

# Global Company

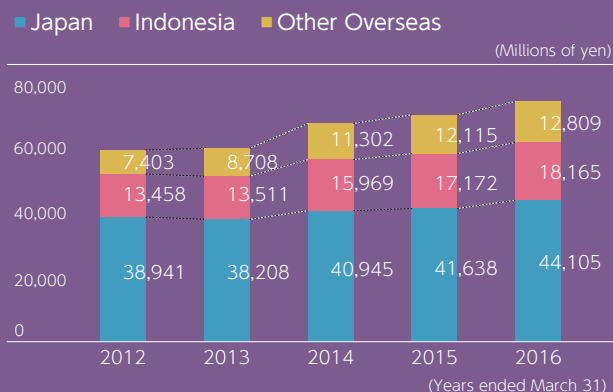
## Providing a comfortable lifestyle tailored to specific markets

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

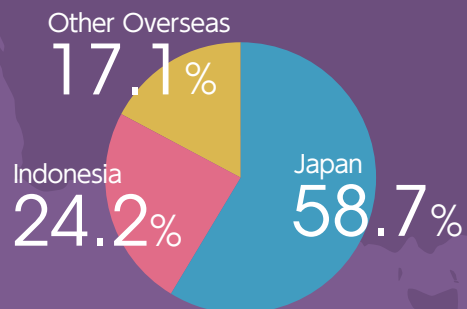
We create and invigorate markets by responding meticulously to individual market conditions in each area and to such characteristics as consumer preferences, lifestyles and purchasing power.



Sales by region over the past five years



Composition of sales by region



# Based in Asia

## Japan

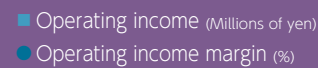
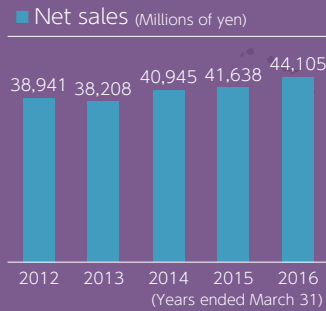
Our core sales region, constituting more than 60% of the Mandom Group's sales

Net sales, year on year

**+5.9%**

Average growth, past five years

**+3.2%**



A strong performance by Lúcido and our women's products offset sluggish growth from Gatsby, a core brand. Among women's cosmetics brands, sales of Bifesta remained robust, as in the preceding fiscal year. Sales of Barrier Repair's facial masks grew significantly, thanks to inbound tourism demand. In women's cosmetics, Lúcido-L's oil treatment series enjoyed favorable sales.

## Indonesia

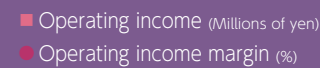
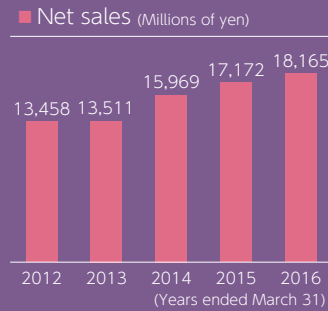
The largest business area and growth leader in the overseas group

Net sales, year on year

**+5.8%**

Average growth, past five years

**+7.8%**



Although negatively affected by a factory fire on July 10, 2015, sales in Indonesia remained strong thanks to steady expansion in sales of Styling Pomade, a new product from our core Gatsby line. In women's cosmetics, Mandom is stepping up brand activity surrounding Pixy by reinforcing promotion.

## Other Overseas

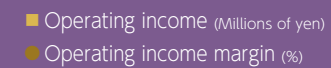
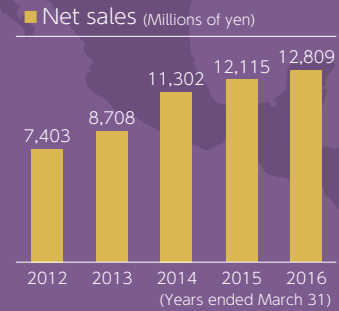
An area with high growth potential for our overseas business

Net sales, year on year

**+5.7%**

Average growth, past five years

**+14.7%**

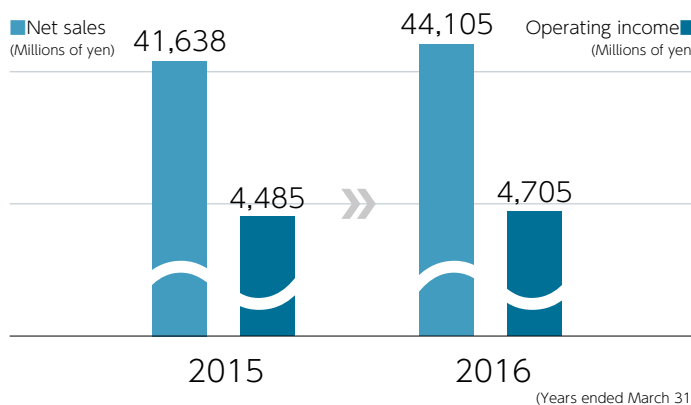


Sales for Gatsby Styling Grease and Bifesta were solid, mainly due to the horizontal rollout of products in several countries. In addition to favorable sales in Thailand, sales of Bifesta grew at physical stores and via e-commerce in China after word spread on social networking sites and other media. Further, Mandom is working to create markets in Indochina.

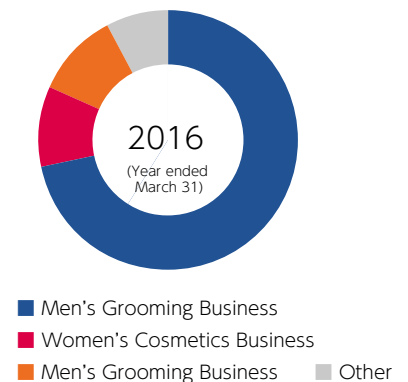
# Japan

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

Net sales / Operating income



Net sales by business



## Economic Climate

Amid concerns of a slowdown in emerging countries and fluctuations in global financial markets, the Japanese economy is experiencing a moderate recovery, driven by stronger corporate revenues and improved employment.

## Cosmetics Market Environment

The Japanese cosmetics market expanded slightly, to around ¥1.5 trillion according to Ministry of Economy, Trade and Industry (METI) production statistics for the cosmetics industry, due to a pickup in business confidence because of rising stock prices and other factors, as well as to growing inbound tourism demand. 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 2015

In fiscal 2015, sales in Japan rose 5.9% year on year, to ¥44,104 million. Performance of summer seasonal products in our core Gatsby brand was sluggish due to unseasonable weather.

However, sales were favorable for our Lúcido, Bifesta, and Lúcido-L brands as well as Barrier Repair facial masks.

Operating income rose 4.9%, to ¥4,705 million, as increased sales offset a rise in the cost-of-sales ratio stemming from a higher percentage of high-cost products and aggressive marketing investment.



## Men's Grooming Business

### Market Environment

The domestic men's cosmetics market expanded slightly. According to Mandom's calculations, the market is worth approximately ¥120 billion. The hair styling market has been shrinking since 2001, but the rollout of several new products invigorated the market, causing slight sales growth in fiscal 2015. In the face care market, sales increased slightly on favorable demand for skin care products. The body care market continued to expand, posting the strongest growth in the men's cosmetics market. Meanwhile, the scalp care market recovered to fiscal 2013 levels, the year prior to the consumption tax hike. We expect the face and body care market to continue to grow, reflecting increasing customer awareness for this type of care.

### Initiatives in Fiscal 2015

In fiscal 2015, we launched Gatsby Styling Grease in response to the emerging "neo-classical" trend to produce hair with a glossy shine and strong hold reinvigorating the men's hair styling market while expanding market share.

Mandom followed up the August 2015 rollout of the Lúcido Deodorant series and the Lúcido Skin Care series with the renewal of the Lúcido Styling series in February 2016. After

identifying "40 plus" as a key phrase, we stepped up efforts to appeal to men in this age range, and increased brand recognition using TV commercials and posters that continue to feature actor Seiichi Tanabe.

Also, to reach middle-aged men, Lúcido's target demographic, Mandom launched "40's Life," a lifestyle information website, and published on the brand's website a survey titled "The Mid-40's Man White Paper," on the grooming sensibilities of middle-aged men. These initiatives firmly positioned Lúcido as a brand for middle-aged men, particularly those in their 40s.

For men in their 20s and 30s who are concerned about future hair loss, we launched



Lúcido Styling series



New commercial for the Lúcido Deodorant series



Gatsby Styling Grease

Mandom Scalp Care Suppli. This product concentrates on "care preparing the scalp environment for hair growth" rather than "hair regeneration," which until now had been the focus of scalp care.



Mandom Scalp Care Suppli series

# Japan

## Future Initiatives

For our Gatsby brand, we plan to roll out a new product for the face care category, which is gradually gaining recognition among young men. Men using this product are sure to be met with the compliment “amazing, such glossy skin” from friends and acquaintances, including women. With this product, the renewal of our Face Wash series and new product launches, we will further reinvigorate the face care market.

Also, for the hair styling market, where competition remains fierce, we plan to launch a new genre of hair styling products for the customer who has not used styling products but wants hair that looks and feels great. Mandom hopes to capture market share by getting more customers to use styling products.



Gatsby Plain Style Shower series



Gatsby Smooth Facecare series

For Lúcido, we plan to launch new products in our hair styling product category, and with an eye on recent growth in the hair coloring market for graying men’s hair, will roll out new products for men in their 30s and 40s who are thinking of dyeing their hair. We expect this move to reinvigorate the market and enable the brand to boost market share.



Lúcido Volume Up & Color Treatment

## Women’s Cosmetics Business

### Market Environment

In the domestic women’s cosmetic market, we are seeing stronger sales in the price-maintained merchandises and self-cosmetics markets, thanks to demand from inbound tourism. In the self-cosmetics market, which is largely dominated by Mandom, sales have topped fiscal 2013 levels, the year prior to the consumption tax hike. Nevertheless, the market remains extremely competitive.

### Initiatives in Fiscal 2015

In fiscal 2015, within the cleansing market, we launched our Cleansing Gel series within the mainstream category of wash-away products, which went on to strengthen the Bifesta brand.

Bifesta Cleansing Lotion, the core product under our Bifesta brand, has continued to target loyal new users. We rolled out new designs to keep the brand fresh, and further refined each product to make them easier to distinguish. Bifesta Cleansing Lotion has shipped more than 20 million bottles as of February 2016.



Bifesta Uru-Ochi Water Cleansing Lotion

To keep up with growing inbound tourism demand for Barrier Repair Facial Mask and Bifesta Cleansing Sheet, we set up a new production facility at our Fukusaki Factory, and started mass production.



Barrier Repair Facial Masks

Bifesta  
Cleansing  
Sheet



**Future Initiatives**

For Bifesta Cleansing Lotion, the main product under the Bifesta brand, we promoted new cleansing products. While the women's facial cleansing market experienced slight growth, sales of foam type facial cleansers grew 13% year on year, according to our calculation.

We will launch this new Bifesta-brand products as a facial cleanser with skin-enhancing benefits and high functionality, enabling the brand to strengthen its position as the facial wash and cleansing brand that makes it possible to have beautiful skin.



Bifesta Foaming  
Whip series

**Women's Cosmetics Business**

**Market Environment**

The women's hair styling and hair care market in Japan has been contracting. However, in recent years the demand has grown for "beautiful hair," with trends in hair care mirroring those for skin care. As a result, the market for hair oil as an out-of-bath treatment has been expanding each year.

Concurrently, the body care market has been growing because of the growing need for skin care, and we have responded with several types of body creams, including "regular," "medicinal" and "relaxing" products.

**Initiatives in Fiscal 2015**

In fiscal 2015, we added Lúcido-L Hair Treatment Rich Moisture to our oil treatment series, which has seen favorable sales since its launch. This new treatment provides a more complete finish.

These products have allowed us to enhance our brand position in the out-of-bath treatment market.

Further, in our Mandom body care series, we launched a flower oil beauty body cream as part of our "Dear Flora" series in response to calls for higher functionality, strengthening consumer confidence in Mandom body care.



Dear Flora Oil in Body Cream

Lúcido-L Treatment  
Rich Moisture

**Future Initiatives**

In the market for hair oil products, which continues to enjoy robust growth, we will introduce highly functional oils as part of our Lúcido-L Argan Rich Oil series to satisfy the need for items that repair damaged hair. These products will further boost the position of our Lúcido-L brand.

In the body care category, we plan to take an additional step forward with the launch of a key body oil product that highlights the flower oil beauty philosophy behind the Dear Flora series concept.

We also plan to launch new, easy-to-use hand creams for first-time users. Our goal is to enhance the series' brand recognition and attract new customers.



Lúcido-L Hair  
Treatment Oil  
Essence Charge

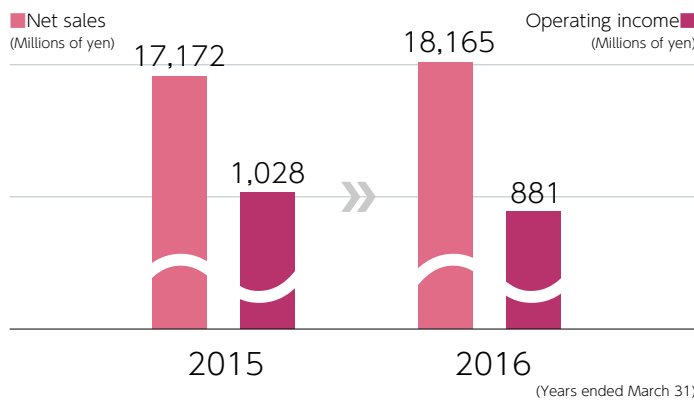
Dear Flora  
Flower  
Body Oil

Dear Flora Oil in  
Hand & Nail Cream

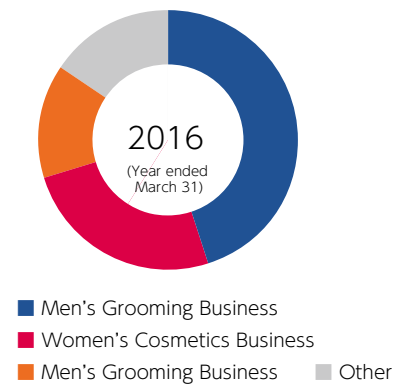
# Indonesia

The largest business area and growth leader in the overseas group

Net sales / Operating income



Net sales by business



## Economic Climate

The Indonesian economy is experiencing steady growth. Income levels are rising steadily due to a higher minimum wage and other factors. Inflation is also easing, which is sustaining steady consumer spending. Indonesia has the world's fourth-largest population, and the working-age population is expanding. Based on these factors, we view Indonesia as a promising market, with growth expected to be hastened by domestic demand.

## Cosmetics Market Environment

In Indonesia's cosmetic market, consumers' purchasing behavior continues to change as higher income levels expand the middle class. With consumer preferences shifting from consumer staples to more luxury-oriented products, we expect the market to expand further, supported by greater demand for highly functional, high-value-added products.

In distribution, consumers' purchasing channels have shifted from traditional trade such

as privately run shops to modern trade such as chain stores and other organized retailers. This has led to a fierce rivalry between global and local firms as they compete to maintain sales of standard products and run effective sales promotions.

## Mandom's Strengths 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 the more than 13,000 islands referred to as the Indonesian archipelago, working in cooperation with local distributors. Mandom has a share of more than 70% in the men's hair styling market and is recognized as the country's leading manufacturer of men's cosmetics.

The Company also has strong brand recognition in Indonesia and has captured a large share of the women's cosmetics market.



We have been actively selling women's cosmetics in the market since the 1980s, particularly our make-up and fragrances. Our sales in the country are now roughly evenly split between men's and women's products.

### Performance for Fiscal 2015

Sales in Indonesia in fiscal 2015 rose 5.8% year on year, to ¥18,165 million. Although negatively affected by a factory fire on July 10, 2015, sales were favorable for men's cosmetics, including our core Gatsby brand. Sales also received a boost from a higher exchange rate resulting from yen depreciation. Due to the negative impact of the fire on sales and a higher cost-of-sales ratio, operating income declined 14.4% to ¥881 million.

## 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. The hair styling market has expanded steadily each year, and the face care and body care markets are also expected to enjoy sharp growth. This increase has made global firms more aggressive and produced a fiercer competitive climate.

### Initiatives in Fiscal 2015

In fiscal 2015, despite a period when product supplies fell below optimal levels because of the



Gatsby Styling Pomade lineup (on the upper shelf)



# Indonesia

fire, sales steadily expanded for Gatsby Water Gloss, our leading hair styling product. Gatsby Styling Pomade, a new product launched in response to the emerging trend for hair with a certain amount of glossy shine, has won over new users and is generating extremely favorable sales.

In the body care category, Gatsby Urban Cologne continues to experience favorable sales. We rolled out mini-size versions in December, further augmenting the product's user base.

## Future Initiatives

In the hair styling category, we extended our Gatsby Styling Pomade lineup, which has enjoyed positive sales since its debut in 2015. We launched Supreme Hold in March, followed by two mini-size versions in April, to win over more users. We started airing television commercials in May, which helped to quickly enhance brand recognition and expand sales. In the body care category, we began airing TV commercials in January for our strong-selling Gatsby Urban Cologne brand, further strengthening the product.

## Women's Cosmetics Business

### Market Environment

Women's awareness of cosmetics is growing in tandem with rising income levels. Western cosmetics brands are enhancing their sales through modern trade, while 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 2015

In fiscal 2015, sales of Pixy struggled, due to competition from rival brands and as the brand lost its sense of "freshness." In response, we introduced several initiatives to reinvigorate it. These measures included TV commercials in the second half of the year, major promotions, including a gift campaign, and efforts to strengthen the brand itself, particularly for our flagship product, Two Way Cake.



Outdoor Pixy advertisement



PIXY Two Way Cake

## Future Initiatives

We plan to reinvigorate the Pixy brand through stronger marketing, including the rollout of new products, TV commercials and promotional events. These efforts aim to rejuvenate the brand's image and more firmly establish Pixy's position as a total cosmetics brand.

## Women's Cosmetics Business

### Market Environment

Reflecting Indonesia's strong preference for scents, fragrances are a favorite for a broad consumer segment, especially teenagers. Fragrances are often consumers' first personal fashion item. Because teenagers are highly sensitive to market trends, new products are constantly being brought to market, and although the market is expected to continue growing, competition is intensifying.

## Initiatives in Fiscal 2015

In fiscal 2015, we boldly expanded the rollout of Pink Me, a new series under our Pucelle brand that aims to tap demand from consumers who prefer light fragrances. Thanks to this rollout, Pink Me appears to be enjoying steady sales.

### Future Initiatives

We will continue to strengthen our Pucelle brand with Pink Me, which targets consumers with evolving preferences for scents. Primarily, we plan to expand the customer base among high school and university students, using promotions augmented with digital media to spread word of the products by offering test samples.

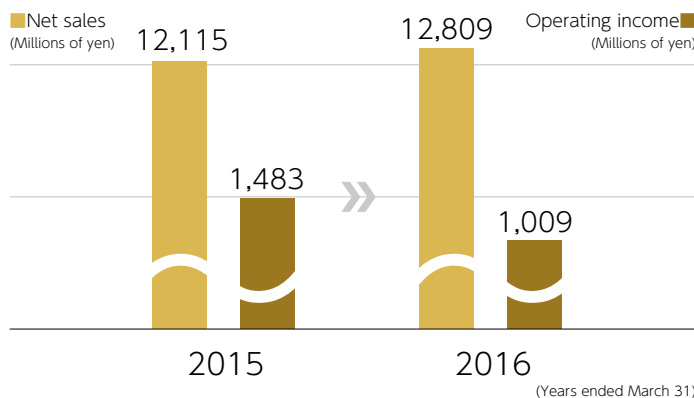


Pucelle series  
(Pink Me products are the three items in the last row on the right)

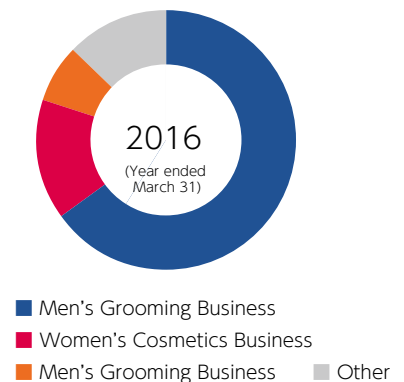
# Other Overseas

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 ASEAN countries such as Malaysia and the Philippines, particularly in metropolitan areas. Aggressive government investment in infrastructure and steady domestic consumption are sustaining ongoing economic growth. Significant market expansion is expected, with growth spreading outward from metropolises to outlying regions. This will be driven by a potential expansion in consumption as populations in these countries approach a growth phase and awareness of cosmetics increases as income levels rise.

## Performance for Fiscal 2015

In fiscal 2015, the Other Overseas segment benefited from favorable sales of the Bifesta

brand of women's cosmetics, and a higher exchange rate resulting from yen depreciation. This led to a 5.7% year-on-year increase in sales to ¥12,809 million.

Due to increased spending due to aggressive marketing investment, operating income declined 32.0% year on year to ¥1,009 million.

## China

China's economy continues to expand, although a significant slowdown is apparent. Investment is stagnating, burdened by excessive capacity and debt. These factors have led to a visible decline in domestic consumer spending.

In recent years, the cosmetics market has expanded, thanks to a greater middle-income population and heightened fashion awareness among women. Private consumption remains steady despite the slowing economy.

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

In fiscal 2015, in the men's grooming market, we focused on strengthening sprays and waxes in the hair styling category for our core Gatsby brand. Additional new product rollouts from our



competitors led to increased competition, but our sprays still maintained the largest share of the market. We have positioned sprays, waxes and gels as three growth areas, and will step up efforts to strengthen products in these areas.

Another area experiencing rapid growth is Bifesta, in our women's cosmetics business. When we introduced this brand two years ago, we decided to maintain ongoing sales promotions at stores. The resulting jump in popularity, as word spread from stores and social networking sites, created a tailwind that contributed to robust sales. We plan to launch initiatives aimed at boosting Bifesta's brand recognition and solidifying its market position. Ongoing efforts include supporting sales at existing stores, increasing the number of stores offering the product, and expanding e-commerce.



Subway advertisements featuring Gatsby products

and fashion awareness rising, we expect distribution routes to increase as the cosmetics market grows.

In January 2015 we established Mandom Vietnam Company Limited in Vietnam, our 12th overseas company, and began product shipments in November, marking the official start of operations. We are currently airing TV commercials to expand our recognition.

Consolidated subsidiary Mandom Corporation (Thailand) Ltd. oversees operations in Myanmar, Cambodia, Laos and Thailand. This subsidiary has been boosting the number of stores offering our products, particularly our Gatsby brand, and coordinating local marketing activities to capture market share.

Especially, in Cambodia, we have been working to raise brand recognition for our Gatsby brand. Our efforts include ongoing TV commercials to facilitate communication with our target consumers featuring our brand ambassador, the popular local vocalist Nico. We also gained a foothold in the market for products in our core hair styling category, as well as our face care and body care categories.

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

## Mainland Southeast Asia

GDP levels remain relatively low in mainland Southeast Asia. However, as a large percentage of the population in the region is under 30 and the working age population is rising, the region is expected to enjoy significant growth in the future, making it a promising market.

The organized retailers that make up modern trade channels remain a relatively small feature of the cosmetics market in this region. Instead, traditional trade channels such as individually operated mom-and-pop stores are the norm. With the middle-income population expanding



Promotions featuring Gatsby brand ambassador Nico