

We believe the mission expected of the Company by society is to generate high-quality profits and to achieve sustainable, sound growth together with its stakeholders, including society, by pursuing efficiency (performance), based on the principle of ensuring soundness (compliance) in management. To this end, the entire Group is working to broaden and strengthen its corporate governance.

Mandom employs the Audit & Supervisory Board of corporate governance, and rigorous legal audits by the Audit & Supervisory Board Member form the foundation of the Company's corporate governance. We ensure fairness and transparency in management by separating the decision-making and oversight functions from the business execution function. To this end, we have combined the appointment of external directors with an executive officer system and the business function unit system to form a single integrated framework.

Rigorous Legal Audits

Mandom is strengthening its rigorous legal auditing function based on an independent standpoint by appointing a lawyer who is an expert on corporate legal affairs and personnel with abundant administrative leadership experience as External Audit & Supervisory Board Member. In addition, the Company has ensured effectiveness in auditing by the Audit & Supervisory Board Member by establishing the Regulations to Ensure Effective Statutory Audits, putting in place a reporting system for the Audit & Supervisory Board Member and clearly defining statutory audit obligations and methods.

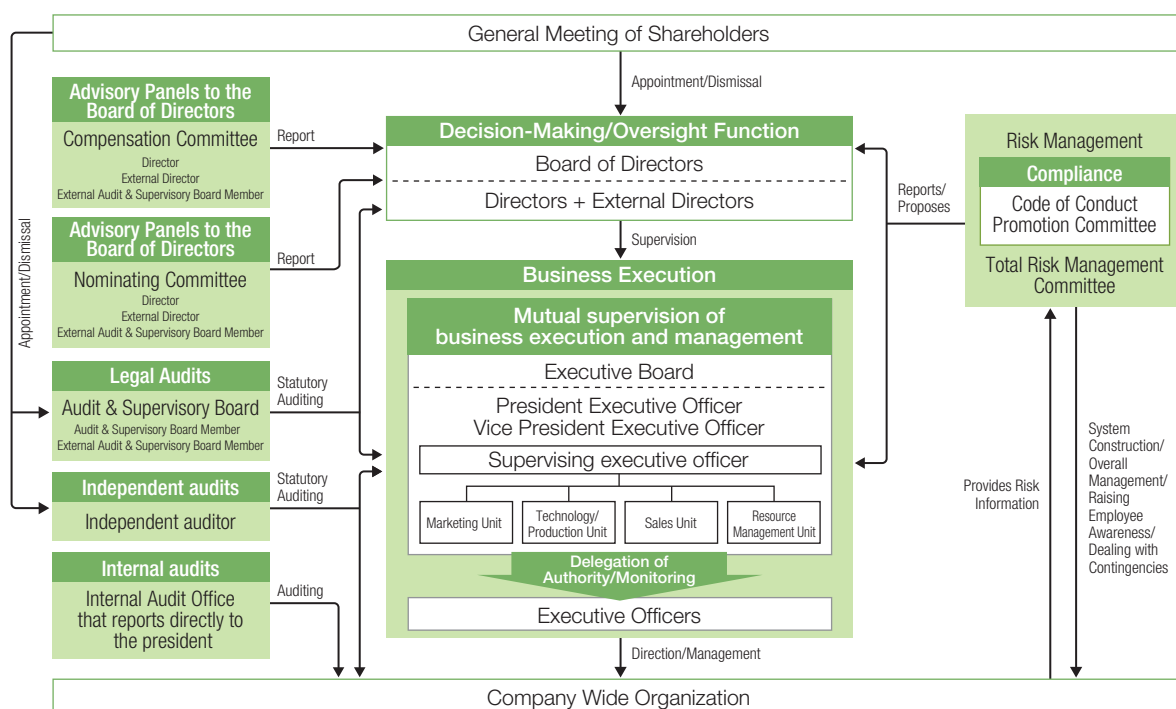
Separation of the Decision-Making and Oversight Functions from the Business Execution Function

After introducing an executive officer system in June 2001, Mandom abolished the system of executive directors with special titles in June 2004 and shifted to a system of executive officers with special titles, whereby authority for business execution is delegated to executive officers.

In this way, the Company makes it possible for directors with equal standing on the Board of Directors to delegate authority to the executive officers and devote themselves to mutual supervision, oversight of business execution, and decision-making optimal for the Group as a whole. Furthermore, in June 2003, Mandom shortened the term of office of directors to one year, clarified their management responsibility, and developed a framework to enable the creation of a flexible management structure catering to changes in the management environment.

This has enabled us to clearly define the responsibility of executive officers, including executive officers with special titles, and ensure flexibility in business execution through the adoption of a system of executive officers with special titles and the delegation of authority. We also introduced the business function unit system, under which we clarify the executive functions and responsibilities in each unit, and ensure that these are appropriate throughout the entire Group by conducting effective execution in each unit and strategic collaboration and mutual supervision between units.

The Corporate Governance System



Appointment of External Officers

Mandom recognized from an early stage that appointing external officers contributes to the reinforcement of corporate governance. Accordingly, we began appointing an External Audit & Supervisory Board Member in 1986, in advance of legislation providing for such appointments, and we have been appointing an External Director since 1995. Mandom currently has two external directors and two External Audit & Supervisory Board Members.

Mandom's external officers are independent from the Company's management team and adequately fulfill their duties from the standpoint of protecting the interests of general shareholders

Establishment of the Compensation Committee and Nominating Committee

Mandom has established the Compensation Committee and the Nominating Committee, advisory panels to the Board of Directors that have external corporate officers comprising at least half their members.

The Compensation Committee helps to ensure fairness and transparency in the executive compensation system by making recommendations to the Board of Directors from an objective shareholder perspective concerning the establishment of the executive compensation system, the formulation of executive performance evaluation standards, and the decision process relating to amounts of executive compensation.

The Nominating Committee helps to ensure fairness and transparency in the executive selection process by making recommendations to the Board of Directors from an objective shareholder perspective concerning director and Audit & Supervisory Board Member candidate decisions and the selection of representative directors and executive officers with titles.

Development and Operation of Internal Controls Related to Financial Reporting

Mandom considers ensuring the reliability and appropriateness of financial reports to be an important management duty, and has established a basic policy of developing fair internal control systems on a companywide basis under the leadership of the president. To implement this policy, we have established the Internal Audit Office that reports directly to the president and put in place a structure to develop appropriate internal control systems, verify the systems' operation, report appropriately to the Board of Directors and Audit & Supervisory Board and enable continuous monitoring of the systems by the Board of Directors and Audit & Supervisory Board.

Risk Management

Mandom is managing risks throughout the Company through the establishment of a total risk management system. This system is designed to avoid and minimize risks that impede the enhancement of corporate value and the achievement of sustainable, sound growth in tandem with stakeholders.

To that end, based on the Total Risk Management Promotion Regulations, we have established the Total Risk Management Committee, which is chaired by the President Executive Officer. It performs supervision and management of the development and operation of our risk management systems.

This committee regards the management of risks that have a severe impact on business continuity and risks that hinder the reliability and appropriateness of financial reporting as important issues. It is therefore putting priority on performing risk management related to this important issue by promoting the creation of manuals for the implementation of risk management.

Compliance

The Mandom Group's compliance is rooted in Our Philosophy (Contribute to a comfortable life for consumers) and our Management Philosophy (Be honest with the public).

Above all, our view on compliance is not simply that we should obey laws; rather, we believe that to fulfill our philosophy of contributing to a comfortable life for

consumers, we must go beyond simply abiding by laws and instead take the initiative to create in-house rules that are stricter than society's laws so that we can ensure that consumers derive safety and benefits.

We established the Mandom Group Code of Conduct (in 1999; revised in 2002, 2007, and 2011) as a common global compliance program. This document is aimed at making compliance a key part of our management by having all officers and employees abide by laws as well as conducting themselves ethically using common sense.

The Code of Conduct Promotion Committee was established to be in charge of promoting the Code of Conduct throughout the Mandom Group. This committee leads compliance education and awareness activities that include the building of a compliance-oriented corporate climate.

In December 2002, we introduced the Helpline System (which was expanded to cover business partners in 2007) to give employees, or "whistleblowers," a chance to inform us when they notice any laws being broken at work. This allows us to quickly discover non-compliance and subsequently prevent problems before they occur. Under this system, the anonymity of whistleblowers is protected and retaliatory measures against them are strictly forbidden.