

Corporate Governance

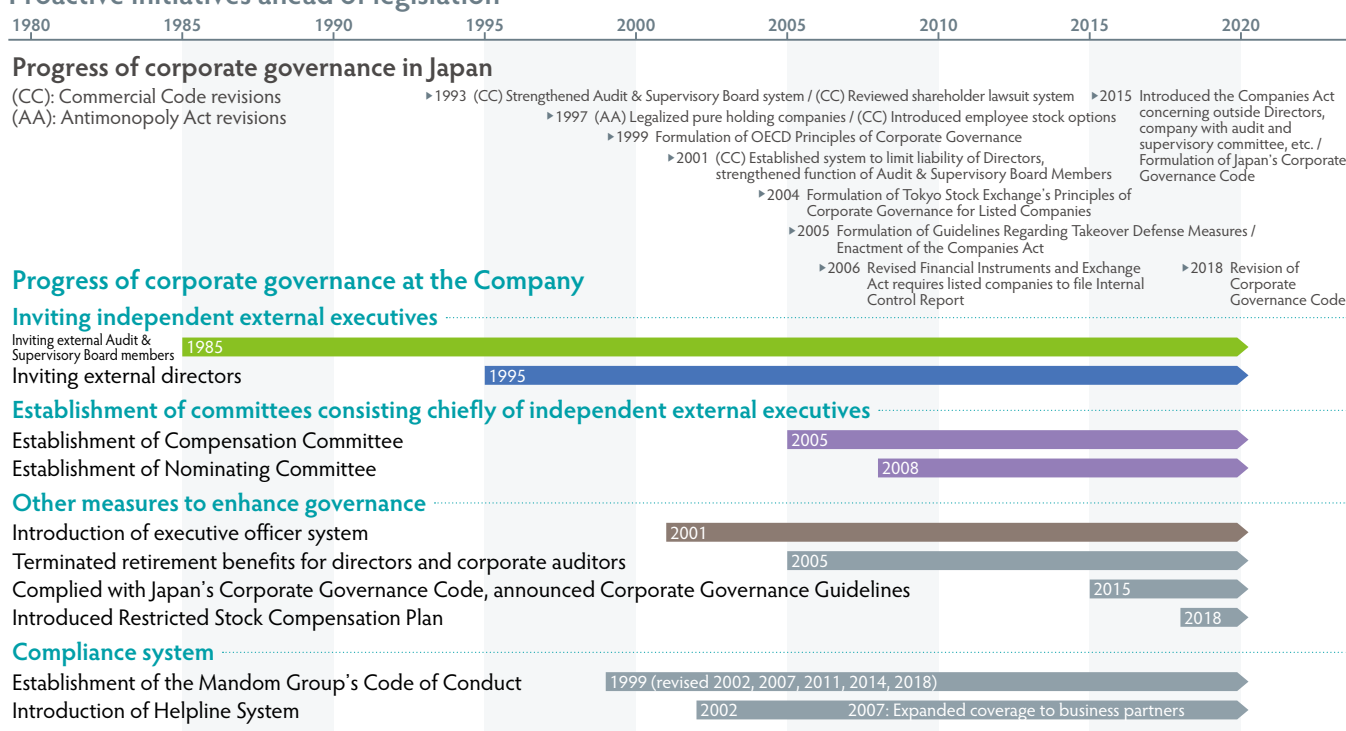
G Governance

► 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

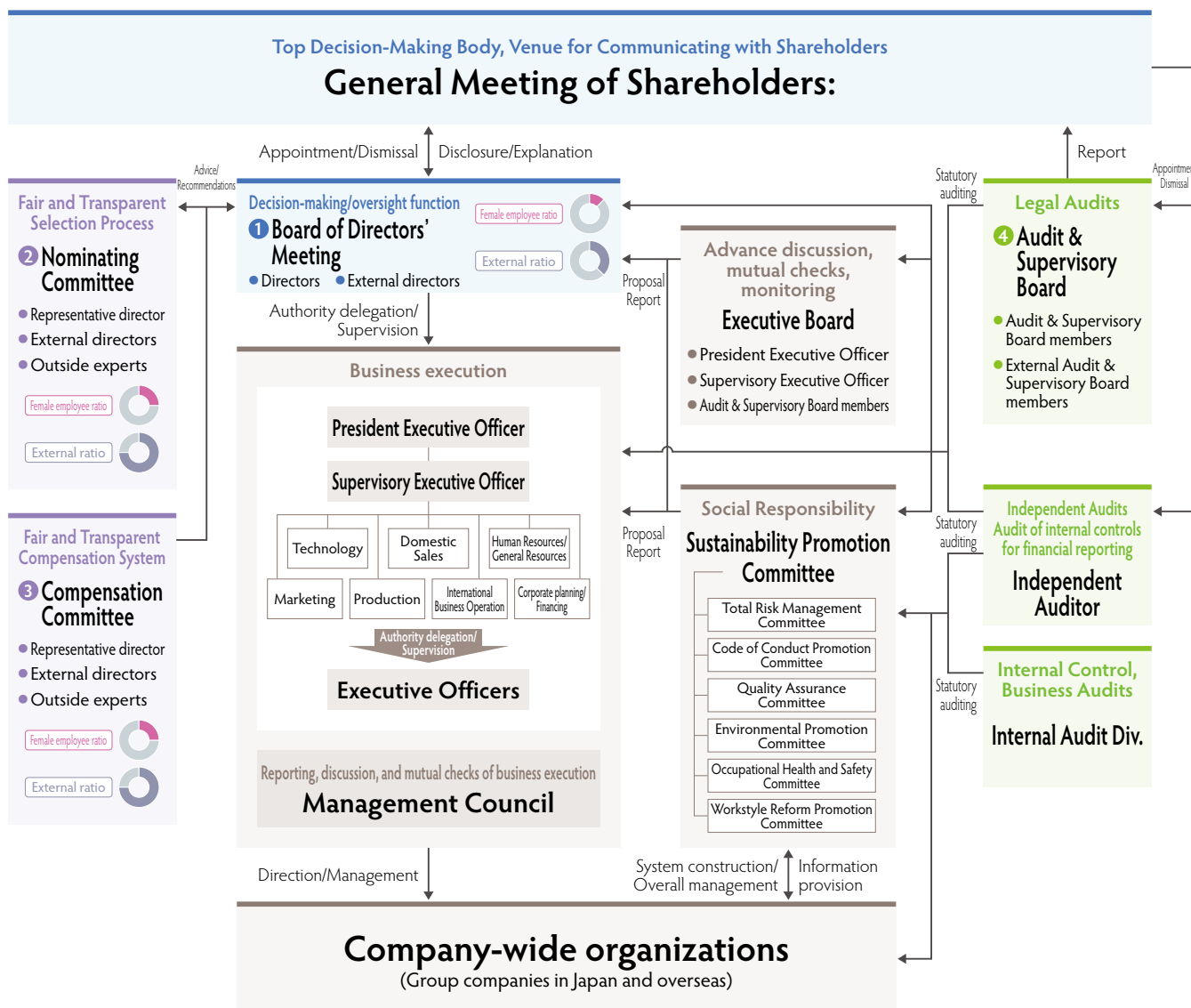
Overview of the Corporate Governance Structure and Reasons for Adopting the Structure

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 executional officers in charge of specific operations, we have created a system for the proactive and expeditious execution of operations. This system ensures soundness and transparency, and appropriately pursues efficiency. The Group has also voluntarily established the Compensation Committee, more than half of whose members are external directors, as well as the Nominating Committee. Executive compensation and appointments are reviewed by these entities, and determined by the Board of Directors' resolution with close reference to the results of such reviews.

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 senior management and independent external non-executive directors.

In addition to establishing an Audit & Supervisory Board, we have voluntarily established advisory panels for the Board of Directors, and apply mutual checks and oversight between 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 [Directors/External 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.

Topics at the Board of Directors meetings

First half of the fiscal year - 45 deliberation and approval items

- ▶ **Major topics**
 - Disclosure of summary of evaluation results and analysis of the effectiveness of the Board of Directors
 - Reorganization of the Group Management Plan for fiscal 2019
 - Acquisition of treasury stock
 - Establishment of bank borrowings
 - Submission of Corporate Governance Report for fiscal 2019
 - Selection of Representative Director

Second half of the fiscal year - 42 deliberation and approval items

- ▶ **Major topics**
 - Executive personnel in fiscal 2020 (104th fiscal term)
 - Appointment of executive officers in fiscal 2020 (104th fiscal term)
 - Licensing of non-exclusive sales of "Human sweat gland stem cells" by ABM established at the Osaka University Joint Research Chairs
 - MP-13 MCJ Middle-Range Planning (draft)

2 Nominating Committee

[Representative Director/External directors/Outside experts]

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 is consulted by the Board of Directors for proposals regarding candidates for director, Audit & Supervisory Board member and supervisory executive officer.

3 Compensation Committee

[Representative Director/External directors/Outside experts]

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 is consulted by the Board of Directors for policies regarding compensation for directors and supervisory executive officers.

4 Audit & Supervisory Board

[Audit & Supervisory Board members/External Audit & Supervisory Board members]

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.

Fields of experience of Directors and Audit & Supervisory Board Members of the Company


Mandom acknowledges the importance of a composition of 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. 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 subsidiary in the overseas business.

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. For reference, four overseas nationals (one of whom is an equity-method affiliate) have already served as representatives of overseas subsidiaries. Going forward, 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.

By appointing external directors and external Audit & Supervisory Board members who have no special interest relationships with the Company and are highly independent of the Company, the Company aims to reinforce its corporate governance and augment the Group's overall management quality.

The Company has formulated the Standards for the Independence of Independent Outside Executives shown below. The external directors and external Audit & Supervisory Board members of the Company satisfy these standards and the Tokyo Stock Exchange's independence criteria. The Company has notified the Tokyo Stock Exchange that all of these executives are independent executives.

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

 Explanation of individual reasons for the selection of the principle members of the management 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 23, 2020)

Name	Field of experience*									
	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	Reiko Nakayama	●		●		●	●			●
	Shigeki Suzuki	●	●		●				●	
	Hitoshi Tanii	●		●	●					●
[Audit & Supervisory Board Members]										
Hiroo Mizuno				●	●		●			
Takehiko Ikehata	●		●							
Independent External	Yukihiro Tsujimura							● Attorney		
	Masahiro Nishio					● CPA				

* 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.

Message from external Director: advice after a year in office -Reiko Nakayama-

- What is your impression about the effectiveness of the Board of Directors of Mandom one year after joining?

Executive officers are faithful to their duties and make efforts to share this with all officers. I feel that external officers often express their opinions without hesitation. If I am to say what I would further wish for, I think we should create a corporate culture that encourages executives to exchange opinions in a lively manner. This is because, while good relationships with each other are preferred, it is only natural that the departments of Corporate planning, Development, Manufacturing, Sales, and Marketing do not always all agree on one opinion.

- What are your thoughts and opinions from your experience as a member of the Nominating Committee and Compensation Committee of Mandom for one year?

When it comes to nominating officers, it is of the utmost importance that all members of the Committee fully understand and share the qualities that the Company expects of its directors and executive officers, and select the best personnel. I believe that my mission is to do my best to make that happen. Regarding the Compensation Committee, in terms of the current compensation system, I believe it is worthwhile to appreciate that it combines monetary and stock compensation and that it implements medium-term targets with

clear numerical targets. As for future issues, I think that it is necessary to consider reflecting the setting target because the part that shareholders value such as capital cost and cash flow is not adopted and ESG is not taken into consideration.

- What advice would you most like to give to Mandom as a corporation?

I don't think there is enough awareness regarding diversity. I think it might be the case that male employees intend to take action for diversity, but from the perspective of female employees, I feel that this is not always the case. The Company's growth has been centered on men's cosmetics, but in recent years women's cosmetics have increased. When it comes to creating products that are more desirable to women, I think it is necessary to develop them while fully considering and understanding the perspectives and sensibilities of women looking forward. To this end, I believe that both men and women employees need to further reform their awareness.



Supervision				
Name	Attendance in Fiscal 2020 (number of times attended/number of times held)			
	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board

[Directors]

	Motonobu Nishimura	12/13	4/4	1/1	
	Shinichiro Koshiba	13/13			
	Yasuaki Kameda	13/13			
	Takeshi Hibi	13/13			
	Ken Nishimura	10/10			
	Tatsuyoshi Kitamura	3/3			
Independent External	Satoshi Nagao	13/13	4/4	1/1	
	Reiko Nakayama	9/10	4/4	1/1	
	Satoshi Nakajima	2/3			

[Audit & Supervisory Board Members]

	Ryuichi Terabayashi	13/13			16/16
	Hiroo Mizuno	13/13			16/16
Independent External	Yukihiro Tsujimura	13/13			16/16
	Masahiro Nishio	13/13			16/16

Execution	
Management Council	Executive Board
Number of meetings held in Fiscal 2020	Number of meetings held in Fiscal 2020
11 times	10 times
Members	Members
President Executive Officer Supervisory Executive Officer Executive Officers External Directors Audit & Supervisory Board Members External Audit & Supervisory Board Members	President Executive Officer Supervisory Executive Officer (Observers) External Directors Audit & Supervisory Board Members
Of which, external members: External Directors 2 External Audit & Supervisory Board Members 2	
Meeting Roles	Meeting Roles
The Management Council deliberates matters to be resolved by the Board of Directors beforehand and matters related to business management policies.	The Executive Board deliberates beforehand important matters related to management policy, business plan and new business to be resolved by the Board of Directors and Management Council.

Evaluation of the Effectiveness of the Board of Directors

1. The Company carried out evaluation and analysis using the following procedure:

- (1) In January 2020, a questionnaire* was distributed to members of the Board of Directors, and responses were received from all respondents.

* 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, as well as a space requesting free comments, for instance to raise any issues.

Regarding the results of this evaluation, the highest rating (adequate) of the four levels was the most common at more than 70%.

- (2) Based on these responses, the representative director (President Executive Officer) interviewed internal directors 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 June.

- (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

- Evaluation**
- ① The Board of Directors is promoting management strategies and goals through constructive discussions of the Board of Directors itself based on the long-term vision of "VISION2027" and the "12th Middle-Range Planning (April 2017 to March 2020)," and based on prior deliberation at the Executive Board and the Management Council, etc.
 - ② Independent external directors meet the Standards for the Independence of Independent External Executives, as formulated by the Board of Directors, and they recruited human resources who have an objective and shareholder-oriented monitoring function and an effective advisory function from a global perspective, and these directors have fulfilled their responsibilities and duties.
 - ③ The Board of Directors ask external directors and external Audit & Supervisory Board members for suggestions and opinions, including questions raised, and strives to foster a spirit of respect for free, open and constructive discussions and exchanges of opinions by encouraging directors and Audit & Supervisory Board members to actively make comments.
 - ④ Board of Directors regulations, regulations on decision-making authority, and other regulations stating clearly the criteria for matters to be decided by the Board of Directors and matters to be delegated to management are appropriately in place and operational, so that the flexibility of business execution is being ensured, and oversight by the Board of Directors is being performed appropriately.
 - ⑤ The Board of Directors manages conflicts of interest between the management and related parties and the Company and transaction appropriateness and transaction conditions by conducting procedures that require strict audits performed by Audit & Supervisory Board members based on the regulations of the Audit & Supervisory Board and deliberation and approval by the Board of Directors based on the regulations of Directors.

On the basis of the rationale set out above, the Board of Directors of Mandom determined that it had achieved effectiveness.

- Suggestions and advice**
- As for the factors behind the difference between the plan and the actual results, working to further strengthen business management methods within a business and function matrix structure makes it possible to accurately reflect the results of the analysis in the strategies and plans for the next year, so further improvement of management efficiency can be realized.
 - By having the management reaffirm and raise awareness of the importance of proactive proposals 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.

Specific comments on items evaluated and items requiring improvement

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| <p>Evaluation points</p> <ul style="list-style-type: none"> • At meetings attended by officers, including the Board of Directors, discussions are actively conducted, and an environment in which opinions can be easily expressed is provided. • At the Board of Directors' meetings, there were many opinions from external officers, and we consider that they are functioning properly. • The Board of Directors considers that deliberations are fairly fair. • Discussions are basically held in a free-spirited atmosphere, and we appreciate the fact that there are no negative remarks, despite the fact that some discussions are rather reserved. • The Company has introduced a performance-linked stock compensation plan and is taking on challenges involving risk taking, such as M&A and large-scale plant investment. | <p>Points that need improvement</p> <ul style="list-style-type: none"> • The Board of Directors should review the agenda for reference to facilitate transfer to the Management Council so that it can concentrate on decision-making for important strategies. • If there is a difference between the plan and the results, the short-term consideration will largely depend on external factors, but from a long-term perspective, internal factors should not be overlooked, and we consider that discussions from both perspectives are desirable. • We consider that only a few statements made by Directors on individual proposals were outside of their area of responsibility for execution. • With the rapidly changing business environment, it is necessary to maintain a system for accepting challenging proposals from management and further promote support for speedy execution of business. • Since directors of the Company are directors who serve concurrently as executive officers, training for directors should be conducted systematically. |
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Content of Executive Compensation

1. Policy for Determining Compensation Amounts for Company Executives

			Basis for determining compensation	Operational Executive Directors	Non-executive Directors	External Directors	Audit & Supervisory Board Members
Performance-linked compensation	c	Medium- to long-term performance-linked portion "Restricted Stock Compensation"	Consolidated net sales under the Middle-Range Planning and Consolidated Operating Profit Margin	○ Up to ¥150 million per year			
	b	Medium- to long-term performance-linked portion	Performance evaluation for the previous fiscal year and Individual Target Evaluation	○			
Fixed	a	Fixed	Set by role by referring to external data	○	○	○	○

○ Total of ¥450 million or less per year for a and b

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.

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.

2. 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)	267	165	102	6
Audit & Supervisory Board Members (excluding external Audit & Supervisory Board members)	36	36	—	2
External Directors	20	20	—	3
External Audit & Supervisory Board Members	16	16	—	2



Please refer to the Mandom website for details.
<https://www.mandom.co.jp/en/company/governance.html>

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

Overview of activities of external directors and external Audit & Supervisory Board Members (Fiscal 2020)

1. Visit to regional offices in Japan

Purpose:

- ① To ascertain the current situation at offices engaged in new efforts and important offices and receive advice from an outside perspective.
- ② To deepen awareness of management issues and get a better understanding of changes in the business situation and changes in the business environment.

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 Audits of the status of adoption of internal control system at overseas subsidiaries

3. Others

Both Mr. Tsujimura and Mr. Nishio have held one study session in the Management Council and the Audit & Supervisory Board utilizing their knowledge and fields of experience.

External Directors Visit to regional offices in Japan

Date	Place	Division	Visitor		Notes
			Satoshi Nagao	Reiko Nakayama	
June	Sapporo	East Japan Sales Division, Sapporo sales office	●		Inspection of Sales Sites
June	Fukuoka	West Japan Sales Division, Fukuoka sales office	●		
August	Osaka	Technical Development Center (In-house)	●		
September	Osaka	Joint Research Program with Osaka University Graduate School		●	
October	Osaka	Joint Research Program with Osaka University Graduate School	●		
November	Osaka	Technical Development Center (In-house)		●	
December	Tokyo	Nihombashi Office		●	Interviews with managing executive officers in charge of the Domestic Sales Units and department managers of each Sales Domain
February	Tokyo	Nihombashi Office	●		

External Audit & Supervisory Board Members Visit to regional offices in Japan

Date	Place	Division	Visitor		Notes
			Yukihiro Tsujimura	Masahiro Nishio	
November	Tokyo	Nihombashi Office	●		Department Managers Information Exchange Meeting
November	Tokyo	Aoyama Office	●	●	

External Audit & Supervisory Board Members Inspection visit to overseas subsidiaries

Date	Country	Company name	Visitor		Days	Notes
			Yukihiro Tsujimura	Masahiro Nishio		
August	Malaysia	MANDOM (MALAYSIA) SDN. BHD. ACG INTERNATIONAL SDN. BHD.		●	2 days	Business management and governance system, confirmation of validity of basic management rules, labor-related matters
September	Vietnam	MANDOM VIETNAM CO., LTD.	●		3 days	