

# Global Company Based in Asia

Developing business with strong roots in Asia

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 individual market conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.

## Other Overseas

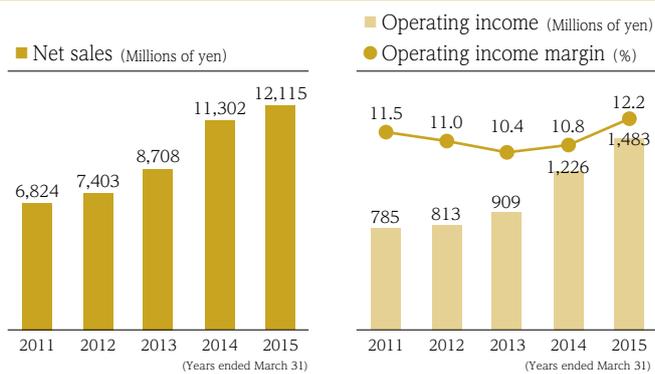
An area with high growth potential for our overseas business

Net sales, year on year

**+7.2%**

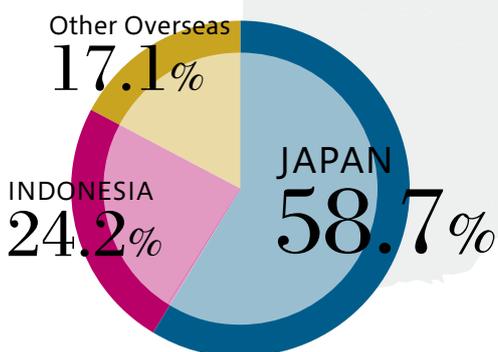
Average growth, past five years

**+15.4%**

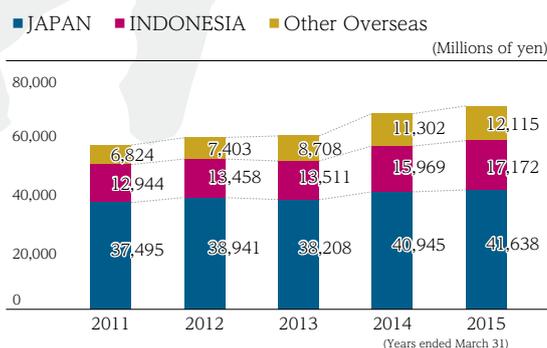


In men's grooming, our core Gatsby brand performed well in each country. In women's cosmetics, sales of Bifesta were strong, particularly in Thailand. In this geographic region, we are focusing in particular on creating markets and setting up distribution in the countries of Indochina (Cambodia, Myanmar, Laos and Vietnam). In January 2015, we established a Group company in Vietnam, which is scheduled to commence full-scale operations by the end of the year.

Composition of sales by region



Sales by region over the past five years





# JAPAN

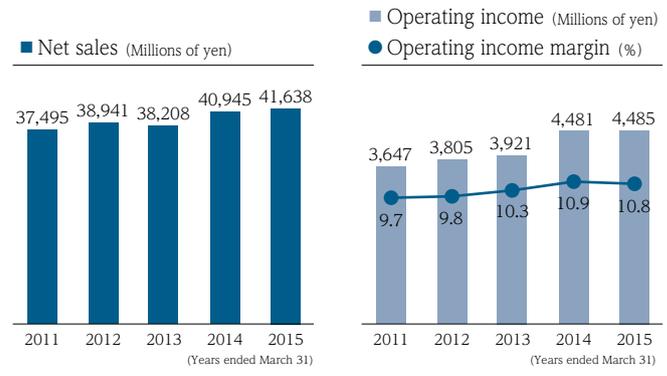
Our core sales region, constituting more than 60% of the Mandom Group's sales

Net sales, year on year

**+1.7%**

Average growth, past five years

**+2.7%**



In men's grooming, the performance of our core Gatsby brand was lackluster, affected by unseasonable summer weather. On the other hand, sales were favorable for our Lúcido deodorant series products for middle-aged men. In products for women, we revamped our lineup of Bifesta cosmetics for ladies, a move that succeeded in pushing up sales. In women's cosmetics, we saw positive results for the Mandom summer series and Lúcido-L, our new series of hair treatment oil.

# INDONESIA

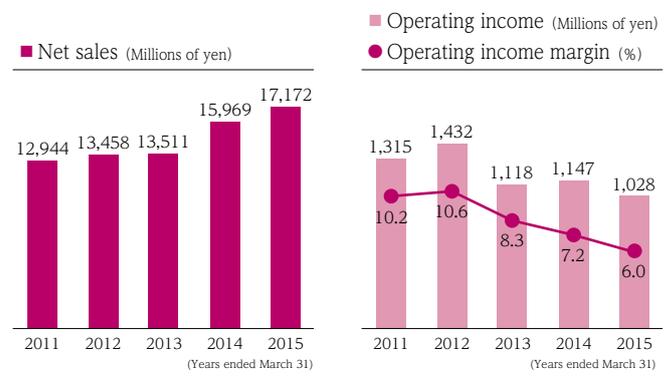
The largest business area and growth leader in the overseas group

Net sales, year on year

**+7.5%**

Average growth, past five years

**+7.3%**



In men's grooming, our core Gatsby brand performed favorably. In women's cosmetics, results were strong for our newly launched Pixy BB Cream product, and in women's cosmetics sales were robust for Pucelle body fragrance. In addition, we constructed a new combined factory and head office building to reinforce our supply structure in response to growing product demand in the Asian market. Full-scale operations began at this facility in June 2015.

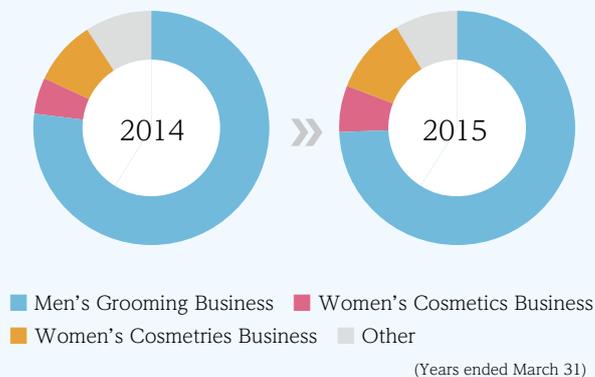
# JAPAN

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

■ Net sales / ■ Operating income



Net sales by business



## Economic Climate

The Japanese economy experienced a modest recovery on the back of government economic measures and monetary easing, with consumer sentiment rebounding now that the backlash following the consumption tax hike has run its course.

## Cosmetics Market Environment

Since the current administration came into office in Japan, the economy has improved against a backdrop of higher stock prices and other factors, and the cosmetics market has expanded slightly, to around ¥1.5 trillion, according to METI's production statistics for the cosmetics industry. However, with the Japanese population dwindling and graying, demand for cosmetics is peaking, so no major growth is expected in this mature market.

## Mandom's Strengths in the Market

The Mandom Group's main channel is self-service sales, which include drugstores, convenience stores, and other mass-market retailers. As a leading manufacturer of men's cosmetics, we are always on the lookout for new market categories and seeking ways to propose new value to create new markets.

Mandom has also been taking measures to strengthen women's cosmetics in recent years. We have done this by leveraging existing marketing channels, expanding our lines of high-performance, low-priced skin care products sold via self-service retailers, and developing new body care products for women that utilize the expertise gained from the men's cosmetics market. We aim to tap into this new market by proposing unique products.

## Performance for Fiscal 2014

In fiscal 2014, sales in Japan rose 1.7% year on year, to ¥41,638 million. Performance of summer seasonal products in our core Gatsby brand, particularly of "ice"-type products, was sluggish due to unseasonable summer weather. However, sales were favorable for our Lúcido series of products to address "middle-age body odor," our skin care series, the Bifesta Uru-Ochi water cleansing series, summer seasonal products for women, and Lúcido-L hair styling products.

Operating income inched up 0.1%, to ¥4,485 million, as the cost-of-sales ratio increased while we worked to use our investments in marketing expenses more efficiently.



Bifesta Uru-Ochi Water Cleansing Lotion

## Men's Grooming Business

### Market Environment

The domestic men's cosmetics market is worth approximately ¥120 billion, according to Mandom's calculations, although its growth is slowing slightly. By category, the hair styling market is shrinking, as the falling birthrate leads to a decreasing number of users. The scalp care market shrank reflecting a demand backlash following a surge ahead of the consumption tax hike. In the face care market, demand fell slightly as a result of unseasonable summer weather, but this market remained essentially unchanged from the previous fiscal year as a percentage of men's cosmetics overall.

The body care market remained on a par with the preceding year, but growth has been noteworthy over the past few years. We expect the face and body care market to continue growing, as consumer awareness for this type of care increases.

### Initiatives in Fiscal 2014

In fiscal 2014, we sought to counter the trend away from the use of hair styling products by young men by introducing additional products in our Gatsby Hair Jam series with a higher styling hold. As a result, we invigorated the hair styling market by responding to young men's needs not previously addressed, continuing to boost our share of the hair styling market.

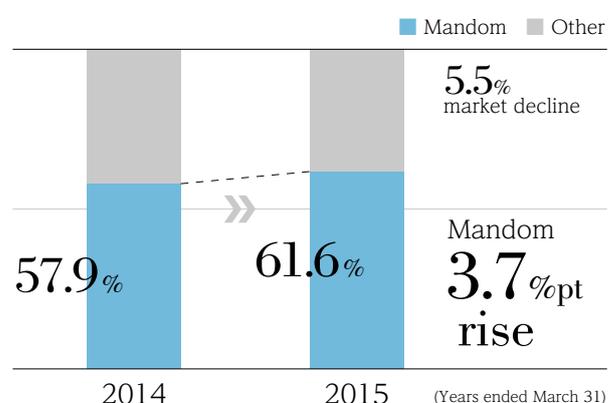
To entrench Gatsby Hair Jam more firmly in the market, during the year we ran television commercials featuring Japanese actor Shota Matsuda and actress Chiaki Kuriyama, which succeeded in raising product awareness. Despite an early rollout of Gatsby seasonal summer products, performance for ice-type products was sluggish, due to unseasonable summer weather.



Gatsby Hair Jam television commercial

Meanwhile, we renewed our Lúcido face care series to address the middle-aged aging care market, which has growth potential, and introduced new products. We also launched new products in our odor-care series to address "middle-age body odor." Around the end of 2014, we cultivated the functional value of the Lúcido brand by running a new television commercial.

### Share of the men's hair styling market



Note: Market data are based on Mandom's calculations (on a monetary base for each fiscal year, from April of the previous year to March).



Lúcido odor-care series

### Future Initiatives

In response to the emerging "neo-classical" trend among men's hair styles, we will introduce Gatsby products to produce hair styles with a certain amount of gloss and hold as we seek to reinvigorate the men's hair styling market, which is tending to shrink.

# JAPAN



Gatsby Styling Grease

Also, in recent years the deodorant market has been trending upward in autumn and winter, as well as summer. At the same time, a growing number of competitors have been launching summer products aimed at producing a sense of “coolness.” In response, we will introduce a mild version of the Gatsby body paper that provides a refreshing feel but does not linger on the skin after use, for use in all seasons. In *Lúcido*, we will seek to establish our position as an aging care brand for middle-aged men by renewing our odor-care series to combat “middle-age body odor,” as well as aging skincare products. At the same time, we will add new products in an effort to further cultivate the market.



Lúcido odor-care series



## Women's Cosmetics Business

### Market Environment

In the domestic women's cosmetics market, changing consumer purchasing behavior has led to an increasing polarization into high- and low-priced items. Particularly in the self-cosmetics market that is Mandom's mainstay, competition is growing increasingly fierce as numerous companies launch highly functional, low-priced cosmetics products.

Revisions to the tax-exemption system in the autumn of 2014 affected inbound demand, but the self-cosmetics market remains problematic due to the demand backlash following the surge ahead of the consumption tax hike.

### Initiatives in Fiscal 2014

In fiscal 2014, we sought to attract new customers and establish a firm position for our cleansing brand by strengthening our mainstay Bifesta brand. We renewed our Bifesta Uru-Ochi Water Cleansing series, adding new products to our product lineup and introducing new versions with product functionality in response to consumers' changing cleansing-related needs. We conducted extensive store promotions to boost brand recognition and increase customer contact. In February 2015, cumulative shipments of our Bifesta Uru-Ochi Water Cleansing series exceeded 15 million units.



A Bifesta PR promotion, the “Bifes TAXI”



## Future Initiatives

The performance of our wipe-off type of products in the Bifesta Uru-Ochi Water Cleansing series is strengthening, but wash-away products remain the mainstream in the cleansing market. Accordingly, we will work to increase the brand's market share by offering a wash-away version of Bifesta.



Bifesta Tsuru-Ochi cleansing series

## Women's Cosmetics Business

### Market Environment

The women's hair styling and hair care market in Japan has been contracting overall year on year, but in recent years needs have grown for "beautiful hair" washes, with trends in hair care mirroring those for skin care. As a result, the market for hair oil as a non-bath treatment has been growing annually.

In the body care category, the market for women's antiperspirants shrank in 2014 due to unseasonable summer weather. However, due to careful monitoring of increasingly diverse needs and changing product trends, competition has intensified as companies roll out new products.

### Initiatives in Fiscal 2014

In fiscal 2014, we proposed an oil treatment series aimed at "beautiful hair care," a market that is growing strongly. This effort boosted our presence in the "out-bath treatment" category as we sought to establish our position.

In the Mandom body care series, we met autumn/winter needs for moisturizing by launching Body Milk products with Disney designs. As products for the summer season, we cultivated product demand through synergies among our spray, sheet and water offerings under the Happy Deo series.



Mandom Happy Deo series

## Future Initiatives

We expect the market for hair oil products to continue growing. In this area, we will introduce products to address latent demand not being met with our existing Lúcido-L Argan Rich Oil series products, to establish the brand even more firmly.

In the body care category, last year we launched Mandom Body Milk, a refreshing moisturizer. For customers with higher moisturizing needs, we will launch and cultivate a moisturizing cream product to provide relief for drier skin.

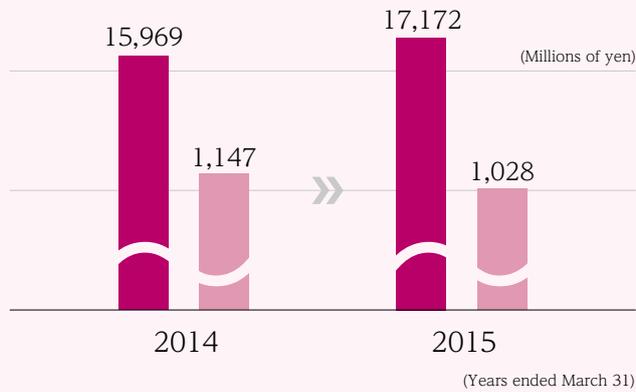


Lúcido-L oil treatment series

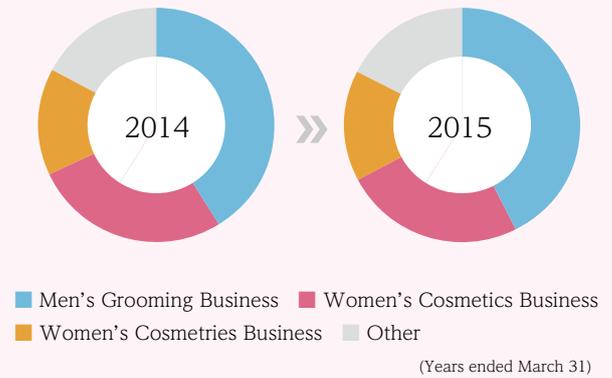
# INDONESIA

The largest business area and growth leader in the overseas group

■ Net sales / ■ Operating income



Net sales by business



## Economic Climate

Indonesia's middle-income population has been increasing in recent years, thanks to the country's economic growth, and the consumer environment has been changing rapidly in response. As the world's fourth most populous country, with a high percentage of young workers, its consumer confidence is high. As a result, consumer markets can be expected to expand, centered on domestic demand.

## Cosmetics Market Environment

In Indonesia's cosmetics market, consumers' purchasing behavior is changing as income levels rise. With consumption shifting from consumer staples to luxuries, we expect to see a continued emphasis on high-value-added items, leading to further market growth.

In distribution, the traditional market of privately run shops is giving way to a more modern market dominated by chain stores and other organized retailers. A climate has emerged that sees both global and local firms in fierce competition.

## Mandom's Strength in the Market

In an age when the concept of men's cosmetics had yet to be established in consumers' minds, we developed products that reflected the desires of local consumers and expanded the business while opening up and cultivating the men's cosmetics market ourselves. We have built a broad distribution network that now supplies products to more than 13,000 of the islands in the Indonesian archipelago, working in cooperation with local distributors.

In hair styling products, Mandom has a market share of more than 70% and is the country's leading manufacturer of men's cosmetics. We also see steady growth in women's cosmetics, primarily make-up and fragrances, with sales split roughly evenly between men's and women's products.

## Performance for Fiscal 2014

Sales in Indonesia in fiscal 2014 were favorable in men's cosmetics, including our core Gatsby brand. Although local currency sales were down, on a yen basis sales expanded 7.5%, to ¥17,172 million. Due to aggressive investment in marketing expenses and rising labor costs, operating income declined 10.4% during the year, to ¥1,028 million.



Gatsby products in Indonesia

## Men's Grooming Business

### Market Environment

Rising income levels, plus growing consumer confidence and an increasing fashion awareness, continue to buttress performance in the men's cosmetics market. We believe that growth will continue, particularly in the face care and body care markets. As these are specialty categories for global firms, we expect competition to intensify as organized retailers continue to develop their businesses.

### Initiatives in Fiscal 2014

To reinforce our position as a men's cosmetics brand, in 2014 we launched the Gatsby brand Face Wash series. To gain market share in the face care market with this series, we are stepping up our marketing efforts, including television commercials, working to enhance our store contact ratio.

In the hair styling category, our market share continued to expand due to our renewal of Gatsby Styling Wax and other product-enhancement efforts.



Gatsby Face Wash series

### Future Initiatives

In our mainstay hair styling category, we will step up sales promotions for products in the Gatsby line, including last year's launches of Styling Mist and youth-oriented Styling Pomade. We will also enhance distributor promotions of Styling Wax, also introduced last year, and run store promotions in an effort to maintain or increase market share.

In the face care category, we will conduct sampling activities to promote an understanding of our products through user experience, working to establish an early foothold in the market.

In the body care category, we will continue to enhance our lineup of popular fragrance products with the aim of boosting our share in this category.



# INDONESIA

## Women's Cosmetics Business

### Market Environment

Women's awareness of cosmetics is growing in tandem with rising income levels. Western cosmetics brands are entering a modern market, while sales of *halal*-certified brands are also selling well. The latter are important in Indonesia, where the population is predominantly Muslim. The number of products on the market is likely to grow as consumer needs become increasingly diverse, and we expect competition to intensify as new companies enter the market.

### Initiatives in Fiscal 2014

In fiscal 2014, we ran a television commercial and conducted promotional activities for our Pixy brand make-up series, renewed last year, as we worked to cultivate the brand.

Meanwhile, we strove to boost sales of existing products in our base make-up series and launched such new brands as BB Cream and Compact Powder.



Pixy BB Cream

### Future Initiatives

Pixy enjoys strong brand recognition, but brand activity is falling. To counter this trend, we will seek to strengthen the brand through product renewals and new product introductions. In addition, we will augment marketing through ongoing television commercials and promotional events. Through these efforts, we aim to rejuvenate the brand image and more firmly establish Pixy's position as a total cosmetics brand.

## Women's Cosmetics Business

### Market Environment

Reflecting Indonesians' preference for scents, there has been growing usage of fragrances among teens as a first personal fashion item. This age segment is highly sensitive to trends, so new products are constantly being launched. The scale of the market is also growing as income levels rise.

### Initiatives in Fiscal 2014

In fiscal 2014, we introduced Pucelle spray-type Body Fragrance and Body Paper, which succeeded in boosting our market share for the brand.

For Lúcido-L, we introduced products from the Hair Vitamin series to hair oil in small sachets to expand the user base and ran television commercials to enhance brand recognition.

### Future Initiatives

In keeping with Indonesian teens' preference for scents, in the Pucelle line we plan to offer a mist-type cologne to maintain or raise our brand share.

In the Lúcido-L line, we will continue to cultivate the Hair Vitamin series and launch additional products. As a result, we aim to achieve strong results and boost our market share in the expanding hair care category, helping the women's cosmetics business to grow in scale.



Pucelle Body Paper

## Full-Scale Operation Commences at New Factory/Head Office in Indonesia

In response to rising demand in the growing Asian market, we have constructed a new factory/head office building in Indonesia and relocated our head office/factory from Jakarta to Bekasi. The building was completed at the end of 2014, followed by the gradual relocation of factory equipment. In June 2015, we held a ceremony to mark the completion of construction and commenced full-scale operations.

The new facility augments our production capacity and is sited nearer our plant that manufactures plastic containers, making transportation more efficient. We will continue producing high-quality, reasonably priced products to meet Asian customers' needs, providing these goods within Indonesia and to other Asian markets.



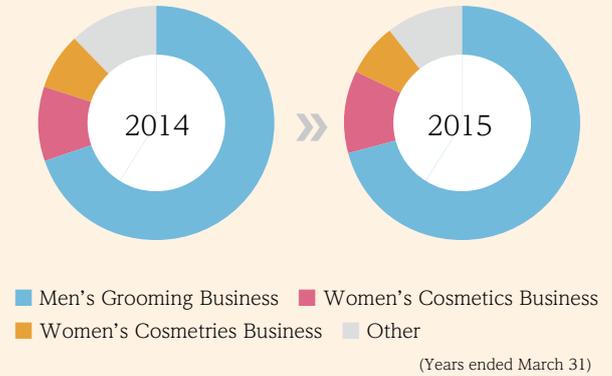
# Other Overseas

An area with high growth potential for our overseas business

■ Net sales / ■ Operating income



Net sales by business



## Market Environment

Cosmetics markets are growing in tandem with economic growth in this area. Despite this, the newly industrializing economies (NIES area) with comparatively high GDP levels—Singapore, Hong Kong, Taiwan, and South Korea—have matured as markets, and many Japanese and international cosmetics brands are already available; the environment is highly competitive in this area.

Conversely, the cosmetics market is growing rapidly in Thailand and other countries in Indochina and in the ASEAN countries such as Malaysia and the Philippines, particularly in metropolitan areas. This expansion is expected to continue, as customer awareness of cosmetics increases and growth ripples outward from metropolises to outlying regions.

## Performance for Fiscal 2014

In the Other Overseas segment, fiscal 2014 was characterized by favorable sales of our core Gatsby brand and the Bifesta brand of women's cosmetics. These factors, plus a higher conversion rate resulting from yen depreciation, led to a 7.2% year-on-year increase in sales, to ¥12,115 million.

Despite aggressive investments in marketing expenses, the impact of higher sales drove up operating income 21.0%, to ¥1,483 million.





## China

China's economy continues to expand, although the rapid pace of growth is showing signs of easing. Personal consumption within the country is scarcely increasing, leading to economic instability.

In recent years, the cosmetics market has expanded, thanks to a greater middle-income population and heightened fashion awareness among women, but the rate of growth is slowing as the economy decelerates.

Market competition has also intensified, owing to the entry of global brands from Europe, the United States and South Korea, as well as Japan.

In fiscal 2014, our performance in the men's grooming market remained favorable, bolstered by our hairspray series in the hair styling category for our core Gatsby brand. However, additional new product launches by competitors led to increased competition. We countered by launching new Gatsby products and stepping up store promotions, working to maintain or boost our market share.

In women's cosmetics, we began a full-fledged rollout of Bifesta, working to raise brand recognition and gain a market foothold for the product.

In the men's grooming business, we will continue to foster the men's cosmetics market to secure an advantage and grow the scale of the business in China. In women's cosmetics, we look forward to expanding our business as Bifesta becomes more entrenched in the market.



Gatsby products in China

## Mainland Southeast Asia

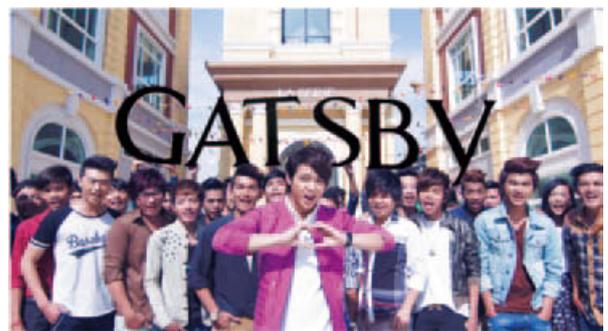
GDP levels remain relatively low in mainland Southeast Asia, but the region has a large percentage of the population aged 30 or under, and its rate of population growth is trending upward. Given these circumstances, we expect economic growth to continue.

The organized retailers that make up the so-called "modern trade" remain a relatively small feature of the cosmetics market in this region. Instead, individually operated mom-and-pop stores are the norm. As the middle-income population expands and fashion awareness rises, we expect distribution routes to expand as the cosmetics market grows.

In fiscal 2014, we worked to create a market for men's cosmetics through a number of initiatives in Vietnam, Myanmar, Cambodia and Laos. These included expanding the number of stores handling our products, particularly the Gatsby brand, reinforcing stores, and tailoring product sizes to distribution routes.

In Cambodia, we ran consumer-oriented television commercials featuring our brand ambassador, the popular local vocalist Nico. We also conducted a highly varied communications strategy to increase Gatsby brand recognition.

By forging stronger ties with distributors, we will continue working to create markets and build distribution routes in this region.



Gatsby Styling Wax television commercial in Cambodia

## Establishing Our 12th Overseas Company in Vietnam: Mandom Vietnam Company Limited

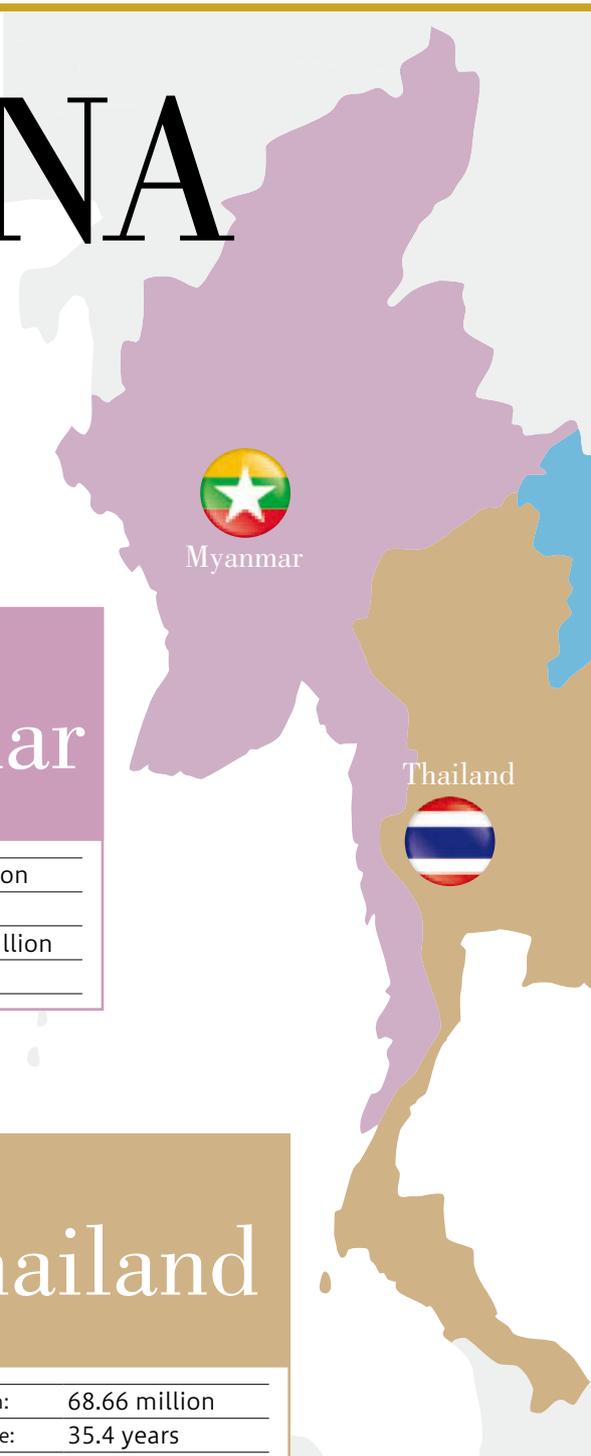
January 2015 marked our establishment of Mandom Vietnam Company Limited in Ho Chi Minh City.

Vietnam is one of the most promising markets in Indochina. We set up the new company there to augment our sales efforts by responding swiftly to demand by local retailers and other stores, as well as to step up support for distribution and strengthen marketing to facilitate market entry. By establishing a base for the cosmetics business within Vietnam, we aim to expand the scale of our operations.

## Other Overseas

# Report from INDOCHINA

A Focus on Rapidly Expanding Indochina,  
Our Next Engine of Growth



Gatsby event at a park in Yangon

## Myanmar

Population:	51.42 million
Median age:	27.8 years
Nominal GDP:	US\$62.8 billion
Per capita GDP:	US\$1,221

### Stepping Up Sales in the Developing Market of Indochina

Fiscal 2014 marked the start of Mandom's 11th three-year middle-range planning (MP-11), which focuses on accelerating growth in Asia. Following on from our mainstay market of Indonesia, we are positioning the developing markets of Indochina as our next region for future growth. We are concentrating our management resources on this region and stepping up our marketing activities there.

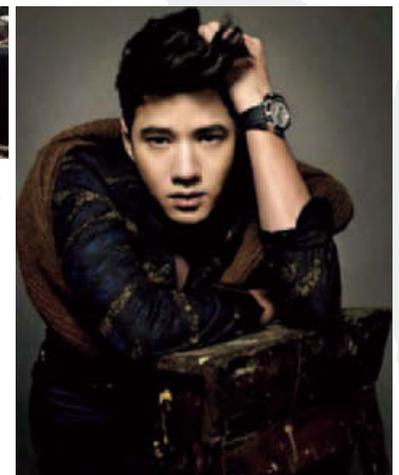
Comprising the five countries of Thailand, Vietnam, Myanmar, Cambodia and Laos, Indochina is said to be a promising market with high economic growth potential. The region has a population of around 230 million, around the same size as Indonesia, with nominal GDP of US\$640.9 billion, per capita GDP of US\$2,786, and a median age in the 20s, if Thailand is excluded. Given these demographics, we see the region as ripe for a consumption boom. Naturally, competitors around the world are also setting their sights on this market. The key to success will be in the ability to fully understand individual countries' characteristics and approach them accordingly.

## Thailand

Population:	68.66 million
Median age:	35.4 years
Nominal GDP:	US\$373.8 billion
Per capita GDP:	US\$5,446

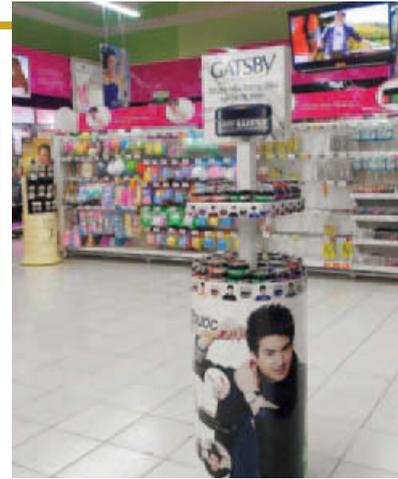


Popular actor Mario was appointed our brand ambassador



# Laos

Population:	6.9 million
Median age:	20.3 years
Nominal GDP:	US\$11.68 billion
Per capita GDP:	US\$1,693



Store development in a modern market



# Vietnam

Population:	90.63 million
Median age:	28.5 years
Nominal GDP:	US\$186.05 billion
Per capita GDP:	US\$2,053



## Applying Mandom's Unique Marketing to Ascertain Local Consumer Needs

In the Thai market, where our Gatsby brand already enjoys a high degree of recognition, we appointed a new brand ambassador in 2015: Mario, a popular local actor. Through this move, we aim to give our image an additional boost. We have also appointed a brand ambassador in Cambodia. Nico, an extremely popular vocalist, features in our local television commercials, events and sampling activities. Through the ongoing development of these and a host of other communications focusing on our target consumers in key cities, we have succeeded in boosting Gatsby brand recognition to nearly 90%. However, many people have still never used our products, so we believe that there is ample room to expand our market. In Myanmar, we are working to create markets by focusing on two brands—Gatsby and the Pixy brand of women's make-up. At the end of 2014, we signed a formal agreement with a distributor in Laos, and we are now commencing full-fledged activities there. In Laos, where many people speak the Thai language and Thai products tend to be popular, we expect to achieve synergy with our high level of Gatsby brand recognition within Thailand. We see Vietnam as having particularly high market potential. We have been conducting marketing activities in the country since 2010, and in January 2015 we established Mandom Vietnam Company Limited as our business base in Vietnam. We plan to commence full-scale activities in the country in 2015. Competitors around the world are eyeing the vigorously growing market of Indochina. The Mandom Group aims to stay ahead of this curve by ascertaining the needs of local consumers in Indochina. Through our products, we hope to add value and play a role in everyday fashion in the region.



# Cambodia

Population:	15.31 million
Median age:	23.5 years
Nominal GDP:	US\$16.55 billion
Per capita GDP:	US\$1,081



Distributing a free paper featuring our nomination of Nico as brand ambassador

[Sources] Population, nominal GDP and per capita GDP: International Monetary Fund, World Economic Outlook Database (April 2015 edition). Median age: World Population Prospects (fiscal 2010 edition).