

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.

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.

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



From department managers to employees



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



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 Fukusaki 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

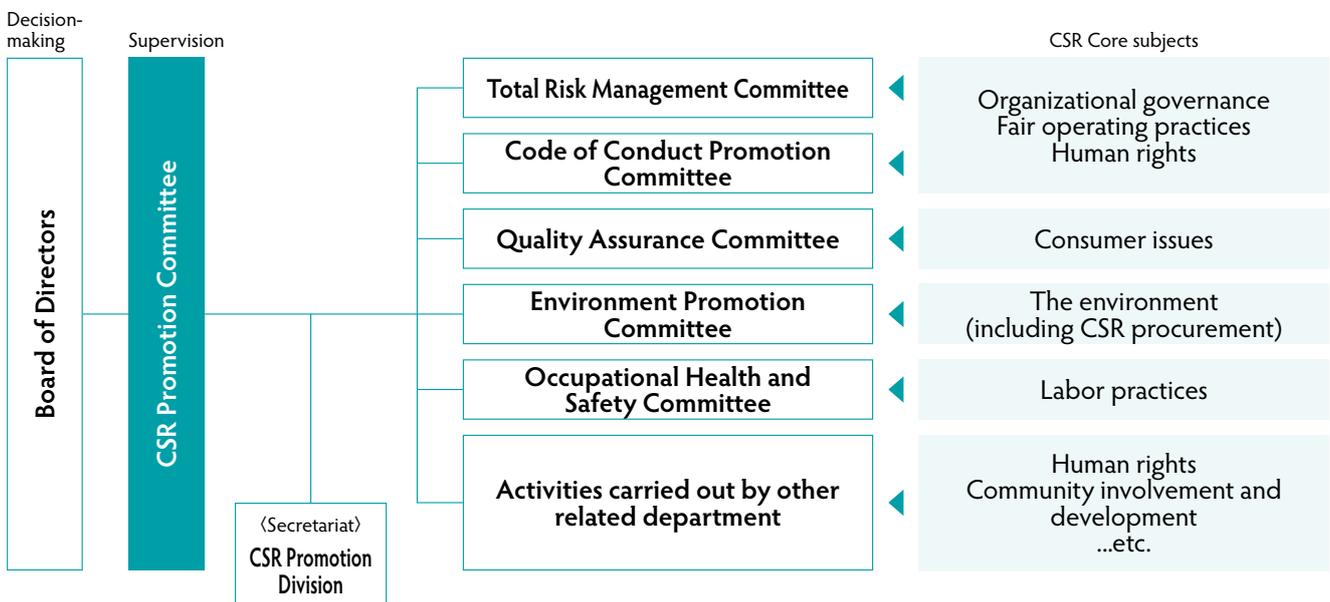
- | | |
|------------------------|--|
| Human Rights | Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and |
| Labour | Principle 2: make sure that they are not complicit in human rights abuses.
Principle 3: Businesses should uphold the freedom 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/>