

In 2017, Mandom has revisited the origins of our business operations, explored and further advanced Mandom's reason for existence that our predecessors have solidified, and rebuilt the framework of our mission by placing the concept of a "human-oriented" company at our core.

In his message in Mandom Report 2018, President Motonobu Nishimura gave his thoughts on management based on his own personal experience and talked about the meaning behind the corporate mission.

— Mr. Nishimura, what have you learned from your business experience?

I joined Mandom in 1977 at a time when we were launching a sales company and shifting focus to the realm of direct sales. My first job was in sales, to shift distribution through distributors to direct sales through the more than 70 sales offices of the sales company. However, we had to abandon these manufacturer-centric, strong-armed reforms after only two years because they did not receive the support of the market or our business partners. We were forced to liquidate the sales company, which had lost its financial balance. We were overly focused on sales, ideas took off and landed only within the manufacturer, a mindset that contrasts sharply with our current philosophy of "Oyakudachi" dedication to service. As a result, Mandom was forced to dispose of a large quantity of returned goods, sell portions of the land of our founding place, and most intolerably, make personnel reductions. Leaving would have been painful, but staying was also agonizing. Seeing the Company in near collapse, I learned an important lesson as I vowed never to repeat this.

In 1980, as the Company aimed to regain its footing, we underwent managerial reforms and the management became significantly younger. While younger managers could match their predecessors in mental and physical energy, they lacked managerial experience, and unlike today, there was no function set in place for drawing up management strategy. We all had to come together for the rebuild. First, we grasped the current status of the Company and identified all of the problematic issues. So many issues came up that the walls of the conference room were covered by cards forming affinity diagrams. We concentrated similar issues, organized them into categories, further concentrated them into related groups, and designed cause and effect flow charts. We ultimately linked them with our corporate mission, divided the issues into those requiring overall company initiatives and those which could be handled by individual departments, and created project teams. This was the origin of the MP meetings (Middle-Range Planning meetings). At the time, there were about 20 such teams, comprised of six or seven employees who would meet for two days a month to discuss these issues. All personnel truly participated in this process as everyone from officers down to young employees with only three or four years of experience belonged to these teams. There were so many issues to be discussed in the

MP meetings, many of which produced proposals which were quickly reflected in business operations. For the first two years of MP meetings, before we put our focus on the market or consumers, we first had to strive to unify our vector within the Company, in order to restore our profitability, of course, but more so to rebuild as an organization. At first, most of the inputs from employees were of what I would describe as "geocentric" beliefs. However, further discussion of these issues would lead us to a more "heliocentric" understandings. For example, for the issue of frequent product shortages at sales locations and the resulting inconvenience to business partners, the team would discuss what measures could be taken. An employee may express a desire for a more detailed production plan to be made at factories to prevent product shortages. The discussion would often develop in the following way: "What does the factory base their production plan on?" → "The sales plan from the Sales Division" → "What does the Sales Division base their sales plan on?" → "The sales plan from sales locations around the country." Ultimately, the team would reach the conclusion that "product shortages could be reduced if each sales staff member more accurately grasps the information of their area and produces a more accurate sales plan." Naturally, measures to combat product shortages must be conducted through cooperation of all related departments, including production, sales, purchasing, and product development. Once teams began to think about what is currently possible, they began to head towards problem resolution. By continuing such discussions among all employees, our vectors started to align and the whole company has begun heading in a single direction.

When we began to really feel these changes and movements, we were able to build a business development foundation based on a consumer-centric perspective, which has continued to this day. We also developed Mandom terminology which took the perspective of customers. Our customers are not just "shouhisha (consumer)" but "seikatsusha (liver)." We started using the term "shopping place" instead of "sales place." Sales is not to "push" our products, but rather to have the customers "pull" the products themselves. "Sales promotions" should rather be "choice promotions," to prompt customers to choose us. As a result of this large shift in our mindset, the whole Company started to move in a positive direction, and began over-the-counter trading

of our stock in 1988. Eight years had passed since I saw the Company nearly collapse. How the large gears started to turn, pushing us up to reach the point of our stock entering the over-the-counter market, was a very important experience to me.

— What is the significance of Mandom's Corporate Mission?

A central pillar to our current mission is Dedication to Service (Oyakudachi) for consumers.

To us, "Oyakudachi" is the concept of identifying needs of people from across the globe, not just the established or the opinion-leaders, in their daily lives, not just during special moments. We hope to provide value which is "Something New" or "Something Different" based on solid technology and a stylish, fun concept. We hope that our products will help consumers from around the world to feel a little bit of magic, to feel positive and cheerful, through cleaning their body, grooming, and dressing neatly in their day-to-day lives.

In addition, we also feel that it is important to imagine and act without being constrained by common sense, preconceptions, previously accepted values, and past successes during this time when forecasting the future is a difficult task. It is vital to act boldly, facing shifts in the current of times, be prepared to cut our own path forward by being brave, taking risks and challenges.

We will utilize this mentality passed down over the 90-year history of the Company in order to become a company which is needed in society at not only our 100th anniversary, but beyond. At the core of the reformulated MISSION, constructed last year, is the concept of being a "human-oriented" company. We have arrived at this concept by revisiting the starting point of our corporate activities, exploring Mandom's reason for existence that our predecessors have built, and adjusting it to the needs of the times.

— In this age of stunning technological and scientific progress, why focus on being "human oriented?"

Currently, I can strongly feel how technology is growing at an exponential rate. In the 21st century, society is supported through assorted technologies and science, including artificial intelligence, robotics, IoT, and life sciences. However, we must prevent technology from

evolving in a way which ignores the needs of others and focuses solely on itself. In order to achieve that, individuals must acquire proper knowledge about new technologies and possess the ability to judge logically what the Earth and the people who live on it need using a strong moral code. Ultimately, society requires heart. Human judgment is the foundation for such a society.

Even as we debate and reconstruct our corporate mission, the tide of digitalization will not stop, as evolving AIs and forms of services will become more common. In that light, we ultimately reached a thinking which focused on people, which cared for human hearts, and which sought value creation only possible by humans. We often discussed the question of what capabilities are unique to humans.

Only humans are capable of being deeply touched by beauty and feeling a sense of satisfaction. This awareness of beauty is unique to humans. Humans also possess an incredible imagination which is not bound by past data or the status quo. Human imagination is the only thing capable of producing new value which can make one feel beautiful, cool, cute, excited, fun, or sad, to stir people's heart. We believe that it is the duty of humans to light the fire of these passions and make the impossible possible with an unbending spirit, with the help of strong-willed partners who share the same values. In other words, we believe that it is a job for humans and role of humans and human-oriented companies, one of which we aspire to be, to grab and shake hearts and create our shared future.

Extracted from Mandom Report 2018



Top Message



While striving to be of benefit to consumers worldwide,
we seek to evolve in order to remain a company
that is valuable for society.

Mandom Corporation
President Executive Officer & Director
Motonobu Nishimura

To realize VISION2027

— How do you feel about the MP-12 infrastructure development situation looking ahead to the next MP?

On the road map to realize VISION2027, MP-12 (12th Middle-Range Planning) is considered the infrastructure development period, and it is in its final year. In accordance with the VISION policies, with the aim of evolving into a truly global company, we have been working on creating a Group operating structure and establishing a management platform to support it with our sights set on meeting the global standards, including thorough implementation of mission-based management, which is the most important infrastructure. When establishing MP-12, we identified management issues at officers' gatherings, and four issues were raised as foundational components, namely human resources creation, financial foundation, information infrastructure, and corporate governance.

Two years have passed under MP-12, and with respect to human resources creation, we began working to spread among all employees in every country the understanding of our MISSION, which has been translated into eight languages in the first year. In the second year, we conducted a survey of implementation status of the MISSION. The survey showed that employee engagement with respect to the MISSION was very high, and I was happy to see that. At the same time, our younger employees expressed a positive attitude in requesting for opportunities and environment to take more challenging jobs that allow them to better exercise their abilities. We will develop a better environment in combination with the simultaneous implementation of a group-wide personnel affair system that allows all employees of the Group to grow under the same system. This survey will continue to be conducted every year, and we will identify issues and make improvements on an ongoing basis. We also launched a system for hiring and training the outstanding human resources necessary for realizing VISION2027. We are also making progress in work-style reform as only Mandom can, promoting improvements in the three areas of fulfillment in work, creativity, and productivity based on the MISSION.

As for the financial foundation, the common accounting system that was introduced in Japan for the first year and in Indonesia last year is in effect as of this year. In Japan

and Indonesia, the twin engines of the Mandom Group, there is now a foundation in place for more quickly and accurately keeping track of results under the same standards and judging things from the standpoint of group-wide optimization. We will continue introducing the common accounting system at all companies within the Group. We will also establish policies for efficient and effective fund management and our approach to transactions on a global scale, to swiftly address issues. The foundation is also coming together for management accounting, enabling various departments to consider their operations in a more multifaceted manner from a profit standpoint.

In regard to the information infrastructure, we introduced a group-wide integrated communication network in addition to upgrading the core systems, including systems for production and sales. I expect it to promote timely information sharing and quicker decision-making. Efforts have begun that will lead to improvement in productivity per unit, including the promotion of digitalization and paperless operations. Our initiatives in the area of corporate governance are detailed in the integrated report that we began publishing last year. These include strategy formulation by top management based on integrated thinking and enhanced evaluations of the effectiveness of directors.

The next Middle-Range Planning (MP-13) covers a period of reformation and challenges for the realization of VISION2027. A large, stable infrastructure will allow us to make a major leap forward, so we would like to complete infrastructure development during this final year of MP-12 for that reason as well.



Aiming to become a cosmetics company possessing unique strengths in specialized areas

— What is the value provided to consumers that is important to Mandom as a human-oriented company?

The value we provide is “Oyakudachi,” our MISSION itself. As I said last year, to us, “Dedication to Service (Oyakudachi)” is the concept of identifying needs of people from across the globe, not just the established or the opinion-leaders, in their daily lives, not just during special moments. We hope to provide value which is “Something New” or “Something Different” based on solid technology and a stylish, fun concept. We hope that our products will help consumers from around the world to feel a little bit of magic, to feel positive and cheerful, through cleaning their body, grooming, and dressing neatly in their day-to-day lives.

At the heart of the value that Mandom provides is the “fun” axis. The word “fun” represents a positive attitude. The Gatsby commercials, for example, have been described as “stylish but somehow whimsical, entertaining and rhythmic.” This is a message unique to our company and is an expression of Mandom’s characteristics and world view.

When it comes to the five senses, it’s important for people to interact and relate to each other. Young digital natives make their selections while taking in various information using various means. They may know what is talked about or selling at the moment, but there’s some doubt as to whether they’ve cultivated the sensitivity to determine what they really need. To cultivate those sensitivities, a cultural aspect or emotions like delight, anger, sorrow, and pleasure have to be brought in. As such, though there are several elements to the qualitative picture of the ideals set forth in VISION2027, the first and foremost is to continually deliver authentic proposals with a focus on stock rather than flow. Underlying this is the belief that providing true value is what will lead to daily discoveries and inspiration.



— What is organization building as it pertains to becoming a human-oriented company?

During the 30 years of the Heisei era, there were tremendous technological developments from the standpoint of human history, including the emergence of the internet and genome analysis. However, over the next several decades, it is said that the world will change to the point of requiring a new social system and that human ideals will change beyond our imaginations as scientific and technological progress, taking place at an exponential rate, have entered a phase of limitless upward growth. This can no longer be avoided. Nevertheless, what kind of society will come about is up to us. In any case, I believe that technology must be used to improve our quality of life, including the global environment, and the quality of our work. In the near future, I think work that does not require special knowledge or skills, along with data analysis and work that require orderly, structured execution of tasks, will be taken over by AI and robots. I believe, with digital transformation and the adoption of digital technologies, there will be major, fundamental changes to conventional business processes and operations. Some have voiced concern that AI will steal jobs from humans,

but if it relieves people of routine daily tasks such as data processing and allows more time and energy to be put into work that requires imagination, creativity, and comprehensive decision-making capabilities, it will lead to improved way of working. The role of humans will change. For example, it will not be AI but humans that create new value for the future, by interacting more closely with consumers, eliminating social inefficiencies, solving difficult and persistent problems, and creating innovation.

Normally with innovative companies that continually innovate, you picture a corporate climate of freedom and open-mindedness, challenge, and tolerance of failure. However, in reality, evaluation of performance is strict, and those human resources that cannot deliver the expected results are treated without mercy.

At Mandom, I want to create a corporate climate conducive to continuous innovation by having everyone actively participate in taking up challenges and recognize meaningful failures rather than seeing failure as a trade-off for success. Realizing such a climate will likely be very difficult. Accordingly, a major challenge will be creating a stimulating environment in which innovation can be brought about and people can do their jobs comfortably. Cross-border job rotations will become commonplace, and there will be all kinds of people around. Moreover, information will come in from inside and outside the company. New value will be created under those conditions, and proper evaluations will take place. People will grow, and a high level of motivation will be maintained. The ideal is a group of strong, independent individuals who exercise leadership based on their respective roles rather than authority or position.

For that reason, we have put together a global personnel system during the infrastructure development period of MP-12, and we have begun training the human resources that will support Mandom on a global scale.

— What do you emphasize in personnel development so that **Dedication to Service (Oyakudachi)** will continue to be upheld?

I communicated two things at this year's new employee training. The first was that I want them to always approach everything with awareness and care. This will result in very different experience, insights, and sensibility gained compared to those who go through

life unthinkingly, even if they spend the same time in the same place. Information available on smartphones and computers can be very useful, but there are many things that can only be understood by taking physical action and experiencing them with the five senses, seeing them and hearing them for yourself. If you focus, no matter what results, you're sure to make new discoveries in the process that will lead to the next step.

The second thing was that I want them to open their minds and take a positive approach to things, assuming a "can do" attitude instead of a "can't do" attitude in every challenge they tackle. Life is an accumulation of various choices and decisions made on a daily basis.

When you consider that the decisions and KohDoh (thoughtful action) of yourself today will impact your later decisions and KohDoh to no small extent and, in turn, will greatly affect the future you, if you open your mind and take a positive approach to things, assuming you "can do" anything you try rather than doubting you "might not" be able to, engaging in KohDoh by taking physical steps and putting your five senses to work rather than just thinking in your head, you just might make unexpected discoveries. Many people give up on things halfway through, so it is important to have the powers of concentration and persistence to continue thinking about how something can be accomplished. I want you to open your mind and take a positive approach to things, assuming a "can do" attitude instead of "might not," and live out a cycle of positivity.

I also want supervisors to delegate authority and subordinates to work on achieving the goals of their departments while thinking about their jobs on a higher level. People grow when they overcome difficulties.



There are many current mid-level management personnel that have had various experiences overseas in their twenties, so one strategy is to send our younger employees on overseas assignments in their twenties as well, but I feel like one of our organizational challenges is that in many ways, the environment for our younger employees is still not conducive enough for taking up challenges.

— What initiatives are being taken to provide Dedication to Service (Oyakudachi) to a billion people around the world?

We must expand our Dedication to Service (Oyakudachi) in terms of both quantity and quality as we work toward fulfilling the VISION Slogan of VISION2027, which is to “Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world.” That is another reason why it is important to establish our products within the lifestyles of Asian consumers, but the lifestyles differ in each country and region. For example, products like men’s facial cleansing paper and body paper that are successful in Japan struggled to take root in the lifestyles of men in Asia, even in affluent places like Taiwan, because the products are disposable. Today, they are fixtures in Taiwanese convenience stores, but to get to this point we had to conduct frequent awareness campaigns, including sampling on the streets and at gas stations. A great deal of time was spent creating and establishing the market. Moreover, as mentioned earlier, technological change is taking place at a rapid pace today, especially in the area of IT, so the means of obtaining information, purchasing behavior, and

values are also changing significantly. Under these circumstances where values differ from country to country and those values and purchasing behaviors are changing rapidly, thorough consumer-led lifestyle value creation is essential if we are to expand Dedication to Service (Oyakudachi) in terms of both quality and quantity.

Early on in MP-12, we developed a matrix structure to generate Group synergies. We are pouring particular effort into marketing functions (horizontal axis), promoting total marketing on a global scale, sharing marketing know-how through cross-border personnel exchange, and creating new value within the Group. As part of this, we concentrated our marketing functions to Aoyama, Tokyo. As a result, we are now able to have substantive discussions at IMCG (International Marketing Conference of Gatsby) and IMCL (International Marketing Conference on Ladies’ Cosmetics).

For example, at the last IMCG, everyone discussed the future of Gatsby. The sense of camaraderie was deepened by sharing individual thoughts across national boundaries and working toward mutual understanding. Employee motivation has also increased based on the idea that our world will naturally expand if we are able to win in the rapidly growing Asian market.

Additionally, as a symbolic example of globalization, the Bifesta Birthday Party was held last year. Bifesta having developed into a global brand despite its newcomer status, its birthday party was planned by a female employee from the Taiwan Office, with the Aoyama Office, our headquarters, being brought in on the planning. Our offices all over the world were brought together by this event, truly materializing one of our aims when we concentrated the marketing functions.

Meanwhile, we are ramping up efforts to re-brand our global brand Gatsby as well as Pixy which has suffered from declining brand activity in recent years, and also working on cross-border e-commerce, which has gotten off to a late start in Japan.



Aiming to achieve sustainable growth

—What does becoming a sustainable company mean to Mandom?

What lies at the heart of the spirit that has been handed down to us from our predecessors is Dedication to Service (Oyakudachi). To put that into practice, the company must not go under. If we approach things from the standpoint of a going concern, we are set in a specific time and are merely a part of one short period of a long history. The day will come when we pass the torch to the next generation. What is important at that time is human resources and our MISSION. It is important for us to build platforms for growth and pass them on to the next generation, but we do not know what kind of person will be the most sought-after, in corporate management, in that age. However, the platform has to be something with the power to attract people, and it is important how we raise the standing as we pass it on to the next generation.

For that reason as well, at the Board of Directors meeting and other meetings, we regard the thorough deliberation process to reach a conclusion as important as the conclusion itself, and discuss things in earnest until every member is satisfied.

The top management issues for achieving VISION2027 are establishing the corporate brand



and maximizing corporate value. As you can see in the endless strings of corporate scandals, the trust a corporation has worked so hard to build up can be lost in a moment when it seeks profit at all costs or ignore rules to increase efficiency. SDGs and ESG, where economic value is reinforced by social value, have become important standards. In this day and age, it is impossible to develop effective management strategies if you stand on economic value alone. Social value, in essence, is the value that serves as the foundation of the company's existence, such as our MISSION, SPIRIT, and PRINCIPLES.

I want Mandom to continue to be an "Only one company" that thrives as a one-of-a-kind company whose value to society is recognized by partners and stakeholders, having a balance of sociality and humanity as a good corporate citizen with the dynamism to survive in any age, and valuing a MISSION based on a human-oriented approach.

Interviewer's Thoughts

Even as the future remains unpredictable, cosmetics can play a role in creating a positive attitude. With "Oyakudachi" as its keyword, Mandom is always thinking about ways to perceive changes within the company, with means such as holding marketing conferences and utilizing the Aoyama Marketing Office.

What was very interesting, about being human-oriented, was the comment about approaching everything with awareness and care. I felt it exemplifies how the company is more about innovation toward "active employee engagement" than creating particular system or monitoring things. I got the picture of an innovative organization where everyone has a leadership mindset, recognizing their own roles and respecting their colleagues with different roles, while appreciating cross-border values. "Fun" is the keyword, and this is a group of people that enjoy that environment.

Daily words and actions create tomorrow, whether it's getting rid of negativity or thinking about how to accomplish things. The focus on tomorrow instead of yesterday and taking a positive approach to life are things that I felt when I watched Mandom's commercials as a child. I thought these things were very "Mandom-esque."



Interviewer

Hiroko Ozawa

U.S. Certified Public Accountant/
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Hiroko Ozawa joined Ernst & Young ShinNihon LLC after working as an advisor for corporate acquisitions and business restructuring at a corporate auditing consulting firm. She is in charge of advising on disclosure of corporate information, primarily CSR and integrated reports. From May 2012 to September 2018, she also worked at the Japan Office of the International Integrated Reporting Council (IIRC). She has been in her current position since January 2018.