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Mandom Report 2019

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Editorial Policy

The Mandom Group has been publishing the Mandom Report (integrated report) since 2018 to help our stakeholders understand our medium- to long-term efforts at value creation. Mandom Report 2019 also integrates the previously separate KohDoh Report (CSR report). This has been done as part of our work on providing integrated information as a company and to enhance the non-financial information we provide. When editing this report, we put together a brief summary focused on information that is highly important for improving Mandom's corporate value while referring to the "Guidance for Collaborative Value Creation" released by the Ministry of Economy, Trade and Industry and other resources.

Visit our website for more detailed information.

- IR Information : <https://www.mandom.co.jp/en/ir/>
- CSR Information : <https://www.mandom.co.jp/en/csr/>

Report Coverage

Mandom Corporation and its affiliated companies both inside and outside Japan

*For details, please see p.100 "Mandom Group Companies."

Reporting Period

FY2018 (ended March 2019)

- Mandom and Group companies in Japan:
April 1, 2018-March 31, 2019
- Overseas Group companies:
Jan. 1, 2018-Dec. 31, 2018

*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
- "ISO 26000:2010—Guidance on Social Responsibility" edited by Japanese Standards Association
- "Environmental Reporting Guidelines (Fiscal Year 2018 Version)" released by Ministry of the Environment, Japan
- "Sustainability Reporting Guidelines and Standards" released by GRI (Global Reporting Initiative)



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 down to the nearest whole unit.

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

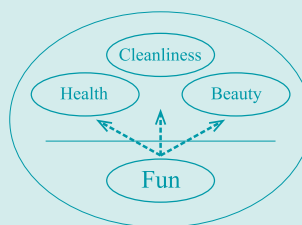
Dedication to Service (Oyakudachi)
Respect for Humanity
Freedom & Open-Mindedness

■ MANDOM MISSION

The MANDOM MISSION presents the reason for Mandom's existence and defines its commitment to society.

■ MISSION Slogan **Human to Human**

■ MISSION Statement 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.



Five Aspects of Compassion

LOVE	Benevolence toward mankind
SENSIBILITY	Ability to respond to delicate feelings
HAPPINESS	Eagerness to make people happy
FREEDOM	Free-spiritedness
WILL	Enthusiasm for navigating the future

These are the conditions for...

<Imagination>
Imagining ways of making people happy
<Creativity>
Creating value that benefits people

Health, Cleanliness & Beauty (our domain)

The concepts of Health, Cleanliness, Beauty and Fun provide the basis for Mandom's unique business concept. We position Health, Cleanliness & Beauty as elements of the fundamental concept of Fun to remind ourselves to adopt a playful and lighthearted approach to business in this domain.

Reaching boldly beyond the norm (our style)

"Reaching beyond the norm" is not synonymous with selfishness. It means thinking and working out of the box and defying convention. "Boldly" does not suggest thinking and acting in a freewheeling manner. It expresses our determination to take up challenges and face hardships squarely.

Bringing wonder and inspiration to people's everyday lives (our value)

People around the world tend to follow the same routines day after day. In pursuit of more fulfilling lives, we create "something new" and "something different" to bring wonder and lift their spirits and fill their hearts with joy to bring inspiration.

"Human-oriented" (our stance)

However fast and far science may advance, the qualities of Compassion, Imagination and Creativity remain undeniably human. These qualities provide the basis for our "Five Aspects of Compassion," without which no one can acquire the imagination to envision ways of pleasing people and bringing them happiness or the creativity to generate value that provides true benefits. Mandom is committed to offering value by adopting a "human-oriented" approach out of respect for human sensibilities and creativity.

■ MANDOM PRINCIPLES

The MANDOM PRINCIPLES are a code of conduct that is followed by all Mandom personnel at all times.

Consumer-led Lifestyle Value Creation

We are committed to perceiving consumer wants and offering solutions, and to encouraging consumers to embrace wonder and inspiration in their everyday lives. Achieving this requires that all of our business activities begin and end with consumers in mind. We consequently maintain our focus on consumers at all times, and think and act ingeniously in the awareness that we, too, are consumers.

Challenge, Change, Innovation

We exercise courage and think and act ingeniously in an ongoing "Challenge" to the unknown and difficult tasks. These efforts lead to "Change" in existing systems and processes, freeing us to pursue appropriate actions to become the company we want to be in the future. This means continuing the "Innovation" that creates novel value for our stakeholders and the world.

Active Employee Engagement

Active Employee Engagement means that all the "Human Assets" comprising our diverse and multi-talented workforce are aligned toward a common goal, and that every one of us unfailingly performs our assigned roles. We respect and collaborate with each other to realize the overall capabilities of our organization.

Social Responsibility & Sustainability

Our social responsibility extends beyond coexistence with society. We pay serious attention to the views and ideas of people from all walks of life and initiate dialogues with them in recognition of and respect for the diversified values and lifestyles of all members of society. We aim to create a better, more sustainable society by addressing social issues from a global perspective and by working out solutions with our stakeholders through our core businesses.

Human Assets

We regard our colleagues as "Human Assets" and work with them to shape the Company's future in a relationship of mutual respect. As business people, we think and act ingeniously to make meaningful contributions to society.

■ MANDOM SPIRIT

The MANDOM SPIRIT constitutes the bedrock of Mandom's foundation that is handed down through the generations.

Dedication to Service (Oyakudachi)

Dedication to Service refers to our spirit of "bringing happiness to customers and suppliers through our ingenuity; receiving profits in return; and passing them on to our stakeholders."

In the past, cosmetic products were extremely expensive. We were passionate about sharing the fun and happiness of using cosmetic products with more people in their daily routines. That is why we launched Tancho Tique to embody our unique concept of "Value for Money." Much more than an economic concept of offering quality products at affordable prices, this concept represents the true meaning of Dedication to Service presented above.

Respect for Humanity

Respect for Humanity means a spirit of love and trust for each other and of concern and caring for others.

Compassion for our employees and attentiveness to their needs have been part of the Mandom tradition since the onset. We determine our expectations and encourage our employees to exercise ingenuity in word and action to fulfill them. We are fully aware that human resources development is an integral part of organizational growth. This spirit is handed down through generations and across the world.

Freedom & Open-Mindedness

Freedom & Open-Mindedness represents the spirit of our open corporate culture which, unbound by hierarchy, encourages employees to act on their own initiative and express their thoughts without inhibition.

Marketing campaigns conducted following the launch of our "Mandom Series" of products in 1970 challenged the industry status quo and exerted a phenomenal impact on Japanese society. We believe it is important to make continuous efforts of this kind to create new value on a daily basis. Such efforts require an intellectually charged forum of exchange arising from our spirit of Freedom & Open-Mindedness.

In 2017, Mandom has revisited the origins of our business operations, explored and further advanced Mandom's reason for existence that our predecessors have solidified, and rebuilt the framework of our mission by placing the concept of a "human-oriented" company at our core.

In his message in Mandom Report 2018, President Motonobu Nishimura gave his thoughts on management based on his own personal experience and talked about the meaning behind the corporate mission.

— 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 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.

— 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.

Extracted from Mandom Report 2018



Top Message



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 & Director
Motonobu Nishimura

To realize VISION2027

— How do you feel about the MP-12 infrastructure development situation looking ahead to the next MP?

On the road map to realize VISION2027, MP-12 (12th Middle-Range Planning) is considered the infrastructure development period, and it is in its final year. In accordance with the VISION policies, with the aim of evolving into a truly global company, we have been working on creating a Group operating structure and establishing a management platform to support it with our sights set on meeting the global standards, including thorough implementation of mission-based management, which is the most important infrastructure. When establishing MP-12, we identified management issues at officers' gatherings, and four issues were raised as foundational components, namely human resources creation, financial foundation, information infrastructure, and corporate governance.

Two years have passed under MP-12, and with respect to human resources creation, we began working to spread among all employees in every country the understanding of our MISSION, which has been translated into eight languages in the first year. In the second year, we conducted a survey of implementation status of the MISSION. The survey showed that employee engagement with respect to the MISSION was very high, and I was happy to see that. At the same time, our younger employees expressed a positive attitude in requesting for opportunities and environment to take more challenging jobs that allow them to better exercise their abilities. We will develop a better environment in combination with the simultaneous implementation of a group-wide personnel affair system that allows all employees of the Group to grow under the same system. This survey will continue to be conducted every year, and we will identify issues and make improvements on an ongoing basis. We also launched a system for hiring and training the outstanding human resources necessary for realizing VISION2027. We are also making progress in work-style reform as only Mandom can, promoting improvements in the three areas of fulfillment in work, creativity, and productivity based on the MISSION.

As for the financial foundation, the common accounting system that was introduced in Japan for the first year and in Indonesia last year is in effect as of this year. In Japan

and Indonesia, the twin engines of the Mandom Group, there is now a foundation in place for more quickly and accurately keeping track of results under the same standards and judging things from the standpoint of group-wide optimization. We will continue introducing the common accounting system at all companies within the Group. We will also establish policies for efficient and effective fund management and our approach to transactions on a global scale, to swiftly address issues. The foundation is also coming together for management accounting, enabling various departments to consider their operations in a more multifaceted manner from a profit standpoint.

In regard to the information infrastructure, we introduced a group-wide integrated communication network in addition to upgrading the core systems, including systems for production and sales. I expect it to promote timely information sharing and quicker decision-making. Efforts have begun that will lead to improvement in productivity per unit, including the promotion of digitalization and paperless operations. Our initiatives in the area of corporate governance are detailed in the integrated report that we began publishing last year. These include strategy formulation by top management based on integrated thinking and enhanced evaluations of the effectiveness of directors.

The next Middle-Range Planning (MP-13) covers a period of reformation and challenges for the realization of VISION2027. A large, stable infrastructure will allow us to make a major leap forward, so we would like to complete infrastructure development during this final year of MP-12 for that reason as well.



Aiming to become a cosmetics company possessing unique strengths in specialized areas

— What is the value provided to consumers that is important to Mandom as a human-oriented company?

The value we provide is “Oyakudachi,” our MISSION itself. As I said last year, to us, “Dedication to Service (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.

At the heart of the value that Mandom provides is the “fun” axis. The word “fun” represents a positive attitude. The Gatsby commercials, for example, have been described as “stylish but somehow whimsical, entertaining and rhythmic.” This is a message unique to our company and is an expression of Mandom’s characteristics and world view.

When it comes to the five senses, it’s important for people to interact and relate to each other. Young digital natives make their selections while taking in various information using various means. They may know what is talked about or selling at the moment, but there’s some doubt as to whether they’ve cultivated the sensitivity to determine what they really need. To cultivate those sensitivities, a cultural aspect or emotions like delight, anger, sorrow, and pleasure have to be brought in. As such, though there are several elements to the qualitative picture of the ideals set forth in VISION2027, the first and foremost is to continually deliver authentic proposals with a focus on stock rather than flow. Underlying this is the belief that providing true value is what will lead to daily discoveries and inspiration.



— What is organization building as it pertains to becoming a human-oriented company?

During the 30 years of the Heisei era, there were tremendous technological developments from the standpoint of human history, including the emergence of the internet and genome analysis. However, over the next several decades, it is said that the world will change to the point of requiring a new social system and that human ideals will change beyond our imaginations as scientific and technological progress, taking place at an exponential rate, have entered a phase of limitless upward growth. This can no longer be avoided. Nevertheless, what kind of society will come about is up to us. In any case, I believe that technology must be used to improve our quality of life, including the global environment, and the quality of our work. In the near future, I think work that does not require special knowledge or skills, along with data analysis and work that require orderly, structured execution of tasks, will be taken over by AI and robots. I believe, with digital transformation and the adoption of digital technologies, there will be major, fundamental changes to conventional business processes and operations. Some have voiced concern that AI will steal jobs from humans,

but if it relieves people of routine daily tasks such as data processing and allows more time and energy to be put into work that requires imagination, creativity, and comprehensive decision-making capabilities, it will lead to improved way of working. The role of humans will change. For example, it will not be AI but humans that create new value for the future, by interacting more closely with consumers, eliminating social inefficiencies, solving difficult and persistent problems, and creating innovation.

Normally with innovative companies that continually innovate, you picture a corporate climate of freedom and open-mindedness, challenge, and tolerance of failure. However, in reality, evaluation of performance is strict, and those human resources that cannot deliver the expected results are treated without mercy.

At Mandom, I want to create a corporate climate conducive to continuous innovation by having everyone actively participate in taking up challenges and recognize meaningful failures rather than seeing failure as a trade-off for success. Realizing such a climate will likely be very difficult. Accordingly, a major challenge will be creating a stimulating environment in which innovation can be brought about and people can do their jobs comfortably. Cross-border job rotations will become commonplace, and there will be all kinds of people around. Moreover, information will come in from inside and outside the company. New value will be created under those conditions, and proper evaluations will take place. People will grow, and a high level of motivation will be maintained. The ideal is a group of strong, independent individuals who exercise leadership based on their respective roles rather than authority or position.

For that reason, we have put together a global personnel system during the infrastructure development period of MP-12, and we have begun training the human resources that will support Mandom on a global scale.

— What do you emphasize in personnel development so that **Dedication to Service (Oyakudachi)** will continue to be upheld?

I communicated two things at this year's new employee training. The first was that I want them to always approach everything with awareness and care. This will result in very different experience, insights, and sensibility gained compared to those who go through

life unthinkingly, even if they spend the same time in the same place. Information available on smartphones and computers can be very useful, but there are many things that can only be understood by taking physical action and experiencing them with the five senses, seeing them and hearing them for yourself. If you focus, no matter what results, you're sure to make new discoveries in the process that will lead to the next step.

The second thing was that I want them to open their minds and take a positive approach to things, assuming a "can do" attitude instead of a "can't do" attitude in every challenge they tackle. Life is an accumulation of various choices and decisions made on a daily basis.

When you consider that the decisions and KohDoh (thoughtful action) of yourself today will impact your later decisions and KohDoh to no small extent and, in turn, will greatly affect the future you, if you open your mind and take a positive approach to things, assuming you "can do" anything you try rather than doubting you "might not" be able to, engaging in KohDoh by taking physical steps and putting your five senses to work rather than just thinking in your head, you just might make unexpected discoveries. Many people give up on things halfway through, so it is important to have the powers of concentration and persistence to continue thinking about how something can be accomplished. I want you to open your mind and take a positive approach to things, assuming a "can do" attitude instead of "might not," and live out a cycle of positivity.

I also want supervisors to delegate authority and subordinates to work on achieving the goals of their departments while thinking about their jobs on a higher level. People grow when they overcome difficulties.



There are many current mid-level management personnel that have had various experiences overseas in their twenties, so one strategy is to send our younger employees on overseas assignments in their twenties as well, but I feel like one of our organizational challenges is that in many ways, the environment for our younger employees is still not conducive enough for taking up challenges.

— What initiatives are being taken to provide Dedication to Service (Oyakudachi) to a billion people around the world?

We must expand our Dedication to Service (Oyakudachi) in terms of both quantity and quality as we work toward fulfilling the VISION Slogan of VISION2027, which is to “Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world.” That is another reason why it is important to establish our products within the lifestyles of Asian consumers, but the lifestyles differ in each country and region. For example, products like men’s facial cleansing paper and body paper that are successful in Japan struggled to take root in the lifestyles of men in Asia, even in affluent places like Taiwan, because the products are disposable. Today, they are fixtures in Taiwanese convenience stores, but to get to this point we had to conduct frequent awareness campaigns, including sampling on the streets and at gas stations. A great deal of time was spent creating and establishing the market. Moreover, as mentioned earlier, technological change is taking place at a rapid pace today, especially in the area of IT, so the means of obtaining information, purchasing behavior, and

values are also changing significantly. Under these circumstances where values differ from country to country and those values and purchasing behaviors are changing rapidly, thorough consumer-led lifestyle value creation is essential if we are to expand Dedication to Service (Oyakudachi) in terms of both quality and quantity.

Early on in MP-12, we developed a matrix structure to generate Group synergies. We are pouring particular effort into marketing functions (horizontal axis), promoting total marketing on a global scale, sharing marketing know-how through cross-border personnel exchange, and creating new value within the Group. As part of this, we concentrated our marketing functions to Aoyama, Tokyo. As a result, we are now able to have substantive discussions at IMCG (International Marketing Conference of Gatsby) and IMCL (International Marketing Conference on Ladies’ Cosmetics).

For example, at the last IMCG, everyone discussed the future of Gatsby. The sense of camaraderie was deepened by sharing individual thoughts across national boundaries and working toward mutual understanding. Employee motivation has also increased based on the idea that our world will naturally expand if we are able to win in the rapidly growing Asian market.

Additionally, as a symbolic example of globalization, the Bifesta Birthday Party was held last year. Bifesta having developed into a global brand despite its newcomer status, its birthday party was planned by a female employee from the Taiwan Office, with the Aoyama Office, our headquarters, being brought in on the planning. Our offices all over the world were brought together by this event, truly materializing one of our aims when we concentrated the marketing functions.

Meanwhile, we are ramping up efforts to re-brand our global brand Gatsby as well as Pixy which has suffered from declining brand activity in recent years, and also working on cross-border e-commerce, which has gotten off to a late start in Japan.



Aiming to achieve sustainable growth

—What does becoming a sustainable company mean to Mandom?

What lies at the heart of the spirit that has been handed down to us from our predecessors is Dedication to Service (Oyakudachi). To put that into practice, the company must not go under. If we approach things from the standpoint of a going concern, we are set in a specific time and are merely a part of one short period of a long history. The day will come when we pass the torch to the next generation. What is important at that time is human resources and our MISSION. It is important for us to build platforms for growth and pass them on to the next generation, but we do not know what kind of person will be the most sought-after, in corporate management, in that age. However, the platform has to be something with the power to attract people, and it is important how we raise the standing as we pass it on to the next generation.

For that reason as well, at the Board of Directors meeting and other meetings, we regard the thorough deliberation process to reach a conclusion as important as the conclusion itself, and discuss things in earnest until every member is satisfied.

The top management issues for achieving VISION2027 are establishing the corporate brand



and maximizing corporate value. As you can see in the endless strings of corporate scandals, the trust a corporation has worked so hard to build up can be lost in a moment when it seeks profit at all costs or ignore rules to increase efficiency. SDGs and ESG, where economic value is reinforced by social value, have become important standards. In this day and age, it is impossible to develop effective management strategies if you stand on economic value alone. Social value, in essence, is the value that serves as the foundation of the company's existence, such as our MISSION, SPIRIT, and PRINCIPLES.

I want Mandom to continue to be an "Only one company" that thrives as a one-of-a-kind company whose value to society is recognized by partners and stakeholders, having a balance of sociality and humanity as a good corporate citizen with the dynamism to survive in any age, and valuing a MISSION based on a human-oriented approach.

Interviewer's Thoughts

Even as the future remains unpredictable, cosmetics can play a role in creating a positive attitude. With "Oyakudachi" as its keyword, Mandom is always thinking about ways to perceive changes within the company, with means such as holding marketing conferences and utilizing the Aoyama Marketing Office.

What was very interesting, about being human-oriented, was the comment about approaching everything with awareness and care. I felt it exemplifies how the company is more about innovation toward "active employee engagement" than creating particular system or monitoring things. I got the picture of an innovative organization where everyone has a leadership mindset, recognizing their own roles and respecting their colleagues with different roles, while appreciating cross-border values. "Fun" is the keyword, and this is a group of people that enjoy that environment.

Daily words and actions create tomorrow, whether it's getting rid of negativity or thinking about how to accomplish things. The focus on tomorrow instead of yesterday and taking a positive approach to life are things that I felt when I watched Mandom's commercials as a child. I thought these things were very "Mandom-esque."



Interviewer

Hiroko Ozawa

U.S. Certified Public Accountant/
Chief Consultant of Japan Shareholder
Services Ltd.

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 is in charge of advising on disclosure of corporate information, primarily CSR and integrated reports. From May 2012 to September 2018, she also worked at the Japan Office of the International Integrated Reporting Council (IIRC). She has been in her current position since January 2018.

History of Value Creation

Mandom Corporation's history began in 1927 as Kintsuru Perfume Corporation, which inherited the trademark for high-grade domestic perfume "Kintsuru Perfume." Shinpachiro Nishimura, the company president at the time, worked to spread cosmetics under the principle of "Value for Money," and that spirit has been passed down to this day. Since then, Mandom has continually offered consumers a host of unique products always perfectly suited to the lifestyles of the times, launching various industry-first products and growing the market in Japan and other Asian countries. We will continue to pursue Dedication to Service (Oyakudachi) for consumers all over the world guided by our original concepts of Health, Cleanliness & Beauty.



Founder
Shinpachiro Nishimura

Founding Spirit — Spreading high-quality and low-cost products

Spreading high-quality products and having them used by as many people as possible will lead to social contribution.

■ Domestic net sales

■ Overseas net sales

* Post-1997 consolidated base



1927

Established Kintsuru Perfume Corporation



1960s

First Business Crisis

Alcohol-based liquid hair styling products came to market. Performance was sluggish due to being unable to respond to changes in consumer wants as a result of not letting go of the success of tique and pomade.

Latter half of 1970s - early 1980s

Second Business Crisis

Transitioned to a direct sales structure in 1978, but with ballooning costs, things came to a standstill in two years, and eventually the decision was made to return to sales through distributors. The crisis left a long-standing impact, particularly with respect to having to reduce personnel.

1933

Launched Tancho Tique



1970

Launched the Mandom Series



1980s -

Created a market and expanded



1985

Commenced the first over-the-counter sales of Gatsby hair foam for men



1989

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

1958

Commenced operations at technical tie-up in the Philippines



1969

Established a joint venture in Indonesia



1980s -

Strengthened Overseas Development

1988
Singapore

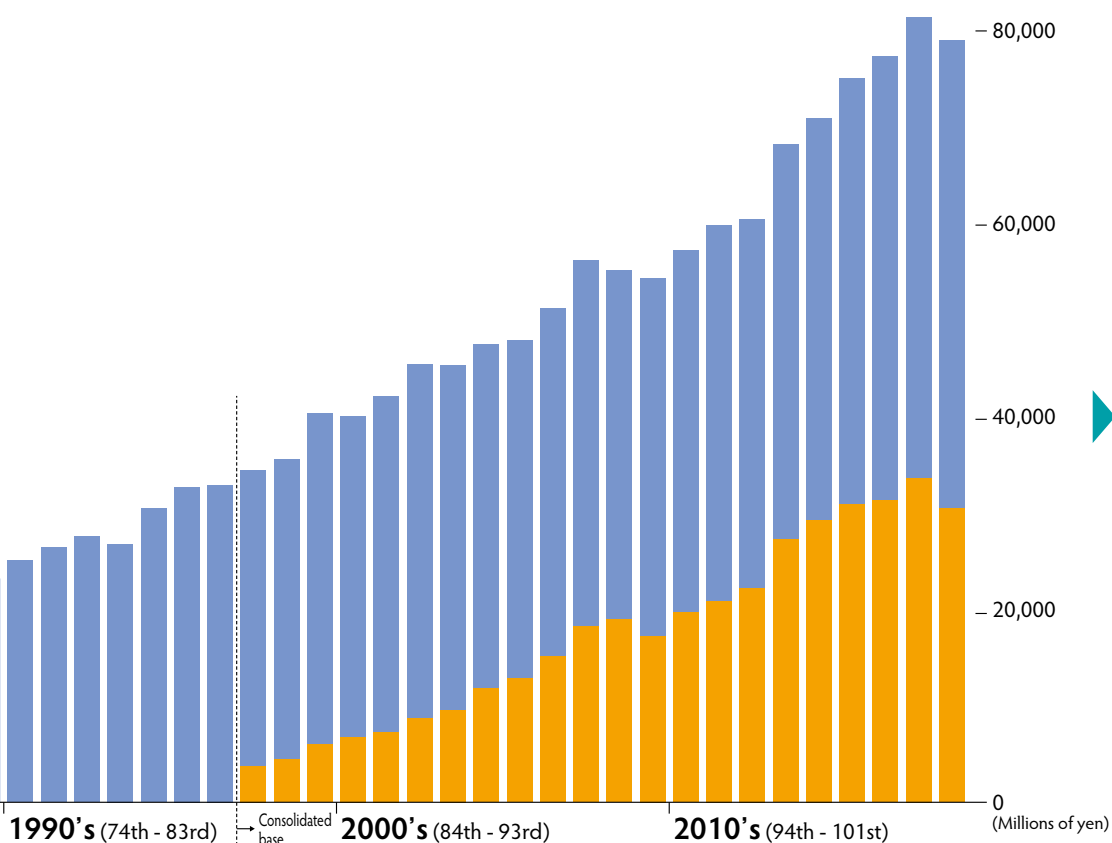
1990
Thailand

1993
Hong Kong

1989
Taiwan

1992
The Philippines

1996
China



VISION 2027

➔ P.22

1982

Launched the first MP Project under a management team that was reorganized in 1980
Developed Mandom terminology such as "Oyakudachi (Dedication to Service)," "Seikatsusha (Consumers)," "Shopping area" and "Push to pull."

2017

Revised the Mission, and formulated VISION2027 which outlines where the Company aspires to be in 2027, the 100th anniversary.

Acquired Assets

Only One Marketing through Consumer-led Lifestyle Value Creation

"Unique Research" and "Reliable Technology"

Diverse, Highly-Engaged Human Assets

Customer Base

Production System Which Seeks Spread of Products

Sound and Solid Financial Foundation

Results by offering new grooming options

1994

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



1996

Launched Gatsby facial cleansing paper
Introduced a new way of grooming

2001

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



1995

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



Acquisitions



1997

Malaysia



2008

China



2015

Vietnam



1999

South Korea



2012

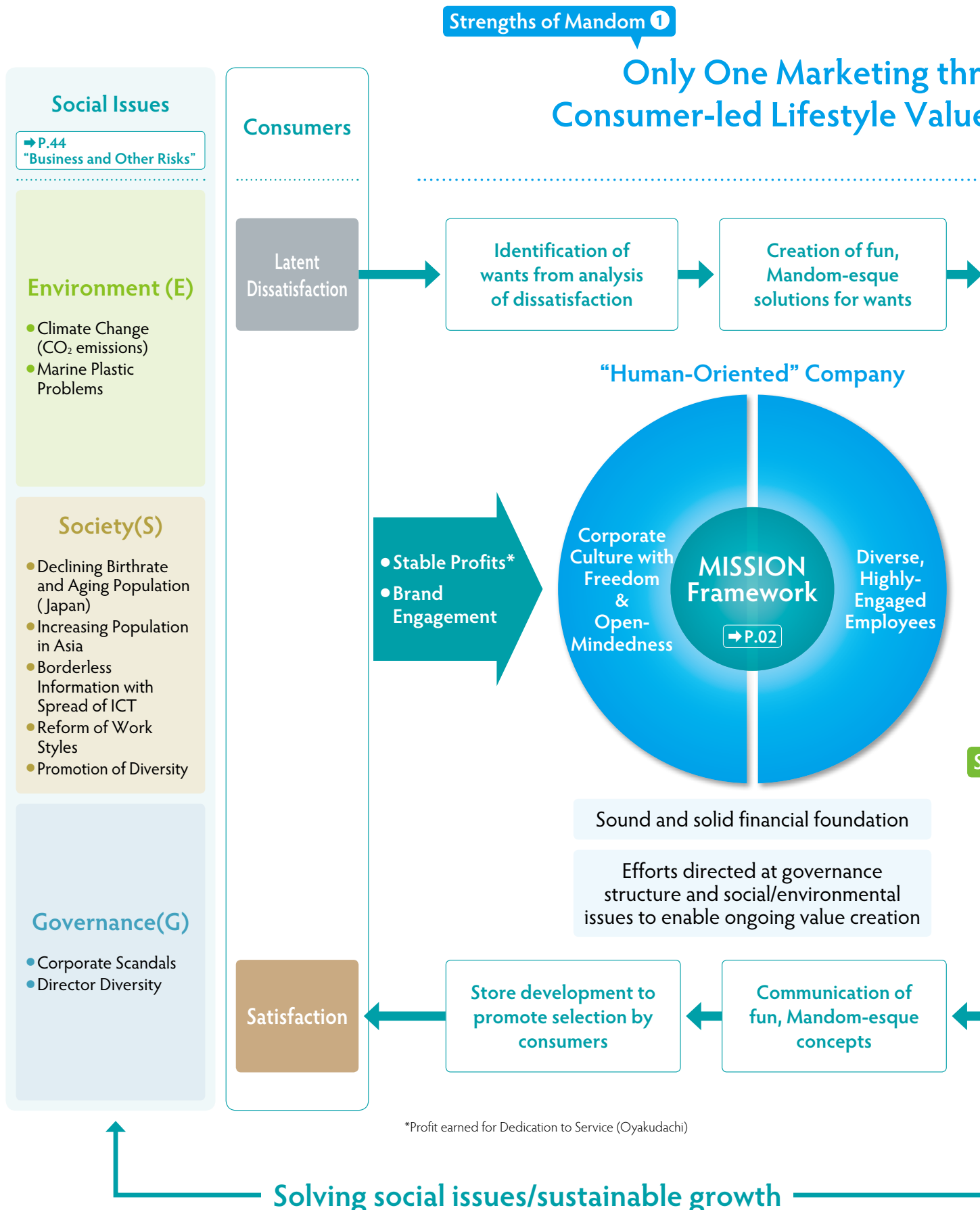
India



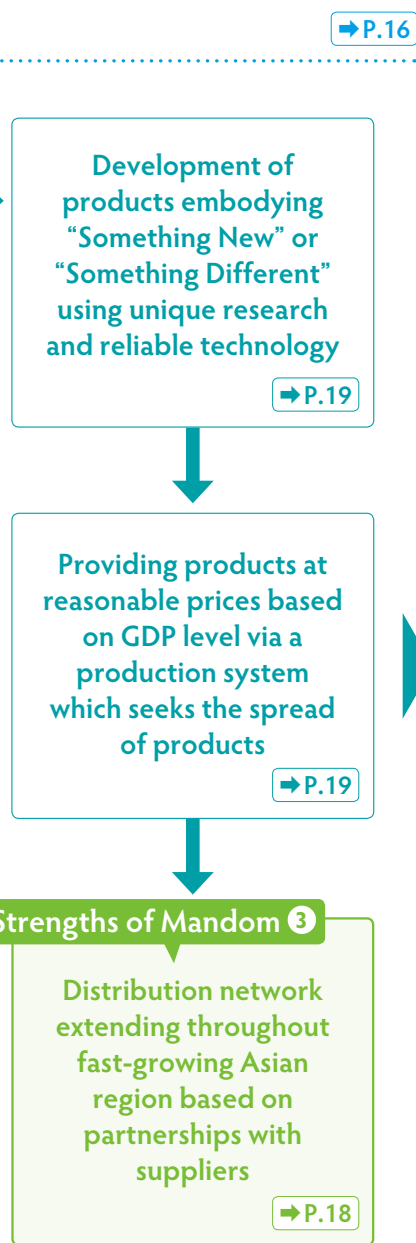
2019

Executed the first M&A since founding
All shares of ACG International Sdn. Bhd. acquired, making it a subsidiary

Mandom Value Creation Model



ough e Creation



Strengths of Mandom ①

Only One Marketing through Consumer-led Lifestyle Value Creation

With MP-1 in 1982, the corporate stance at Mandom was shifted to Active Employee Engagement in Management, and we transitioned to a company focused on Dedication to Service (Oyakudachi) and consumer-focused management. It was at this time that most of the original words and ideas we refer to as Mandom terminology, such as “Seikatsusha” instead of “Shouhisha” (consumers), “Shopping area” instead of “Sales area,” “Value creation” instead of “Manufacturing,” “Pull” instead of “Push,” “Proactive” instead of “Passive,” and “Engagement” instead of “Participation” were developed.

From these, the concepts of “consumer orientation” and “consumer-wants-driven commercialization” were born, leading to the Mandom marketing principle of Consumer-led Lifestyle Value Creation. The idea is that if a product created for the purpose of satisfying consumer wants and addressing insights really does so, it will provide the consumer with satisfaction and the company with both sales and profits.

At Mandom, product development is not based on the preconceptions of engineers or the demands of top management. Instead, we emphasize working for the consumer with the ultimate objective of satisfying them. Each and every one of our employees is thoroughly aware of and acts on the importance not only of product development but also of fully demonstrating to their own customers and, by extension, to consumers in general their Dedication to Service (Oyakudachi), including in their communication and creation of store displays. This leads to the creation of new markets and higher brand engagement.

Examples of 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 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



Making proposals at a store

Increasing In-store 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.

Strengths of Mandom ②

Gatsby, Our Men's Cosmetics Brand That Enjoys Tremendous Popularity in Asia

Launched in 1978, Gatsby has continued to provide joy for more than 40 years as a brand that loves and is loved by young people. The shape of the brand has changed with the times, but Gatsby has always been and always will be a brand for young people.

Gatsby is currently available in all areas of the 11 countries and regions where Mandom does business, including Japan.

Although Gatsby's brand philosophy is globally unified, different products are sold in Japan and other countries. The wants, needs, and standards of living of local consumers differ between Japan and other countries, so the content and selling prices of products are designed accordingly.

Gatsby products made at factories in Japan are mainly sold in countries with high GDPs, such as Japan and NIEs, the Gatsby products made in Indonesian factories are mainly sold in ASEAN countries where income levels are lower. In China, Gatsby products made at our Chinese factories are sold.

As a result of focusing on young people in our business expansion in Asia, not just with products but also with communication and in-store points of contact, name recognition of the Gatsby brand is high in many countries, and it has penetrated to the point of establishing a number one position in the hair styling market.



Gatsby (Japan)



Gatsby (Overseas)

► History of Gatsby

1978. 7

Launched Gatsby

1985. 3

Commenced the first over-the-counter sales of hair foam for men

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 sachet-size version

1999. 3

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

2001. 3

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

2002. 3

Gatsby Hair Color commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area

2006. 8

Launched Gatsby Moving Rubber

2013. 8

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

2014. 5

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



Strengths of Mandom ③

Overseas Expansion Focused on Rapidly Growing Asia

The Mandom Group views overseas countries as markets rather than production areas (from which to import and sell low cost products in Japan). We are engaged in business overseas with the desire to demonstrate Dedication to Service (Oyakudachi) to local consumers through our products.

Our overseas expansion began with the commencement of operations at Tancho Corporation, our technical tie-up in the Philippines, in 1958.

Later, in 1969, we established a subsidiary in Indonesia via a joint venture.

Since then, we have continued to expand our area of operations, and today, we have 16 business companies in 10 countries and regions outside of Japan. Furthermore, we export our products from Indonesia to more than 90 countries, including in the Middle East and Africa, via Dubai (UAE), which is a global trade hub.

Since our founding, there has been a spirit of spreading Value for Money at Mandom. In our overseas operations, we target the general public in each area. We are engaged in product development with a thorough emphasis on Consumer-led Lifestyle Value Creation for the consumers in each country and region, not getting caught up in what products are popular in Japan.

If there is a need or want among consumers, we will boldly take up the challenge to roll out products in various categories, regardless of whether we have experience with such categories in Japan.

Moreover, income levels of general public vary depending on the country or region, so we offer product sizes that match the buying power of consumers and have built a distribution network that makes it easy for middle-class consumers to acquire our goods. Through these and other efforts, we provide reasonably priced products and services that allow people to enjoy personal styling.



Different sizes of the same item



Traditional trade store (The Philippines)

► Overseas Business Areas



Business-Supporting Management Assets

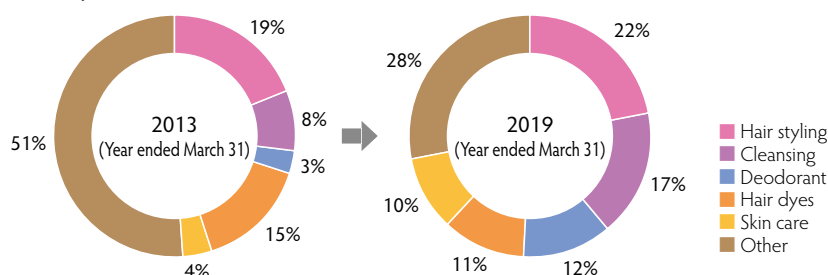
“Unique research” and “reliable technology” to respond to consumer wants

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

Business-Supporting Management Assets

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 additionally provides production for the Group.

► Manufacturing base and production volume based on fiscal 2018 performance



Fukusaki Factory (Japan)

Site area: 71,058㎡

Production volume: 189million units

Zhongshan Factory (China)

Site area: 27,253㎡

Production volume: 19million units

[Manufacturing plant]
Factory 1 (Indonesia)

Site area: 147,936㎡

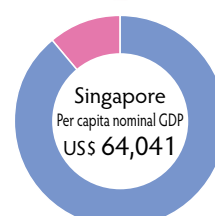
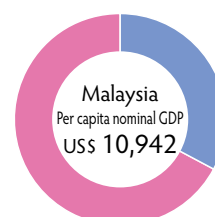
Production volume: 511million units

[Factory for molding plastic containers]
Factory 2 (Indonesia)

Site area: 54,442㎡

► Comparison of sales by manufacturing center

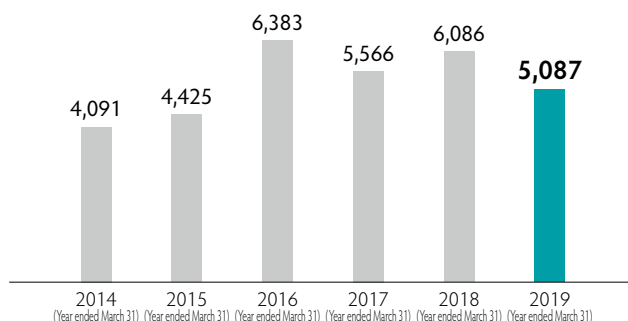
■ Made in Japan
■ Made in Indonesia



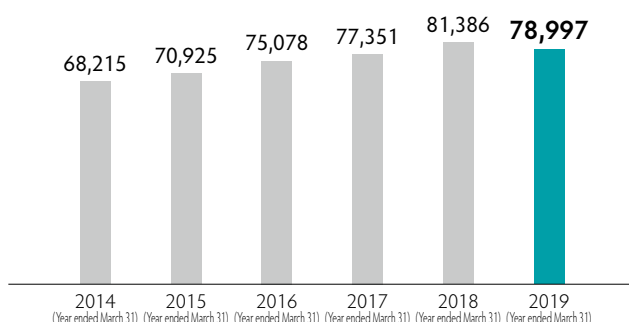
Financial and Non-financial Highlights

Financial Highlights

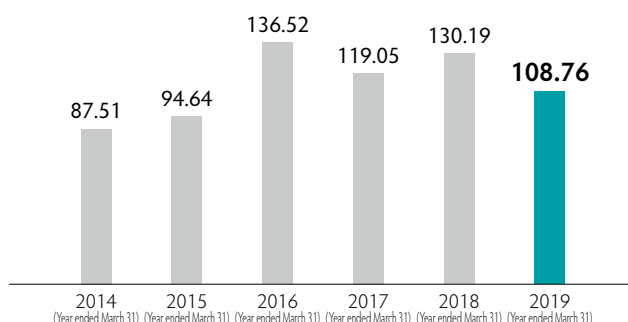
► Net income attributable to owners of the parent (million yen)



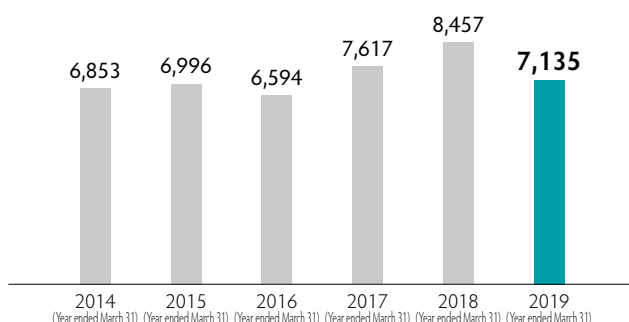
► Consolidated net sales*¹ (million yen)



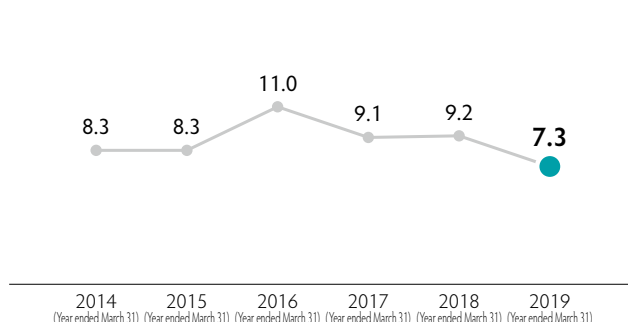
► Earnings per share [EPS]*² (yen)



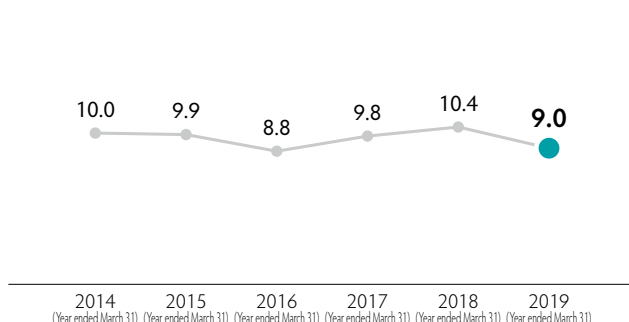
► Consolidated operating income (million yen)



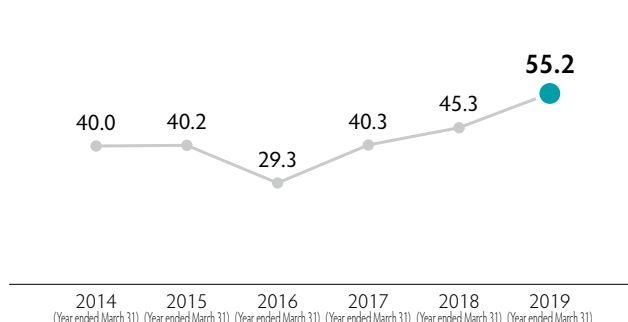
► Return on equity [ROE] (%)



► Operating income margin (%)



► Payout ratio (%)

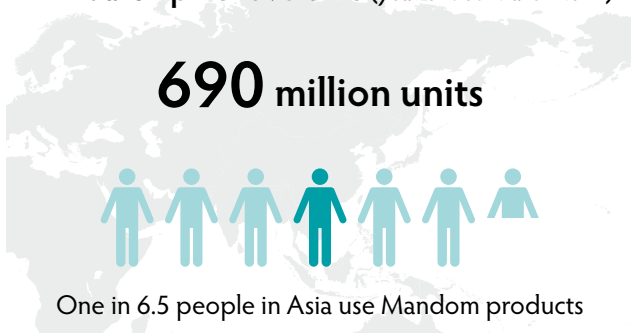


*1 Beginning from the fiscal year ended March 31, 2019, some items that had been processed as expenses have been deducted from net sales at overseas consolidated subsidiaries included in financial statements prepared in accordance with IFRS.

*2 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.

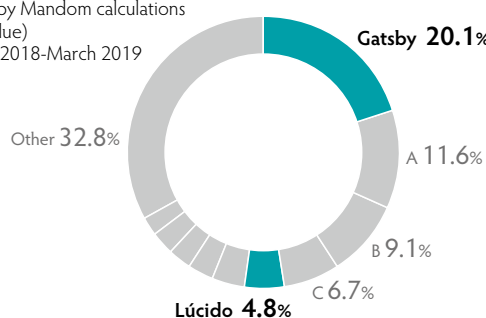
Non-financial Highlights

► Annual shipment volume (year ended March 2019)



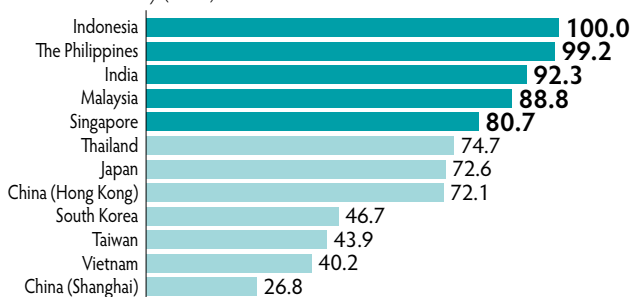
► Domestic brand share of men's cosmetic product market

Market data by Mandom calculations
(monetary value)
Period: April 2018-March 2019



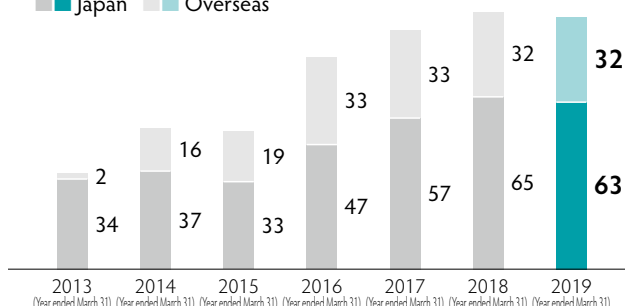
► Gatsby brand awareness (%)

Mandom survey (2018)



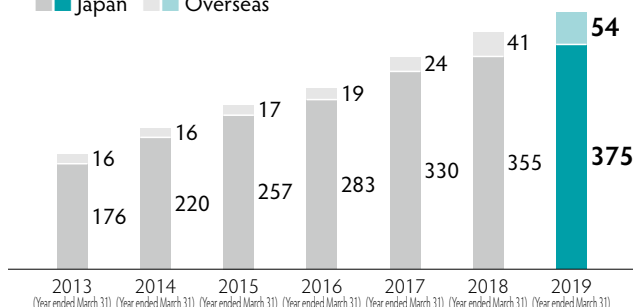
► Number of patent applications submitted per year (Cases)

■ Japan ■ Overseas

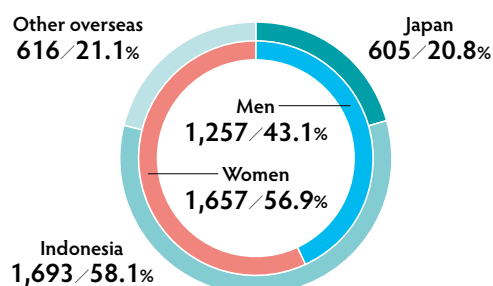


► Number of patents held (cases)

■ Japan ■ Overseas

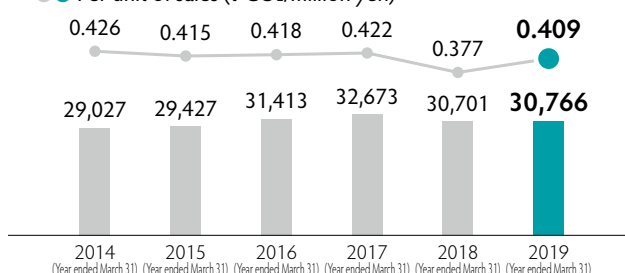


► Number of employees in consolidated companies (year ended March 2019)



► CO₂ emissions (Scope 1+2)

■ CO₂ emissions (t-CO₂)
● Per unit of sales (t-CO₂/million yen)



Growth Strategy

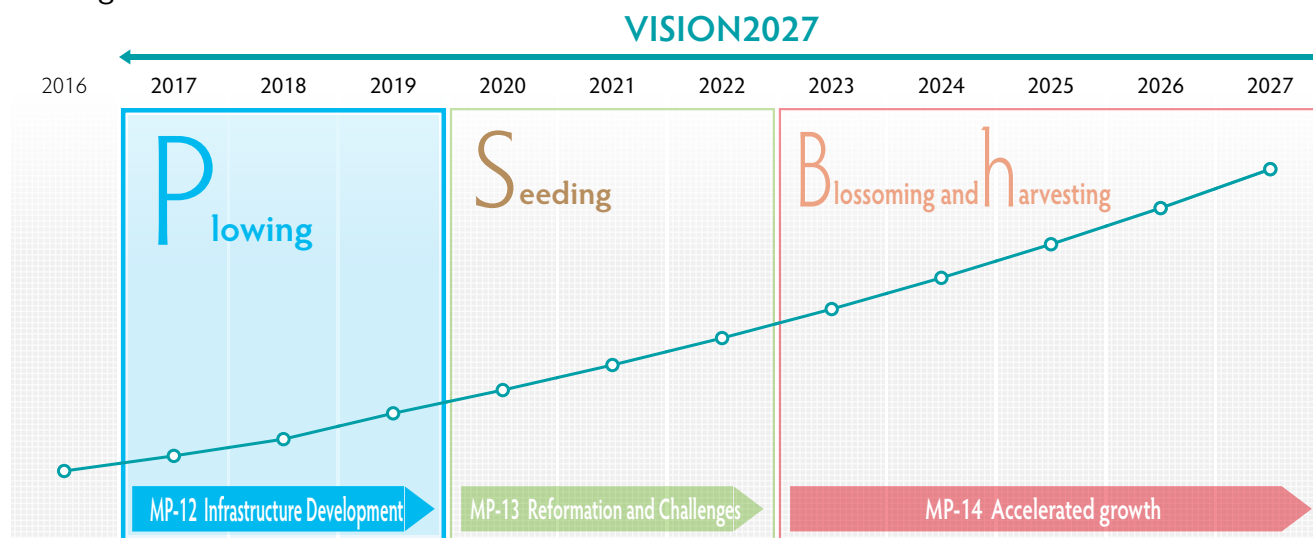
For its 90th anniversary, We have formulated the MISSION with concern for a human-oriented business approach at the core. VISION2027 (embodying our dreams, unrestricted by past experience) was also formulated to express a future-orientated approach. Mandom is evolving with the aim of realizing VISION2027 by 2027, the 100th anniversary of the company.

VISION2027

Our VISION2027	<p>A cosmetics company possessing unique strengths in specialized areas (not an “all-rounder”)</p> <ul style="list-style-type: none"> ① Authentic proposals ② Global & ‘Only One’ ③ Exciting & Excellent
VISION Slogan	<p>Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world</p>
VISION policy	<ul style="list-style-type: none"> ① Leverage Asia’s economic growth to evolve into a truly global company ② Display greater Dedication to Service (Oyakudachi) in the men’s business segment and invest aggressively to expand our women’s segment ③ Provide authentic products and services to develop a MANDOM WORLD inspired by the concept of stock-oriented management (the idea of strengthening or “stocking up” various assets including ties with our stakeholders by providing authentic and valuable products and services).
Image	

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 VISION2027.



* 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 needs and wants 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: Each business scope remains small 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 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 into 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 (human assets development, accounting system, information systems, etc.) for the Group to support such initiatives
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Policy

1. Promotion of category strategies and thorough implementation of activity	2. Improvement of growth in overseas operations, focusing on Indonesia	3. Building a group operation system and improving productivity per unit
---	--	--

☞ The details of each policy are provided under “Management Basic Policy” on the next page.

MP-12 (12th Middle-Range Planning)

Theme

Corporate Infrastructure Development for Realizing VISION2027

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:
¥90,000million	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

Men's business



Average annual
growth rate:
+1.4%

2017 2018 2019 2020
(Year ended March 31) (Year ended March 31) (Year ended March 31) (Year ending March 31)

*Growth curve image

*Performance in the fiscal year ended March 31, 2019 has been calculated using the same criteria as before.

- The two-year average growth rate in the men's business was 1.4%.
- In the men's business, we recognize re-accelerating Gatsby as the top priority issue, so we will promote further strengthening of the rebranding efforts already underway and continue developing a new Gatsby with a stronger presence and greater influence on young men in Asia.

Women's business



Average annual
growth rate:
+8.9%

2017 2018 2019 2020
(Year ended March 31) (Year ended March 31) (Year ended March 31) (Year ending March 31)

*Growth curve image

*Performance in the fiscal year ended March 31, 2019 has been calculated using the same criteria as before.

- The average growth rate in the women's business was 8.9%.
- We will promote shared brand value of "high-quality facial wash and cleansing series from Japan" for Bifesta as a global brand and work to improve the brand image and expand our Dedication to Service (Oyakudachi) in terms of both quantity and quality.
- We will continue to strengthen the brand activity for Pixy in Indonesia and Malaysia.

Overseas



Average annual
growth rate:
+2.7%

2017 2018 2019 2020
(Year ended March 31) (Year ended March 31) (Year ended March 31) (Year ending March 31)

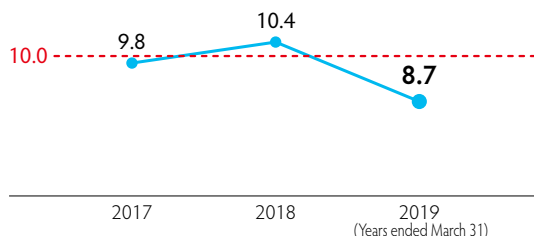
*Growth curve image

*Performance in the fiscal year ended March 31, 2019 has been calculated using the same criteria as before.

- The sluggishness of the Indonesia business in the fiscal year ended March 31, 2019 had a significant impact, and the average growth rate overseas was 2.7%.
- In Indonesia, we will refocus on understanding the changing mindset of local consumers and proposing more suitable products, placing top priority on Gatsby and Pixy, as we work to expand our Dedication to Service (Oyakudachi) in terms of both quantity and quality.
- As for the Other Overseas segment, we will continue to actively invest in marketing.
- We will promote the expansion of MANDOM WORLD, including ACG International, which will join the Group in the fiscal year ending March 31, 2020.

Profitability

● Operating income margin (%)

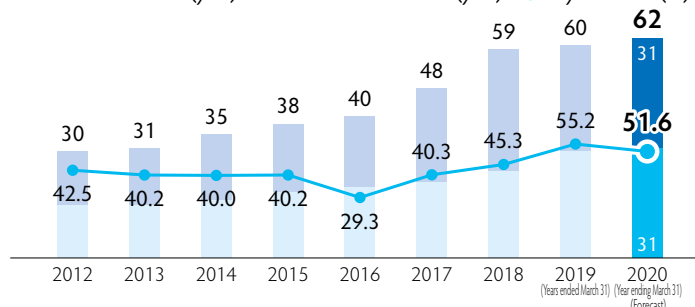


- In the fiscal year ended March 31, 2019, the operating margin was 8.7%, while the target was 10%.
- Impacted by a major downswing of sales in Indonesia, and a substantial increase of costs in Japan.
- We hope to improve profitability by increasing capital efficiency and expanding profits at each stage while completing development of an infrastructure to achieve VISION2027.

*Performance in the fiscal year ended March 31, 2019 has been calculated using the same criteria as before.

Shareholder Returns

■ Interim dividend (yen) ■ Year-end dividend (yen) ● Payout ratio (%)



- As for shareholder returns, our target payout ratio on a consolidated basis was 40% or higher (excluding extraordinary factors). Due to the impact of a decline in net income, the payout ratio was substantially higher than the target at 55.2%.
- In the fiscal year ending March 31, 2020, we plan to increase the annual dividend to 62 yen, which will be the eighth consecutive year of increases, and if things proceed according to plan, the payout ratio will be 51.6%.
- We also acquired treasury stock for the first time in ten years. We will work on enhancing return of profits to shareholders and improving our capital efficiency.

*We executed a 2-for-1 stock split of common stock effective 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

Group-wide Instillation of MISSION

The Company believes that the most important topic in the globalization of its business is the spread of its mission to each Group employee.

Based on this thinking, management trained department managers in “evangelist training” sessions. Then these “evangelists” conducted “philosophy sharing workshops” for their department members. This included all overseas subsidiaries, following the implementation at each regional office in Japan from 2017 to January 2018. After these efforts, in fiscal 2018, we conducted a MISSION Implementation Survey of all employees as part of our MISSION implementation program.

Based on the results of this survey, officers first shared the strengths and improvements in evangelist training.

The evangelists then shared the current and ideal situations with employees in their departments, proposed action plans for closing the gap, created schedules, and implemented the plans.

We will continue these efforts year after year to increase understanding of and instill the MISSION so that every employee has the opportunity to think about and share their ideas on what is necessary to create a lively workplace climate and put the MISSION into practice.

Evangelist training



Workshop



Next-Generation Global Leaders Training

It is essential to train and assemble human resources that are capable of fulfilling their responsibilities with a global perspective in order to achieve VISION2027 and look beyond. In fiscal 2018, we launched our Next-Generation Global Leader Training as a group-wide educational program designed to train and assemble human resources that will play important roles in the future of the Mandom Group.

We will train leaders that are capable of coming up with strategies to achieve VISION2027, carrying out both management and marketing, backcasting future markets in the midst of environmental changes that create high uncertainty, testing their own hypotheses, formulating policies from a group perspective, and planning and implementing strategies accordingly.

·Number of participants in FY2018: 15

Training



Rebranding of Gatsby

At present, the rapid pace of global digitalization and emergence of a borderless economy is promoting shared values, and the lifestyles, values, and communication behavior of consumers have changed completely. For more than 40 years since its release in 1978, Gatsby had continually proposed stylishness for the times in every era, but for global development, we had to compete in-store with big companies from around the world, and we feel that we had come to a turning point.

To make Gatsby a stronger brand, we felt that it was necessary to redefine global shared value while respecting the value built with consumers in each country. At international marketing conferences, marketers from each country spoke about the strengths, spirit, and brand value of Gatsby and redefined the shared value of Gatsby for Asia as a whole. As a part of that, since fiscal 2018, we have been working on rebranding, including creating a brand book and concept video.

First, in Japan, we reorganized the creative team and updated our communication. Actors Yuya Yagira and Mackenyu Arata

were tapped as the new brand ambassadors, and a new television commercial called "Gatsby Cop" was released featuring Kenshi Yonezu's song "Teenage Riot," which is tremendously popular among young people, as the theme song.

At the same time, we have shifted to a communication method that fully leverages digital media to target today's young men who are part of the digital native generation. Using Twitter posts, we are rolling out content such as the Gatsby Cop video that becomes a topic of conversation among young men. These tweets have received a very large number of retweets and likes.

As mentioned in our press release dated April 22, 2019, the Gatsby campaign video and commercial won prizes in three categories at the 22nd Asia Pacific Advertising Festival, one of the largest advertising festivals in the Asia Pacific region. We will continue to promote Dedication to Service (Oyakudachi) in response to the changing lifestyles of young people in Asia.

Gatsby Cop television commercial (first commercial; run time of 15 seconds)



Gatsby international marketing conference



Growth Strategy

All Shares of ACG International Acquired, Making It a Consolidated Subsidiary

In January 2019, we acquired all shares of ACG International, which is engaged in business primarily in Malaysia and owns brands such as "SILKYGIRL," a makeup brand for young women. This was our first corporate acquisition since our founding.

The area in which there is the biggest gap between the current situation and the targets of VISION2027 and where further strengthening is required is women's products overseas.

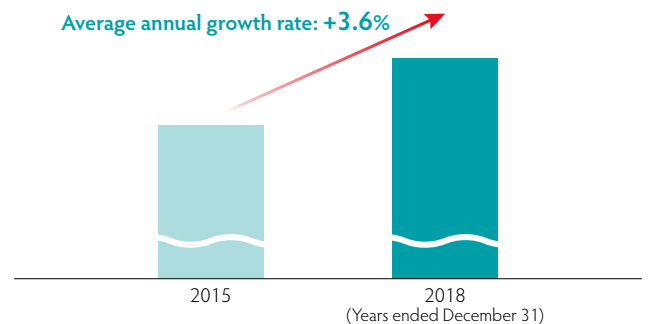
In the midst of these circumstances, the move to acquire ACG International aligned perfectly with the policy of VISION2027. We believe that it will further increase the Group's presence in Southeast Asia and improve our Dedication to Service (Oyakudachi) in terms of both quantity and quality.

Silky Girl matches the preferences of sensible consumers in Southeast Asia, quickly incorporating global cosmetic trends. The brand has been rolled out in Malaysia as well as Singapore, Indonesia, and Brunei, mainly through modern trade channels. In the Malaysian capital of Kuala Lumpur in particular, the brand enjoys high support, especially among women in their teens and twenties. According to an internal survey in 2017, it is the number one brand among women in their twenties in terms of current use.

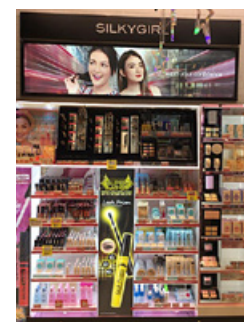
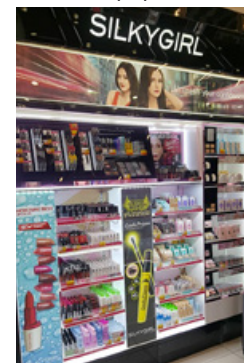
In fiscal 2018, net sales at ACG International were over ¥3.2 billion after conversion to Japanese yen. The highly profitable company is growing steadily with a three-year average growth rate of 3.6% and an operating margin of around 15%.

For the time being, we will not engage in a sudden business integration in order to avoid confusion among the respective organizations and personnel. First, we aim to share our values and MISSION and will tie this into achievement of VISION2027 from a medium- to long-term perspective.

► Net sales (local currency basis)



In-store display



Introduction of Shared Accounting System to Establish Corporate Infrastructure

We are currently updating our management platform to establish an infrastructure for achieving VISION2027. As part of these efforts, we are promoting use of the same backbone systems for accounting, production control, and other operations.

We believe that sharing the level of management accounting at each company will provide the following advantages:

- Allow for more appropriate management decisions
- Allow for decision-making from the perspective of group-wide optimization
- Allow for optimal inventory control and production without overburdening or waste...and more

The system was introduced in Indonesia in fiscal 2018 after having been introduced in Japan and Thailand prior to that. It has been fully operational since early 2019. By updating our management systems as part of our infrastructure development, we are looking to have our business units play an important role in providing management information of even higher added value as we work to increase corporate value.

We will continue introducing the system in one country after another so that we can transform our organizational structure into one that is highly productive by instilling a group-wide profit mindset.

EC (electronic commerce) Efforts

As a major global trend, changes can be seen in purchasing behavior by consumers, the most prominent of which is the expansion of e-commerce.

Up until recently, our basic approach to creating customer contact was to have consumers purchase our products at retail stores. In 2017, we established Marketing Div. 3 to address the changes in the social environment, and it studied and analyzed the situation. To promote our efforts with greater speed, we established the New Business Development Division to review and plan e-commerce at the Group and the EC Sales Division to address e-commerce in our Japan business in 2018.

In May 2019 we opened our flagship store on the Tmall

borderless e-commerce website and began selling 32 items under four brands (Gatsby, Bifesta, Lúcido, and Barrier Repair). This has allowed us to make Mandom products, including Barrier Repair Facial Masks, which enjoys high inbound demand, more accessible to Chinese consumers, offering both convenience and peace of mind.

Borderless commerce is growing in the Asian market as standards of living improve and advances are made in the digital environment. Taking advantage of our distinguishing characteristic of having bases throughout Asia, our group companies will accelerate efforts to address the changes in the environment working closely with each business. As a group, we will work on capturing this huge new market.

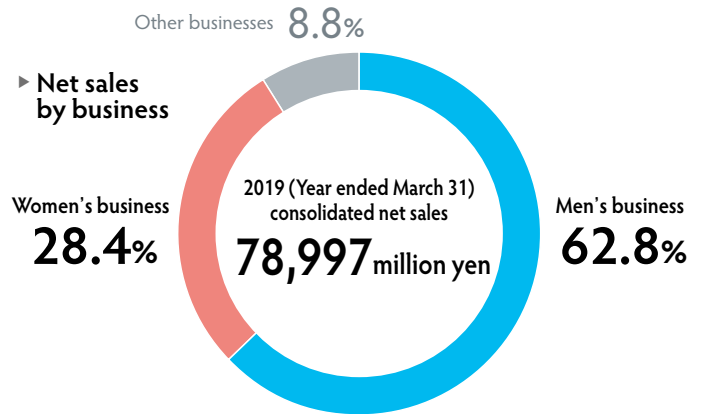
Mandom flagship store on Tmall Global



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.

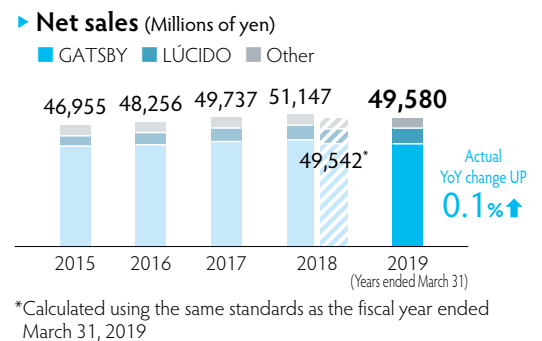
*The remaining three areas are categorized as "other businesses" (professional use business, other business, and international trading business).



► 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

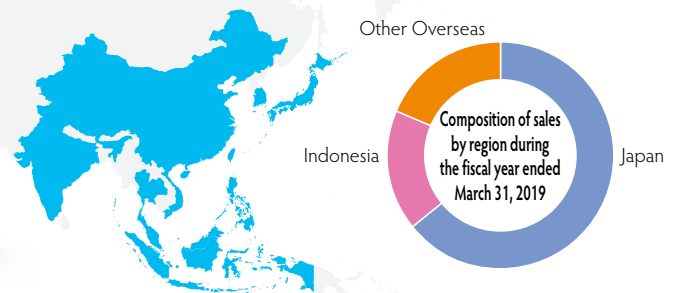
Target categories: Hair styling/hair coloring/scalp care/face care/body care



GATSBY



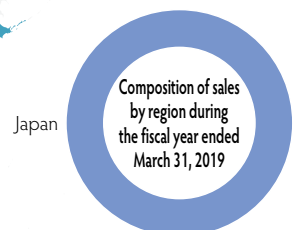
A men's cosmetic brand targeting young men
Developing horizontally across Asia as a core brand of the Mandom Group



LÚCIDO



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



► Overseas Development Regions

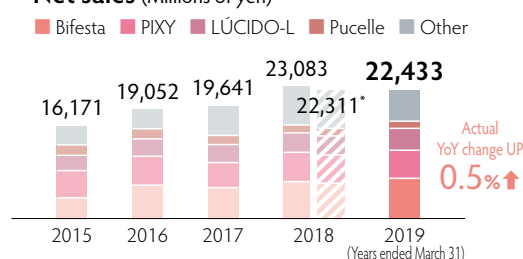
	Japan	Indonesia	Singapore	Taiwan	Hong Kong	South Korea	Malaysia	The Philippines	Thailand	Vietnam	China	India
Men's business												
GATSBY	●	●	●	●	●	●	●	●	●	●	●	●
LÚCIDO	●											
Women's business												
Bifesta	●	●	●	●	●	●	●	●	●		●	
PIXY		●					●					
LÚCIDO-L	●	●	●	●	●	●	●		●		●	
Pucelle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

► 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)



*Calculated using the same standards as the fiscal year ended March 31, 2019

Bifesta



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

PIXY



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



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

Pucelle



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

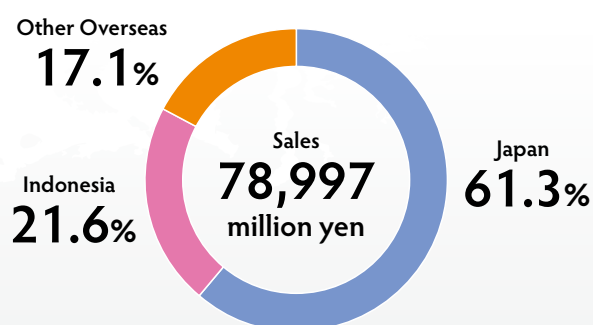
Business Domains

Mandom Group Business Areas

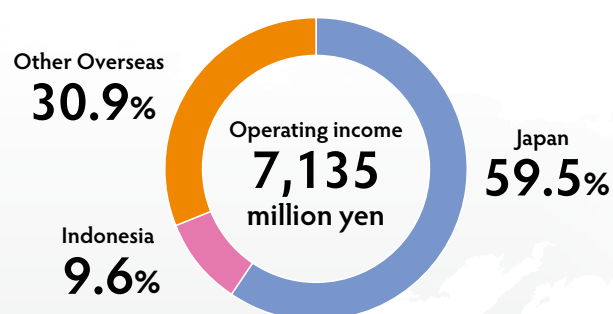
The Mandom Group is developing its global operations, particularly in Asia. The Group segments its operations into three regions: Japan, Indonesia, and Other Overseas.

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

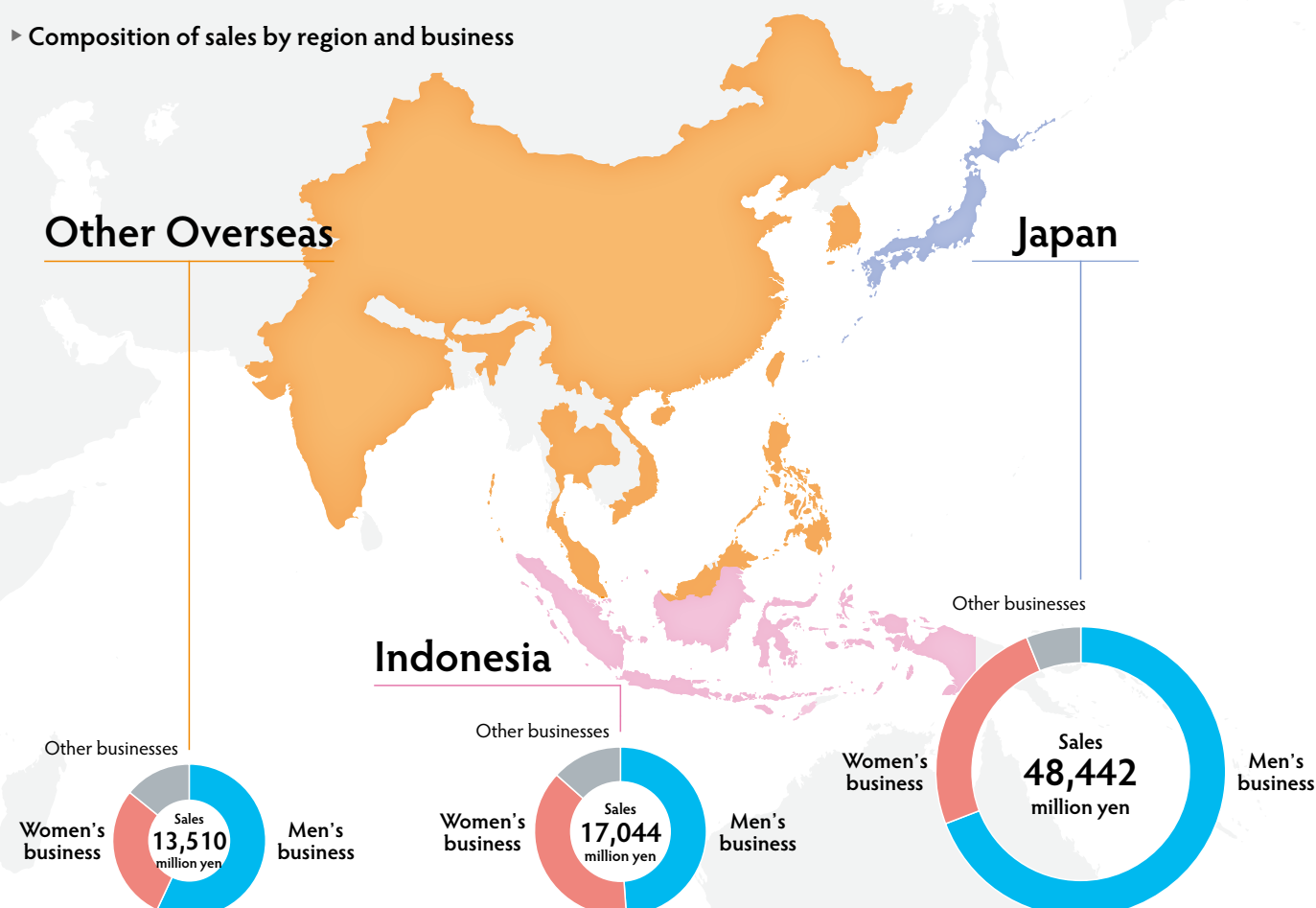
► Composition of consolidated sales by region



► Composition of consolidated operating income by region



► Composition of sales by region and business



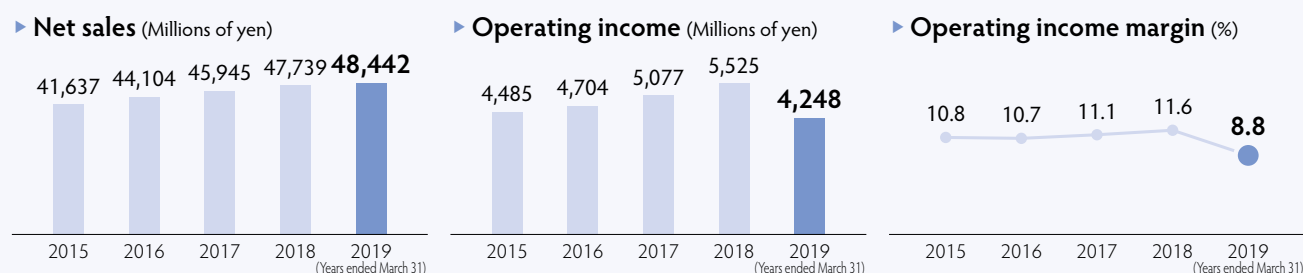
*All figures from the year ended March 31, 2019

► Japan

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



Net sales, year on year **+1.5%** | Average growth, past five years **+3.4%**



FY2018 (ended March 2019) Performance

Summer products for men and women, particularly Gatsby Body Paper, performed well in FY2018 as a result of record-breaking hot weather. Although Lúcido, Bifesta, and Lúcido-L sales were strong, sales of Barrier Repair Facial Masks, which account for the majority of inbound sales, declined substantially starting in the second half, keeping overall sales growth at 1.5%.

Moreover, FY2018 was a year of preparation to develop the infrastructure for achieving VISION2027. As a result of aggressive investment, including the first M&A since our founding, consolidation of marketing functions in Aoyama, and support for introducing a group-wide accounting system, operating income was down 23.1%.

Growth Strategy for the Future

Although the Japanese cosmetics market is a mature one, we will work on enhancing our new grooming product proposals, focusing on categories in the men's cosmetics market where there is room to grow, such as body care and facial/skin care.

As for women's cosmetics, the competitive environment is harsh, but the market is about ten times the size of the men's cosmetics market, so by developing in categories in which we can differentiate ourselves, we believe we can expand the business sufficiently. For the time being, we will focus on cleansing and facial washes along with facial/skin care in the aim of expanding our Dedication to Service (Oyakudachi) in terms of both quantity and quality.

In regard to the inbound business, we will leverage our strength of having a sales network in Asia to develop a mechanism by which tourists to Japan can make purchases not only in Japan but in their own countries as well after returning by collaborating with local group companies while also strengthening our efforts in relation to borderless e-commerce.



Gatsby Body Paper



Barrier Repair Facial Masks



Bifesta Cleansing Sheet



Lúcido Aging Care Milk (left)/
Lúcido Aging Care Body Cream (right)



Gatsby Premium Deodorant Roll-on (left)/
Gatsby Skin Multi Cream (right)



See the materials from the fiscal 2018 (ended March 2019) financial results briefing for specific efforts:

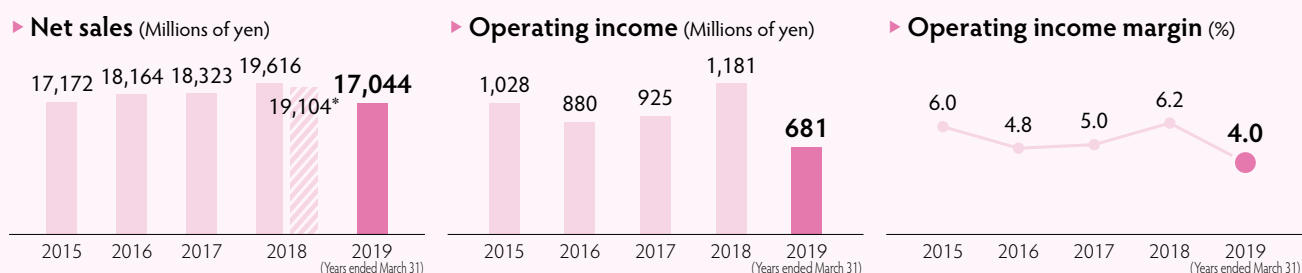
URL: https://www.mandom.co.jp/en/ir/pdf/presentation_201903_en.pdf

► Indonesia

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



Net sales, year on year **-10.8% in real terms**



*Calculated using the same standards as the fiscal year ended March 31, 2019

FY2018 (ended March 2019) Performance

In fiscal 2018, growth of Gatsby Hair Styling Pomade, which had been driving growth for the past several years, hit a plateau. In addition, waxes, gels, and other styling products struggled due to cannibalization. Meanwhile, Pixy, which had been facing challenges including intensification of the competitive environment and declining brand activity, saw a delay in the release of new products designed for rebranding. As a result of these and other factors, sales declined 2.1% on a local currency basis. On a consolidated basis, the negative impact of the exchange rate made for a more significant decline of 10.8% in real terms. On a consolidated basis, operating income was down 42.3%, primarily as a result of the decrease in sales.

Growth Strategy for the Future

In Indonesia, the wants, values, and purchasing behavior of the rapidly expanding middle class have changed significantly. This requires a swift and accurate response in terms of not only products but also communication and distribution. Although growth rate of the cosmetics market has dropped from double to single digits, it continues to grow, and we aim to achieve better-than-market growth.

In men's cosmetics, our biggest advantage lies in the hair styling market, which still enjoys a high growth rate. Consumer wants are concentrated on pomade products in the market, and it is transitioning from a market that was monopolized by Mandom to a competitive one. We believe the pomade market will continue to grow for some time, so we will work on expanding sales by continuing to propose new products.

In women's cosmetics, we will continue to update the brand image through rebranding and strengthen the brand activity of Pixy, which has focused primarily on acquiring new users among young people.

See the materials from the fiscal 2018 (ended March 2019) financial results briefing for specific efforts:
URL: https://www.mandom.co.jp/en/ir/pdf/presentation_201903_en.pdf



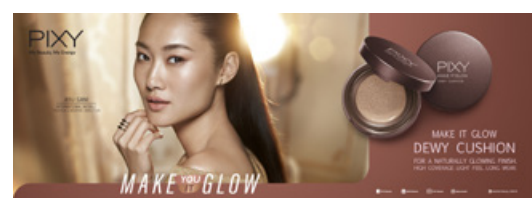
Gatsby Hair Styling Pomade



Gatsby Gel Series (back)/Gatsby Wax Series (front)



Gatsby Regroom Pomade



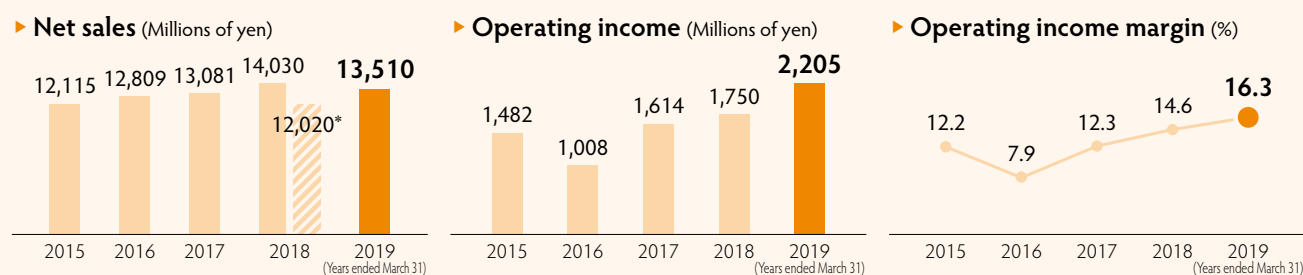
Pixy Make It Glow Dewy Cushion ad

► Other Overseas

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



Net sales, year on year **+12.4% in real terms**



FY2018 (ended March 2019) Performance

In fiscal 2018, we had double-digit growth in five countries and territories, including China and Malaysia. Sales were up 12.4% over the previous year in real terms.

What these countries and territories shared in common was that Bifesta women's cosmetics performed well. We steadily acquired new fans by taking advantage of digital marketing using ideas from each country and utilizing sales strategies tied into those marketing campaigns at brick-and-mortar stores.

Additionally, in Taiwan, we have made steady progress on creating and proposing new grooming habits with Gatsby Facial Paper and Body Paper.

Operating income was up 26.0%, primarily as a result of the increased sales.

Growth Strategy for the Future

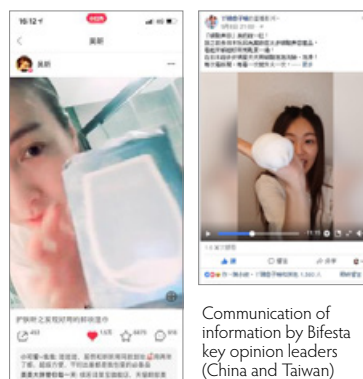
In other cosmetics markets overseas, there is continued maturation in the NIES area of Singapore, Hong Kong, Taiwan, and South Korea, which have relatively high GDPs. However, in the ASEAN area, which is in the demographic dividend phase, and China, which has a huge market with a population of over 1.3 billion, we expect to see significant continued growth thanks to the high consumption potential and increased awareness of cosmetics among consumers associated with rising income. By strengthening our products, communication, and distribution with a focus on men's hair styling, an area in which our strengths can be leveraged, and women's cleansing and facial washes, we will continue to expand our Dedication to Service (Oyakudachi) in terms of both quantity and quality.



Outdoor Gatsby advertisement (Taiwan)



Pop-up Bifesta store (China)



Communication of information by Bifesta key opinion leaders (China and Taiwan)



See the materials from the fiscal 2018 (ended March 2019) financial results briefing for specific efforts:

URL: https://www.mandom.co.jp/en/ir/pdf/presentation_201903_en.pdf

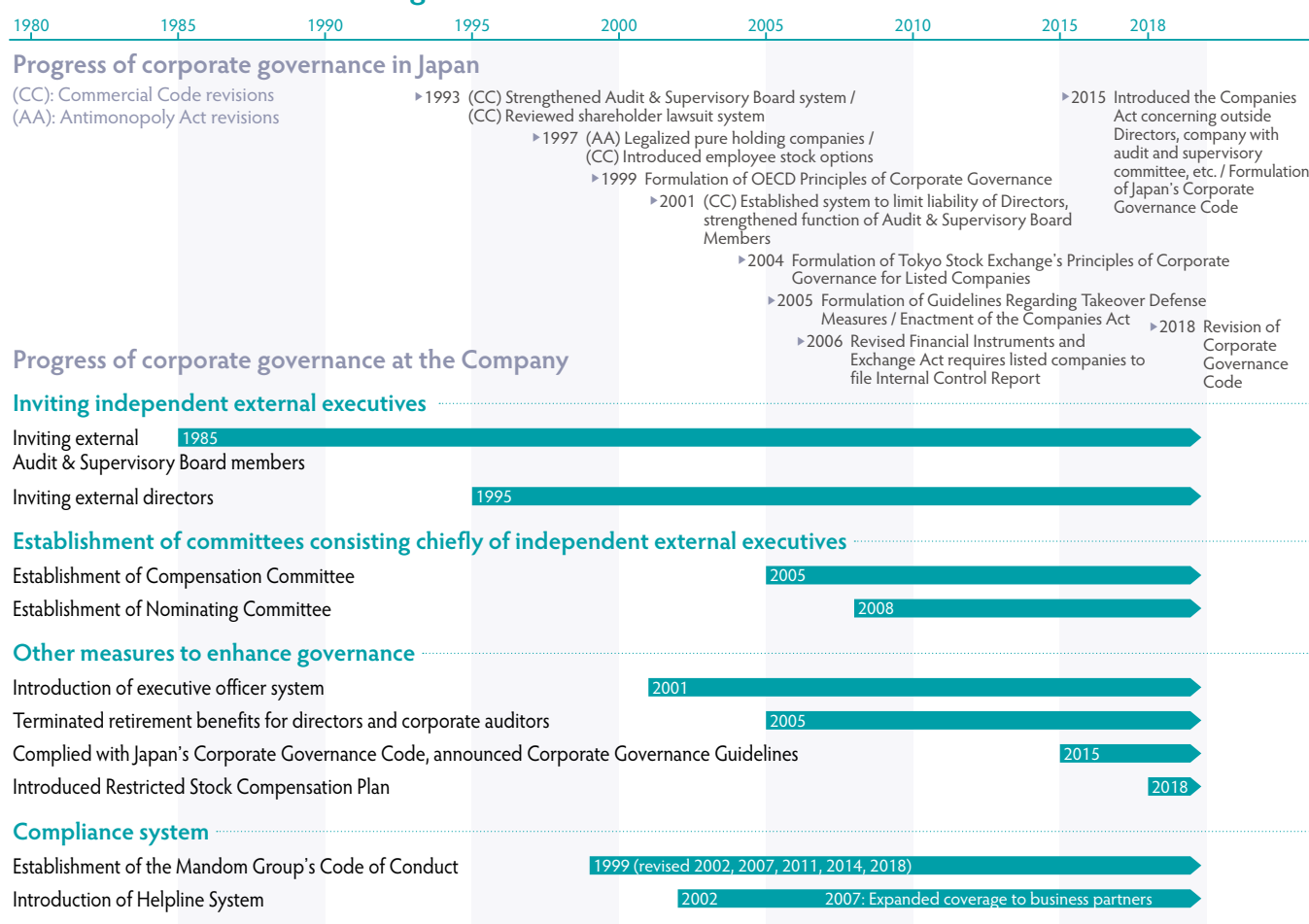
Corporate Governance

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

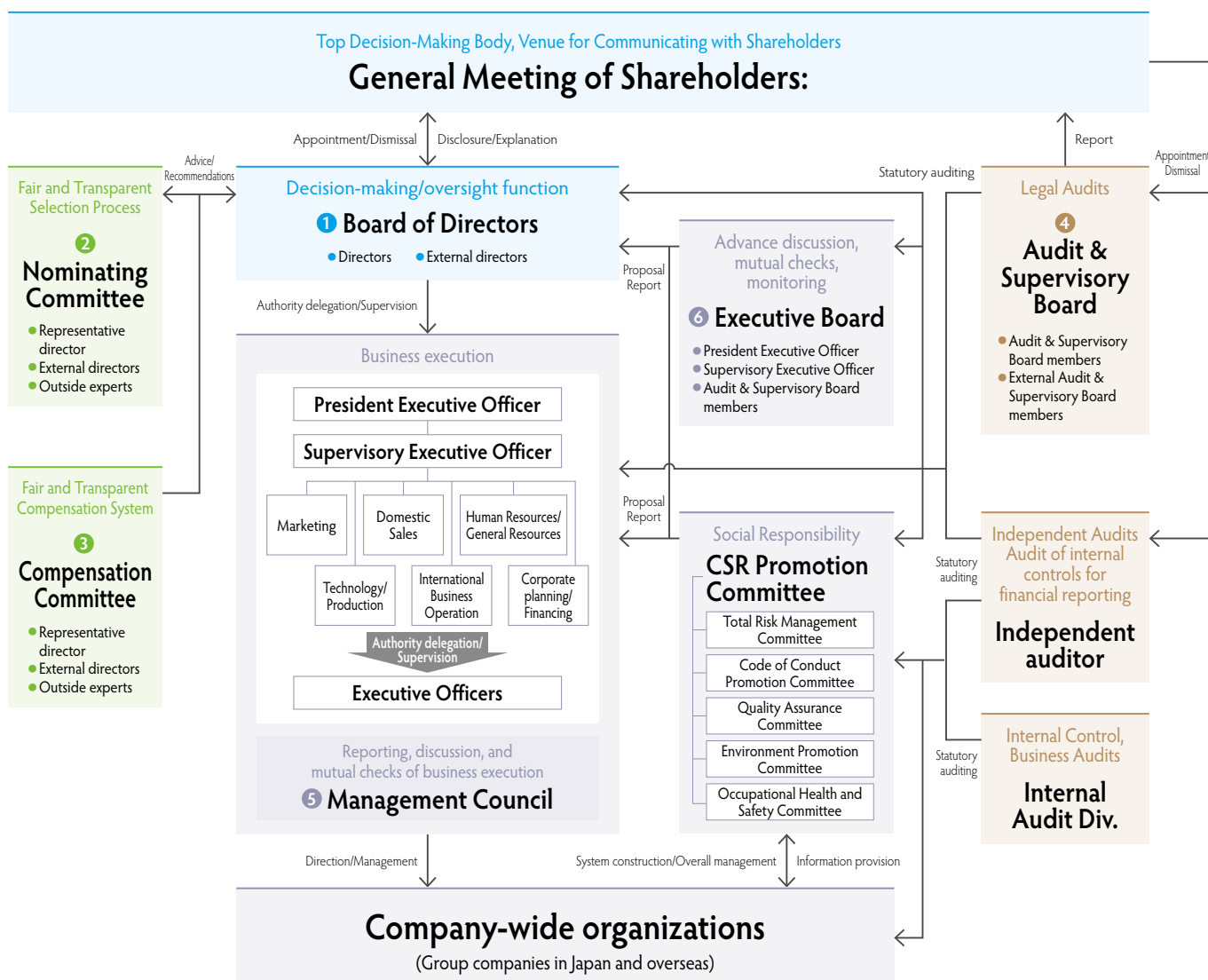
Overview of the Corporate Governance Structure and Reasons for Adopting the Structure

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 executorial 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.

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 and supervisory executive officers both concurrently serving as directors, but also external 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 directors on the Board as well as oversight and supervision from external directors. This structure is rigorously monitored by the Audit & Supervisory Board, and we believe this approach will contribute to strengthening corporate governance.

Corporate Governance System



1 Board of Directors

The Board of Directors is comprised of all directors and makes decisions regarding the basic policies of business execution and important matters regarding business execution in addition to supervising the execution of business by directors and executive officers.

Major topics at the Board of Directors meetings

2018	April : Disclosure of summary of evaluation results and analysis of the effectiveness of the Board of Directors
	May : Abolishment of Internal Rules on Senior Advisors, Honorary Advisors, and Advisors, and thinking on introduction of advisor system
	June : Revision of Corporate Governance Guidelines for fiscal 2018
	July : Performance-linked compensation for directors in fiscal 2018 (102nd term)
	Payment of monetary compensation claims related to restricted stock
	November : Signing of agreement for transfer of ACG International shares
	December : 2019 business plan and sales plan for Indonesia business domain
	2019 business plan and sales plan for overseas business domain (total of 11 overseas companies)
2019	January : Appointment of executive officers in fiscal 2019
	March : Start of construction of new factory building at Fukusaki Factory

2 Nominating Committee

The Nominating Committee is established as an advisory body to the Board of Directors in order to ensure transparency and fairness of the process when determining candidates for directors and Audit & Supervisory Board members. This committee shall be consulted by the Board of Directors for proposals regarding candidates for director and executive officer.

3 Compensation Committee

The Compensation Committee is established as an advisory body to the Board of Directors in order to ensure transparency and fairness of the process when determining directors' compensations. This committee shall be consulted by the Board of Directors for policies regarding compensation for directors and executive officers as well as proposals for individual compensation.

4 Audit & Supervisory Board

The Audit & Supervisory Board is comprised of full-time and external Audit & Supervisory Board members and discusses and adopts resolutions regarding important audit-related matters upon receiving reports.

5 Management Council

The Management Council deliberates matters up for discussion at the Board of Directors beforehand and matters related to business management policies.

6 Executive Board

The Executive Board deliberates beforehand matters to be resolved by the Board of Directors and Management Council, and matters related to the business execution by supervisory executive officers.

Election and Composition of Officers

Mandom acknowledges the importance of selecting personnel with various business experiences and of diversity when it comes to the composition of the Board of Directors and the Audit & Supervisory Board.

From the standpoint of promoting women's contribution, Reiko Nakayama was appointed as an external director in June 2019. Additionally, since April 2015, we have had one female executive officer. There are two female directors at our listed subsidiary in Indonesia, which is our biggest overseas subsidiary. Mandom aims to become a global company, and while we currently do not have any foreign national directors or Audit & Supervisory Board members, we acknowledge this as an important issue in order to promote diversity management. Our policy is to proactively promote foreign national and female employees to executive and managerial positions to provide opportunities for them to leverage their talents. Since fiscal 2018, we have selected employees not only from Japan but from our overseas subsidiaries as well for Next Generation Global Leader Training. We are identifying human resources that can play an active role globally and have launched a system for educating and training them. 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.



Standards for the Independence of Independent Outside Executives
https://www.mandom.co.jp/company/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.



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/company/src/g_guideline_ex1.pdf
 (Japanese language)

Overview of executives (As of June 21, 2019)

Name	Field of experience ^{*1}									
	Corporate planning	Global	Marketing	Sales	Technology/ Production	Finance/ Accounting	Human Resources/ General Resources	Legal	Social capital/ environment	Financial and capital markets
[Directors]										
Motonobu Nishimura				●		●				
Shinichiro Koshiba		●	●	●						
Yasuaki Kameda	●		●	●		●		●	●	●
Takeshi Hibi		●		●						
Ken Nishimura	●	●	●	●						
Independent External	Satoshi Nagao	●	●	●		●	●	●	●	
	Reiko Nakayama	●			●	●	●			●
[Audit & Supervisory Board Members]										
Ryuichi Terabayashi			●	●		●				
Hiroo Mizuno				●	●		●			
Independent 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.

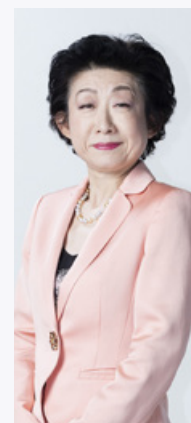
^{*2} Became advisor as of June 22, 2018.

Message from New External Director

When I was a child, Mandom was a company that made hair styling cosmetics for men. Today, however, the company makes a wide range of products, and it is no exaggeration to say that they are national goods that many people use on a daily basis without realizing they are from Mandom.

It is said that in Japan, consumption will continually decrease as the birthrate declines and the population ages, but is that truly the case? Cosmetics and toiletries are products that appeal to sensibilities, so if you propose a new approach or convenience, a certain number of new markets will be born. As society ages and more women participate, there are sure to be more new business opportunities when it comes to the concepts of Health, Cleanliness & Beauty. Moreover, if we are recognized by Japanese people, who are sometimes called the most

discriminating consumers in the world, the range of possibilities for global expansion will also widen. The duty of an external director is to work out long-term growth strategies while always looking at things from the perspective of external minority shareholders. A listed company is a public entity, and its surroundings are many stakeholders, including shareholders, employees and their families, business partners, and customers. We must continually think about what we must and must not do and take action boldly and without restraint in order to meet the expectations of all these stakeholders. What lies beyond that is a further increase in corporate value. I believe that corporate governance should be approached from an offensive rather than a defensive standpoint in order to increase corporate value.



Reiko Nakayama

Supervision

Name	Attendance in Fiscal 2019 (number of times attended/number of times held)			
	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
[Directors]				
Motonobu Nishimura	13/13	3/3	3/3	
Shinichiro Koshiba	13/13			
Yasuaki Kameda	13/13			
Takeshi Hibi	13/13			
Tatsuyoshi Kitamura	13/13			
Independent External	Satoshi Nakajima	12/13	3/3	3/3
	Satoshi Nagao	13/13	3/3	3/3
[Audit & Supervisory Board Members]				
Ryuichi Terabayashi	13/13			14/14
Hiroo Mizuno	13/13			14/14
Independent External	Yukihiro Tsujimura	13/13		14/14
	Masahiro Nishio	13/13		14/14
[Advisors]				
Masayoshi Momota	3/13 ¹²			
Tsutomu Tsukada		3/3	3/3	

Execution

Management Council

Number of meetings held in Fiscal 2019

11 times

Members

President Executive Officer

Supervisory Executive Officer

Executive Officers

External Directors

Audit & Supervisory Board Members

External Audit & Supervisory Board Members

Of which, external members:

Directors 2

Audit & Supervisory Board Members 2

Executive Board

Number of meetings held in Fiscal 2019

10 times

Members

President Executive Officer

Supervisory Executive Officer

Audit & Supervisory Board Members

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 2019. 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. Summary of results of evaluations and analysis of the effectiveness of the Board of Directors

The Company is engaged in mission-based management. The aim is to achieve VISION2027—the slogan of which is "Use our 'Only One' strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world"—while instilling the new MISSION Framework announced in 2017 in all employees throughout the world.

Evaluation	The evaluation concluded that the Board of Directors has achieved effectiveness. The properly established the Standards for the Independence of Independent Outside Executives are met, and several independent external directors capable of fulfilling the functions of advising and monitoring are brought in. Suggestions and feedback, including the raising of issues, are sought from the external directors and external Audit & Supervisory Board members. Constructive discussions and sharing of ideas take place with freedom and open-mindedness, including encouraging each director and Audit & Supervisory Board member to actively share their opinions. Independent outside executives and outside experts hold opinion sharing meetings comprised only of independent outside executives and outside experts, and they communicate with each other as necessary and appropriate, sharing information and awareness of issues from an objective standpoint.	Ongoing Issues	<ol style="list-style-type: none"> ① Working to further strengthen business management methods within a business and function matrix structure makes it possible to accurately reflect the results of analyzing the factors behind differences between the management plan and actual results in the strategies and plans for the next year, so further improvement of management efficiency can be expected. ② By reaffirming and raising awareness of the importance of proactive risk-taking supported by improved accuracy in risk evaluation and of ensuring the flexibility of decision-making and business execution, more advanced and innovative decision-making can be carried out in a flexible way. ③ For the management of subsidiaries, attention is devoted to oversight of the Affiliated Company Management Regulations and the detailed guidance of their operation, to gradual progress of the alignment of accounting systems, and to other initiatives. Additionally, work is promoted on building a foundation for addressing international taxes. By doing this, the Company can promote growth built on the assured soundness of subsidiaries, including those located overseas.
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3. Specific comments concerning evaluation of effectiveness

Comments on Evaluation	<ul style="list-style-type: none"> • "In FY2018, a new performance-based stock compensation plan was introduced for top management, the first M&A since the company's founding was executed, and risk-taking challenges have been taken up." • "There is communication between Audit & Supervisory Board and independent external directors, and this contributes to sharing information and understandings with independent external directors. These activities should be enhanced going forward." • "A climate has been cultivated where individuals actively work on gathering information and improving their own skills, including participating in external seminars and workshops." • "The Internal Audit Division and Audit & Supervisory Board members maintain frequent communication to share information." 	Comments on Areas Requiring Improvement	<ul style="list-style-type: none"> • "I get the impression that, when a target is not achieved, analysis of causes and issues only covers the present situations such as market factors and internal factors, and does not develop into medium- to long-term measures such as product strategies or brand strategies. Additionally, in the process of analyzing the current situation, I believe it is necessary to check the market share and the position within the market by a comparative analysis of performance with other companies in the industry." • "Regarding the CEO succession program, the process of selection and career planning has been clarified, but the specific details of the program have still not been provided, so supervision still cannot be said to be sufficient." • "Revisions to Japan's Corporate Governance Code ask for diversity, including diversity in gender and nationality, so I think future efforts will be required, particularly regarding gender."
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Overview of Activities of External Directors (Fiscal 2019)

1. Visit to regional offices in Japan

Purpose:

- ① So that external directors could ascertain the current situation at offices engaged in new efforts and important offices and offer advice from an outside perspective.
- ② To boost motivation of staff on site by exchanging opinions with external directors.

Date	Place	Division	Visitor		Notes
			Satoshi Nakajima	Satoshi Nagao	
June	Tokyo	Aoyama Office (Marketing Division)	○		Interview with managing executive officer in charge of the Marketing Units
July	Osaka	Joint Research Program with Osaka University Graduate School	○	○	
August	Osaka	Joint Research Program with Osaka University Graduate School	○		
August	Tokyo	Nihonbashi Office (East Japan Sales Division, Sales Planning Division)	○		
March	Tokyo	Aoyama Office (Marketing Division)	○	○	Informal discussion with employees

2. Inspection visit to overseas subsidiaries

Purpose:

- ① So that external directors could ascertain the current situation of overseas subsidiaries and offer advice from an outside perspective.
- ② To observe the markets in each country and ascertain the current situation.

Date	Country	Company name	Days	Visitor	
				Satoshi Nakajima	Satoshi Nagao
May	The Philippines	Mandom Philippines Corporation	3 days	○	○
May	Thailand	Mandom Corporation (Thailand) Ltd.	3 days	○	○
October	Indonesia	PT Mandom Indonesia Tbk	4 days		○
December	Malaysia	Mandom (Malaysia) Sdn. Bhd.	2 days	○	
December	Singapore	Mandom Corporation (Singapore) Pte. Ltd.	2 days	○	
March	Taiwan	Mandom Taiwan Corporation	2 days		○

Content of Executive Compensation

Policy and design-making process

Policy for Determining Executive Compensation Amounts and Calculation Methods

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)	258	163	95	6
Audit & Supervisory Board Members (excluding external Audit & Supervisory Board members)	36	36	–	2
External Directors	24	24	–	2
External Audit & Supervisory Board Members	14	14	–	2

2. Policy for Determining Compensation Amounts for Company Executives

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 is linked to single-year and medium- to long-term performance at an appropriate ratio. Annual payment amounts are set to reflect performance with reference to the Company's performance in the preceding fiscal year and achievement of planned targets, and to the business plan

for the current fiscal year (amounts paid to individual operational executive directors are based on evaluation of their individual performance). Restricted stock compensation (in principle, the amount will correspond to compensation for performance of duties in the first year of the three fiscal years covered by middle-range planning) is linked to medium- to long-term performance. Compensation for non-executive directors (including 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) Process of Determining Compensation for Company Executives

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. Based on these results, the Board of Directors resolves compensation amounts. At the 101st Ordinary General Meeting of Shareholders held on June 22, 2018, a restricted stock compensation plan was introduced for the purpose of further promoting shared value with shareholders and providing an incentive for the Company's directors (excluding external directors) to continually strive to increase the Company's corporate value. 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 Audit & Supervisory Board members, 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.

CEO Succession Program

Mandom has a policy of gradually implementing the succession program on the right to train human resources determined to be qualified to succeed the CEO. A system has been established in which the details of the implementation are reported to the Board of Directors as appropriate, and the Board of Directors provides supervision. They are selected after review by the Nominating Committee, a majority of whose members are external directors, which serves as the advisory body. The selection process will be clarified based on this selection policy to ensure objectivity, timeliness, and transparency.

The succession program is as follows:

- ① Experience at work sites in Japan and other countries
- ② Learning of management theory and knowledge through study abroad or other such program
- ③ Department rotation after promotion to management
- ④ Rotation of area of supervision/execution after promotion to executive position
- ⑤ Training, including OJT, by representative directors, external directors, etc. after promotion to director

Executives, Audit & Supervisory Board Members (As of July 1, 2019)



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

In charge of the Internal Audit Division

1977	April	Joined the Company
1983	April	General Manager, the East Japan Sales Division
1984	June	Director (current position)
1987	June	Managing Director
1990	June	Representative Director (current position); Senior Vice President
1995	June	President Director
2000	May	Audit & Supervisory Board Member, PT Mandom Indonesia Tbk (current position)
2004	June	President Executive Officer (current position)
2008	April	In charge of the Internal Control Promotion Division (now the Internal Audit Division) (until June 2015)
2019	April	In charge of the Internal Audit Division (current position)

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

1987	April	Joined the Company
1993	July	Senior Managing Director, Sunwa Marketing Co., Ltd.
1997	May	General Manager, Zhongshan City Rida Fine Chemical Co., Ltd. (now Zhongshan City Rida Cosmetics Co., Ltd.)
2002	April	General Manager, the Sales Planning Division
2008	June	Executive Officer
2013	April	Managing Executive Officer; In charge of the Marketing Units
2016	June	Director (current position)
2018	April	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)

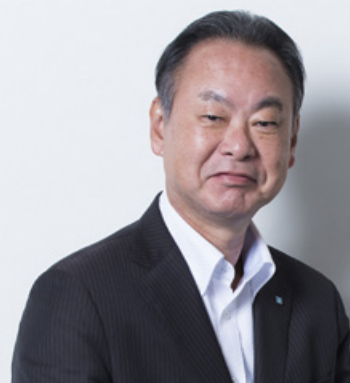
In charge of the Corporate Planning & Financial Units and the Human Resources & General Resources Units, the CSR Promotion Division, the Legal Affairs Office, the Investor Relations Division, and the Secretarial Office

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

1984	April	Joined the Company
1999	April	Director and President, Mandom (Malaysia) Sdn. Bhd.
2008	April	Managing Director, PT Mandom Indonesia Tbk
2011	April	Representative Director and President, PT Mandom Indonesia Tbk
2014	April	Executive Officer
2015	April	Managing Executive Officer (current position)
2016	April	In charge of the Sales Units
2016	June	Director (current position)
2017	April	In charge of the Domestic Sales Units (current position)



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

Noboru Nonaka
Executive Officer

In charge of the East Japan Sales Division and the West Japan Sales Division

Koichi Watanabe
Executive Officer

Senior Managing Director, PT Mandom Indonesia Tbk

Misao Tsubakihara
Executive Officer

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

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



Ken Nishimura **Managing Executive Officer & Director**
(Born on May 12, 1982)

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

2008	April	Joined the Company
2011	January	Assistant Manager, Mandom Corporation (Singapore) Pte. Ltd.
2013	April	Human Resources Division
2015	July	The Human Resources Division stationed at Europe IESE Business School (Spain)
2017	May	Graduated from IESE Business School (MBA)
2017	July	Executive Officer; General Manager, the Corporate Strategy Division
2018	April	Managing Executive Officer (current position); In charge of the Marketing Units (current position), In charge of the Marketing Division 2, the New Business Development Division, the Group Marketing Strategy Division and the Public Relation Division (current position)



Reiko Nakayama **External Director**
(Born on April 2, 1959)

1983	April	Joined Japan Associated Finance Co., Ltd. (now JAFSCO Co., Ltd.)
1997	January	Joined Marusan Securities Co., Ltd.
2000	March	General Manager, Investment Information Department, Marusan Securities Co., Ltd.
2004	October	General Manager, Underwriting Department, Marusan Securities Co., Ltd.
2008	October	Director, LivTech, Inc.
2009	February	Director, Head of Administrative H.Q. Division, LivTech, Inc.
2015	March	External Director, LUCKLAND CO., LTD.
2016	March	External Director (Audit and Supervisory Committee Member), LUCKLAND CO., LTD. (current position)
2017	March	Audit & Supervisory Board Member, UcarPAC Co. LTD. (current position)
2018	June	External Director, YUSHIN PRECISION EQUIPMENT CO., LTD. (current position)

Satoshi Nagao **External Director**
(Born on October 29, 1946)

1969	April	Joined Toyota Motor Sales Co., Ltd. (now Toyota Motor Corporation)
1996	January	General Manager, Toyota Motor Corporation
2001	January	Joined DDI CORPORATION (now KDDI Corporation); General Manager, the Corporate Strategy Planning Division
2001	June	Managing Executive Officer, KDDI Corporation
2003	April	Senior Managing Executive Officer, KDDI Corporation
2003	June	Director, KDDI Corporation
2005	June	Executive Vice President, Representative Director (CFO), KDDI Corporation (until June 2010)
2007	June	Chairman, KDDI Evolve, Inc. (until June 2012)
2014	June	External Director of the Company (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

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 and 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

Fumihiro Okada
Executive Officer

In charge of Fundamental Research Institute; Director of Fundamental Research Institute

Yasumasa Yoshida
Executive Officer

In charge of the Corporate Strategy Division and Corporate Administration Division; General Manager, Corporate Strategy Division

Business and Other Risks

The society we are living in is right in the middle of great changes.

One of those is the exponential advancement of science and technology, including digital technology. The rapid spread of Internet access and smartphones has also brought big changes to our living activities, including explosive growth of e-commerce. Additionally, warming and other aspects of global climate change have become a serious problem. It is heavily impacting our daily lives, including extended periods of abnormally hot temperatures, as well as destructive typhoons. Moreover, in Japan, population decline associated with the declining birthrate and aging society is a problem, but the global population is increasing, especially in Asia, resulting in significant demographic changes.

Based on the lessons learned from two business crises, we believe it is important that the company is a going concern. For a company to continue to exist, first you have to have a sustainable society. In September 2015, the United Nations adopted sustainable development goals (SDGs) as common goals for the international society. We believe that as a corporate citizen, it is important that we think seriously about and act on what we can do to create a sustainable society, including contributing to achievement of SDGs.

When it comes to the manufacture and sale of cosmetics, which is the core of our current business, our most important responsibility is to provide consumers with products they can use with peace of mind.

In January 1998, we established our Quality Philosophy and Fundamental Quality Policy. Since that time, we have attempted to ensure the provision of safe and reliable products and services based on our proprietary Mandom Quality Management System.

We also believe that consideration for the environment and society must be incorporated into our business activities. In recent years, environmental problems such as climate change and plastic pollution in the ocean have been growing steadily worse, and we recognize that this will have an impact on the continuity of our business activities. We also believe that it is important that human assets with various attributes and values are able to fully realize their potential so that we can accurately identify changes in society, come up with innovations to take advantage of new earnings opportunities, and ensure sustainability as a company.



At the same time, when considering what is uniquely required of Mandom by society and that cosmetics are a cultural industry, we believe it is our mission within society to provide value in which users of our products gain confidence in themselves and become cheerful.

What is important in order to put this into practice is how accurately we can identify the wants and needs of consumers. Information is becoming increasingly borderless around the world, including Japan, available almost simultaneously and without much variation between areas. As a result, trends in fashion and cosmetics change frequently and rapidly. If we are late in properly addressing uncertain factors such as changes in the wants and needs of consumers, consumers will not select our products, and we risk getting stuck with stagnant, obsolete products. On the other hand, these changes are also an opportunity for Mandom to create new markets. In fact, Mandom has a strong history of creating various new markets by developing products to propose new grooming options under Consumer-led Lifestyle Value Creation, one of our MISSION approaches. The key will be whether we are able to continue offering products based on the approach Consumer-led Lifestyle Value

Creation, sticking closer to consumers than other companies, imagining what they are feeling, and creating appealing products.

At Mandom, we will pour our every effort into Dedication to Service (Oyakudachi) for the achievement of a sustainable society, which is required for our company to be a going concern, and Dedication to Service (Oyakudachi) to bring a splash of color to the daily lives of consumers everywhere. Our aim is to use our 'Only One' strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world as set forth in the VISION Slogan of VISION2027.



Approach to CSR

Framework for a global society and Mandom Group CSR

At the Sustainable Development Summit held on September 25, 2015, sustainable development goals (SDGs) were adopted as shared targets to be met by 2030 and new initiatives were launched across the whole of global society aimed at sustainable development. In the Mandom Group, one of the themes of our declared initiatives from fiscal 2015 was similarly to strengthen our CSR promotion system. In April 2015, we set up the CSR Promotion

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

The Mandom Group declared its participation in the UN Global Compact in September 2015. We support the Ten Principles relating to human rights, labor, environment, and anti-corruption as universal principles which should be highly valued by global corporations.

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;
Environment	Principle 5:	the effective abolition of child labour; and
	Principle 6:	the elimination of discrimination in respect of employment and occupation.
	Principle 7:	Businesses should support a precautionary approach to environmental challenges;
	Principle 8:	undertake initiatives to promote greater environmental responsibility; and
Anti-Corruption	Principle 9:	encourage the development and diffusion of environmentally friendly technologies.
	Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.



Mandom Group CSR Promotion System

With the aim of strengthening our CSR promotion system, we set up the CSR Promotion Committee chaired by the President Executive Officer. The committee ensures a consistent approach to CSR promotion across the Mandom

Group, reinforces CSR activities, and monitors the progress of CSR material issues, liaising with relevant departments through five related committees and councils as well as other bodies.

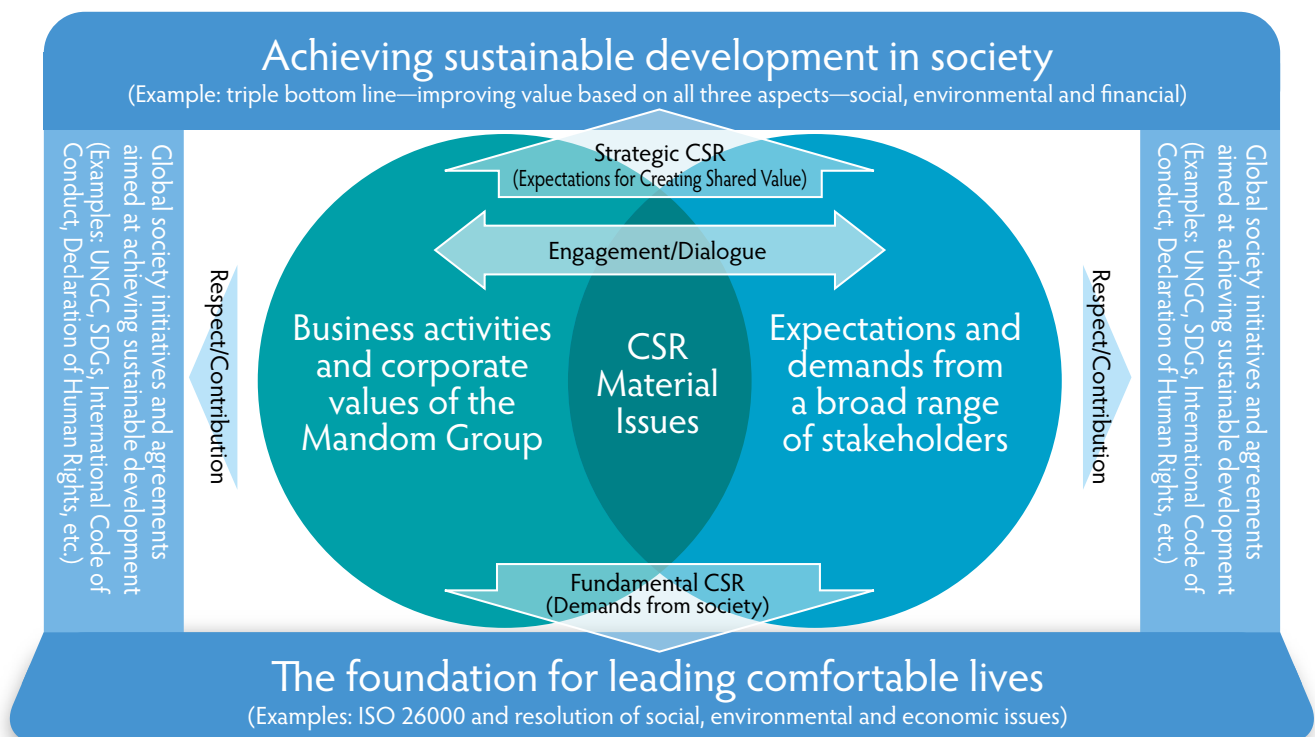


Our Approach to CSR and CSR Guidelines


In developing our approach to CSR, we referred to the Mandom Group's corporate philosophy and philosophy/policies in special areas that establish our internal philosophy and values, and linked these to the ten principles of the UN Global Compact, Sustainable Development Goals (SDGs),

International Code of Conduct, and other frameworks for global society. Finally, our approach to CSR was determined along with a course of action regarding each of the seven core subjects of the ISO 26000 standard.

The Future We Want



External Site
 [UNGC: UN Global Compact](#)
 ▶ Global Compact Official Website

External Site
 [SDGs: Sustainable Development Goals](#)
 ▶ Global Compact Official Website > THE 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, etc.

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 our 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 to ensure safety.

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.

Approach to CSR

CSR Material Issues and Mandom Group's Value Chain

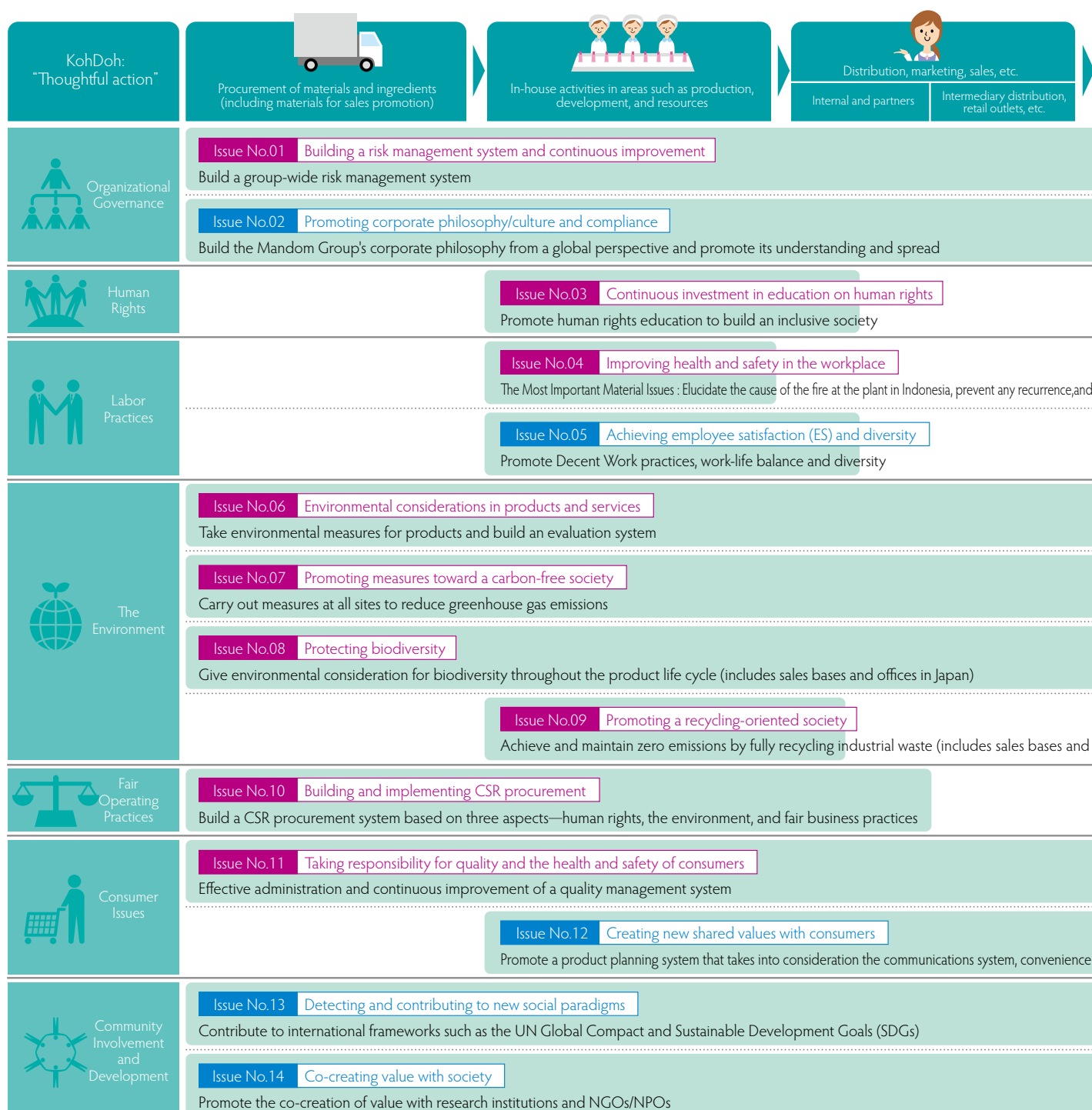
As indicated below, we have examined and clarified the relationship between the CSR Material Issues of the Mandom Group (Ver. 2: February 2017) and each stage of the Mandom Group's business activities (value chain). CSR efforts are broadly divided into two types: fundamental CSR and strategic CSR/CSV. Fundamental CSR aims to eliminate or reduce negative impacts from our business activities, while strategic CSR strives to maximize positive

impacts from our business activities.

Going forward, we will further advance and strengthen our initiatives while developing an understanding of both positive and negative impacts of the business activities of the Mandom Group. We will search for the specific nature of "the future we want"—a future suited to the Mandom Group and based on our corporate philosophy.

Issue No. (red) KohDoh for fundamental CSR, or to deal with threats to continuing our previous business activities, or other issues to be overcome

Issue No. (blue) KohDoh for strategic CSR/CSV, or to create opportunities to improve future business activities, competitiveness, and company value, or further strengthen the corporate structure



The Relation between CSR Material Issues and Stakeholders

Mandom has been conducting dialogues with a wide range of diverse stakeholders since FY2006 in order to take their requests, hear their expectations, and reflect those in our business activities.

Stakeholders are diverse in terms of their expectations and demands on corporations, and their prioritization of issues pertaining to sustainability. These differences depend on their standpoint, principles, lifestyle, way of thinking, and other factors.

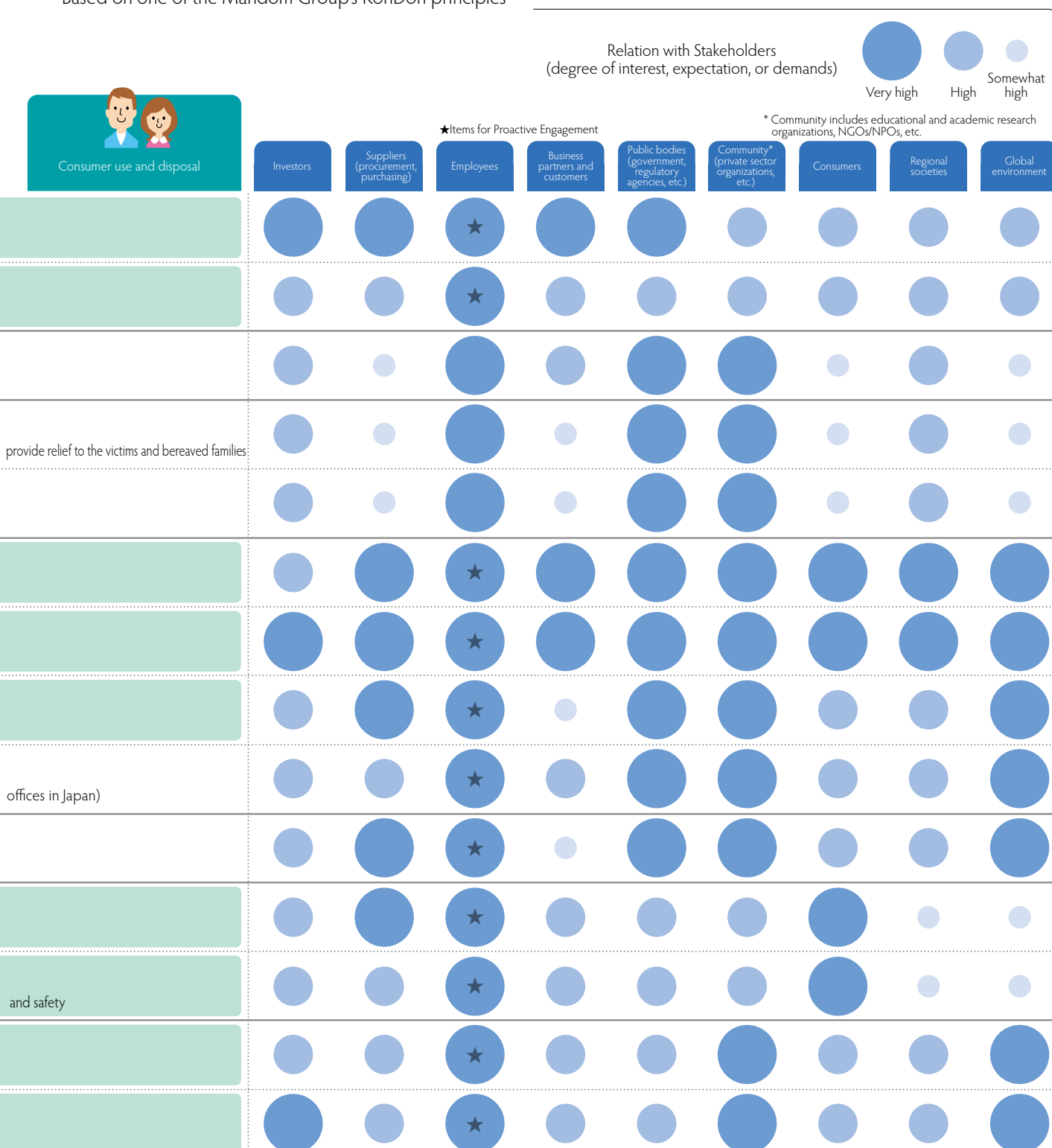
Based on one of the Mandom Group's KohDoh principles

of "creating lifestyle value with consumers, for consumers," we will continue or initiate promotion of CSR Material Issues, and improvement/review of Kohdoh, while taking advantage of various opportunities enabling exchange of views and dialogue with a wide range of people such as experts, research institutions, and groups. We hope we can count on your cooperation.





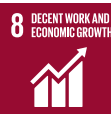


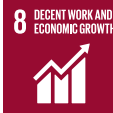



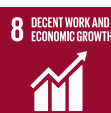

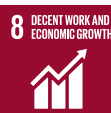







CSR Information

► Stakeholder Dialogue



Approach to CSR



















Progress Situation of CSR Material Issues of the Mandom Group and KohDoh Plan for the Future

ISO 26000 Core Subjects	Mandom Group's CSR Material Issues (Ver. 2)	Related SDGs themes (SDGs: Sustainable Development Goals)	Main specific activities in FY2018
 Organizational Governance	1 Theme Building a risk management system and continuous improvement Through a Total Risk Management Committee, provide guidance and supervision regarding continuous improvements in business continuity management and planning (BCM/BCP) and efforts to build the risk management system for the group as a whole	 mandom	<ul style="list-style-type: none"> Collected data and improved management system in response to amendment of laws and regulations pertaining to chemical substances. Examined and verified the effects of GDPR on the entire group and examined and verified the personal information in our possession. Created new risk response themes taking into account the latest international trends.
	2 Theme Promoting corporate philosophy/culture and compliance Build the corporate philosophy for the Mandom Group from a global perspective and provide education to promote a complete understanding aimed at thorough implementation	 mandom	<ul style="list-style-type: none"> Carried out survey to gauge how well the corporate philosophy is put into practice. Revised the Code of Conduct manual (2018 version). Conducted compliance education (6 times in each division), Mandom Code of Conduct training (twice), and company-wide education on the Code of Conduct (once). Formulated a corruption prevention policy and corruption prevention guidelines, and conducted education on corruption prevention for the entire group (once).
 Human Rights	3 Theme Continuous investment in education on human rights Conduct in-house human rights education aimed at training employees to act in a way befitting a corporation engaged in global business and designed to build an inclusive society (Issue No.10 : Building and implementing CSR procurement system)	   	<ul style="list-style-type: none"> Continued to implement company-wide Code of Conduct training to heighten awareness of the helpline. Based on the Mandom Group Supplier CSR Guidelines (Ver. 2), utilized the GCNJ self-assessment tool and carried out a questionnaire with our domestic suppliers for the second time (December 2018). Carried out the same questionnaire with local suppliers of Mandom Indonesia (February 2019).
 Labor Practices	4 Theme Improving health and safety in the workplace (Urgent Issue) Elucidate the cause of the fire at the plant in Indonesia, prevent any recurrence, and provide relief to the victims and bereaved families Promote taking health checks to all employees, mainly for preventive purposes, carry out stress checks, and provide education on mental health.	 	<ul style="list-style-type: none"> Continued activities to promote the creation of a comfortable working environment by ensuring employee health and safety in line with the Industrial Safety and Health Act, and carrying out improvement activities through workplace patrols.
	5 Theme Achieving employee satisfaction (ES) and diversity Build and continuously improve a labor system with the aim of achieving Decent Work practices and ideal work-life balance, securing diverse human resources, and providing fair and impartial evaluations	  	<ul style="list-style-type: none"> Established a special-purpose subsidiary to utilize and expand employment of diverse human resources. Formulated a staggered working time system to improve productivity, reduce overtime work, maintain and enhance employee health, and promote work-life balance (partially changed to a flextime system in April 2019). Shared management of employee working hours and implemented information campaigns to eliminate long working hours and promote use of paid leave and make-up holidays. Began system to balance work with medical treatment, following similar systems for childcare and elderly care. Created guidebook and established help desk.
 The Environment	6 Theme Environmental considerations in products and services Continuously improve the eco-friendliness of products by building a management system for evaluating environmentally friendly processes and their results in products and services	   	<ul style="list-style-type: none"> Examined use of renewable materials in laminated packaging. Revised standards for our environmentally friendly products.

Overall assessment (including some of the most recent activities)	Setting of long-term goals	Policy for the future and KohDoh plan
<ul style="list-style-type: none"> Identified continuing risks and examined responses to matters such as GDPR, including of overseas group companies, but did not develop overall BCM or formulate BCP. 	—	<ul style="list-style-type: none"> Continue suitable response to laws and regulations pertaining to chemical substances. Improve education and manuals regarding the leakage of classified information and response to GDPR. Improve disaster and emergency manuals and formulate BCP. Respond to new risks.
<ul style="list-style-type: none"> Formulated an action plan in each division based on the issues found in the survey regarding our corporate philosophy. Improved company-wide compliance awareness through compliance education, Mandom Code of Conduct training, and corruption prevention education. 	—	<ul style="list-style-type: none"> Continue instillation and education of the corporate philosophy for all group employees. Instill compliance and corruption prevention awareness in the entire group.
<ul style="list-style-type: none"> Did not sufficiently organize in-house system in line with philosophy on human resources, nor clearly state what it entails. 	(Under review) (Note) See Issue No. 10 for CSR procurement	<ul style="list-style-type: none"> Continue strengthening effective operation of the helpline system. Develop and clearly state in-house rules and Code of Conduct relating to human rights and harassment through compliance with the Act for Eliminating Discrimination against Persons with Disabilities, awareness/support for LGBT, etc.
<ul style="list-style-type: none"> Finished outside renewal audit of Fukusaki Factory occupational health and safety management system OHSAS 18001 (November 2018). Number of occupational accidents at Fukusaki Factory in FY2018: 3 Percentage of employees who took health checks in FY2018: 97.0% Percentage of employees who took stress checks in FY2018: 84.7% 	<ul style="list-style-type: none"> Number of occupational accidents: 0 Percentage taking health checks: 100% Percentage taking stress checks: 100% 	<ul style="list-style-type: none"> Promote taking health checks, mainly for preventive purposes, and continue to carry out stress checks and provide education on mental health. Promote efforts to disseminate and broaden knowledge of occupational health and safety activities at all bases.
<ul style="list-style-type: none"> Established Mandom Will Corp. as a special-purpose subsidiary Disabled person employment rate for FY2018: 2.76% Annual overtime hours per person for Mandom alone in FY2018 <ul style="list-style-type: none"> Regular employees excluding managers: 152 hours, 31 minutes (12.6% increase over previous year) All employees including contract employees, but excluding managers: 98 hours, 51 minutes (7.8% increase over previous year) Based on total number of employees as of March 31 	<ul style="list-style-type: none"> Exceed statutory employment rate for disabled persons every year. Number of employees quitting work for childcare: 0 every year Number of employees quitting work for elderly care: 0 every year Rate of obtaining make-up holidays: 100% Consumption rate of yearly paid holidays 70% or higher Overtime: Average of less than 5 hours per month per person Percentage using in-house system for diverse workstyles such as work-from-home and flexible working hours: 50% or higher 	<ul style="list-style-type: none"> Promote a healthy work-life balance and positive action <ul style="list-style-type: none"> Formulate plans to reform work styles. Promote use of short-term childcare leave for men. Promote use of flextime system. Promote Decent Work <ul style="list-style-type: none"> Provide support for senior and new employees. Promote diversity and inclusion <ul style="list-style-type: none"> Bolster system for giving more opportunities to employees with foreign nationality. Promote and support balance between medical treatment and work.
<ul style="list-style-type: none"> Began using renewable materials in some of our laminated packaging. Formulated medium- to long-term goals for our environmentally friendly products. 	<ul style="list-style-type: none"> Ensure that 90% of Mandom's products for the domestic market are environmentally friendly products (in line with in-house standards) by the year 2027. Ensure that 100% of the Mandom Group's products are environmentally friendly products (in line with in-house standards) by the year 2050. 	<ul style="list-style-type: none"> Promote development of environmentally friendly products (4R). Promote use of renewable materials. Expand scope of switch to FSC-certified paper (including package inserts and backing paper, etc.) and maintain regular contact with firms that have not acquired distribution management certification (CoC certification).

Approach to CSR

Progress Situation of CSR Material Issues of the Mandom Group and KohDoh Plan for the Future

ISO 26000 Core Subjects	Mandom Group's CSR Material Issues (Ver. 2)		Related SDGs themes (SDGs: Sustainable Development Goals)	Main specific activities in FY2018
 The Environment	No.	Course of action for CSR material issue		
	7	Theme Promoting measures toward a carbon-free society Promoting measures to create a carbon-free society based on the Paris Agreement, and efforts to reduce greenhouse gas emissions at all sites	 	<ul style="list-style-type: none"> Calculated Scope 3 emissions for Mandom alone, and clarified key ways in which to reduce CO₂ emissions. Revise company-wide CO₂ emissions reduction goal in line with the Paris Agreement and government policies. Installed new boiler equipment at Fukusaki Factory, and reduced CO₂ emissions by switching fuel from kerosene to LPG. Promoted adoption of power reduction equipment (e.g., switching to LED lighting or changing transformers).
	8	Theme Protecting biodiversity Grasp the impact on biodiversity of each product throughout its life cycle and carry out measures to protect biodiversity	 	<ul style="list-style-type: none"> Began purchasing RSPO credit through the Book & Claim system for the raw materials derived from palm oil that are used most domestically. Began switching to FSC-certified paper for all carboard used to transport products at Fukusaki Factory.
 Fair Operating Practices	9	Theme Promoting a recycling-oriented society Achieve and maintain zero emissions by fully recycling industrial waste		<ul style="list-style-type: none"> Fukusaki Factory: Selected contractor capable of recycling industrial wastes for landfill disposal. Head Office: Confirmed that zero emissions are maintained at industrial waste disposal contractors.
	10	Theme Building and implementing CSR procurement system Draft Supplier CSR Guidelines and gain the cooperation of suppliers to build and operate a CSR procurement system (Based on the specific topics within three core subjects—human rights, labor practices and the environment)	  	<ul style="list-style-type: none"> Published the Mandom Group corruption prevention policy and corruption prevention guidelines, and began company-wide education. Both the policy and guidelines are available in eight languages, including Japanese (November 2018 onwards). Instilled the Mandom Group Supplier CSR Guidelines (Ver. 2) among domestic suppliers and carried out a self-assessment questionnaire with them for the second time (December 2018). Carried out the same questionnaire with local suppliers of Mandom Indonesia (February 2019).
 Consumer Issues	11	Theme Taking responsibility for quality and the health and safety of consumers Effective administration and continuous improvement of a quality management system in every phase of our business activities—planning, design and development, procurement, production, shipping and sales		<ul style="list-style-type: none"> Voluntarily recalled the following <ul style="list-style-type: none"> Seven hair foams, including Lucido, due to a mistake in ingredients list (July 25, 2018). Limited edition Bifesta cleansing lotion due to incorrect insertion of product description (June 5, 2018).
	12	Theme Creating new shared values with consumers Build a system of communication that enables the use of feedback from a wide range of consumers; build a product planning system that takes into consideration user-friendliness and safety		<ul style="list-style-type: none"> Posted instruction video on our website to prevent misuse of hair foam products. Adopted a universal font (used in 65 of 68 new spring 2019 products).
 Community Involvement and Development	13	Theme Detecting and contributing to new social paradigms Look into KohDoh that can promote thorough in-company understanding of and ability to contribute to international frameworks such as the UN Global Compact's 10 Principles and the Sustainable Development Goals (SDGs)	 	<ul style="list-style-type: none"> Cooperated with Osaka fieldwork of second year students at Kansai University Senior High School (June 2018). Cooperated with SGH Fall Holiday Business/University Tour and Training of Osaka Prefectural Senri Senior High School (October 2018). Held sustainability seminar and dialogue with the help of WWF (December 2018). Held a luncheon seminar at the 92nd Annual Meeting of the Japanese Pharmacological Society aimed at promoting open innovation (March 2019).
	14	Theme Co-creating value with society Build co-creative relationships with research organizations, NGOs, NPOs and others to achieve sustainable social development and begin taking measures (with Japanese Society for Alternatives to Animal Experiments; Graduate School of Pharmaceutical Sciences, Osaka University, etc.)	 	<ul style="list-style-type: none"> Continued efforts in the Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University. Concluded our first cross-appointment system agreement with Osaka University and the Graduate School of Pharmaceutical Sciences (August 3, 2018, News Release). Continued call for proposals for Mandom International Research Grants on Alternatives to Animal Experiments (Decided on research themes for 12th grant: May 14, 2019, News Release).

Overall assessment (including some of the most recent activities)	Setting of long-term goals	Policy for the future and KohDoh plan
<ul style="list-style-type: none"> ● Total energy input in FY2018: 443,580 GJ (2.3% decrease over previous year) Domestic sites: 121,481 GJ (4.8% decrease over previous year) Overseas sites: 322,099 GJ (1.9% increase over previous year) ● Total greenhouse gas (CO₂) emissions in FY2018 Scope 1 + 2: 30,766 t (0.2% increase over previous year) Domestic sites: 5,781 t (7% decrease over previous year) Overseas sites: 24,985 t (2% increase over previous year) 	<ul style="list-style-type: none"> ● Reduce total Scope 1 + 2 CO₂ emissions for domestic business by 26% relative to FY2013 levels by 2027. ● Reduce total CO₂ emissions for the Mandom Group by 80% relative to FY2013 levels by 2050. 	<ul style="list-style-type: none"> ● Examine use of renewable energy. ● Continue and expand energy conservation activities. ● Expand calculation of Scope 3 emissions to include overseas sites.
<ul style="list-style-type: none"> ● Purchased credit through the Book & Claim system FY2018: 100% of most used materials derived from palm oil ● Percentage of cardboard cartons that now use FSC-certified paper FY2018: 57% 	<p>Achieve the following by 2027</p> <ul style="list-style-type: none"> ● Switch all palm oil used in our materials to RSPO-certified palm oil. ● Use certified paper for all paper containers and packaging. 	<ul style="list-style-type: none"> ● Continue purchasing RSPO credit through the Book & Claim system for the raw materials derived from palm oil that are used most domestically. ● Examine possibility of purchasing RSPO credit through the Book & Claim system for other materials derived from palm oil. ● Use FSC-certified paper for all cardboard by 2020. ● Continue promoting switch to paperless operations.
<ul style="list-style-type: none"> ● Industrial waste recycling rates Fukusaki Factory: 100%, Head Office: 100% ● Continued achieving zero emissions and carrying out activities aimed at reducing waste. 	<ul style="list-style-type: none"> ● Continue achieving zero emissions. 	<ul style="list-style-type: none"> ● Reduce industrial waste produced when filling containers. ● Continue confirming that zero emissions are maintained at industrial waste disposal contractors.
<ul style="list-style-type: none"> ● Guideline issuances and self-assessment questionnaires Domestic sites <ul style="list-style-type: none"> · September 2016 (Ver. 1): 78 companies · November 2017 (Ver. 2): 21 companies · December 2018: 78 companies Indonesia <ul style="list-style-type: none"> · February 2019: 94 companies ● Failed to revise Mandom Group procurement policy. 	<p>(Under review)</p>	<ul style="list-style-type: none"> ● Expand scope to include secondary/tertiary and overseas suppliers, etc. ● Revise Mandom Group procurement policy, and explain to/instill in suppliers. ● Continue checking response to Supplier CSR Guidelines and self-assessment questionnaire. ● Examine evaluation methods for strengthening monitoring capabilities.
<ul style="list-style-type: none"> ● Examined causes of product recall, clarified issues with response, and formulated measures to prevent recurrence. ● Revised quality assurance policy. Take up the challenge of zero quality complaints. 	<ul style="list-style-type: none"> ● Take up the challenge of zero quality complaints. 	<ul style="list-style-type: none"> ● Continuously improve and strengthen the quality assurance cycle for preventing product recall (strengthen checking function in PDCA).
<ul style="list-style-type: none"> ● Although improvements were made in products and services based on feedback from customers, these did not go as far as creating new shared value with consumers. 	<p>(Under review)</p>	<ul style="list-style-type: none"> ● Promote the use of universal design for containers, explanatory labeling, and other elements, so all consumers can safely and securely use products.
<ul style="list-style-type: none"> ● There were 64 participants at the sustainability seminar. Eight selected employees and seven observers participated in the dialogue. 	<p>—</p>	<ul style="list-style-type: none"> ● Actively participate in UN Global Compact (Network Japan) and efforts of other groups outside the company. ● Continue seminars and dialogues relating to social and environmental issues. ● Review and implement in-house education programs. ● Strengthen support for international reporting guidelines such as GRI, and bolster and continue strengthening communication system.
<ul style="list-style-type: none"> ● See the following section of the website for previous results of the Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University. Community Involvement and Development > Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University https://www.mandom.co.jp/en/csr/comm_handai.html 	<p>—</p>	<ul style="list-style-type: none"> ● Continue efforts with the Graduate School of Pharmaceutical Sciences at Osaka University. ● Continue efforts with the Japanese Society for Alternatives to Animal Experiments. ● Pursue new co-creative relationships through efforts to address Issue No. 13.

The Environment

Basic Policy	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, etc.
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Long-Term Goals

- Ensure that 90% of Mandom's products for the domestic market are environmentally friendly products (in line with in-house standards) by the year 2027.
 - Ensure that 100% of the Mandom Group's products are environmentally friendly products (in line with in-house standards) by the year 2050.
 - Reduce total Scope 1 + 2 CO₂ emissions for domestic business by 26% relative to FY2013 levels by 2027.
 - Reduce total CO₂ emissions for the Mandom Group by 80% relative to FY2013 levels by 2050.
- Achieve the following by 2027
- Switch all palm oil used in our materials to RSPO-certified palm oil.
 - Use certified paper for all paper containers and packaging.
 - Continue achieving zero emissions.

Priority Initiatives

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

Environmental Philosophy and Promotion System

It is our sincere hope to instill OYAKUDACHI, a contribution towards a comfortable life, for our consumers, our community, and the preservation of the global environment, through the actions of our business. We have always been environmentally conscious in daily operations at Mandom, and it came into fruition in August 1999, in the form of the establishment of the Mandom Environmental Philosophy and Fundamental Environmental Policy. Also, our Fukusaki Factory set its "Environmental Policy" as shown below in October 1999, which was revised on May 1, 2006. It was certified to ISO 14001 in November 2000.

In May 2016, we revised our Environmental Philosophy to strengthen efforts with respect to environmental protection throughout the value chain, corporate response to social demands, and systematic performance improvements. We also set environmental policies and are carrying out environmental activities for three priority areas—products, biodiversity conservation, and the Fukusaki Factory.

Environmental Philosophy

We seek to accurately grasp the effects on the environment in our value chain and work with society to move ahead with systematic environmental conservation.

Environmental Policies

● Product Environmental Policy

We consider environmental friendliness to be an important aspect of product value. To help create a more sustainable society and build product value we strive to combine ecological and economic value in our products.

● Biodiversity Conservation Policy

We recognize how much we rely on and receive from the abundance of nature and many living things, so we seek to accurately grasp the effects on biodiversity in our value chain and to lessen and prevent such impact.

● Fukusaki Factory Environmental Policy

We seek to accurately grasp the effects on the environment of the production of cosmetics and quasi-drug products; to help create a more sustainable society we will carry out environmental activities aimed at improving global environmental conservation and relations with the local community.

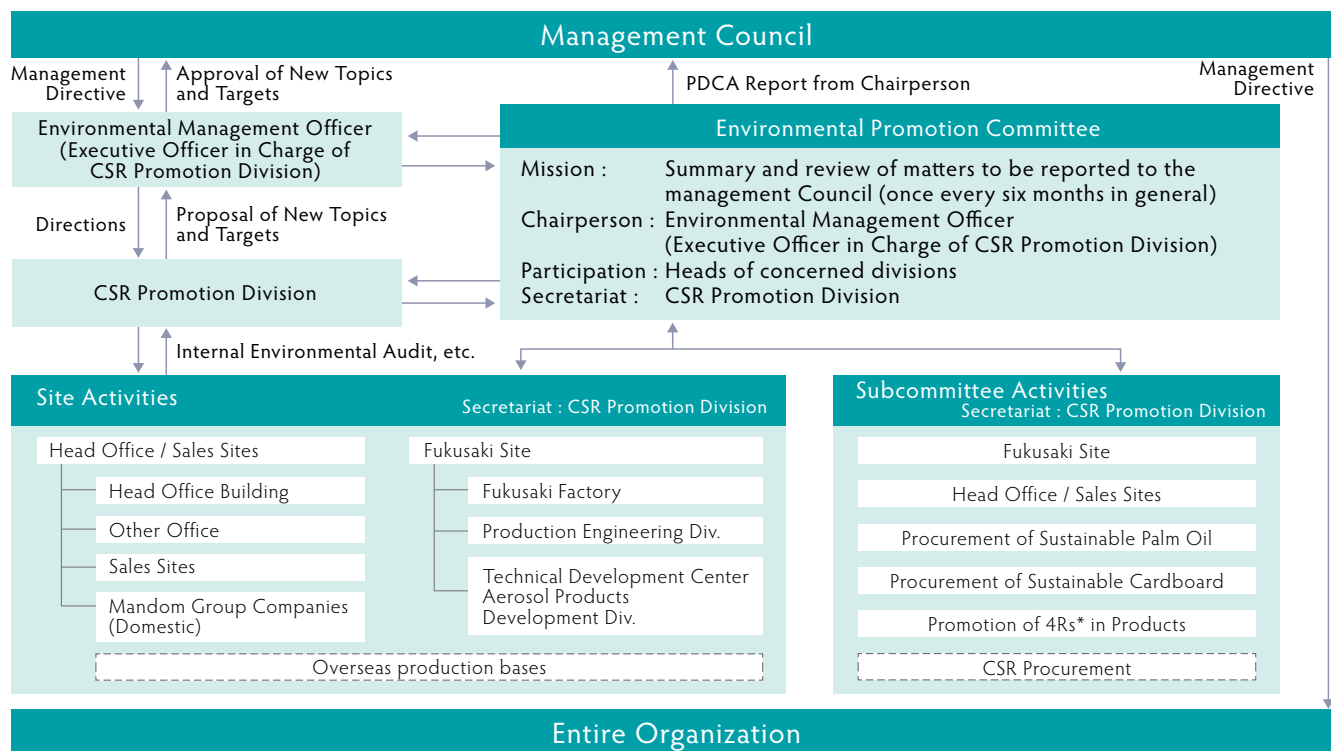
1. We seek to accurately grasp the effects of our factory operations on the environment, and set, implement, and regularly review environmental targets within our technical and economic capabilities in the effort to continually improve our environmental conservation.
2. In our factory operations we aim to reduce environmental load and help create a more sustainable society through activities that focus on the following areas:
 - a. Saving energy and reducing greenhouse gas (CO₂) emissions
 - b. Working to achieve zero landfill disposal ("Zero Waste Emissions")
 - c. Reducing the volume of industrial waste
 - d. Conserving local environments by preventing wastewater risks
3. We strive to comply with environmental regulations, uphold agreements with the community and stakeholders, and prevent pollution.
4. We strive to make every one of our employees aware of their role in following this environmental policy in their daily actions.

This environmental policy is open to anyone who needs this information inside and outside our group.

Environmental Promotion System

Mandom considers environmental conservation to be a key issue in our business activities, and we carry out environmental measures based on the Environmental Philosophy and Environmental Policy. The Fukusaki Factory became ISO 14001-certified in November 2000, and in Mandom's offices (head office building, Tokyo Nihonbashi office, sales sites and so on) we have set up environmental management systems based on the ISO standard. We also promote environmental action based on environmental targets using a Plan-Do-Check-Act (PDCA) cycle.

Environmental Promotion System



*Promotion of the 4Rs: Reduce, Reuse, Recycle, and Renewable (use of renewable resources and raw materials)

Environmental Considerations in Products and Services

Formulating environmental-friendliness standards

In accordance with our Product Environment Policy, we have established a set of environmental-friendliness standards for every stage of our products' life cycles. In so doing, we are promoting the manufacture of environmentally friendly products that help us move toward a more sustainable society.

Life cycle stage	Environmental efforts	Environmental consideration
Procurement of raw materials	Biodiversity conservation Forest conservation	Use of RSPO-certified palm oil as a raw material
		Use of FSC-certified paper and card for items such as inner boxes, individual boxes, and instruction manuals
	CO ₂ emissions reduction	Use of paper and card made from recycled pulp for items such as inner boxes, individual boxes, and instruction manuals
Product use	CO ₂ emissions reduction	Use of renewable materials for containers and packaging
	Water use reduction	Reduce use of electricity used for dryers and of gas for hot water supply compared to conventional products
		Reduce use of water compared to conventional products
Disposal	Waste reduction	Reduce weight of container and packaging materials compared to conventional products
		Reduce weight of inner/individual boxes compared to conventional products, or eliminate use
		Reduce weight of containers through use of package refills
Other	Plastic waste reduction	Switch from plastic containers to card or glass containers
	Recycling	Measures to make separation for disposal easier (easily removable labels, etc.)

"Conventional products" are equivalent products from 2016, when our Environmental Philosophy was revised.

Products that meet one or more of the environmental considerations listed above will be categorized as environmentally friendly products and we will take steps to reach the following goals:

- Ensure that 90% of Mandom's products for the domestic market are environmentally friendly products by the year 2027 (in line with in-house standards).
- Ensure that 100% of the Mandom Group's products are environmentally friendly products by the year 2050 (in line with in-house standards).

Environmental Considerations in Products and Services

Policy on Plastic Microbeads

In recent years, there have been growing concerns over the environmental impact that plastics have when they are released into the oceans.

In the United States and other countries, a law was passed to phase in the ban of Plastic Microbeads in personal care cleansing products.

In light of this situation, the Mandom Group set a policy to stop using Plastic Microbeads in its facial cleansing products by the end of 2017, replacing Plastic Microbeads using a formulation that does not cause such concerns.

Although the Mandom Group previously used components containing Plastic Microbeads in some of its cleansing products, in accordance with the above policy, in fiscal 2017 we completed the switch to alternative raw materials in applicable products, and started shipments of new products.

Moving forward, the Mandom Group will continue to carry out product development that is both consumer- and environment-friendly.


Protecting Biodiversity

In April 2016, we established a policy for protection of biodiversity, and incorporated it into our Environmental Policies (see P.54). At the CSR Promotion Committee meeting in February 2017, we established the following long-term targets as Mandom Group CSR Material Issues (Ver. 2).

1. To switch completely to the use of RSPO-certified palm oil as a raw material source by 2027
2. To switch completely to the use of FSC-certified paper for paper containers and packaging by 2027

(RSPO: Roundtable on Sustainable Palm Oil)

External Site
 [RSPO Official Website](#)
▶ [About RSPO](#)

External Site
 [FSC](#)
▶ [FSC Official Website](#)

These efforts will not only protect both the environment and biodiversity; they will help to actively build and strengthen cooperative relationships with related suppliers and experts, NGOs and NPOs, and people in various communities. At the same time, the efforts will lead to our building and implementing a CSR procurement system that also considers human rights and labor issues.

Procurement of Sustainable Palm Oil

For the procurement of sustainable palm oil in light of impacts on the environment, we joined the Roundtable on Sustainable Palm Oil (RSPO) in March 2018. With an eye toward future long-term targets, we completed a certificate purchase via the RSPO supply chain certification model (Book & Claim system) for the full amount of the raw materials derived from palm oil that are used in the greatest volume at our Fukusaki Factory.

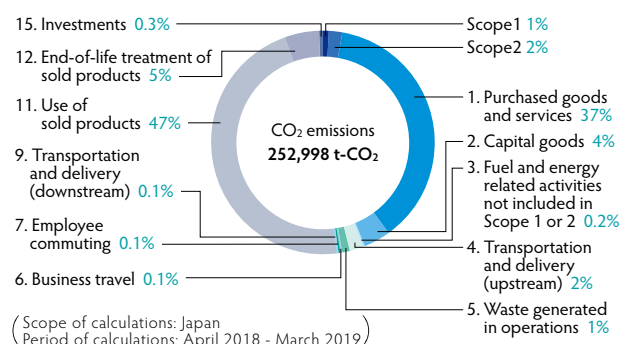
Procurement of Sustainable Paper Container and Packaging Materials

As a FY2017 initiative relating to the procurement of sustainable paper container and packaging materials, we began phased switching to FSC-certified cardboard at the Fukusaki Factory, starting from new deliveries in February 2018, with a focus on cardboard used to transport products manufactured by Mandom. (FY2018:57%)

Promoting measures toward a carbon-free society

Calculating greenhouse gas emissions for the entire value chain (Scope 3)

Mandom is helping the move toward a carbon-free society. We believe that reducing greenhouse gas emissions is vital throughout the value chain, from the procurement of materials to the manufacture of products, and then on to their sale, use, and disposal. As such, since FY2018, we have been calculating the greenhouse gas emissions produced throughout the value chain based on the Scope 3 Standard established by the GHG Protocol.

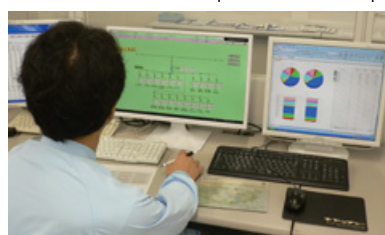


Our calculations show that more than 90% of greenhouse gas emissions fall under Scope 3 and we were able to see that emissions were particularly large in Category 1 (Purchased goods and services) and Category 11 (Use of sold products).

In addition to improving the accuracy of future calculations, we will strive to reduce our environmental impact throughout the value chain, such as by developing environmentally friendly products that can help reduce emissions in the categories detailed above.

Factory Systems

At the Fukusaki Factory, the power consumption data taken from the power monitoring system is shared at a monthly supervisors' meeting and used in the various sections of the factory to develop energy-saving measures. A switch was made to thermal energy for nighttime power for the air-conditioning and refrigeration system, and an ice thermal storage system was adopted for the daytime for the most effective use of power. We are also upgrading air-conditioning equipment, and changing lighting to LEDs. Power consumption at the Fukusaki Factory in FY2018 was 7.207 million kWh, down by roughly 3.8% year-on-year (with a 5.2% decrease in specific consumption per unit sales).



Power monitoring system of the Fukusaki Factory

CO₂ emissions (Scope 1 + 2) were 3,762 tons, down by 8.8% from the previous year (a 10.1% decrease in specific emissions per unit sales).

Office Systems

Our head office building uses demand monitoring to manage electric power consumption in different ways at different times of the day and reduce peak demand-side consumption. Furthermore, we are engaged in an ongoing shift to LED lighting and high-efficiency transformers. Power consumption in domestic offices in FY2018 was 2.891 million kWh, for an increase of 3.1% over the previous year, and CO₂ emissions (Scope 1 + 2) declined by 3.4% year-on-year to 2,019 tons.



Demand monitoring equipment at the head office building

Product Distribution

To reduce CO₂ emissions in distribution, we have been streamlining operations and pursuing a modal shift from trucks to freight trains and cargo ships. We started outsourcing operations in October 2004 with the aim of streamlining our distribution operations, using freight trains primarily for transporting products from Himeji to Kyushu, and cargo ships for transporting products from Maizuru to Hokkaido.

In truck transportation, we strive to continue achieving as close to a 100% load efficiency as possible.

CO₂ emissions attributable to distribution (Scope 3, Category 4) in FY2018 were 4,616 tons, a year-on-year decrease of 0.3%.



CSR Information

- ▶ Overview of Domestic Environmental Load of the Mandom Group
- ▶ Historical Environmental Data
- ▶ Environmental Data by Production Site

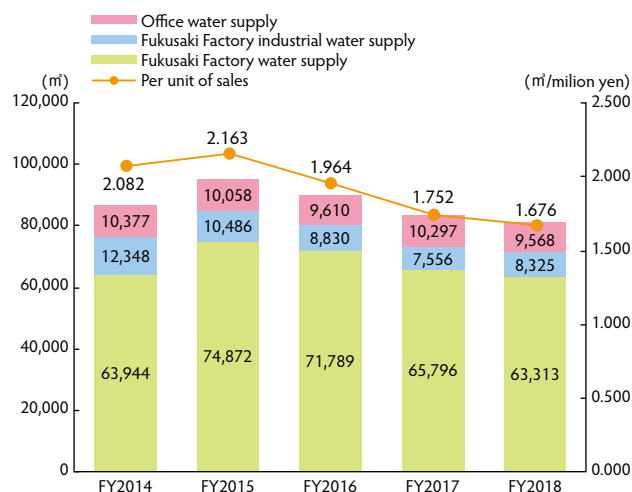
Promoting a Recycling-Oriented Society

Efficient Water Use

At the Fukusaki Factory, we are working to reduce water use by regularly calling upon each department to save water, and reviewing methods of cleaning production equipment, piping and other facilities. Also, at the head office building we use water-saving equipment that controls water flow and low-flush toilets to reduce water use.

Water resource consumption in FY2018 was 81,206 m³, a year-on-year decrease of 2.9% (a 4.3% reduction in specific consumption per unit sales).

Water input (m³)



Reducing Waste

Since October 2003 at the Fukusaki Factory we have been maintaining a 99% or higher rate of resource recovery from industrial waste to qualify as "zero waste emissions." In FY2017, this was achieved at all Mandom business sites in Japan.

To encourage waste reduction and recycling at our head office building, we conduct annual environmental awareness seminars in June relating to such topics as environmental problems, and rules for proper waste classification and disposal for new employees and individuals who have transferred to the head office building.

Waste emissions including general wastes were 3,584 tons in FY2018, a year-on-year increase of 4.4%.

Preventing Pollution

At the Fukusaki Factory, when the boilers operate for an extended time, there are increased emissions of the air contaminants sulfur oxide (SOx) and nitrogen oxide (NOx). We are therefore taking measures to improve boiler usage efficiency, introducing electric water heaters, etc.

In FY2018, emissions of sulfur oxides (SOx) were 5 kg, a 76.2% decrease year-on-year, while emissions of nitrogen oxides (NOx) were 80 kg, a 76.6% decrease from the previous year.



Wastewater Efforts

Starting in September 2015, wastewater from the Fukusaki Factory began to be discharged directly into Hyogo Prefecture's Fukusaki municipal sewage system, in effect relaxing effluent standards, but Mandom has continued to set standards higher than agreed values and treats wastewater accordingly. Also, the results of measuring water quality discharged into the sewage system are reported to the town of Fukusaki once a month.

The total domestic volume of wastewater in FY2018 was 38,678 m³, a year-on-year decrease of 3.1% (with an 4.5% decrease in specific volume per unit sales).



CSR Information

- ▶ Overview of Domestic Environmental Load of the Mandom Group
- ▶ Historical Environmental Data
- ▶ Environmental Data by Production Site

Labor Practices

Basic Policy	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.
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Long-Term Goals

- Number of occupational accidents: 0
- Percentage taking health checks: 100%
- Percentage taking stress checks: 100%
- Exceed statutory employment rate for disabled persons every year.
- Number of employees quitting work for childcare: 0 every year
- Number of employees quitting work for elderly care: 0 every year
- Rate of obtaining make-up holidays: 100%
- Consumption rate of yearly paid holidays: 70% or higher
- Overtime: Average of less than 5 hours per month per person
- Percentage using in-house system for diverse workstyles such as work-from-home and flexible working hours: 50% or higher

Priority Initiatives

- Elucidate the cause of the fire at the plant in Indonesia, prevent any recurrence, and provide relief to the victims and bereaved families
- Promote taking health checks to all employees, mainly for preventive purposes, carry out stress checks, and provide education on mental health.
- Build and continuously improve a labor system with the aim of achieving Decent Work practices and ideal work-life balance, securing diverse human resources, and providing fair and impartial evaluations

Ensuring Diversity / Diversity & Inclusion

In April 2015, Mandom established a 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.

The five Mandom Principles announced in May 2017 are a code of conduct that is followed by all Mandom personnel at all times and include "Active Employee Engagement" and "Human Assets;" every day we are engaged in thoughtful action in this area.

Promoting Women's Participation

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 a 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, Labour and Welfare below.



External Site

 Ministry of Health, Labour and Welfare Official Website

- ▶ Mandom page for general employer action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace (Japanese only)

Promoting Hiring of 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.

At our head office we have set up an accessible restroom on the ground floor, provided handicapped parking spaces, and made the office hallways wide enough for wheelchairs and other mobility equipment, among our many efforts to ensure a "barrier-free" workplace. At the Fukusaki Factory in 2014 we renovated the production building, and set up accessible and multi-purpose restrooms, along with an accessible entrance and other measures.

Our initiatives go beyond simply providing support in terms of implementing physical accessibility measures. In order to foster a mindset and workplace culture where disabled employees can work with a sense of satisfaction together with diverse human resources, we enlist the cooperation of the Japan Universal Manners Association (Mirairo Inc.) and carry out training for universal manners certification.



CSR Information

- ▶ Mandom Key Data on Personnel and Labor

Cultivating Human Resources

Mandom Group HR VISION2027

The Company considers all its employees as Human Assets. The aim of VISION2027 is, through daily thoughtful action, to motivate them, and encourage their active engagement. To realize VISION2027, 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).

Main Efforts in 2018

New employee training	Junior employees with less than 2 years experience on the job are provided with training so that they can learn about the company's principles, acquire the fundamental knowledge required to work at Mandom, gain and verify the skills necessary for working individuals, and develop an appropriate mindset. In this way, we hope to nurture a group of self-reliant employees. Number of new graduates in FY2018: 21 (3 weeks in April; 4 days in October) Number of second year employees: 25 (2 days in January)	Health and Safety / Environmental Protection Education at Fukusaki Factory	One full day of production is suspended for employee education throughout the Fukusaki Factory, conducted since FY2011. Topics covered are: occupational health and safety, the environment, quality, and rules and regulations. Initially conducted once a year for employees involved directly in production, the following year the program was extended to all employees at the factory, and in FY2014 it was extended to once per half (twice a year) to further boost the level of education. Traffic safety education is also incorporated with the cooperation of the Traffic Department of the Fukusaki Police. Efforts are also made to prevent accidents among employees who drive to and from work, and all employees are educated on the topics of safe operations, quality improvement, and reducing environmental impact. 1 day each, twice a year Target: All workers at Fukusaki Factory
New manager training	Training conducted in-house for employees new to managerial positions. New managers learn what mindset they need, the role of managers, and about such topics as coaching, mental health, and company regulations. Once a year 1 day Number of participants in FY2018: 12 (July)	Life plan seminar	These seminars allow employees who have reached the age of 50 to think more about the remaining 10 years of their career. They can also learn about the company's various retirement systems and social insurance packages. One day a year Number of participants in FY2018: 31
Education and training for next-generation global leaders	Training will be provided to develop leaders who can devise strategies to achieve the goals of VISION2027, implement integrated management and marketing, predict future market conditions in today's highly uncertain business environment (backcast), independently come up with hypotheses and gauge their feasibility, and formulate policies for the entire group and create strategies to introduce them. November 2018 - October 2019 15 nominated employees	e-learning	e-learning enables employees to enhance their expertise and skill in their current positions as well as in jobs that interest them. All year round Target: All employees
Confidential information management education	Education is provided to gain and verify understanding of the Act on the Protection of Personal Information and related laws and Mandom's regulations with regard to the management of personal information and confidential information. Conducted by division with testing. Once a year Approx. 2 hrs. Target: All employees	Language study support system	For applicants, the system subsidizes the costs of taking the TOEIC test, subsidizes language study costs, etc. All year round Target: All employees
Company-wide education on Mandom Code of Conduct	Education for all employees to gain and verify understanding of the Mandom Group's Code of Conduct. Conducted by division with testing. Education is also promoted using the monthly in-house email newsletter. Once a year Approx. 2 hrs. (one email newsletter/month) Target: All employees	Forum 8 (cross-industry exchange)	This internally organized cross-industry exchange workshop brings together attendees and secretariats from eight companies with offices in the Tokyo and Kansai regions. Top- and mid-level managers working at the vanguard of business give lectures, present case studies or their own company's research or the research of other companies to expand knowledge and elevate business skills. Once a year In-house recruitment (Tokyo area: 5 times; Kansai area: 8 times) Number of participants in FY2018: Tokyo area: 3; Kansai area: 3
		Study abroad system	Selected employees will be sent to study on company orders to acquire qualifications and gain globally applicable management skills and cutting-edge knowledge as well as gain an understanding of diverse perspectives. Number of participants in FY2018: None

Defined Contribution Pension System

To support the lives of employees after retirement, the Mandom Group has adopted a defined contribution pension system since November 2003.

In 1985, we introduced a qualified retirement pension system, but due to reform of the public pension system, we revised our retirement allowance system to ensure income from retirement until age 65 (the age when eligibility to receive the national pension begins), to compress and stabilize retirement benefit obligations, and to meet the demands of increasing mobility and diversity amongst employees.

We currently make use of two types of corporate pension systems: a defined benefit plan (DB) and a defined contribution plan (DC). Employees can join these plans voluntarily, and intent to continue is reconfirmed once a year. If an employee has not joined either or both plans, then a pre-paid retirement allowance is paid as an addition to the biannual bonus. Also, due to the amendment of the Defined Contribution Pension Act in January 2017, it became possible for employees who have not joined a corporate defined contribution plan to join a personal defined contribution plan.

For our employees, we hold periodic study sessions to promote understanding of the system and asset management. We also provide support so that they can check their balance and asset status through web services, and carry out other tasks such as checking the performance of and making changes to investment products.



News Release

- November 4, 2003 News Release "Defined contribution pension system adopted in November" (Japanese only)

Employee Satisfaction (ES), Decent Work and Work-Life Balance

Aiming to Achieve 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.

Employee awareness surveys	Surveys of regular employees are conducted basically once every three years as a means of gathering information to ascertain issues in the culture of each division and to make improvements. After the survey, the results are examined from every angle at workshops held by the Personnel Division (for the assistant manager level and higher). Efforts are made to spread awareness of the issues and the overall results are conveyed to relevant employees through face-to-face conversations conducted by division heads. Changed from once every three years to every year in 2018
Stress checks	In accordance with our "Stress Check System Based on the Amended Industrial Safety and Health Act" which came into effect on December 1, 2015, we have expanded the scope of stress checks to all employees in collaboration with an EAP organization. Individuals are informed of the results and anonymous statistics are compiled and analyzed by division and department. Once a year (September) Target: All employees In FY2018, 891 employees had their stress levels checked (84.7% of all employees).
Health checks	Periodic health checks are conducted for all employees and thorough physical examinations are recommended for employees and spouses over the age of 35, with subsidies provided. Once a year Target: All employees Number of employees examined in FY2018: 1,117 (Medical examination rate: 97.0%)
Working with industrial physicians	An industrial physician makes the rounds at the head office and Fukusaki Factory, joins the Occupational Health and Safety Committee meetings held once a month to improve the workplace and provide health guidance. As required 3 industrial physicians (Head Office, Nihonbashi/Aoyama, Fukusaki Factory)
Medical treatment and work support	So that employees can continue to work with peace of mind even while undergoing medical treatment, we have published the Medical Treatment and Work Guidebook that outlines our various support systems, and we have also set up a consultation desk. Implemented in October 2018
Childcare/Elderly care support system	A support system is in place to enable employees who would otherwise be constrained by childcare or elderly care to continue in their jobs. We have made it compulsory for all employees eligible for childcare support to attend an interview with their manager and the human resource department to promote use of the system. A consultation desk was set up in-house to improve support for employees with regard to balancing work and elderly care. As required

Flexible working hours	We have introduced this system to make working hours more flexible and correspond to varying work loads. This will allow employees to invest more time in their health and education, which we hope will lead to enhanced productivity and creativity. Implemented in April 2019
Work-from-home system	In order for each and every one of our diverse range of employees to be able to work comfortably, and to create a meaningful working environment in which they can maximize their potential, since April 2017 we have implemented a work-from-home system. To begin with, those with certain restrictions on their place of work and working time, such as employees raising children or caregiving, are able to take up to 5 days per month from half-day increments. Number of employees in FY2018: 29
Reemployment system (Retirees)	A retiree reemployment system was introduced in FY2006, and is now being updated to comply with changes in the law made in 2013. A consultation desk was set up in-house to improve support for employees with regard to balancing work and elderly care. As required
Reemployment system (Former employees)	We have set up a reemployment system for former employees so that outstanding individuals who left Mandom midway through their careers for personal reasons can return to the company. Applications open since April 2019
Volunteer leave system	Volunteers are solicited to participate in JICA's Japan Overseas Cooperation Volunteers through the private-sector partnership volunteer program. Employees who go on a mission through the program are supported with special leave during that period. Once a year In-house recruitment Number of participants in FY2018: No recruitment

Support for Balancing Work and Home Duties Such as Child/Elderly Care

We have established various systems to enable work-life balance that allows employees to work while raising children and caring for elderly parents, as well as managing change at different stages in their lives.

Since 2009, we have been encouraging three-way meetings between pregnant employees, their supervisors, and the personnel department to remove anxiety about returning to work after the birth of a child.

With regard to support for caregiving, we have a care leave/work arrangement system plus an elderly-care leave system that allows for five extra days off per year. Starting in 2012, we instituted a system of flexible working hours plus a system that allows the use of pooled, invalidated paid leave for elderly-care leave.

For information on general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, please see the following website operated by the Ministry of Health, Labour and Welfare.



CSR Information

▶ Mandom Key Data on Personnel and Labor

External Site



Work-Life Balance Support Forum

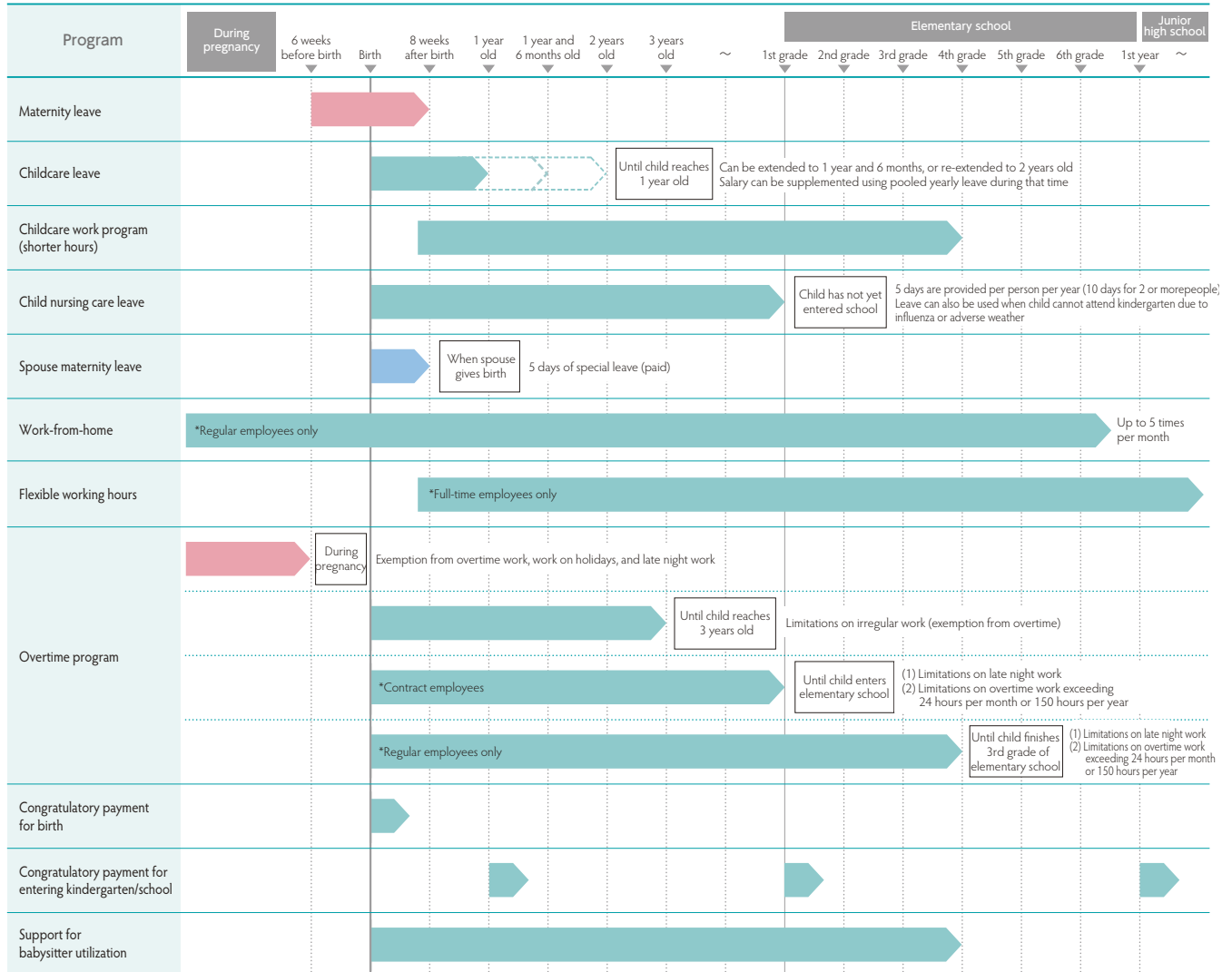
▶ Mandom page for general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (Japanese only)

CSR Efforts

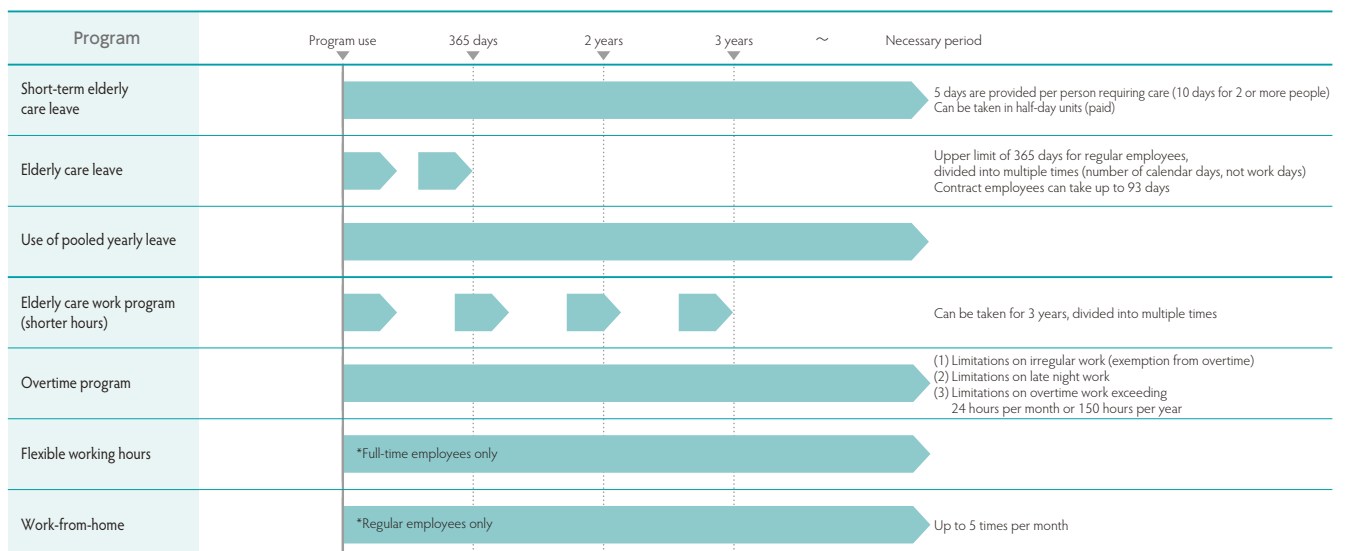
■ Overview of Childcare/Elderly Care Support System

● Chart of childcare support programs

▶ Women
 ▶ Men
 ▶ Programs for women and men



● Chart of elderly care support programs



Occupational Health and Safety

Creating a Healthy and Safe Workplace Environment at Our Factory

Mandom's Fukusaki Factory has acquired OHSAS 18001 certification, a widely used international standard for occupational health and safety management systems, and we are working hard to create a healthy and safe workplace environment. (OHSAS: Occupation Health & Safety Assessment Series) The OHSAS 18001 international standard aims to proactively prevent labor accidents, mitigate disasters and eliminate health hazard risks by clarifying the occupational health and safety policies of organizations, and conducting PDCA (Plan-Do-Check-Action) management using an "established evaluation system." Going forward we will continue working hard to ensure that operations at Mandom's Fukusaki Factory take into account consumers, society, the environment, and employees. This will be achieved by striving for continuous operation and synergistic effects, and implementing three management systems: an occupational health and safety management system; an environmental management system (ISO 14001 international standard) which aims to simultaneously achieve management together with reduction in environmental risk and contribution to the environment based on the idea of sustainability; and the Mandom Quality Management System for raising the quality of the company, products, and services, and achieving true customer satisfaction.



Group training at the Fukusaki Factory on occupational health and safety and environmental protection

External Site



Official Website, Japan Management Association Quality Assurance Registration Center

► BS OHSAS 18001,

"What is the Occupational Health and Safety Management System (OHSMS)?" (Japanese Only)

Mental Health Measures

Since FY2011 we have utilized the Employee Assistance Program (EAP) specialist HOKENDOHJINSHA Inc. to provide a toll-free support hotline for employees and their families that allows individuals to speak with an outside counselor about their troubles. We also bought group long-term disability income indemnity (GLTD) insurance, and in May 2011 set up regulations pertaining to employees taking leave to cover how employees are treated when they are on leave and after they return to the workplace. In these and other ways we are strengthening our mental health measures. Since FY2012 we have been asking all employees to take a diagnostic test for stress and following up with private consultations if necessary.

Mandom Safe Driving Courses

Within the Mandom Group in Japan, about 500 vehicles are on the roads per day across the country, including both company vehicles and vehicles used for commuting to work. We set up a Vehicle Safety Measures Committee to carry out ongoing, in-house educational activities with cooperation by experts on road traffic safety to prevent road accidents.

In FY2018, safe driving courses taught by outside instructors were held in May for sales staff working at our head office building, drivers, and others who wanted to participate and participants were reminded of their responsibility and the importance of driving as a representative of the company. We will continue to thoroughly implement a safe-driving mindset.



Safe driving course at the head office

Safety Measures at Head Office Building

Mandom is engaged in various initiatives to help prevent casualties from natural disasters. Every year, firefighters from Osaka's Chuo Fire Station visit the head office building to conduct a variety of drills to prepare Mandom's employees for a potential disaster such as an earthquake or fire, covering topics such as alerting others when a fire is discovered, initial efforts to put out a fire, using a fire extinguisher, evacuation, and rescue. We are also engaged in a basic course in life-saving and provide emergency skills training.



Lecture on emergency life-saving techniques

Human Rights

Basic Policy	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.
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Long-Term Goals	Priority Initiatives
● (Under review)	● Conduct in-house human rights education aimed at training employees to act in a way befitting a corporation engaged in global business and designed to build an inclusive society

Promoting Human Rights Education

At Mandom, we disseminate the following information through our Mandom Group Code of Conduct (2018 revised version), and promote KohDoh to ensure workplaces are safe, comfortable, and rewarding places to work. We also work hard to promote human rights awareness through ongoing employee education.

■ Excerpt from the Mandom Group Code of Conduct (2018 revised version)

Respect for Human Rights, Ban on Discriminatory Treatment

1. We shall respect the basic human rights of everybody.
2. Under no circumstance shall we discriminate against anybody for their nationality, race, ethnicity, religion, color of skin, age, sex, gender identity, sexual orientation, health condition, physical disability or employment status. Should we detect any discrimination, we shall not turn a blind eye.
3. We shall not discriminate against anybody or anything on the grounds of preconception or prejudice.
4. We shall not force anybody to follow our own personal beliefs or preferences.

Ban on Child Labor and Forced Labor

1. We shall refrain absolutely from any use of child labor, the employment of children who are under the minimum working age.
2. We shall refrain absolutely from any use of forced labor, the illegal extraction of labor by means of physical or psychological constraint.
3. We shall comply with treaties and laws that prohibit child labor and forced labor.

Development of Working Conditions

1. We shall create working conditions which are conducive to work, taking into account health and safety.
2. We shall produce ways of working which develop individual capability and respect diversity, personality and individuality so that we can enhance the power of individual members to the strength of the entire team.
3. Placing top priority on human life, we shall comply with laws and rules concerning working conditions/industrial health and safety.
4. We shall positively implement measures such as creating a safety-first environment and ensuring reasonable working hours.
5. We shall actively participate in efforts to maintain and promote health.
6. If any accidents or other problems relating to our product occur, we shall promptly respond to such a situation.

Ban on Harassment

1. We shall speak and act with consideration from other people's point of view.
2. We shall not engage in sexual harassment (any sexual acts that go against somebody else's will).
3. We shall not engage in power harassment (any harassment using some advantage of business position in and out of the office).
4. We shall not engage in maternity harassment (any unfair treatment for pregnancy or childbirth).
5. We shall not engage in other harassment such as social harassment (infringements of privacy or nuisances involving social networks) and alcohol harassment (for example, forcing of participation in drinking parties, forcing of drinking down a jug of beer in one go).
6. Should we detect any harassment, we shall not turn a blind eye.

Human Rights Initiatives in the Supply Chain

We have been promoting inter-departmental CSR activities since setting up a CSR Promotion Committee in 2015. The building and implementing of a CSR procurement system is a CSR Material Issue, and we have set up a CSR Procurement Subcommittee made up of members of relevant departments within the company. We are working to develop a CSR procurement system that takes into account issues in the supply chain such as human rights, labor practices, the environment, and fair business practices, while enlisting the cooperation of suppliers.

In November 2017, we issued the Mandom Group Supplier CSR Guidelines (Ver. 2), asked all of our suppliers to develop an understanding of these guidelines, and started monitoring using the CSR Procurement Self-Assessment Tool Set recommended by the Global Compact Network Japan. For details, please see the Mandom Group Supplier CSR Guidelines (Ver. 2), P.67.



CSR Information

- ▶ Mandom Group CSR Promotion System
- ▶ Fair Operating Practices: Building and implementing a CSR procurement system

Realizing a Society Enabling Participation by Diverse Human Resources

To foster a culture which values diversity and difference at Mandom, we not only utilize female employees, but also exploit a variety of highly individual, diverse capabilities, and embrace employees with foreign nationality. As part of this effort, we established a Diversity Promotion Office in April 2015. The issues of human rights and labor practices are closely related. We are working to develop an organizational system that embodies diversity and inclusion in order to retain human resources with diverse attributes and value systems, and enable them to reach their full potential.

Regarding our Special Subsidiary, Mandom Will Corp.

In August 2018, we established the Mandom Will Corp. (referred to below as “Mandom Will”) with the aim of utilizing diverse human resources and expanding employment, and on December 17, 2018, the company acquired certification as a Special Subsidiary, as set forth in the Act on Employment Promotion etc. of Persons with Disabilities.

At Mandom Will, we have put in place an environment and programs tailored to suit diversity, so that people with disabilities and those returning to employment can work with high motivation over the long term without undue stress. Steps taken in this area include allocating work to match diverse capabilities and characteristics, and enabling the taking of annual paid holiday in hourly units to deal with issues such as going to the hospital. We are also working to develop human resources capable of self-growth through work.

The Mandom Group is promoting diversity and inclusion to ensure acceptance of diversity, enable individuals to perform at their peak ability, and achieve growth of both the company and our employees. Going forward, we will continue efforts to cultivate human resources and develop an environment/programs to realize a company where all employees are valued assets who can derive satisfaction from their work.

Understanding and Paying Respect to the Culture and Customs of People in Different Countries

We carry out business with respect for the history, culture, customs, and ways of thinking of the people in different countries and regions.

Our wholly owned subsidiary, PT Mandom Indonesia Tbk is based in a country where about 90% of the population is Muslim. To show respect for the religious customs of Muslim workers, we have built a place of worship on company grounds and run operations with as much consideration as possible for prayer times throughout the day.

Also, in deference to the victims of the July 10, 2015 fire at the plant in Indonesia, and the families of those who were injured or who lost their lives, we have engaged in follow-up activities in a way that is respectful of local customs, religious beliefs, and culture.



100-day memorial for victims of the factory fire accident in Indonesia (October 19, 2015)


Fair Operating Practices

Basic Policy	With the shared goal of sustainable social development, we will build good relationships with our suppliers and partners and fulfill our social responsibilities through our business activities.
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Long-Term Goals	Priority Initiatives
● (Under review)	● Draft Supplier CSR Guidelines and gain the cooperation of suppliers to build and operate a CSR procurement system (Based on the specific topics within three core subjects—human rights, labor practices and the environment)

Toward Fair and Transparent Transactions


Mandom established the Antimonopoly Act Compliance Program back in July 2004, which was revised in 2010, to establish fair and transparent business transactions and build stable relationships of trust as a good partner to all with whom we are engaged. Our legal affairs office holds seminars for the sales division and purchasing department based on this program. The purchasing department also participates in outside seminars related to purchasing and procurement to acquire greater knowledge. Once a year, Code of Conduct education is carried out at all Japan-based divisions in the Mandom Group at which time various guidelines on procurement and sales are read together to instill their principles in employees. Since September 2007 the Mandom Group has been expanding the scope of its Helpline System to include business partners. See below for more details.

 [CSR Information](#)
▶ Fair Operating Practices

Building and Implementing a CSR Procurement System

Building and Implementing a CSR Procurement System

We have selected “the building and implementing a CSR procurement system” as a CSR material issue and are engaged in drafting supplier CSR guidelines and gaining the cooperation of suppliers to achieve this goal. As times change in an age of rapid globalization, social and environmental issues are becoming more varied and complex. We currently give consideration and take action based on our Procurement Guidelines, but we need to strengthen their implementation, which includes making ongoing improvements and revisions to prevent new social and environmental issues from arising and thereby avoiding such risks. Another reason for better implementation is to be able to continue responding to expectations and demands from a broad range of stakeholders. We strive to achieve fairness and transparency in all transactions and will try to gain the cooperation of our partners as we practice due diligence with respect to specific topics in core areas such as human rights, labor practices and the environment, alongside taking other measures to build a sustainable and CSR procurement system.

 [CSR Information](#)
▶ Fair Operating Practices

About the Mandom Group's Supplier CSR Guidelines (Ver. 2)

To move toward sustainable procurement, we issued the Mandom Group Supplier CSR Guidelines (Ver. 2) in November 2017, asked all of our suppliers to develop an understanding of these guidelines, and started monitoring using the CSR Procurement Self-Assessment Tool Set recommended by the Global Compact Network Japan. Going forward, we will secure the understanding and cooperation of all our suppliers — through steps such as requesting that these guidelines be shared with secondary, tertiary, and overseas suppliers — and we will continue discussions, working step-by-step to make our supply chain more transparent.

Mandom Group Supplier CSR Guidelines (Version 2)

Mandom Group values our suppliers as partners in promoting sustainable development. We extend our support to suppliers that comply with the Guidelines as set forth below.

Corporate Governance

1. Understand and comply with laws and regulations, relevant voluntary standards and international conventions related to business operations.
2. Develop policies and a code of conduct related to CSR and provide in-house support and training.
3. Structure an internal control system to conduct compliance management.
4. Establish a business continuity plan.

Human Rights

1. Respect human rights and avoid complicity in any human rights violations.
2. Respect diversity and prohibit discrimination.
3. Respect the lifestyles of indigenous peoples and local communities.
4. Eliminate all forms of harassment.

Labor

1. Recognize and adopt international rules regarding labor.*

*Including the Universal Declaration of Human Rights, the ILO's Core Labor Standards, the ten principles of the UN's Global Compact, the UN's Guiding Principles for Business and Human Rights, and the OECD's Guidelines for Multinational Enterprises.

2. Provide equal opportunities for upskilling and career development for all employees.
3. Provide a safe and clean work environment and care for employees' health.
4. Ensure workers are paid fair wages and ensure proper management of working hours.
5. Eliminate forced labor, child labor, and inhumane treatment of workers.
6. Respect local religions, traditions, and customs.
7. Support the effective recognition of the freedom of association and the right to collective bargaining.

The Environment

1. Structure a system to promote environmental management and set goals for continuous improvement.
2. Implement measures to save energy, reduce greenhouse gases, prevent pollution and conserve biodiversity.
3. Ensure proper management of chemicals and waste disposal.

Fair Operating Practices

1. Ensure fair, transparent and free business transactions and respect contractual terms.
2. Respect property rights and prevent infringement.
3. Eliminate any involvement with groups that make illegal demands of the company or the general public.
4. Prevent all forms of corruption, including coercion and bribery.
5. Establish a customer inquiries function to receive and deal with complaints and feedback from outside the company.

Quality and Safety

1. Structure a management system that ensures quality and safety of goods and services.
2. Provide appropriate information that ensures quality and safety of goods and services.
3. Provide products and services that contribute to sustainable development.

Information Security

1. Implement strict information security practices to ensure confidential information (including personal information) is handled safely.

Supply Chain

1. Ensure companies in your supply chain and/or subcontracting companies, related to business with the Mandom Group, comply with the Guidelines. If your company already has guidelines in place with at least the same requirements and requests supplier compliance, no further action is required.

Coexistence with Local Communities

1. Build good relationships with local communities through collaboration.
2. Respond promptly and sincerely to complaints from surrounding areas.
3. Support communities through business activities.

● Revisions to the Guidelines

We will make revisions to the Guidelines to respond to changes both within and outside the Mandom Group as circumstances demand. Revisions will be posted on our website. Please note that further consent and/or confirmation of compliance status will be required.

● Confirmation of compliance status

The Suppliers' CSR Self-Assessment Survey has been compiled based on the CSR/Sustainable Procurement Self-Assessment Tool Set published by UN Global Compact Network Japan as the ninth instalment in their series of Building the Sustainable World. See below for more details.

External Site



Global Compact Network Japan

- ▶ CSR/Sustainable Procurement Self-Assessment Tool Set (English version)

Consumer Issues

Basic Policy	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 to ensure safety.
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Long-Term Goals	Priority Initiatives
<ul style="list-style-type: none"> Take up the challenge of zero quality complaints 	<ul style="list-style-type: none"> Effective administration and continuous improvement of a quality management system in every phase of our business activities—planning, design and development, procurement, production, shipping and sales Build a system of communication that enables the use of feedback from a wide range of consumers; build a product planning system that takes into consideration user-friendliness and safety

Taking Responsibility for Quality and the Health and Safety of Consumers

Quality Assurance and Quality Policy

Regarding quality assurance for cosmetics and quasi-drugs, Mandom works to assure fully satisfactory quality as demanded by consumers from purchase to end of use. We take measures to improve the quality of our products and services at every stage — planning, design and development, production and shipping. To ensure the reliability of these activities, in January 1998 Mandom established the Quality Philosophy and Fundamental Quality Policy, and built a quality assurance system that became ISO 9001-certified in December 1998.

Since that time, as the quality philosophy and practices were deemed to have taken root company-wide, we voluntarily surrendered ISO 9001 certification in December 2013. We have since pursued continuous improvement of quality through the Mandom quality management system.

Quality Assurance Activities and Reconfiguring Our Quality Assurance System

In accordance with Japan's Pharmaceutical Affairs Law, we comply with the ISO 22716 international standard that pertains to good quality practices (GQP), good vigilance practices (GVP) and good manufacturing practices (GMP) for cosmetics. In addition, we have formulated a fundamental quality policy based on the Mandom quality philosophy that calls for truly satisfying customers by enhancing the quality of the company, products and services through the involvement of all employees. On this basis, we are creating a quality management system that spans all stages — planning, design and development, production and shipping — as we make the ongoing enhancement of customer satisfaction a daily focus.



CSR Information

- Consumer Issues: Promotion of Quality Assurance System



Measures for prevention of contamination by foreign matter (air showers)



Visual inspection of products



Sensory test of product contents



Analysis of active ingredients of quasi-drugs

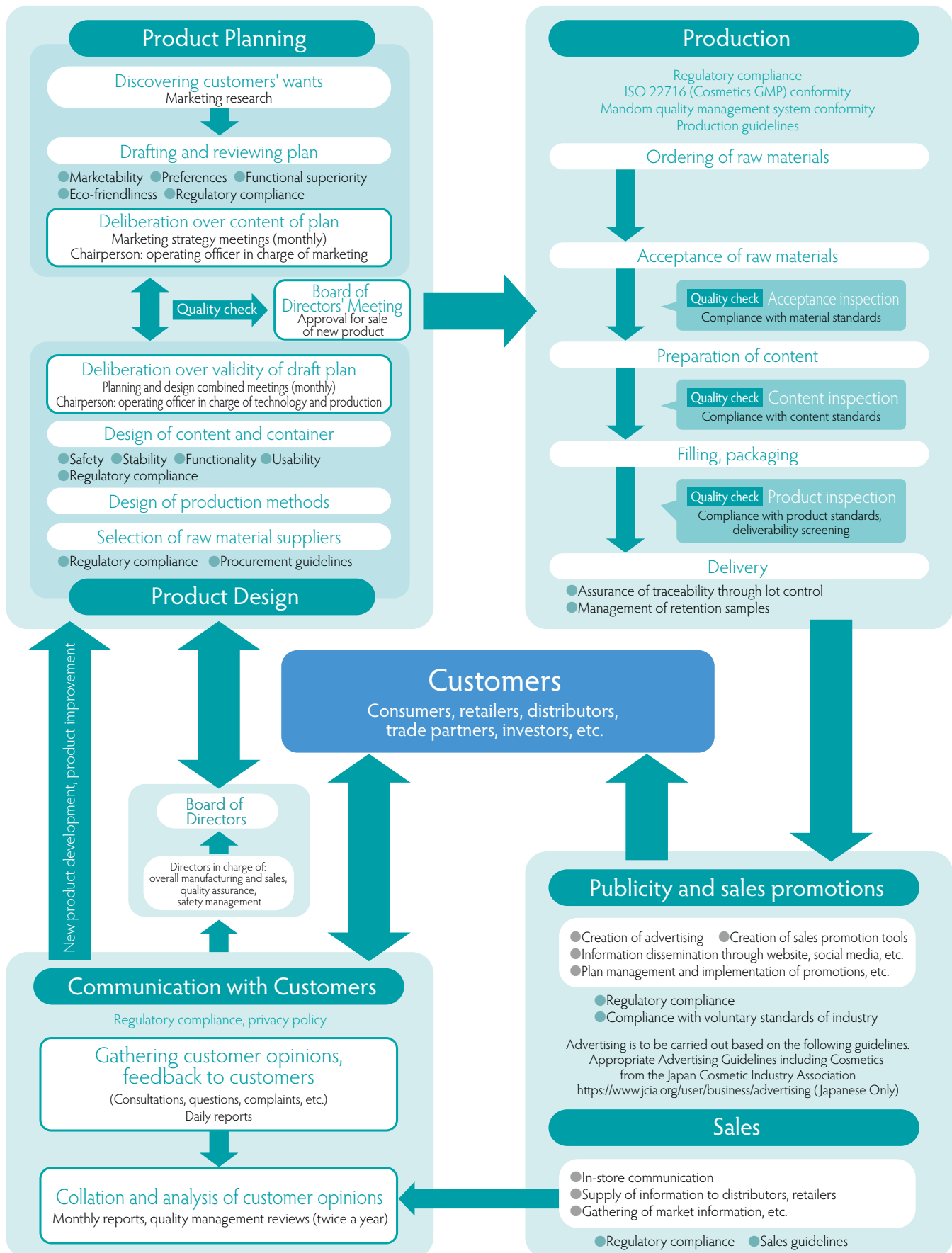


Analysis of active ingredients of quasi-drugs



Functionality inspection of product contents

■ Mandom Quality Assurance Activities and Implementation of Customer Feedback



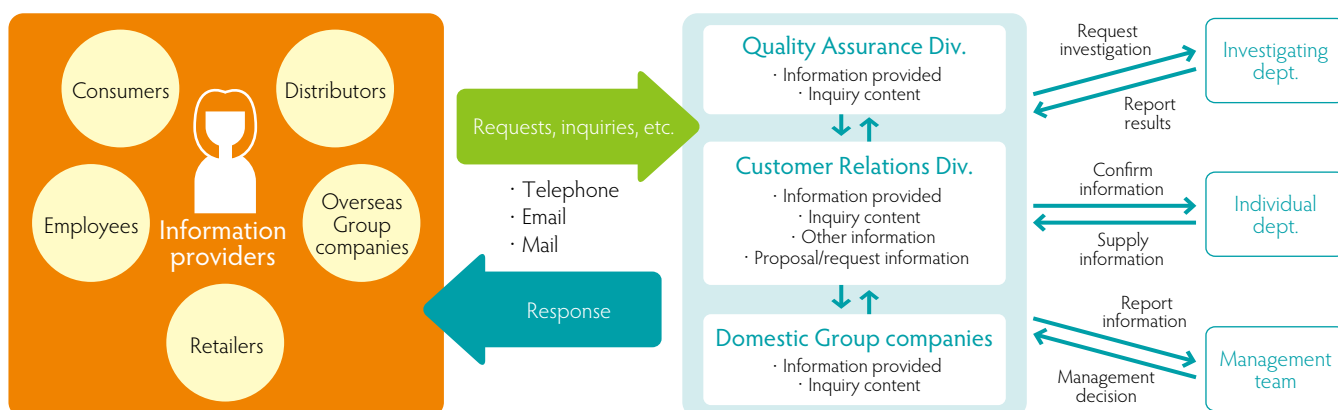
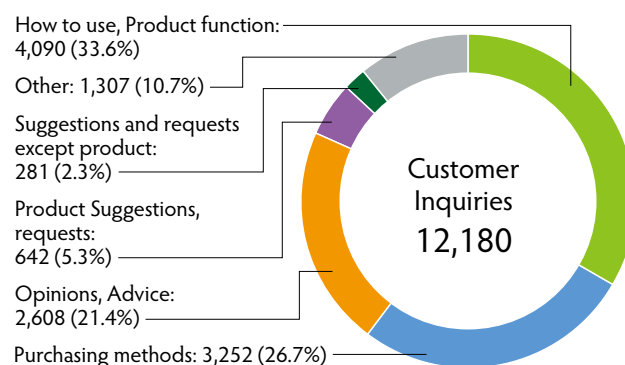
Creating New Shared Values with Consumers

System for Utilizing Customer Feedback

● Customer Inquiry System

We set up a Customer Relations Division in 1994 as a general contact point for communicating with customers, including their suggestions, requests and other feedback. After reviewing the feedback received, we add information to the Frequently Asked Questions (FAQ) & Inquiries section of our website as part of our efforts to ensure the supply of information. Furthermore, feedback is compiled in a database, and through a design management committee, quality assurance committee, and customer information meetings, is passed along to top management and relevant departments to be integrated into future product development and improvement.

■ Customer Inquiries in FY2018



[Top Page](#)
[▶ Customer Support](#)

Examples of Utilizing Customer Feedback

At Mandom, we share feedback from customers with top management and relevant departments, and work to achieve true customer satisfaction.

The following presents our latest efforts making use of customer feedback.

FY2018	New spring season products	A universal font was adopted for some new products to improve visibility and legibility.
FY2017	Hair foam products	Added easy-to-understand video to the FAQ & Inquiries section of website, describing how to correctly use hair foam products so they can be used to the end in a foamy condition.
	LÚCIDO Hair Color One Push Type	Improved specifications and changed button design due to feedback that it is difficult to remove and attach the cover.
	GB Body Hair Trimmer	Added a caution label to make clear that the blade is not replaceable, as a response to the misunderstanding that the product can be disassembled and its blade replaced.
FY2016	GATSBY Natural Bleach & Color Series LÚCIDO-L Creamy Milk Hair Color Series	To prevent replacement of the contents, other tampering, and infiltration of foreign matter, specifications were changed so that the product cannot be opened until use. The precautions indication was also improved to be easier to see.
	GATSBY Hair Styling Foam	The previous illustration of the use method (for enabling use of the entire contents of the container) was enlarged based on customer feedback that product foaming trailed off with use.
	LÚCIDO-L Oil Treatment #EX Hair Oil	Owing to customer feedback that the protruding part of the sales appeal label hurt to the touch, the label shape was redesigned with a rounded tip.

[CSR Information](#)
[▶ Consumer Issues > Communication with Customers](#)

For the Correct and Safe Use of Hair Coloring Products

On October 23, 2015, the Consumer Safety Investigation Commission (of the Consumer Affairs Agency) published its "Report on the Causes of Accidents, etc. Based on Article 23, Section 1 of the Consumer Safety Act," with the Minister of Health, Labour and Welfare presenting a recommendation on measures to prevent the onset and exacerbation of skin disorders caused by hair coloring products. Based on the Ministry of Health, Labour and Welfare's notification to the hair coloring industry and the recommendations of the Consumer Affairs Agency, Mandom has added information in the Frequently Asked Questions section of its website and product information sections of each product in the hair coloring category to properly inform customers how to safely use hair coloring, particularly the importance of conducting a patch test 48 hours prior to using a hair coloring product.

External Site



Ministry of Health, Labour and Welfare Website

- ▶ Skin Damage Owing to Hair Dyes (Japanese Only)



Top Page

- ▶ Customer Support>Q&A on Product Category>Q&A on Hair Coloring>Q&A on Safety>details

Full Lists of Ingredients Published on the Mandom Website's Product Information Page

The Customer Relations Division at Mandom receives a large number of inquiries from customers, many of which are in regard to the ingredients in products used by consumers.

Sometimes customers would ask about ingredients that were not displayed in full on the container itself for space reasons (only being listed on the mount, outer box, or the like). At other times customers had discarded the container after using a refill. Up to this point, the Customer Relations Division had dealt with each request individually, but situations have arisen where customers could not get the information quickly enough, such as in an emergency when a product had been swallowed accidentally or a person had an allergic reaction, and a phone call was made after business hours, when the answer could not be provided immediately.

Because of such circumstances, on April 28, 2017, full lists of ingredients were published on Mandom's official website to help customers, with the following objectives.

Objectives:

- To allow customers to quickly obtain full lists of ingredients when seeing a doctor after the occurrence of a health problem (such as dermatological symptoms, accidental ingestion, an allergic reaction, etc.)
- To reduce time and effort required to answer inquiries from customers (by phone or email)



CSR Information

- ▶ Latest CSR information (article updated on May 11, 2017) (Japanese Only)

Smell Care Seminars

In today's mature market for products and services, personal elements such as a company's customer-facing interactions can be the deciding factor in business success or failure. Body odor and smells are rapidly becoming a social issue, even being picked up by the mass media, as a factor in obstructing good personal relations both inside and outside business contexts.

To assist consumers based on men's deodorant research, Mandom started smell management activities in 2014, and we regularly offer Smell Care Seminars.

In FY2018, these seminars were held at 12 companies and groups, and were attended by a total of 639 people.

We also offer a Smell Care Quiz (e-learning) for individuals. For details, please see the links below.



Top Page

- ▶ Scientifically studying the body odor of men: Research on Men's Smell (Japanese Only)
- ▶ Overview of Smell Care Seminar, Inquiries and Applications (Japanese Only)

Handling of Personal Information

At Mandom, we use personal information to deal appropriately with complaints, inquiries and consultations, and to otherwise interact with the customer. To achieve the purposes for which the information was gathered, we sometimes entrust work to outside contractors, but information is never disclosed to third parties other than outsourcing contractors.

In helping provide our customers with a secure and comfortable lifestyle, a key basis of our business activities is properly and appropriately handling the personal information held by our company, which we believe is one of our social responsibilities. Therefore, we have established and abide by our privacy policy for the handling of personal information.

Community Involvement and Development

Basic Policy	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.
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Priority Initiatives

- Look into KohDoh that can promote thorough in-company understanding of and ability to contribute to international frameworks such as the UN Global Compact's 10 Principles and the Sustainable Development Goals (SDGs)
- Build co-creative relationships with research organizations, NGOs, NPOs and others to achieve sustainable social development and begin taking measures (with Japanese Society for Alternatives to Animal Experiments; Graduate School of Pharmaceutical Sciences, Osaka University, etc.)

The Japanese Society for Alternatives to Animal Experiments

In recent years, as society's awareness of safety in cosmetics has risen, the need has grown for a wider range of evaluative techniques that will enable the development of safe products. Mandom has declared a policy of no animal experiments. As part of that, we present technical information at meetings held by the Japanese Society for Alternatives to Animal Experiments, and since 2008, we have subsidized research costs by offering grants every year for selected international research on alternatives to animal experiments.

At the 30th Annual Meeting of the Japanese Society for Alternatives to Animal Experiments on November 24, 2017, our previous research grant activities were recognized for their major contribution to the Japanese Society for Alternatives to Animal Experiments, and we received a Distinguished Service Award from the society. In April 2019, we began providing research grants for the two topics selected as our 12th (FY2019) research themes.



CSR Information

- ▶ Community Involvement and Development: Approach to alternative to animal experiments

External Site



The Japanese Society for Alternatives to Animal Experiments

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

In June 2015, Osaka University and Mandom established the Advanced Cosmetic Science Joint Research Program at the Graduate School of Pharmaceutical Sciences at Osaka University. The joint research program employs cutting-edge technologies from fields that have seen remarkable growth in recent years, such as regenerative medicine, applying them to research the development of next-generation functional cosmetics and quasi-drugs. Research results announced thus far are as follows.

- Discovery of Human Sweat Gland Stem Cells, and Successful In Vitro Regeneration of Sweat Gland-Like Structure
- Three-dimensional observation of human sebaceous glands achieved, original sebum secretion assessment method established
- Establishment of a New Assessment Method due to Successful Numeric Quantification of the Amount of Sebum Produced by Human Sebaceous Glands—Demonstration Using This Assessment Method of the Inhibitory Effect of Phytic Acid on Sebum—



CSR Information

- ▶ Community Involvement and Development: Joint Research Program with the Graduate School of Pharmaceutical Sciences at Osaka University

Educational Support Activities

Personal Grooming Classes at Special Needs Schools and Facilities

Since FY2004, Mandom has been holding classes in personal grooming for individuals with intellectual disabilities who are soon to join the workforce, in order to support their self-reliance.

Our approach to these students is to treat them as first-time users of cosmetics. We cover all aspects, starting with how to handle, use, and care for cosmetic items. We also communicate the clear distinctions between clean and tidy appearances expected within various social contexts and “stylish” appearances. “Cleanliness” is a key concept in the classes.

These classes were held at eleven schools and facilities in FY2018, with 223 participants.



Cooperating with the Super Global High School Project

We believe that cultivating global human resources is the foundation for supporting the sustainable development of society and the sound growth of our business going forward.

In FY2018, we cooperated with efforts by Osaka Prefectural Senri Senior High School and Kansai University Senior High School —designated schools of the Super Global High School (SGH) program of the Ministry of Education, Culture, Sports, Science and Technology.

For Osaka Prefectural Senri Senior High School, we cooperated with the SGH Fall Holiday Business/University Tour and Training, and a meeting to present research results from “Investigations” in the second year of the Global Culture Academic Study Course, a program of Senri Festa.

For Kansai University Senior High School, we cooperated with “Osaka field work —A Special Class Examining Sustainable Development Goals (SDGs).”



Overseas Initiatives

BOP* Business Development

Mandom Indonesia has been supplying products in smaller packs and smaller sizes as a business development strategy, thereby providing goods at more affordable prices for consumers at the base of the economic pyramid (BOP).

The company is selling and marketing sachets of hair styling products for men such as GATSBY Styling Pomade and GATSBY Water Gloss, and for women, a Two Way Cake refill that includes a makeup sponge for use as is for the popular makeup brand in Indonesia, PIXY. These products have gained acceptance from a wide range of consumers, including the BOP segment and those living in rural areas.

Such products for the BOP market are being produced in Indonesia not only for domestic consumption but also for export to the Philippines, Mainland Southeast Asia, and as far away as Southwest Asia and Africa. Such products are useful to local BOP consumers and will also help to expand the local cosmetics market and distribution network.



Two Way Cake refill that can be used as is



Sachet (packet) products sold in Indonesia, the Philippines, and other countries

* BOP Business : Sustainable business carried out in developing countries that targets the base of the economic pyramid (BOP) — consumers, producers, retailers or combinations thereof. The BOP segment of the populace refers to the lowest level of the income/economic pyramid — people whose annual income is low and purchasing power parity is less than \$3,000. This segment accounts for about 70% of the global population, or 4 billion people.

Other CSR Activities in Indonesia

Our Indonesian consolidated subsidiary PT Mandom Indonesia Tbk (listed on the Jakarta Stock Exchange in September 1993) carries out CSR activities that support human rights, labor, the environment, and corruption prevention. For details, please see the Mandom Indonesia official website.

[Mandom Indonesia Official Website](https://www.mandom.co.id/)

[WEB](https://www.mandom.co.id/) CSR Information (English Version)

Analyses of Management and Finances

Analysis of Operating Results

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, the Mandom Group pursued initiatives aimed at driving sustained growth, namely maintenance and expansion of our core men's business, further strengthening of our women's business, and strengthening of our global business centered on Indonesia. Beginning from the fiscal year under review, some items that had been treated as expenses have been deducted from net sales at overseas consolidated subsidiaries included in financial statements conforming to IFRS. When net sales

from the same period of the previous fiscal year are calculated according to the same standards, for ease of comparison, those comparisons are denoted by the use of the phrase "in real terms." In regard to operating results for the fiscal year under review, net sales were up 0.2% in real terms to ¥78,997 million (down 2.9% year on year) as a result of intensification of the competitive environment, particularly in Indonesia, and a decline in the domestic women's business, which had been doing well through the first half. Due in part to aggressive spending of general and administrative expenses to strengthen the business foundation, operating income amounted to ¥7,135 million (down 15.6% year on year), ordinary income was ¥8,161 million (down 11.9% year on year), and net income attributable to owners of parent was ¥5,087 million (down 16.4% year on year).

	Year ended March 2018 (Millions of yen)	Year ended March 2019 (Millions of yen)	Change (Millions of yen)	YoY (%)
Net sales	81,386	78,997	(2,389)	-2.9%
Cost of sales	36,550	37,115	565	+1.5%
Selling, general and administrative expenses	36,379	34,746	(1,632)	-4.5%
Operating income	8,457	7,135	(1,322)	-15.6%
Non-operating profit (expenses)	806	1,026	219	+27.2%
Ordinary income	9,264	8,161	(1,102)	-11.9%
Extraordinary profit (losses)	(45)	(203)	(158)	+348.5%
Income before income taxes	9,218	7,958	(1,260)	-13.7%
Income taxes	2,544	2,392	(151)	-6.0%
Net income attributable to noncontrolling interests	587	478	(108)	-18.5%
Net income attributable to owners of the parent	6,086	5,087	(999)	-16.4%

Analysis of Financial Position and Cash Flows

(1) Assets, Liabilities and Total Equity

Total assets were ¥93,402 million as of March 31, 2019, up ¥799 million from a year earlier.

Current assets were ¥52,926 million. This was mainly due to a ¥13,198 million increase in cash and deposits and a ¥22,799 million decrease in securities.

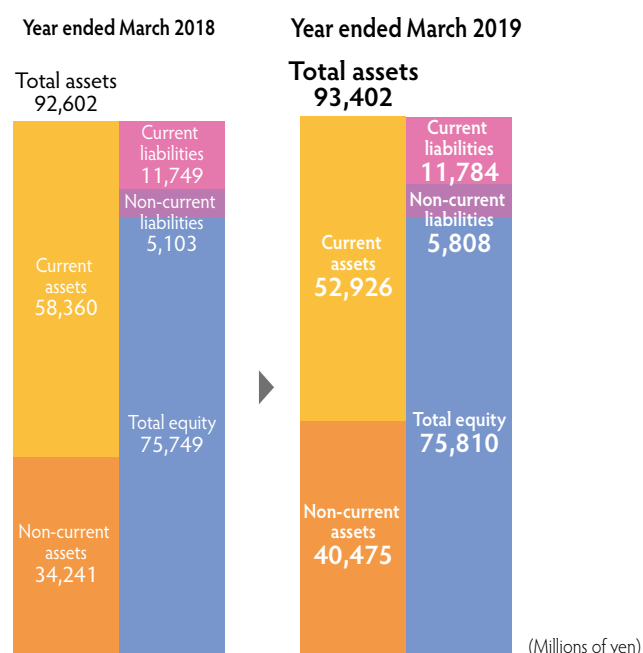
Non-current assets were ¥40,475 million. This was mainly due to recording ¥3,408 million in goodwill, ¥1,626 million in customer-related assets, and ¥1,039 million in trademark rights as a result of business combination.

Total liabilities were ¥17,592 million as of March 31, 2019, up ¥738 million from a year earlier.

Current liabilities were ¥11,784 million. This was mainly due to a ¥365 million increase in notes and accounts payable - trade.

Non-current liabilities were ¥5,808 million. This was mainly due to a ¥688 million increase in deferred tax liabilities.

Total equity was ¥75,810 million as of March 31, 2019, up ¥60 million from ¥75,749 million a year earlier. This was mainly due to a ¥2,070 million increase in retained earnings resulting from ¥5,087 million in net income attributable to owners of the parent and ¥3,016 million in dividends of surplus.



(2) Status of Cash Flows

Cash and cash equivalents as of March 31, 2019 came to ¥22,779 million, up ¥9,139 million from the end of the previous fiscal year. This was mainly due to an increase in proceeds from redemptions and sales of marketable securities and in accounts receivable, despite a ¥7,958 million decrease (down 13.7% year on year) in income before income taxes.

Factors influencing cash flows during the term are as follows.

▶ Cash Flows from Operating Activities

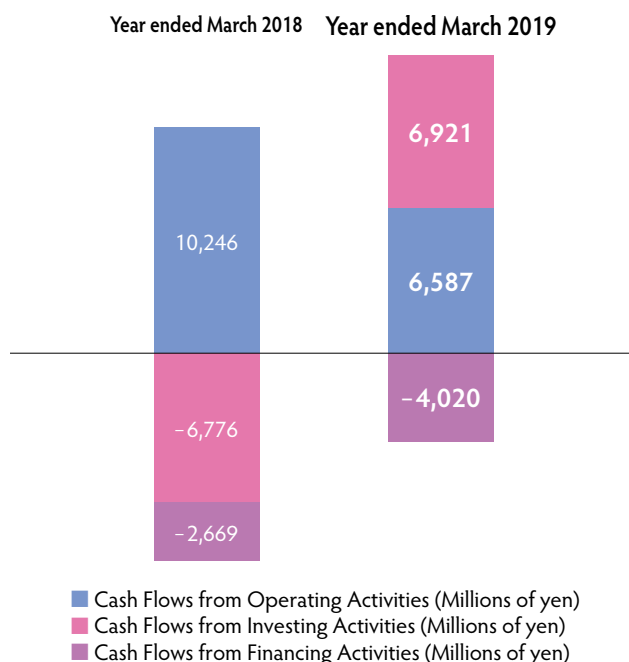
Net cash provided by operating activities was ¥6,587 million. This was mainly due to an increase resulting from income before income taxes of ¥7,958 million and depreciation and amortization of ¥3,583 million, and a decrease resulting from ¥2,484 million in corporate and other taxes paid and a ¥2,372 million increase in inventories.

▶ Cash Flows from Investing Activities

Net cash provided by investing activities was ¥6,921 million. This was mainly due to an increase resulting from ¥21,300 million in proceeds from redemptions and sales of marketable securities, and a decrease resulting from ¥6,491 million in purchase of investments in subsidiaries with a change in scope of consolidation.

▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥4,020 million. This was mainly due to a decrease resulting from dividend payments of ¥3,013 million.



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. Regarding shareholder returns, we prioritize 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.

At the Board of Directors meeting held on May 14, 2019, we resolved to acquire shares of treasury stock up to 2,000,000 shares as a measure for improving shareholder returns and capital efficiency.

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 ¥3,559 million as of March 31, 2019, up ¥703 million (24.7%) from a year earlier. Breakdown by segment is listed on the right.

Segment name	Fiscal 2018 (Millions of yen)	YoY change (%)
Japan	2,129	45.4
Indonesia	1,321	6.4
Other Overseas	108	-27.2
Total	3,559	24.7

(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 they determine the plan.

Planned additions, retirements, etc. of important facilities as of March 31, 2019 are listed below.

Company name	Office name (location)	Segment name	Facilities	Planned amount of investment (Millions of yen)		Method of financing	Planned date of start/finish		Enhanced capabilities after completion
				Total amount	Amount paid		Start	Finish	
Reporting company	Fukusaki Factory (Fukusaki-cho, Kanzaki-gun, Hyogo)	Japan	Production facilities	14,920	119	Own capital	July 2019	August 2021	60% increase

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

11-Year Consolidated Financial and Non-financial Highlights

	2009	2010	2011	2012
Operating Results (Millions of yen)				
Net sales	55,178	54,304	57,262	59,801
Overseas ratio (%)	34.5	31.7	34.5	34.9
Operating income	4,926	5,368	5,747	6,050
Overseas ratio (%)	41.8	34.0	36.6	37.1
Ordinary income	5,175	5,715	6,006	6,308
Net income attributable to owners of the parent	3,011	2,802	2,672	3,299
Capital investment	2,039	3,221	1,696	2,157
Depreciation and amortization	2,353	2,125	2,394	2,242
Research and development	2,037	1,846	1,850	1,921
Financial Position (Millions of yen)				
Total assets	49,078	54,182	53,328	55,600
Liabilities	6,698	9,123	8,036	8,517
Total equity	42,379	45,058	45,291	47,082
Cash Flows (Millions of yen)				
Cash flows from operating activities	3,458	7,766	4,063	3,692
Cash flows from investing activities	(1,204)	(5,111)	(1,408)	(2,694)
Free cash flows	2,253	2,655	2,655	998
Cash flows from financing activities	(2,045)	(2,291)	(1,661)	(1,668)
Per Share Data ^{*1} (Yen)				
Book value per share (BPS)	830.97	887.32	892.78	930.50
Earnings per share (EPS)	63.30	59.70	57.15	70.56
Cash dividends per share	30.00	30.00	30.00	30.00
Financial Index (%)				
Operating income margin	8.9	9.9	10.0	10.1
Shareholders' equity ratio	80.5	76.6	78.3	78.3
Return on equity (ROE)	7.4	6.9	6.4	7.7
Return on assets (ROA)	10.0	11.1	11.2	11.6
Payout ratio	47.4	50.3	52.5	42.5
Non-financial Data				
Total number of employees (consolidated)	2,280	2,269	2,232	2,256
Japan	584	599	601	590
Indonesia	1,309	1,298	1,221	1,236
Other overseas	387	372	410	430
Domestic brand share of men's cosmetic product market ^{*2} (%)	26.2	25.2	25.9	27.0
Domestic brand share of men's cosmetic product market ^{*2} (ranking)	No.1	No.1	No.1	No.1

Notes: Beginning from the fiscal year ended March 31, 2019, some items that had been treated as expenses have been deducted from net sales at overseas consolidated subsidiaries included in financial statements conforming to IFRS.

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the fiscal year ended March 31, 2019.

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

*2 Market data by Mandom calculations (monetary value) Period: April-March of each year



2013	2014	2015	2016	2017	2018	2019
60,427	68,215	70,925	75,078	77,351	81,386	78,997
36.8	40.0	41.3	41.3	40.6	41.3	38.7
5,947	6,853	6,996	6,594	7,617	8,457	7,135
34.1	34.6	35.9	28.7	33.3	34.7	40.5
6,241	7,330	7,595	7,415	8,183	9,264	8,161
3,607	4,091	4,425	6,383	5,566	6,086	5,087
1,467	7,632	3,443	3,725	3,309	2,855	3,559
2,165	2,143	2,599	2,919	3,165	3,315	3,583
1,792	1,960	1,731	1,558	1,717	1,813	1,826
60,163	67,858	75,980	79,821	83,835	93,195	93,402
9,126	12,679	15,000	13,965	14,245	17,445	17,592
51,037	55,179	60,980	65,856	69,590	75,749	75,810
7,605	7,303	5,488	7,232	9,045	10,246	6,587
(5,387)	(5,596)	(5,141)	(2,383)	(5,920)	(6,776)	6,921
2,218	1,706	346	4,849	3,124	3,469	13,509
(1,646)	(1,833)	(341)	(3,534)	(2,215)	(2,669)	(4,020)
1,005.54	1,091.54	1,197.11	1,277.01	1,352.88	1,484.67	1,496.20
77.15	87.51	94.64	136.52	119.05	130.19	108.76
31.00	35.00	38.00	40.00	48.00	59.00	60.00
9.8	10.0	9.9	8.8	9.8	10.4	9.0
78.2	75.2	73.7	74.8	75.4	74.5	74.9
8.0	8.3	8.3	11.0	9.1	9.2	7.3
10.8	11.5	10.6	9.5	10.0	10.5	8.8
40.2	40.0	40.2	29.3	40.3	45.3	55.2
2,221	2,316	2,400	2,663	2,662	2,694	2,914
565	566	557	562	581	595	605
1,222	1,353	1,421	1,689	1,670	1,671	1,693
434	397	422	412	411	428	616
26.1	26.0	26.6	26.8	27.2	26.7	26.6
No.1	No.1	No.1	No.1	No.1	No.1	No.1

Consolidated Financial Statements

Consolidated Balance Sheet

MANDOM CORPORATION and its Consolidated Subsidiaries
As of March 31, 2019

Millions of yen

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	¥ 22,780	¥ 13,640
Short-term investments (Notes 4 and 13)	3,562	22,302
Receivables (Note 13):		
Trade notes and accounts	11,597	10,438
Unconsolidated subsidiaries and associated companies	184	201
Other	68	59
Allowance for doubtful accounts	(21)	(20)
Inventories (Note 5)	13,518	10,761
Prepaid expenses and other current assets	1,238	980
Total current assets	52,926	58,360
PROPERTY, PLANT, AND EQUIPMENT:		
Land	511	511
Buildings and structures	23,413	24,202
Machinery and equipment	19,996	18,988
Furniture and fixtures	6,950	6,156
Lease assets (Note 12)	18	47
Construction in progress	549	774
Total	51,437	50,678
Accumulated depreciation	(33,297)	(32,410)
Net property, plant, and equipment	18,140	18,268
INVESTMENTS AND OTHER ASSETS:		
Investment securities (Notes 4 and 13)	11,308	11,317
Investments in unconsolidated subsidiaries and associated companies	840	693
Goodwill	3,408	
Trademarks	1,042	2
Customer-related assets	1,626	
Asset for retirement benefits	0	
Deferred tax assets (Note 9)	511	619
Software	2,351	1,365
Other assets	1,250	1,977
Total investments and other assets	22,336	15,974
TOTAL	¥ 93,402	¥ 92,602

*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

	2019	2018
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term bank loans (Notes 6 and 13)	¥ 106	¥ 272
Payables (Note 13):		
Trade notes and accounts	7,170	7,103
Unconsolidated subsidiaries and associated companies	52	41
Other	132	236
Accrued income taxes (Note 13)	1,119	1,184
Accrued expenses	2,512	2,386
Other current liabilities	693	527
Total current liabilities	11,784	11,749
LONG-TERM LIABILITIES:		
Liability for retirement benefits (Note 7)	2,180	2,321
Deferred tax liabilities (Note 9)	2,488	1,799
Other long-term liabilities	1,140	983
Total long-term liabilities	5,808	5,103
COMMITMENTS (Note 12)		
EQUITY (Notes 8 and 17):		
Common stock—authorized, 81,969,700 shares; issued, 48,269,212 shares in 2019 and 2018*	11,395	11,395
Capital surplus	11,016	11,235
Retained earnings	50,037	47,967
Treasury stock—at cost, 757,361 shares and 1,516,097 shares in 2019 and 2018*, respectively	(1,828)	(1,867)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	5,407	5,419
Foreign currency translation adjustments	(5,879)	(4,467)
Defined retirement benefit plans	(148)	(269)
Total	70,000	69,413
Noncontrolling interests	5,810	6,337
Total equity	75,810	75,750
TOTAL	¥ 93,402	¥ 92,602

Consolidated Financial Statements

Consolidated Statement of Income

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

Millions of yen

	2019	2018
NET SALES	¥ 78,998	¥ 81,387
COST OF SALES	37,115	36,550
Gross profit	41,883	44,837
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Notes 10, 11, and 12)	34,747	36,379
Operating income	7,136	8,458
OTHER INCOME (EXPENSES):		
Interest and dividend income	419	373
Foreign exchange gain	38	8
Loss on disposal of property, plant, and equipment	(393)	(52)
Gain on sales of property, plant, and equipment	8	7
Claim of insurance	204	
Compensation expenses	(23)	(49)
Loss on rent cancellation	(18)	(0)
Equity in earnings of associated company	370	307
Impairment loss	(23)	
Other – net	240	167
Other income – net	822	761
INCOME BEFORE INCOME TAXES	7,958	9,219
INCOME TAXES (Note 9):		
Current	2,425	2,511
Deferred	(33)	33
Total income taxes	2,392	2,544
NET INCOME	5,566	6,675
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	479	588
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 5,087	¥ 6,087

Yen

	2019	2018*
PER SHARE OF COMMON STOCK (Note 2.r):		
Basic net income	¥ 108.76	¥ 130.19
Cash dividends applicable to the year	60.00	59.00

*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, 2019

Millions of yen

	2019	2018
NET INCOME	¥ 5,566	¥ 6,675
OTHER COMPREHENSIVE INCOME (LOSS) (Note 14):		
Unrealized gain on available-for-sale securities	(12)	2,621
Foreign currency translation adjustments	(1,762)	(337)
Defined retirement benefit plans	223	(96)
Share of other comprehensive loss in associates	(15)	(44)
Total other comprehensive income (loss)	(1,566)	2,144
COMPREHENSIVE INCOME	¥ 4,000	¥ 8,819
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 3,785	¥ 8,549
Noncontrolling interests	215	270

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

MANDOM CORPORATION and its Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Thousands	Millions of yen			
	Outstanding Number of Shares of Common Stock*	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
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, APRIL 1, 2018	46,753	11,395	11,235	47,967	(1,867)
Net income attributable to owners of the parent				5,088	
Cash dividends, ¥65.0 per share				(3,018)	
Purchase of treasury stock	(0)				(1)
Disposal of treasury stock	33		82		40
Change in the parent's ownership interest due to transactions with noncontrolling interests			(301)		
Net change in the year					
BALANCE, MARCH 31, 2019	46,786	¥ 11,395	¥ 11,016	¥ 50,037	¥ (1,828)

* 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, 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, APRIL 1, 2018	5,419	(4,467)	(269)	69,413	6,337	75,750
Net income attributable to owners of the parent				5,088		5,088
Cash dividends, ¥65.0 per share				(3,018)		(3,018)
Purchase of treasury stock				(1)		(1)
Disposal of treasury stock				122		122
Change in the parent's ownership interest due to transactions with noncontrolling interests				(301)		(301)
Net change in the year	(12)	(1,412)	121	(1,303)	(527)	(1,830)
BALANCE, MARCH 31, 2019	¥ 5,407	¥ (5,879)	¥ (148)	¥ 70,000	¥ 5,810	¥ 75,810

* 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, 2019

Millions of yen

	2019	2018
OPERATING ACTIVITIES:		
Income before income taxes	¥ 7,958	¥ 9,219
Adjustments for:		
Income taxes paid	(2,485)	(2,353)
Depreciation and amortization	3,584	3,315
Loss on disposal of property, plant, and equipment	393	54
Gain on sales of property, plant, and equipment	(8)	(7)
Changes in assets and liabilities:		
Increase in receivables	(668)	(1,066)
Increase in inventories	(2,373)	(323)
Increase (decrease) in payables	(113)	829
Increase (decrease) in liability for retirement benefits	(1)	452
Other – net	301	126
Total adjustments	(1,370)	1,027
Net cash provided by operating activities	6,588	10,246
INVESTING ACTIVITIES:		
Transfers to time deposits other than cash equivalents	(4,040)	(3,677)
Proceeds from maturity of time deposits other than cash equivalents	4,821	2,856
Proceeds from sales of property, plant, and equipment	16	12
Acquisition of property, plant, and equipment	(3,966)	(2,572)
Acquisition of intangible fixed assets	(1,197)	(993)
Payments for purchases of investment securities	(9)	(9)
Proceeds from sales and redemptions of short-term investment securities	21,300	27,000
Payments for purchases of short-term investment securities	(3,500)	(29,299)
Purchase of investments in subsidiaries with a change in scope of consolidation (Note 16)	(6,491)	
Other – net	(13)	(95)
Net cash provided by (used in) investing activities	6,921	(6,777)
FINANCING ACTIVITIES:		
Repayments of short-term bank loans – net	(148)	
Dividends paid	(3,280)	(2,655)
Purchase of investments in subsidiaries without a change in scope of consolidation	(586)	
Other – net	(6)	(14)
Net cash used in financing activities	(4,020)	(2,669)
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(350)	(40)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,139	760
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,641	12,880
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 22,780	¥ 13,640

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, 2019

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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, 2019, include the accounts of the Company and its 16 (12 in 2018) 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 2 (1 in 2018) unconsolidated subsidiaries 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.

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. Goodwill — Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired associated company at the date of acquisition. Goodwill is reported in the balance sheet as other assets and is amortized using the straight-line method over a reasonable number of years within 20 years.

h. Trademarks and Customer Related Assets — Trademarks and customer-related assets are carried at cost less accumulated amortization. Trademarks and customer-related assets are amortized using the straight-line method over a reasonable number of years within 20 years.

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

j. Business Combinations — Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred.

The Company acquired 100% of the shares of ACGI INTERNATIONAL SDN. BHD. on January 4, 2019, and accounted for this acquisition by the purchase method of accounting (see Note 16).

k. 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

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or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects. Actuarial gains and losses are mainly amortized by the declining-balance method over seven years within the average remaining service period, and past service costs are mainly amortized by the straight-line method over seven years within the average remaining service period.

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

m. 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.

n. 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.

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. Deferred tax assets were classified as current assets, investments and other assets, and deferred tax liabilities were classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥511 million and deferred tax liabilities of ¥2,488 million which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets, and long-term liabilities, respectively, in the accompanying consolidated balance sheet.

o. 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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.

p. 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.

q. Derivatives and Hedging Activities — The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. Foreign exchange forward contracts are utilized by the Company to reduce foreign currency exchange risks. The Company does not enter into derivatives for trading or speculative purposes.

r. 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.

s. New Accounting Pronouncements:

(a)The Company and its domestic consolidated subsidiaries
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 Standard	Overview	Date of Application
IFRS 16 Leases	Revised Accounting for Leases	Annual periods beginning on or after 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. ACCOUNTING CHANGE

Revenue from Contracts with Customers — The consolidated foreign subsidiaries apply IFRS 15, "Revenue from Contracts with Customers," for annual periods beginning on or after January 1, 2018.

The effects of this accounting policy change for 2019 were as follows: Consolidated statement of income for the year ended March 31, 2019 — "sales" decreased by ¥2,542 million, "selling, general, and administrative expenses" decreased by ¥2,542 million.

In addition, the cumulative effect of initially applying this accounting policy was recognized at the date of initial application.

The effect on segment information is disclosed in "Segment information."

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2019 and 2018 consisted of the following:

	Millions of Yen	
	2019	2018
Short-term investments:		
Certificates of deposit		¥ 13,300
Commercial paper other than cash equivalents		4,499
Time deposits other than cash equivalents	¥ 3,562	4,503
Total	¥ 3,562	¥ 22,302
Investment securities:		
Marketable equity securities	¥ 11,303	¥ 11,313
Nonmarketable equity securities	4	4
Total	¥ 11,307	¥ 11,317

Information regarding securities classified as available for sale as of March 31, 2019 and 2018 is as follows:

	Millions of Yen			
March 31, 2019	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,514	¥ 7,789	¥ 0	¥ 11,303

	Millions of Yen			
March 31, 2018	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,505	¥ 7,808	¥ (0)	¥ 11,313
Debt securities	4,499		(0)	4,499
Other	13,300			13,300

Available-for-sale securities whose fair value could not be reliably determined as of March 31, 2019 and 2018 were as follows:

	Millions of yen	
	2019	2018
Equity securities	¥ 4	¥ 4

There were no sales of available-for-sale securities for the years ended March 31, 2019 and 2018.

5. INVENTORIES

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen	
	2019	2018
Merchandise	¥ 3,666	¥ 2,317
Finished products	6,363	5,522
Work in process	479	434
Raw materials and supplies	3,010	2,488
Total	¥ 13,518	¥ 10,761

6. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2019 and 2018, consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 5.55% to 5.80% and 2.88% to 3.15% in Philippine pesos at March 31, 2019 and 2018, respectively. The loan proceeds were mainly utilized to support financing of working capital in the Philippines.

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7. 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, 2019 and 2018 were as follows:

Millions of Yen		
	2019	2018
Balance at beginning of year	¥ 5,472	¥ 4,925
Current service cost	346	317
Interest cost	172	166
Actuarial (gain) loss	(209)	197
Past service cost	2	91
Benefits paid	(213)	(152)
Increase by a change in scope of consolidation	17	
Foreign currency translation	(197)	(78)
Other	7	6
Balance at end of year	¥ 5,397	¥ 5,472

(2) The changes in plan assets for the years ended March 31, 2019 and 2018 were as follows:

Millions of Yen		
	2019	2018
Balance at beginning of year	¥ 3,150	¥ 2,987
Expected return on plan assets	80	78
Actuarial gain (loss)	(21)	17
Contributions from the employer	146	149
Benefits paid	(114)	(74)
Other	(23)	(7)
Balance at end of year	¥ 3,218	¥ 3,150

(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, 2019 and 2018 were as follows:

Millions of Yen		
	2019	2018
Funded defined benefit obligations	¥ 3,416	¥ 3,352
Plan assets	(3,218)	(3,150)
	198	202
Unfunded defined benefit obligations	1,981	2,119
Net liability arising from defined benefit obligations	¥ 2,179	¥ 2,321

Millions of Yen		
	2019	2018
Liability for retirement benefits	¥ 2,179	¥ 2,321
Asset for retirement benefits	0	
Net liability arising from defined benefit obligations	¥ 2,179	¥ 2,321

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Service cost	¥ 346	¥ 317
Interest cost	172	166
Expected return on plan assets	(80)	(78)
Recognized actuarial loss	52	58
Amortization of past service cost	0	68
Net periodic retirement benefit costs	¥ 490	¥ 531

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Prior service cost	¥ 1	¥ 23
Actuarial (gain) loss	(281)	107
Total	¥ (280)	¥ 130

(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, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Unrecognized prior service cost	¥ 2	
Unrecognized actuarial loss	303	¥ 593
Total	¥ 305	¥ 593

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2019 and 2018 consisted of the following:

	2019	2018
Debt investments	46%	40%
Equity investments	30	29
General accounts	14	14
Cash and cash equivalents	7	7
Other	3	10
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, 2019 and 2018 were mainly set forth as follows:

	2019	2018
Discount rate	0.4%	0.5%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary/wage increment	2.1%	2.2%

Defined Contribution Pension Plans

The Company and its consolidated subsidiaries recognized a defined contribution cost of ¥113 million and ¥108 million for the years ended March 31, 2019 and 2018, 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 ¥192 million and ¥187 million for the years ended March 31, 2019 and 2018, respectively.

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The financial statements of the Plan as of March 31, 2018 and 2017 were as follows:

(1) The funded status of the Plan as of March 31, 2018 and 2017 was as follows:

	Millions of Yen	
	2018	2017
Plan assets	¥ 12,422	¥ 10,658
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(18,605)	(18,633)
Net balance	¥ (6,183)	¥ (7,975)

The net balance above was mainly caused by past service cost of ¥9,768 million and ¥10,012 million for the years ended March 31, 2019 and 2018, respectively. Past service cost under the Plan was amortized on a straight-line basis over 11 years and over 12 years for the years ended March 31, 2019 and 2018, respectively. The special contributions of ¥131 million and ¥128 million for the years ended March 31, 2019 and 2018, respectively, which are utilized for such amortization, were expensed in the consolidated statements of income of the Group.

(2) The contribution ratios of the Group in the Plan for the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
The contribution ratio of the Group in the Plan	13.0%	13.2%

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

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if companies have prescribed so in their articles of incorporation. The Company meets all of the above criteria. The Companies Act permits companies to distribute dividends in kind (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.

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.58% and 30.81% each for the years ended March 31, 2019 and 2018. 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, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Deferred tax assets:		
Tax loss carryforwards	¥ 192	¥ 271
Accrued bonuses	280	265
Enterprise tax	69	76
Inventories	153	138
Liability for retirement benefits	591	639
Long-term liabilities	80	90
Property, plant, and equipment	34	32
Other	641	518
Total of tax loss carryforwards and temporary differences	2,040	2,029
Less valuation allowance for tax loss carryforwards	(192)	
Less valuation allowance for temporary differences	(73)	
Total valuation allowance	(265)	(297)
Deferred tax assets	1,775	1,732
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	2,382	2,387
Intangible assets associated with business combinations	690	
Other	680	525
Deferred tax liabilities	3,752	2,912
Net deferred tax liabilities	¥ (1,977)	¥ (1,180)

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2019, were as follows:

	Millions of Yen						
March 31, 2019	1 Year(s) or Less	After 1 Year(s) through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
Deferred tax assets relating to tax loss carryforwards	¥ 14	¥ 0	¥ 25	¥ 41	¥ 61	¥ 51	¥ 192
Less valuation allowances for tax loss carryforwards	(14)	(0)	(25)	(41)	(61)	(51)	(192)
Net deferred tax assets relating to tax loss carryforwards							

Valuation allowance for tax loss carryforwards is disclosed separately in the valuation allowance of this note in accordance with ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" beginning with the fiscal year ended March 31, 2019. However, valuation allowance for tax loss carryforwards for the year ended March 31, 2018 is not disclosed separately in accordance with Paragraph 7 of ASBJ Statement No. 28.

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

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

* Information for the year ended March 31, 2019 was not provided because the difference between the statutory tax rate and the effective income tax rate was less than 5% of the statutory tax rate.

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10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2019 and 2018 were ¥1,827 million and ¥1,814 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2019 and 2018 were ¥5,156 million and ¥5,208 million, respectively.

12. LEASES

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

Total rental expenses for the years ended March 31, 2019 and 2018 were ¥1,647 million and ¥1,535 million, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Due within one year	¥ 35	¥ 144
Due after one year	130	
Total	¥ 165	¥ 144

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments to invest cash surplus amounts in low-risk and highly liquid financial instruments. Derivatives are used to achieve higher yields within specified limits on the amounts, but not for speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Short-term investments and investment securities, mainly debt securities with maturities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than three months.

Receivables and payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring 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, 2019, 47.8% of total receivables is from two 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		
March 31, 2019	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 22,780	¥ 22,780
Short-term investments and investment securities	14,865	14,865
Receivables	11,829	11,829
Total	¥ 49,474	¥ 49,474
Short-term bank loans	¥ 106	¥ 106
Payables	7,354	7,354
Accrued income taxes	1,119	1,119
Total	¥ 8,579	¥ 8,579

Millions of Yen		
March 31, 2018	Carrying Amount	Fair Value
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

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 4.

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		
	2019	2018
Investments in equity instruments that do not have a quoted market price in an active market	¥ 4	¥ 4

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

Millions of Yen	
March 31, 2019	Due in 1 Year or Less
Cash and cash equivalents	¥ 22,780
Short-term investments and investment securities:	
Other	3,562
Receivables	11,829
Total	¥ 38,171

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

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14. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen	
	2019	2018
Unrealized gain (loss) on available-for-sale securities:		
Gains (losses) arising during the year	¥ (18)	¥ 3,776
Reclassification adjustments to profit or loss		
Amount before income tax effect	(18)	3,776
Income tax effect	6	(1,155)
Total	¥ (12)	¥ 2,621
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	¥ (191)	¥
Reclassification adjustments to profit or loss	133	
Amount before income tax effect	(58)	
Income tax effect	58	
Total	¥	¥
Foreign currency translation adjustments:		
Adjustments arising during the year	¥ (1,762)	¥ (337)
Total	¥ (1,762)	¥ (337)
Defined retirement benefit plans:		
Adjustments arising during the year	¥ 228	¥ (255)
Reclassification adjustments to profit or loss	52	125
Amount before income tax effect	280	(130)
Income tax effect	(57)	34
Total	¥ 223	¥ (96)
Share of other comprehensive loss in associates:		
Gains arising during the year	¥ (15)	¥ (44)
Total	¥ (15)	¥ (44)
Total other comprehensive (loss) income	¥ (1,566)	¥ 2,144

15. SUPPLEMENTAL CASH FLOW INFORMATION

The Group acquired ACG INTERNATIONAL SDN. BHD. (ACGI Co.) during the year ended March 31, 2019. Reconciliation between cash paid for the equity interest of ACGI Co. and payment for the acquisition of the newly consolidated subsidiaries, net of cash and cash equivalents acquired, was as follows:

	Millions of Yen
	2019
Current assets	¥ 2,113
Property and equipment and investments and other assets	2,829
Goodwill	3,408
Current liabilities assumed	(1,021)
Long-term liabilities	(758)
Foreign currency translation adjustments	34
Cash paid for the capital	6,605
Cash and cash equivalents of ACGI Co.	(114)
Net cash paid for the capital	6,491

16. BUSINESS COMBINATION

(1) Outline of the Business Combination

(a) Name of acquired company and its business outline

Name of acquired company: ACG INTERNATIONAL SDN. BHD.

Business outline: Sale and develop of cosmetic products

(b) Major reason for the business combination

At present, the Company is actively developing its business in Japan and overseas with the aim of realizing its vision for 2027 ("VISION 2027"). Specifically, the Company is developing its business in accordance with its vision policies to "Leverage Asia's economic growth to evolve into a truly global company" and "Display greater Dedication to Service (Oyakudachi)" in the men's business segment and invest aggressively to expand its women's business segment."

ACGI Co. is a company that develops and sells cosmetics. "SILKYGIRL," as its core brand is, one of the top makeup brands chosen by the young generation in Malaysia and other Southeast Asian countries. SILKYGIRL is a popular brand that adapts to global cosmetic trends quickly and meets the needs of fashion-conscious consumers in Southeast Asia. In Malaysia, SILKYGIRL is highly popular among women in their teens and 20s.

Through the acquisition of ACGI Co., the Company will enhance the Group presence in Southeast Asia.

- (c) Date of business combination
January 4, 2019
- (d) Legal form of business combination
Share acquisition in consideration for cash
- (e) Name of the company after the combination
No change
- (f) Ratio of voting rights acquired
100%
- (g) Basis for determining the acquirer
It is based on the fact that the Company acquired 100% of voting rights by means of share acquisition in consideration for cash.

(2) The Period for Which the Operations of the Acquired Company Are Included in the Consolidated Financial Statements

The balance sheet of the acquired company is included in the consolidated balance sheet as of March 31, 2019; however, the operations of the acquired company are not included in the consolidated statement of income for the year ended March 31, 2019.

(3) Acquisition Cost of the Acquired Company and Related Details of Each Class of Consideration

	Millions of U.S. Dollars	Millions of Yen
Consideration for acquisition – Cash	58	¥ 6,604

(4) Major acquisition-related costs

Advisory fees and commissions: ¥382 million

(5) Amount of Goodwill Incurred, Reasons for the Goodwill Incurred, and the Method and Period of Amortization

- (a) Amount of goodwill incurred
MYR 127 million (¥3,408 million)
- (b) Reasons for the goodwill incurred
Goodwill is incurred from expected excess earnings power in the future arising from further business development.
- (c) Method and period of amortization
Goodwill is amortized on a straight-line basis over 15 years.

(6) The Assets Acquired and the Liabilities Assumed at the Acquisition Date Are as Follows:

	Millions of MYR	Millions of Yen
Current assets	79	¥ 2,112
Other assets	106	2,829
Total assets acquired	185	¥ 4,941
Current liabilities	38	¥ 1,020
Long-term liabilities	28	759
Total liabilities assumed	66	¥ 1,779

(7) Amount of Intangibles and the Period of Amortization (Weighted-average) Are as Follows:

Type	Millions of MYR	Millions of Yen	Period of Amortization (Weighted-average)
Trademarks	39	¥ 1,040	15
Customer-related assets	61	1,626	15
Total	100	¥ 2,666	

(8) Pro Forma Information (Unaudited)

If this business combination had been completed as of April 1, 2018, the beginning of the current fiscal year, the effects on the consolidated statement of income for the year ended March 31, 2019, would be as follows:

	Millions of MYR	Millions of Yen
Sales	119	¥ 3,271
Operating income	17	480
Income before income taxes	16	462
Net income attributable to owners of the parent	11	325
	MYR	Yen
Per share of common stock	0.25	¥ 6.96

(Effect of estimated amount)

The effect of the estimated amount is the difference between sales and income on the consolidated statement of income of the acquired company. If this business combination had been completed as of April 1, 2019, the beginning the current fiscal year.

This note is not audited.

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17. SUBSEQUENT EVENTS

(1) Appropriation of Retained Earnings

The following appropriation of retained earnings as of March 31, 2019 is expected to be approved at the Company's annual general shareholders' meeting to be held on June 21, 2019 (the "General Meeting of Shareholders"):

	Millions of yen
Year-end cash dividends, ¥30 per share	¥ 1,404

(2) Purchase of Treasury Stock

The Company announced the purchase of treasury stock, at the meeting of its Board of Directors held on May 14, 2019, in accordance with Article 156 of the Companies Act, as applied pursuant to Article 165(3) of the Companies Act.

1. Reasons for purchase of treasury stock

The Company purchases treasury stock to raise capital efficiency and implores profit returns to stockholders.

2. Overview of the purchase of treasury stock

(a) Type of stock

Common stock

(b) Amount of stock

2,000,000 shares (upper limit)

The percentage of issued stock without treasury stock: 4.3%

(c) Total of purchase cost

¥5,000 million (upper limit)

(d) Period of purchase

From May 15, 2019 to November 29, 2019

3. The status of acquisition of treasury stock until May 31, 2019

(a) Type of stock acquired

Common stock

(b) Number of stock acquired

179,800 shares

(c) The amount of acquisition

¥497 million

(d) Period of acquisition

From May 15, 2019 to May 31, 2019

(e) Method of acquisition

Market purchase of Tokyo Stock Exchange

18. 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 overseas subsidiary 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."

As described in the accounting change section, the consolidated foreign subsidiaries apply IFRS 15, "Revenue from Contracts with Customers." As a result, due to the effects of applying the accounting standard, sales to external customers of Indonesia segment decreased by ¥406 million, and sales to external customers of other segment decreased by ¥2,135 million. There is no impact on segment profit.

(3) Information about Sales, Profit, Assets, Liabilities, and Other Items

Millions of yen						
2019						
	Reportable Segment				Reconciliations*	Consolidated
	Japan	Indonesia	Other	Total		
Sales:						
Sales to external customers	¥ 48,442	¥ 17,045	¥ 13,510	¥ 78,997		¥ 78,997
Intersegment sales or transfers	5,009	3,209	403	8,621	¥ (8,621)	
Total	¥ 53,451	¥ 20,254	¥ 13,913	¥ 87,618	¥ (8,621)	¥ 78,997
Segment profit**	¥ 4,248	¥ 682	¥ 2,206	¥ 7,136		¥ 7,136
Assets	54,260	18,020	21,122	93,402		93,402
Other:						
Depreciation	2,292	1,195	97	3,584		3,584
Investments in an associated company under the equity method			809	809		809
Increase in property, plant, and equipment and intangible assets	3,005	1,425	6,337	10,767		10,767

Millions of yen						
2018						
	Reportable Segment				Reconciliations*	Consolidated
	Japan	Indonesia	Other	Total		
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

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

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

(4) Information about Products and Services

Millions of yen				
2019				
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 49,581	¥ 22,433	¥ 6,984	¥ 78,998

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

Consolidated Financial Statements

(5) Information about Geographical Areas

(a) Sales

Millions of yen			
2019			
Japan	Indonesia	Other	Total
¥ 47,557	¥ 14,822	¥ 16,619	¥ 78,998

Millions of yen			
2018			
Japan	Indonesia	Other	Total
¥ 46,817	¥ 17,354	¥ 17,216	¥ 81,387

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

(b) Property, plant, and equipment

Millions of yen			
2019			
Japan	Indonesia	Other	Total
¥ 10,713	¥ 6,931	¥ 496	¥ 18,140

Millions of yen			
2018			
Japan	Indonesia	Other	Total
¥ 10,646	¥ 7,287	¥ 335	¥ 18,268

(6) Information about Major Customers

Millions of yen		
2019		
Name of Customer	Sales	Related Segment Name
PALTAC Corporation	¥ 26,713	Japan
PT Asia Paramita Indah	15,185	Indonesia

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

(7) Information about Goodwill

	Millions of Yen			
	2019			
	Japan	Indonesia	Other	Total
Amortization of goodwill	¥	¥	¥ 3,408	¥ 3,408
Goodwill at March 31, 2019				

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, 2019, 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.

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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Deloitte Touche Tohmatsu LLC

June 13, 2019

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 ► Mr. Shinpachiro Nishimura appointed president of Kintsuru Perfume 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 was changed to Tancho Corporation
- 1961. 5 ► Mr. Hikoji Nishimura appointed president of Tancho Corporation
- 1966.11 ► Chairman Shinpachiro Nishimura passed away on November 3
- 1969.11 ► Started a 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," announcing launching 10 products in 9 categories
Featured a Hollywood star (Mr. Charles Bronson) for the first time in a Japanese advertisement
- 1971. 4 ► Company name was 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 two major lines were introduced simultaneously

1980-

- 1980. 4 ► Switched from direct sales to distributors
- 8 ► Mr. Ikuo Nishimura appointed president
- 1982. 4 ► Commenced Mandom Corporation's 1st 5-year Middle-Range Planning (MP Project)
- 9 ► Commenced sale of Pagliacci lineup through beauty salons throughout Japan
- 10 ► Launched Pixy in Indonesia
- 1983. 4 ► Introduced new CI system. Changed company logo
- 1984. 4 ► Adopted information card system
- 7 ► Introduced 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 Gatsby hair foam for men
- 1986. 1 ► Established External Corporate Auditors
- 9 ► Completed construction of a factory specializing in aerosol products at the Fukusaki Factory
- 1987. 4 ► Commenced 2nd 3-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 by increasing capital through public offering
- 1989. 3 ► Received ECO Mark certification to foam products from the Japan Environment Association for the first time in the industry
- 9 ► Introduced Lúcido, a lineup of fragrance-free men's cosmetics products, unprecedented in the industry
- Japan Doctor Renaud Cosmetics Company changed its name to Piacelabo Corporation
- 12 ► Started a joint venture in Taiwan (now consolidated subsidiary Mandom Taiwan Corporation)

1990-

- 1990. 4 ► Commenced 3rd 3-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 4th 3-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 Tbk 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 ► The second phase of the construction of a new Head Office ended, completing the construction of the building
- 1995. 6 ► Mr. Motonobu Nishimura appointed president of Mandom Corporation
- Established External Director
- 1996. 4 ► Commenced 5th 3-year Middle-Range Planning
- Established Beauco Corporation, that 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 JPY 10 billion sales of Gatsby products, a first in the Japanese cosmetics industry for men's products
- 4 ► Commenced 6th 3-year Middle-Range Planning
- 8 ► Started a joint venture in South Korea (now consolidated subsidiary Mandom Korea Corporation)



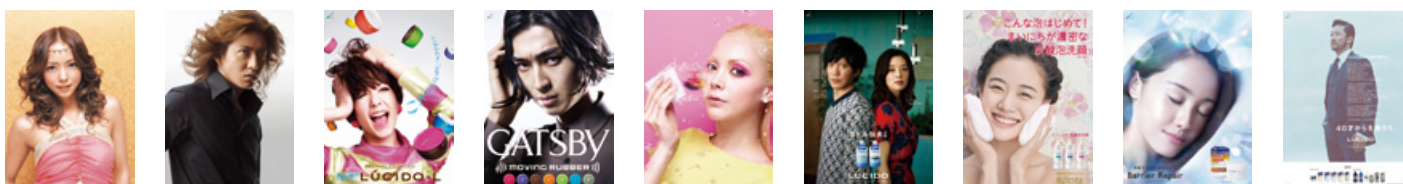
2000-

- 2000. 5 ▶ Mr. 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 7th 3-year Middle-Range Planning
- 5 ▶ Started marketing Gatsby and Lúcido-L simultaneously overseas
- 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 by increasing capital through public offering
- 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 (the first product recall in the Company's history)
- 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 ▶ Acquired M-ZA Corporation, a wholly owned subsidiary
- 3 ▶ Transferred all stocks of Mic Corporation, a wholly owned subsidiary, to BHL SA.
- 4 ▶ Commenced 8th 3-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 featured Takuya Kimura as the new model for Gatsby
- 8 ▶ Repurchased 330,000 shares of Mandom common stock on the open market
- 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 9th 3-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 ▶ Absorption-type merger 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 10th 3-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. (a consolidated subsidiary) in India
- 2013. 8 ▶ Launched Gatsby Hair Jam, a new formulation proposal successor to wax
- 2014. 2 ▶ Launched "Lúcido Deodorant series" to combat middle-age sebum odor
 - 3 ▶ Extended Fukusaki Factory's production building
 - 4 ▶ Commenced 11th 3-year Middle-Range Planning
- 2015. 1 ▶ Established Mandom Vietnam Company Limited (a 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 took place at a PT Mandom Indonesia Tbk plant, resulting in loss of life
- 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 VISION2027 which outlines where the Company aspires to be in 2027, the 100th anniversary
 - ▶ Commenced Mandom Corporation's 12th three-year Middle-Range Planning
 - ▶ Introduced a work-from-home system as one part of its workstyle reform initiative
- 10 ▶ Executed stock split (split each common stock into two)
- 2018. 5 ▶ Concentrated Group's marketing functions to the Tokyo office located in Aoyama
 - 6 ▶ Introduced restricted stock compensation plan
 - ▶ Eliminated roles of senior advisor, honorary advisor and advisor to further increase effectiveness and transparency
 - 8 ▶ Established Mandom Will corp., (non-consolidated subsidiary) to expand utilization and hiring of diverse human resources
- 2019. 1 ▶ Acquired all shares of ACG International Sdn. Bhd. (making it a subsidiary), which is primarily engaged in young women's makeup brand operations in Malaysia



Mandom Group Companies (As of March 31, 2019)

Japan

Company Name	Location	Main Businesses	Main Products	Established	Accounting Method on Consolidated Financial Statements	Voting Rights
Mandom Corporation	Japan	Manufacture and sale of products for mass distribution via distributors, primarily to drug stores and convenience stores	Cosmetics 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 assurance of domestic Group company products	—	1997	Non-consolidated	100.0%
Mandom Will corp.	Japan	Contractor to Mandom Group	—	2018	Non-consolidated	90.0%

Overseas

Company Name	Location	Main Businesses	Main Products	Established	Accounting Method on Consolidated Financial Statements	Voting Rights
PT Mandom Indonesia Tbk	Indonesia	Manufacture and sale of cosmetics and other products	Cosmetics, makeup and skin care products	1969	Consolidated	62.8%
Mandom Corporation (Singapore) Pte. Ltd.	Singapore	Sale of cosmetics and other products	Cosmetics, toiletries and skin care products	1988	Consolidated	100.0%
Mandom Taiwan Corporation	Taiwan	Sale of cosmetics and other products	Cosmetics and skin care products	1989	Consolidated	100.0%
Sunwa Marketing Co., Ltd.	China (Hong Kong)	Sale of cosmetics and other products	Cosmetics, toiletries and skin care products	1993	Equity-method affiliate	44.0%
Mandom Korea Corporation	South Korea	Sale of cosmetics and other products	Cosmetics, toiletries and skin care products	1999	Consolidated	100.0%
Mandom (Malaysia) Sdn. Bhd.	Malaysia	Sale of cosmetics and other products	Cosmetics, toiletries and skin care products	1997	Consolidated	99.1%
Mandom Philippines Corporation	The Philippines	Sale of cosmetics and other products	Cosmetics and skin care products	1992	Consolidated	100.0%
Mandom Corporation (Thailand) Ltd.	Thailand	Sale of cosmetics and other products	Cosmetics, toiletries and skin care products	1990	Consolidated	100.0%
Mandom Vietnam Company Limited	Vietnam	Sale of cosmetics and other products	Cosmetics and skin care products	2015	Consolidated	100.0%
Mandom China Corporation	China (Shanghai)	Sale of cosmetics and other products	Cosmetics and skin care products	2008	Consolidated	100.0%
Zhongshan City Rida Cosmetics Co., Ltd.	China (Zhongshan)	Manufacture and sale of cosmetics and other products	Cosmetics and skin care products	1996	Consolidated	66.7%
Mandom Corporation (India) Pvt. Ltd.	India	Sale of cosmetics and other products	Cosmetics and skin care products	2012	Consolidated	100.0%
ACG International Sdn. Bhd.	Malaysia	Others	—	2009	Consolidated	100.0%

Notes: 1. Mandom Corporation (India) Pvt. Ltd. is not currently operating its businesses.

2. ACG International Sdn. Bhd. is a holdings company for three companies selling cosmetics and other products.

3. Purchase of ACG International Sdn. Bhd. shares (making it a subsidiary) was completed in 2019.

4. Voting Rights percentages are rounded down to one decimal place.

Company Outline / Stock and Shareholder Information (As of March 31, 2019)

Company Profile

Company Name Mandom Corporation
Head Office 5-12, Juniken-cho, Chuo-ku, Osaka 540-8530, Japan
Established: December 23, 1927
Paid-in Capital 11,394 million yen
No. of Employees 2,914 (Consolidated) / 586 (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 to Be Issued: 81,969,700

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

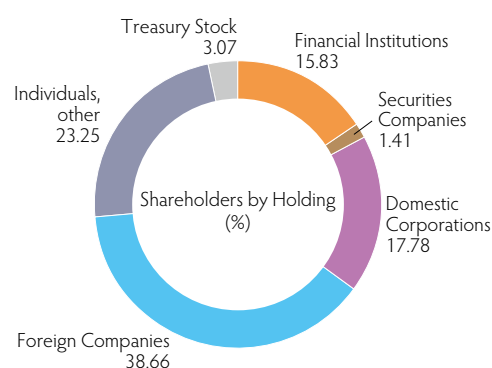
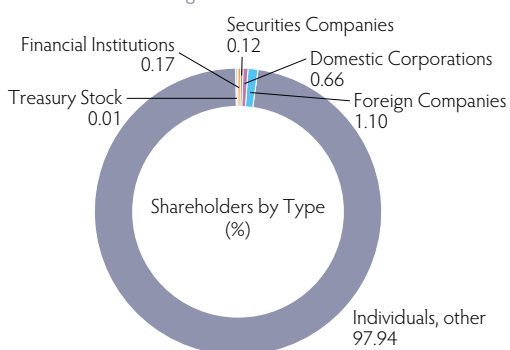
Number of Shareholders: 21,517

Stock Listing: First Section, Tokyo Stock Exchange

Securities Code: 4917

Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

Common Stock Holdings

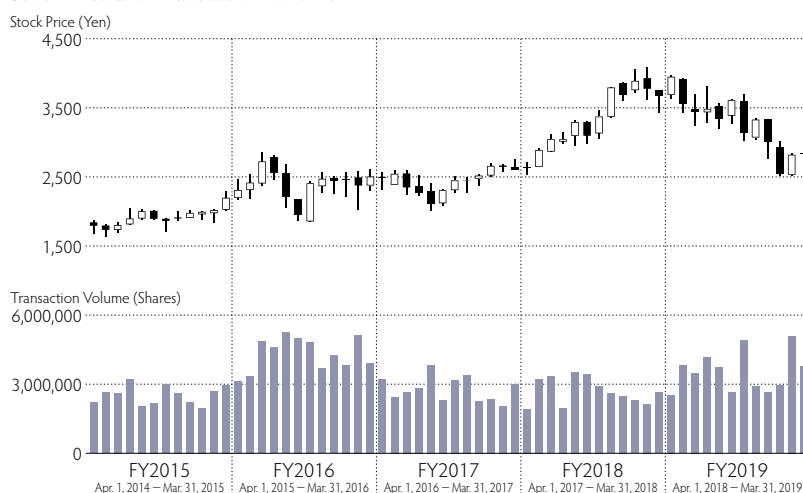


Major Shareholders

Shareholder name or title	No. of shares owned (Thousands)	Ratio of share ownership (%)
Nishimura International Scholarship Foundation	3,600	7.69
The Master Trust Bank of Japan, Ltd. (trust account)	1,983	4.24
Japan Trustee Services Bank, Ltd. (trust account)	1,558	3.33
Motonobu Nishimura	1,437	3.07
Mandom Employee Shareholding Association	1,227	2.62
JPMORGAN CHASE BANK 385174	1,007	2.15
SEB AB FBO DIDNER AND GERGE GLOBAL	970	2.07
Japan Trustee Services Bank Ltd. (trust account 5)	881	1.88
GOLDMAN, SACHS & CO. REG	821	1.76
SSBTC CLIENT OMNIBUS ACCOUNT	734	1.57

Notes: 1. Figures less than 1,000 shares have been rounded down.
 2. Ratios of share ownership are rounded down to one decimal place.
 3. We hold 1,483,926 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 are all figures taking 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/en/ir>

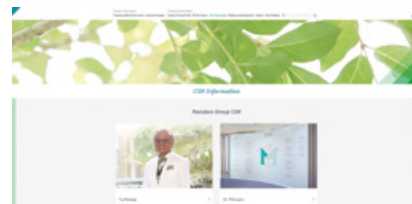
CSR Information ▶

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

IR Information



CSR Information



mandom corp.



Share together to build
a low-carbon society.