

Top Message

**We want to become a company
that is always active for all stakeholders,
including consumers and employees.**



Mandom Corporation
President Executive Officer & Director
Ken Nishimura



Looking Back on the Fiscal Year Ended March 31, 2023

Given that the Company's operating margin was around 10% and consolidated operating profit was around ¥8.0 billion before the COVID-19 pandemic, neither management nor our employees could have imagined that the Company would fall into an operating loss in such a short period of time, even with the impact of the pandemic. As a result, the Company as a whole lost confidence and remained in a state of being unable to stay optimistic for two years. In order to regain confidence, one small step at a time, we decided to start by aiming to record a profit in each segment on a consolidated basis in the fiscal year ended March 31, 2023, which would naturally translate into a profit on a consolidated basis.

Although Indonesia posted an operating loss on a segment basis due to the reconfiguration of financial results that occurred when recording the consolidated results, it was able to post a profit on a non-consolidated basis in local currency terms. As a result, consolidated net sales increased 16.9% year on year to ¥67,047 million, while consolidated operating profit amounted to ¥1,409 million. However, we have only taken the first step toward recovery, and I believe that we must improve profitability to a level where our operating margin approaches 10%, and in the future, exceeds 10%. ROIC was 2.1%. With regard to invested capital, which is the denominator of the calculation formula for ROIC, we are working to shorten the cash conversion cycle, optimize product inventories, and reduce manufacturing costs, while continuing to work with customers to minimize the volume of returned goods as



much as possible in parallel with our cost reduction efforts. We review the figures for our progress every three months at Management Council meetings, and we are raising awareness of these issues across the entire Group, including overseas. The operating margin, which is the numerator of the calculation formula for ROIC, is still at a low level, and we must first restore it to a level where it can reach 10% as soon as possible. We are also aware of the need to raise ROIC to a level where it exceeds capital costs as quickly as possible in the next Middle-Range Planning (“MP”).



Current Situation and Issues by Segment

If we take a look at individual segments, although Japan and

Indonesia still have a long way to go in terms of their recovery, consumers in all but a few countries in the Other overseas segment have started to return to their normal lives and go about their everyday routines in a forward-looking manner. I have also resumed going on overseas business trips last year (2022), and unlike in Japan, the streets of the countries I visited were extremely lively, with some countries having already returned to pre-COVID sales levels. I believe that most countries, with the exception of China and South Korea in East Asia, will probably exceed their pre-COVID sales levels by the end of this fiscal year. We consider the Other overseas segment as a growth driver within the Group in the next MP as well. On the other hand, with regard to Indonesia, we have been growing sales by leveraging brands such as GATSBY and Pixy as much as possible, but there is a sense that we are

approaching the limit of their potential. This is an issue not only for Indonesia but across the entire Group. I feel that we are entering a phase in which we should alter our approach in order to develop our next set of strengths, such as by introducing new brands while leveraging our current strengths, rather than relying too heavily on our strong brands. In my view, there are concerns that merely persisting with our past approach in Indonesia will lead to a slowdown in the pace of growth.

In Japan, our major market, we primarily operate our business in the mass market. Our business is centered on brands such as GATSBY and LÚCIDO for men's cosmetics, and on brands such as Bifesta and LÚCIDO-L for women's cosmetics. In terms of men's cosmetics, we have not established any brand in the market following LÚCIDO. LÚCIDO and GATSBY are 34 years old and 45 years old this year, respectively. Until now, both these brands have evolved over time to ensure that they do not become obsolete, but after such a long time, there is indeed a sense that we are almost reaching the limits of their potential. In view of this, it is necessary for us to create new excitement in the mass market, including by proposing new categories or new brands, something we have not done for many years, and by working to adapt to the evolving times. There are concerns

that if we fail to address these needs, our business may be caught in a diminishing equilibrium in a Japanese market that is facing declining population and economic stagnation.

Marketing That Is Well-Adapted to Changes Among Consumers

Many players have entered the men's cosmetics market in recent years, and the market has also matured as consumers become more literate. There are also some categories whose products now offer more powerful functions and higher added value. For example, there are currently many skincare and men's makeup products on the market, but as their value and functionality grow, the cost of these products naturally rises as well. Since the Company was founded, we have been committed to the popularization of high-quality and best-value products and have continued operating our business with the hope that our Dedication to Service (Oyakudachi) can enrich the everyday lives of consumers by spreading the culture of cosmetics to as many such consumers as possible regardless of the times. Although the Company does not take decisions to raise prices lightly even considering the soaring prices of various raw materials in recent times, the market has come to demand high added value products, and thus the selling prices of our new products have also increased in line with their higher product functionality. For example, some of our new products launched last year (2022) are priced close to ¥2,000, which is higher than our normal price range up to now. However, one positive we can take heart in is that these products have garnered tremendous support and are ranked among the top products of their respective categories in the market, which I believe is a sign of our ability to evolve.

As for what we refer to as career recruitment in the Company, we have hired several individuals who possess various forms of marketing expertise, including digital marketing and product planning, in recent years. The aim of this is to strengthen our ability to develop fans of our brand,



which has been an issue for a long time. Brands that have been around for a long time have the support of loyal customers, and it is vital for a brand to identify what its fans want from it and reflect their needs in its new products as well as its advertising and promotional activities. In particular, there is a sense that GATSBY had abandoned its original fans by striving to become a brand that is universally accepted, resulting in a brand that has become less distinctive and unique, which makes it difficult to identify who exactly the brand is targeting. Unlike in the past, it is imperative that we evolve and adapt to the times, given that so many players have entered the market. To this end, I hope that the newly recruited members of our team through the career recruitment will not only demonstrate the skills they possess but also bring new perspectives to the Company.

Initiatives for the Fiscal Year Ending March 31, 2024

We are keenly aware that the demand for sustainability is growing both within and beyond the Company. As human capital management becomes increasingly necessary, issues such as the promotion of diversity and women's participation have become important themes. In addition, it is necessary to take action over the course of our business operations to reduce various resources and energy used in our manufacturing process and utilize more environmentally friendly product packaging. Although our current business environment requires us to address many issues, such as rising costs across the board, we are actively engaged in initiatives aimed at addressing social and environmental issues. We have set our medium- and long-term targets for materiality in April of this year, and awareness of these targets is growing throughout the Group. [→ P.24](#) The Company has adopted the slogan of "BE ANYTHING, BE EVERYTHING," and its goal is to create and provide value that contributes to realizing a lifestyle and society that do not require trade-offs, which have been traditionally perceived as parts of a so-called trade-off relationship in

cases where many people and things need to give up something in order to do certain other things. For example, the stance that quality is not negotiable in the case of cosmetics but such products must also be environmentally friendly has become very important as well.

I believe this fiscal year is an important year for us, especially in terms of how we formulate the next MP. Until now, decisions have often been made by the management team alone, but starting from this fiscal year, we have launched training for department heads, during which we ask them to consider and propose actions that each department can take in response to the 14th Middle-Range Planning ("MP-14"). We are starting to involve even department heads in our management plans, thereby setting a trend where everyone gets involved. [→ P.35](#) In MP-14, we hope to go a little further than before and explain with greater nuance how, in terms of our growth strategy, some areas can be expanded with our existing portfolio while other areas require us to take on new challenges, such as by introducing new brands or considering M&A opportunities. I believe presenting a growth strategy that serves as the basis for creating such exciting possibilities will benefit not only investors and other external stakeholders but also employees as well. We hope to present an MP that is an upgrade from our current plan and which clearly shows employees our future direction as a company.

We have established a new division this fiscal year called the Corporate Transformation Division. It is composed of three members, and I serve as its General Manager. The first thing we are currently working on is the facilitation of internal dialogues between all our management personnel in Japan and young employees aged 40 years old and younger over a two-year period following my appointment as President, and this year, we plan to hold dialogues with employees aged 40 and older. [→ P.35](#) We conduct surveys on the spot for each employee to find out what we can do now and what we need to do moving forward to make the Company a place that is rewarding and always enjoyable to work at. The results of these surveys are analyzed by delving below the superficial descriptions to identify any

intrinsic issues that lie beneath the responses. The findings are then presented to the Human Resources & General Administration Division, the Corporate Planning Division, and other relevant divisions as part of efforts to reform and revitalize our company culture. As for initiatives involving external parties, I believe there is a need to establish an environment in which we can collaborate with external ventures and startups. This would allow us to collaborate more flexibly with external parties, perhaps by exploring M&A opportunities or partnering with startups and ventures. I believe that having the new division take some concrete actions, no matter how small, at an earlier stage would make it more likely that our efforts will resonate with employees. After all, it is imperative that the Corporate Transformation Division becomes a division that employees can have high expectations of.



Toward a Truly Global Company

Although we have made progress in the globalization of our products and brands, I believe that we cannot become a truly global company unless we promote the globalization of our people and management. The percentage of overseas net sales will probably exceed 50% in the period corresponding to MP-14. I believe that Japan currently accounts for too large a portion of the Group. In order for Japan to retain the Group's headquarters function and support our business in various countries, employees working in Japan need to acquire a holistic understanding of the Group's business operations, foster a global mindset, and embrace diversity. Staying in Japan and having the mindset and lack of urgency associated with the stagnant status quo will not allow us to offer adequate support for our overseas business. I also believe that we should delegate authority to each country to some extent, attract human resources of various nationalities and attributes to work at their companies, and ensure that the management team of each overseas company is localized and diversified, all of which are key points that must be addressed in MP-14.

From the perspective of employees, it is crucial for a company to be able to have people of various attributes working well together. In the case of Japan, I believe that gender bias must be eliminated. Diversity can be defined in terms of gender, age, nationality and other attributes, but it is important to strike a good balance not only in terms of individual attributes but also in giving rise to an improvement in the company's corporate value. There is a sense in recent times that career diversity is also very important. For instance, there are quite a number of employees who do not wish to move into management; instead, they want to further refine their specialized skills in their field of expertise and work as experts and professionals. There will be situations in the future where men and women embrace different work styles and pursue different career paths while young employees and overseas employees work together. A key requirement I look for in human resources is the ability to approach issues from scratch without relying on past successes. The ability to think from scratch also means being open to diversity. It is important for us to have human resources who are capable of being receptive to what is best for the Company when figuring out combinations that feature the very best. They must be always intellectually curious, constantly in pursuit of new developments and attuned to what is going on around them, and aware of their own weaknesses, while setting their own vision of what they want to be and growing toward that vision. People who can do that are the kind of human resources I would like to work with.



Toward the 100th Year of Our Founding

Our material issues include creating a grooming culture, expanding Dedication to Service (Oyakudachi) to a diversity of consumers, and realizing mutual growth of employees and the company. This part of value creation should be called "aggressive materiality" as it leverages the Company's strengths, and I believe that the introduction of Mandom HR

Transformation (MHRX) [→ P.36](#) is very important as a framework for realizing mutual growth of employees and the company. There is no company growth without employee growth, and I believe that we must foster a relationship in which both parties can grow and find mutual happiness. Indeed, as set out in our corporate philosophy, Mandom must reach boldly beyond the norm and always strive to be an active company. Regardless of whether we are dealing with long-selling brands or new brands, I want employees to have an image of a company that is always on the move, generating news, and making new product proposals, which is also the image I would like all our stakeholders to have of the company. In order to become an active company, we hope, for example, to systemize and formalize in MP-14 a framework under which employees are given positive evaluations in their evaluation indicators for taking on new challenges, regardless of whether the eventual outcome was a success or a failure. While a bottom-up approach is fundamental for reforming the company culture as it is vital for each employee to take ownership in addressing various issues, I also recognize that top-down action is sometimes necessary.

Another quality of Mandom is our respect for people. I believe that our stance of always prioritizing our employees, consumers, suppliers, and all other affiliated parties with whom we work together to operate our business is part of our company culture, a testament to how we are a highly human-oriented company. We have managed to survive in the cosmetics industry until now as a result of our unique and active approach of reaching boldly beyond the norm over the years, and the recent stagnation in the Company may be attributed to a slight decline in this aspect. This is a quality that has been handed down since the time of the Company's founder and has remained intact for nearly 100 years, and it is one that I believe we must preserve. The Company's name has been changed twice in the past, and if you take a look at our history, you will notice that we are a company that has undergone a series of changes and innovations and overcome various crises to get to where we are today. I believe that our fundamental stance is to be

actively on the move, continue to evolve, and approach the new era undeterred. When I was asked what kind of company I wanted Mandom to be following my appointment as President, I replied, "The most enjoyable and vibrant company for employees to work for in Japan, and hopefully in the entire world." I believe there are countless ways for a company to achieve excellence. However, not many companies can claim that they are a company that nurtures its employees or a company that its employees enjoy working for. Yet, there is no reason why such companies should have poor business performance. I am not talking about companies at which people simply have fun hanging out but companies where employees enjoy working. These are companies where there is constant friendly competition, where everyone is moving in the same direction despite the occasional disagreement, and where a diverse range of human resources work together to always actively provide value to the world. Mandom hopes to become a corporate group that always has that vision in mind.

