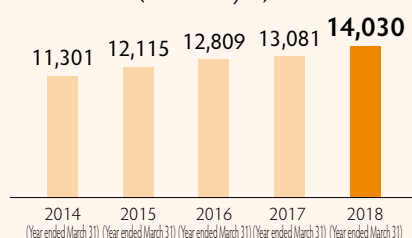
The newly industrializing economies (NIES) with comparatively high GDP levels—Singapore, Hong Kong, Taiwan, and South Korea—have matured as markets, despite cosmetics markets growing in tandem with economic growth in these areas, and many Japanese and international cosmetics brands are engaged in fierce 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.



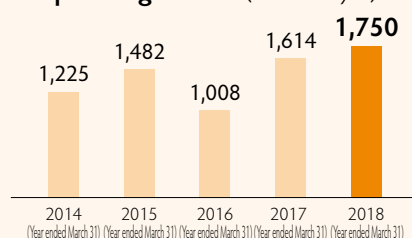
Net sales,
year on year **+7.3%**

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

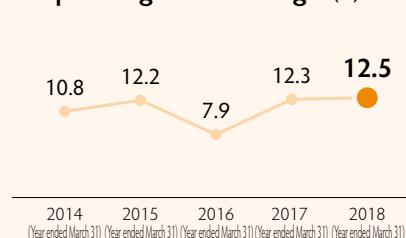
► Net sales (Millions of yen)



► 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.

