Notes to Consolidated Financial Statements

MANDOM CORPORATION and its Consolidated Subsidiaries
As of and for the Year Ended March 31, 2015

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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, 2015, include the accounts of the Company and its eleven (eleven in 2014) 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 (one in 2014) associated company is accounted for under the equity method.

Investment in the remaining one unconsolidated subsidiary (one in 2014) 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.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of five years.

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 that are 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, determined by the average method, or net selling value.

e. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiary is computed substantially by the declining-balance method, while the straight-line method is applied to buildings of the Company acquired after April 1, 1998, and lease assets of the Company and its consolidated domestic subsidiary. 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 reviews 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. 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.

Effective April 1, 2000, the Group adopted a new accounting standard for retirement benefits and accounted 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 are mainly amortized by the declining-balance method over 7 years within the average remaining service period. Past service costs are mainly amortized by the straight-line method over 7 years within the average remaining service period.

In May 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within accumulated other comprehensive income, after adjusting for tax effects, and any resulting deficit or surplus is recognized as liability for retirement benefits or asset for retirement benefits.

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, the effect on liability for retirement benefits as of March 31, 2014 was immaterial.

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

i. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning April 1, 2008.

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 requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

j. 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 laws to the temporary differences.

k. 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 statements of income.

l. 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.

m. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares 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.

3. SALE OF PROPERTY IN INDONESIA

PT Mandom Indonesia Tbk, the subsidiary of the Company in Indonesia, decided to relocate its office and factory from Sunter, Jakarta, Indonesia, to Cibitung, Bekasi, Indonesia, and sell the land right and building in Sunter as there were no plans of utilizing them. On December 1, 2014, the subsidiary signed a Sale and Purchase Commitment Agreement with PT Temas Lestari for the sale of the land right and building in Sunter. The transaction value is 500 billion Rupiah ("Rp"), translated to approximately ¥4,600 million.

The land right and building will be transferred after the final payment because the transfer will occur over 6 months after the closing date in accordance with the agreement. The final payment is expected to be made in June, 2015.

As a result, the effect of this transfer is an increase of net income before minority interests by approximately ¥4,100 million in the consolidated statements of income for the year ending March 31, 2016.

The translation of Japanese yen amounts into Indonesian Rupiah amounts has been made at the rate of ¥0.0092 to Rp 1, which is the rate of exchange used for the earnings forecast for the year ending March 31, 2016.

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen	
	2015	2014
Short-term investments:		
Time deposits other than cash equivalents	¥ 2,332	¥ 1,206
Short-term treasury securities		9,599
Commercial paper other than cash equivalents	6,797	1,997
Certificates of deposits	6,000	1,500
Total	¥ 15,129	¥ 14,302
Investment securities:		
Marketable equity securities	¥ 5,823	¥ 4,829
Nonmarketable equity securities	10	13
Government, corporate and other bonds	300	
Total	¥ 6,133	¥ 4,842

Information regarding the securities classified as available-for-sale as of March 31, 2015 and 2014, is as follows:

	Millions of yen			
March 31, 2015	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,482	¥ 2,342	¥ (1)	¥ 5,823
Debt securities	7,099		(2)	7,097
Other	6,000			6,000

	Millions of yen			
March 31, 2014	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Equity securities	¥ 3,475	¥ 1,378	¥ (24)	¥ 4,829
Debt securities	11,599		(3)	11,596
Other	1,500			1,500

Available-for-sale securities, whose fair value could not be reliably determined as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Equity securities	¥ 10	¥ 13

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015 and 2014, were ¥1,000 million and ¥1,134 million, respectively. Gross realized gain on these sales, computed on the moving-average cost basis, was ¥0 million for the year ended March 31, 2015.

5. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen	
	2015	2014
Merchandise	¥ 2,089	¥ 1,830
Finished products	4,903	3,584
Work in process	491	440
Raw materials and supplies	2,517	2,268
Total	¥ 10,000	¥ 8,122

6. SHORT-TERM BANK LOANS

Short-term bank loans at March 31, 2015 consisted of the credit facilities from banks. The annual interest rates applicable to the short-term bank loans ranged from 7.65% to 8.60% in rupiahs and from 0.53% to 0.62% in dollars at March 31, 2015. The loan proceeds were mainly utilized to support financing of the construction of the new plant and office building in Indonesia.

7. RETIREMENT BENEFITS AND PENSION PLANS

The Company and its domestic consolidated subsidiary 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 rate of pay 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 subsidiary participate in a contributory multiemployer pension plan, which is accounted for the same as defined contribution pension plans.

Certain foreign consolidated subsidiaries have funded defined benefit pension plans, unfunded benefit pension plans and defined contribution pension plans.

Defined Benefits

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Balance at beginning of year (as previously reported)	¥ 3,754	¥ 3,694
Cumulative effect of accounting change	(1)	
Balance at beginning of year (as restated)	3,753	3,694
Current service cost	242	269
Interest cost	128	102
Actuarial loss (gain)	293	(190)
Benefits paid	(233)	(216)
Foreign currency translation	150	104
Other	10	(9)
Balance at end of year	¥ 4,343	¥ 3,754

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Balance at beginning of year	¥ 2,566	¥ 2,377
Expected return on plan assets	65	55
Actuarial gain	211	142
Contributions from the employer	149	148
Benefits paid	(127)	(154)
Other	35	(2)
Balance at end of year	¥ 2,899	¥ 2,566

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2015 and 2014, was as follows:

	Millions of yen	
	2015	2014
Funded defined benefit obligation	¥ 2,899	¥ 2,674
Plan assets	(2,899)	(2,566)
	(0)	108
Unfunded defined benefit obligation	1,444	1,080
Net liability arising from defined benefit obligation	¥ 1,444	¥ 1,188

	Millions of yen	
	2015	2014
Liability for retirement benefits	¥ 1,591	¥ 1,188
Asset for retirement benefits	(147)	(1)
Net liability arising from defined benefit obligation	¥ 1,444	¥ 1,187

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Service cost	¥ 242	¥ 269
Interest cost	128	102
Expected return on plan assets	(65)	(55)
Recognized actuarial (gain) loss	(5)	55
Amortization of past service cost	(35)	(35)
Net periodic retirement benefit costs	¥ 265	¥ 336

(5) The components of other comprehensive income on defined retirement benefit plans before adjusting for tax effects as of March 31, 2015 were as follows:

	Millions of yen
	2015
Past service cost	¥ 35
Actuarial loss	110
Total	¥ 145

(6) The components of accumulated other comprehensive income on defined retirement benefit plans before adjusting for tax effects as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Unrecognized past service cost	¥ (92)	¥ (127)
Unrecognized actuarial loss	277	158
Total	¥ 185	¥ 31

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	44%	44%
Equity investments	30	31
General accounts	15	16
Cash and cash equivalents	8	7
Other	3	2
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 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, 2015 and 2014, were mainly set forth as follows:

	2015	2014
Discount rate	0.9%	1.2%
Expected rate of return on plan assets	2.0%	2.0%
Expected salary/wage increment	2.5%	2.5%

Defined Contribution

The Company and its consolidated subsidiaries recognized the defined contribution cost of ¥88 million and ¥85 million for the years ended March 31, 2015 and 2014, respectively.

Multiemployer Plan

The Company and certain consolidated subsidiaries participate in a contributory multi-employer pension plan (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 the Group. 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 ¥275 million and ¥264 million for the years ended March 31, 2015 and 2014, respectively.

The financial statements of the Plan as of March 31, 2014 and 2013, was as follows:

(1) The funded status of the Plan as of March 31, 2014 and 2013, was as follows:

	Millions of yen	
	2014	2013
Plan assets	¥ 38,293	¥ 35,909
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(47,733)	(46,060)
Net balance	¥ (9,440)	¥ (10,151)

The net balance above was mainly caused by past service cost of ¥11,789 million for 2015 and ¥12,623 million for 2014. Past service cost under the plan was amortized on a straight-line basis over 15 years for 2015 and over 16 years for 2014. The special contributions of ¥113 million and ¥122 million for the years ended March 31, 2015 and 2014, respectively, which are utilized for such amortization, were expensed in the consolidated statement of income of the Group.

(2) The contribution ratio of the Group in the multi-employer pension plan for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
The contribution ratio of the Group in the multi-employer plan	12.5%	12.3%

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 its articles of incorporation. The Company meets all 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.

9. INCOME TAXES

The Company and its domestic subsidiary are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.59% and 37.96% for the years ended March 31, 2015 and 2014, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of yen	
	2015	2014
Deferred tax assets:		
Accrued bonuses	¥ 258	¥ 256
Enterprise tax	75	92
Inventories	176	165
Liability for retirement benefits	499	366
Long-term liabilities	95	105
Property, plant and equipment	34	34
Other	748	613
Less valuation allowance	(271)	(201)
Total	1,614	1,430
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	751	479
Other	343	225
Total	1,094	704
Net deferred tax assets	¥ 520	¥ 726

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.59%	37.96%
Expenses not deductible for income tax purposes	1.48	1.77
Difference in subsidiaries' tax rates	(3.78)	(4.70)
Tax credit for research and development costs and others	(2.02)	(2.23)
Change in valuation allowance	0.74	1.33
Capital levy on inhabitant tax	0.30	0.31
Decrease adjustment of deferred tax assets for changing the tax rate	0.88	0.63
Other - net	0.27	0.76
Actual effective tax rate	33.46%	35.83%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015 from approximately 35.59% to 33.02%, and for the fiscal year beginning on or after April 1, 2016 from approximately 33.02% to 32.22%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities in the consolidated balance sheet as of March 31, 2015 by ¥72 million and to increase income taxes - deferred in the consolidated statement of income for the year then ended by ¥72 million.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2015 and 2014, were ¥1,732 million and ¥1,960 million, respectively.

11. ADVERTISING COSTS

Advertising costs charged to income for the years ended March 31, 2015 and 2014, were ¥4,244 million and ¥4,121 million, respectively.

12. LEASES

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

Total rental expenses for the years ended March 31, 2015 and 2014, were ¥1,445 million and ¥1,413 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

Millions of yen

	2015		2014	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥ 11	¥ 144	¥ 10	¥ 146
Due after one year	22	433	26	576
Total	¥ 33	¥ 577	¥ 36	¥ 722

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, not for speculative purposes, but to achieve higher yields within specified limits on the amounts.

(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

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 in 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 trend and relationship of the business partners.

Derivatives have been utilized in accordance with internal policies which regulate the authorization and credit limit amount. 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 report.

(4) Concentration of credit risk

As of March 31, 2015, approximately 52.4% of total receivables were from specific major customers of the Group.

(5) Fair values of financial instruments

(a) Fair value of financial instruments

The carrying amount and fair value as of March 31, 2015 and 2014, were as follows:

	Millions of yen	
March 31, 2015	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 11,265	¥ 11,265
Short-term investments and investment securities	21,252	21,252
Receivables	9,724	9,724
Total	¥ 42,241	¥ 42,241
Short-term bank loans	¥ 1,817	¥ 1,817
Payables	5,564	5,564
Accrued income taxes	1,008	1,008
Total	¥ 8,389	¥ 8,389

	Millions of yen	
March 31, 2014	Carrying Amount	Fair Value
Cash and cash equivalents	¥ 10,891	¥ 10,891
Short-term investments and investment securities	19,131	19,131
Receivables	8,443	8,443
Total	¥ 38,465	¥ 38,465
Payables	¥ 6,726	¥ 6,726
Accrued income taxes	1,237	1,237
Total	¥ 7,963	¥ 7,963

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) Financial instruments whose fair value cannot be reliably determined

	Millions of yen	
	2015	2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 10	¥ 13

(6) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2015	Due in 1 Year or Less (Millions of yen)	Due after 1 Year through 5 Years (Millions of yen)
Cash and cash equivalents	¥ 11,265	
Short-term investments and investment securities:		
Available-for-sale debt securities with contractual maturities	6,797	¥ 300
Other	8,332	
Receivables	9,724	
Total	¥ 36,118	¥ 300

March 31, 2014	Due in 1 Year or Less (Millions of yen)
Cash and cash equivalents	¥ 10,891
Short-term investments and investment securities:	
Available-for-sale debt securities with contractual maturities	11,596
Other	2,706
Receivables	8,443
Total	¥ 33,636

14. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	2015 (Millions of yen)	2014 (Millions of yen)
Unrealized gain on available-for-sale securities:		
Gains arising during the year	¥ 986	¥ 935
Reclassification adjustments to profit or loss	0	(109)
Amount before income tax effect	986	826
Income tax effect	(271)	(294)
Total	¥ 715	532
Foreign currency translation adjustments -		
Adjustments arising during the year	¥ 2,102	¥ 750
Total	¥ 2,102	¥ 750
Defined retirement benefit plans:		
Adjustments arising during the year	¥ (104)	
Reclassification adjustments to profit or loss	(41)	
Amount before income tax effect	(145)	
Income tax effect	33	
Total	¥ (112)	
Share of other comprehensive income in associate -		
Gains arising during the year	¥ 68	¥ 58
Total	¥ 68	¥ 58
Total other comprehensive income	¥ 2,773	¥ 1,340

15. SUBSEQUENT EVENT

Appropriations of Retained Earnings

The following appropriation of retained earnings of the Group for the year ended March 31, 2015, was approved at the shareholders' meeting held on June 23, 2015:

	2015 (Millions of yen)
Year-end cash dividends, ¥39 per share	¥ 911

16. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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 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 subsidiary oversee the Japan region, PT Mandom Indonesia Tbk oversees the Indonesia region and other overseas subsidiaries including Malaysia, Thailand and China oversee activities in each of their respective countries. Each of the overseas subsidiaries 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."

(3) Information about sales, profit, assets, liabilities and other item.

Millions of yen

	2015					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 41,638	¥ 17,172	¥ 12,115	¥ 70,925		¥ 70,925
Intersegment sales or transfers	4,310	3,373	376	8,059	¥ (8,059)	
Total	¥ 45,948	¥ 20,545	¥ 12,491	¥ 78,984	¥ (8,059)	¥ 70,925
Segment profit	¥ 4,485	¥ 1,028	¥ 1,483	¥ 6,996		¥ 6,996
Segment assets	48,279	17,621	10,080	75,980		75,980
Other:						
Depreciation	1,805	718	77	2,600		2,600
Investments in an associated company under the equity method			444	444		444
Increase in property, plant and equipment and intangible assets	1,019	2,797	52	3,868		3,868

Millions of yen

	2014					
	Reportable Segment					
	Japan	Indonesia	Other	Total	Reconciliations	Consolidated
Sales:						
Sales to external customers	¥ 40,945	¥ 15,969	¥ 11,302	¥ 68,216		¥ 68,216
Intersegment sales or transfers	3,860	2,887	329	7,076	¥ (7,076)	
Total	¥ 44,805	¥ 18,856	¥ 11,631	¥ 75,292	¥ (7,076)	¥ 68,216
Segment profit	¥ 4,481	¥ 1,147	¥ 1,226	¥ 6,854		¥ 6,854
Segment assets	46,912	12,290	8,657	67,859		67,859
Other:						
Depreciation	1,350	712	81	2,143		2,143
Investments in an associated company under the equity method			277	277		277
Increase in property, plant and equipment and intangible assets	4,993	2,949	57	7,999		7,999

Notes: * "Reconciliations" represents 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

	2015			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 46,956	¥ 16,171	¥ 7,798	¥ 70,925

Millions of yen

	2014			
	Products for Men	Products for Women	Other	Total
Sales to external customers	¥ 46,097	¥ 14,376	¥ 7,743	¥ 68,216

(5) Information about geographical areas

(a) Sales

Millions of yen

2015			
Japan	Indonesia	Other	Total
¥ 40,849	¥ 14,295	¥ 15,781	¥ 70,925

Millions of yen

2014			
Japan	Indonesia	Other	Total
¥ 40,253	¥ 13,494	¥ 14,469	¥ 68,216

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

(b) Property, plant and equipment

Millions of yen

2015			
Japan	Indonesia	Other	Total
¥ 10,222	¥ 8,142	¥ 284	¥ 18,648

Millions of yen

2014			
Japan	Indonesia	Other	Total
¥ 11,370	¥ 5,161	¥ 282	¥ 16,813

(6) Information about major customers

Millions of yen

	2015	
Name of Customer	Sales	Related Segment Name
Paltac Corporation	¥ 20,007	Japan
PT Asia Paramita Indah	14,264	Indonesia

Millions of yen

	2014	
Name of Customer	Sales	Related Segment Name
Paltac Corporation	¥ 19,850	Japan
PT Asia Paramita Indah	13,457	Indonesia

Deloitte.

Deloitte Touche Tohmatsu LLC
Yodoyabashi Mitsui Building
4-1-1, Imabashi, Chuo-ku
Osaka 541-0042
Japan

Tel: +81 (6) 4560 6000
Fax: +81 (6) 4560 6001
www.deloitte.com/jp

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, PT Mandom Indonesia Tbk, the subsidiary of MANDOM CORPORATION in Indonesia, signed a Sale and Purchase Commitment Agreement with PT Temas Lestari for the sale of the land right and building in Sunter, Indonesia. Our opinion is not modified in respect of this matter.

Deloitte Touche Tohmatsu LLC

June 15, 2015

Member of
Deloitte Touche Tohmatsu Limited