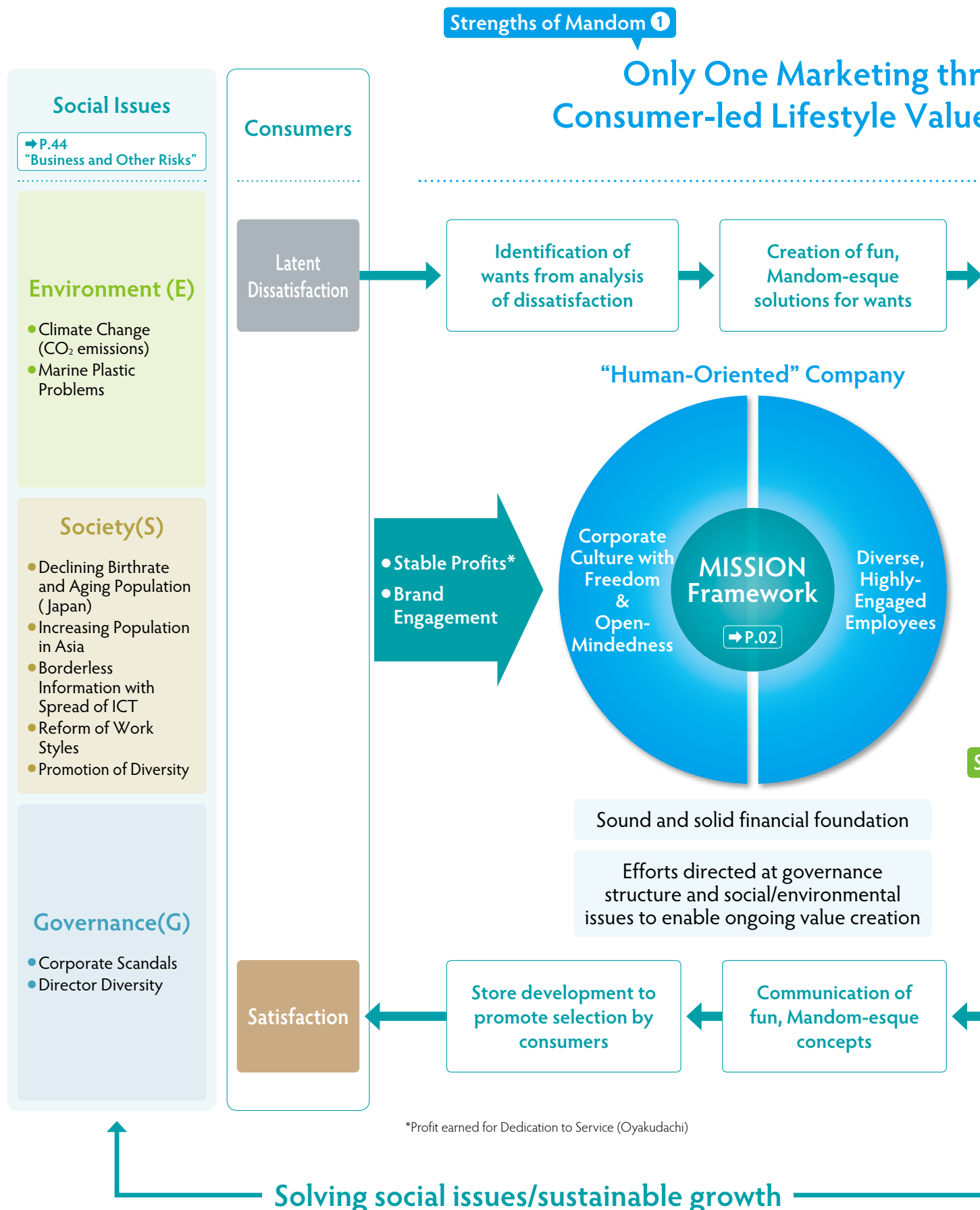
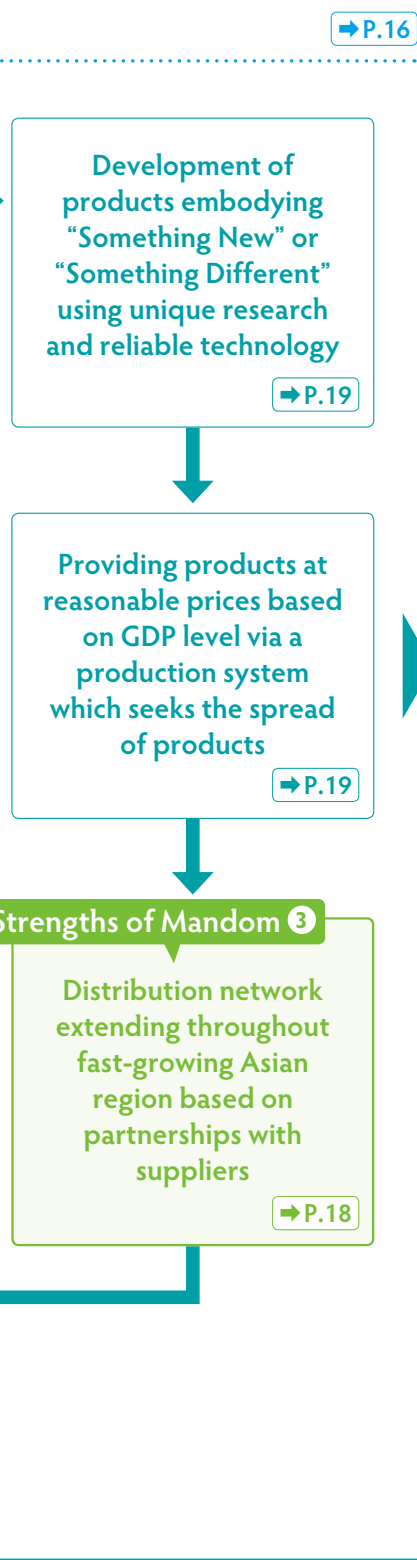


# Mandom Value Creation Model



# ough e Creation



### Strengths of Mandom ①

# Only One Marketing through Consumer-led Lifestyle Value Creation

With MP-1 in 1982, the corporate stance at Mandom was shifted to Active Employee Engagement in Management, and we transitioned to a company focused on Dedication to Service (Oyakudachi) and consumer-focused management. It was at this time that most of the original words and ideas we refer to as Mandom terminology, such as “Seikatsusha” instead of “Shouhisha” (consumers), “Shopping area” instead of “Sales area,” “Value creation” instead of “Manufacturing,” “Pull” instead of “Push,” “Proactive” instead of “Passive,” and “Engagement” instead of “Participation” were developed.

From these, the concepts of “consumer orientation” and “consumer-wants-driven commercialization” were born, leading to the Mandom marketing principle of Consumer-led Lifestyle Value Creation. The idea is that if a product created for the purpose of satisfying consumer wants and addressing insights really does so, it will provide the consumer with satisfaction and the company with both sales and profits.

At Mandom, product development is not based on the preconceptions of engineers or the demands of top management. Instead, we emphasize working for the consumer with the ultimate objective of satisfying them. Each and every one of our employees is thoroughly aware of and acts on the importance not only of product development but also of fully demonstrating to their own customers and, by extension, to consumers in general their Dedication to Service (Oyakudachi), including in their communication and creation of store displays. This leads to the creation of new markets and higher brand engagement.

## Examples of Oyakudachi through the Concept of Consumer-led Lifestyle Value Creation

We are constantly interacting with consumers to respond to their latent needs and wants and guide their discoveries and feelings. As a result, we have proposed new ways of grooming, including hair coloring for men and facial cleansing paper.

We have spread this concept of creating products through Consumer-led Lifestyle Value Creation outside of Japan into our overseas markets. For example, in Indonesia, we visit consumer homes to check how our products are used in average homes in order to explore the latent needs and wants of consumers. We also engage in proactive conversations with consumers and visit hair salons, which are often the source of style trends.

Even if we have not developed a product category in Japan, we will enter into new areas if there is demand from local consumers. By introducing products into the market, we are expanding our business rooted in the local area.



Facial cleansing paper



Hair coloring for men



Home visit



Making proposals at a store

## Increasing In-store Interaction With Consumers

Mandom pays close attention to the perspective of consumers; we do not refer to locations where one can purchase products as a “sales area,” but rather a “shopping area.” In order to create “shopping areas” which make it easy and attractive for consumers to purchase products, our salespeople and field staff regularly visit stores.

Our staff visits more than 200,000 stores annually (about 80 stores per person in an average month). Through this, we not only increase interactions with the consumers and stores, but also gain useful information which is fed back into the company and used in business activities.

## Strengths of Mandom 2

# Gatsby, Our Men's Cosmetics Brand That Enjoys Tremendous Popularity in Asia

Launched in 1978, Gatsby has continued to provide joy for more than 40 years as a brand that loves and is loved by young people. The shape of the brand has changed with the times, but Gatsby has always been and always will be a brand for young people.

Gatsby is currently available in all areas of the 11 countries and regions where Mandom does business, including Japan.

Although Gatsby's brand philosophy is globally unified, different products are sold in Japan and other countries. The wants, needs, and standards of living of local consumers differ between Japan and other countries, so the content and selling prices of products are designed accordingly.

Gatsby products made at factories in Japan are mainly sold in countries with high GDPs, such as Japan and NIEs, the Gatsby products made in Indonesian factories are mainly sold in ASEAN countries where income levels are lower. In China, Gatsby products made at our Chinese factories are sold.

As a result of focusing on young people in our business expansion in Asia, not just with products but also with communication and in-store points of contact, name recognition of the Gatsby brand is high in many countries, and it has penetrated to the point of establishing a number one position in the hair styling market.

### ► History of Gatsby

**1978. 7**  
Launched Gatsby

**1985. 3**  
Commenced the first over-the-counter sales of hair foam for men

**1994. 11**  
Launched men's hair styling product Gatsby Water Gloss in Indonesia  
Expanded product line for various sizes; became widely known, primarily for the sachet-size version

**1999. 3**  
Achieved ¥10 billion sales, a first in the Japanese cosmetics industry for men's products

**2001. 3**  
Launched Hair Color series, developing a market for men's hair color products

**2002. 3**  
Gatsby Hair Color commercial voted best overall in a survey carried out by CM Databank in the Tokyo metropolitan area

**2006. 8**  
Launched Gatsby Moving Rubber

**2013. 8**  
Released Gatsby brand Hair Jam series as a new styling offering following on the heels of wax

**2014. 5**  
Launched men's hair styling product Gatsby Styling Pomade in Indonesia



Gatsby (Japan)



Gatsby (Overseas)



### Strengths of Mandom ③

## Overseas Expansion Focused on Rapidly Growing Asia

The Mandom Group views overseas countries as markets rather than production areas (from which to import and sell low cost products in Japan). We are engaged in business overseas with the desire to demonstrate Dedication to Service (Oyakudachi) to local consumers through our products.

Our overseas expansion began with the commencement of operations at Tancho Corporation, our technical tie-up in the Philippines, in 1958.

Later, in 1969, we established a subsidiary in Indonesia via a joint venture.

Since then, we have continued to expand our area of operations, and today, we have 16 business companies in 10 countries and regions outside of Japan. Furthermore, we export our products from Indonesia to more than 90 countries, including in the Middle East and Africa, via Dubai (UAE), which is a global trade hub.

Since our founding, there has been a spirit of spreading Value for Money at Mandom. In our overseas operations, we target the general public in each area. We are engaged in product development with a thorough emphasis on Consumer-led Lifestyle Value Creation for the consumers in each country and region, not getting caught up in what products are popular in Japan.

If there is a need or want among consumers, we will boldly take up the challenge to roll out products in various categories, regardless of whether we have experience with such categories in Japan.

Moreover, income levels of general public vary depending on the country or region, so we offer product sizes that match the buying power of consumers and have built a distribution network that makes it easy for middle-class consumers to acquire our goods. Through these and other efforts, we provide reasonably priced products and services that allow people to enjoy personal styling.



Different sizes of the same item



Traditional trade store (The Philippines)

### ► Overseas Business Areas



## Business-Supporting Management Assets

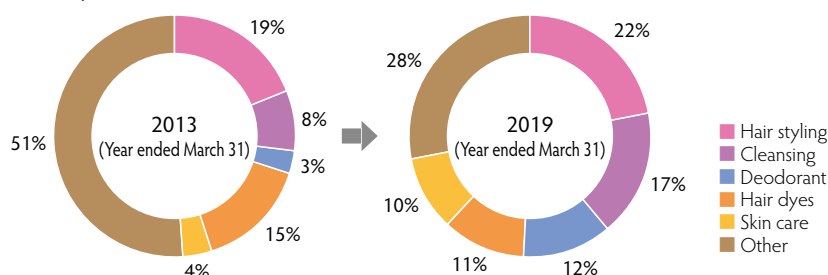
# “Unique research” and “reliable technology” to respond to consumer wants

## Conducting unique research to respond to diversifying consumer wants

As a manufacturer with strengths in men's cosmetic products for many years, Mandom possesses a large vault of knowledge regarding men's hair and skin and even now is developing new technologies. We have conducted research that focuses on human senses, such as stimulation due to cold and body odor, as well as how skin makes an impression. Mandom was the first in the industry to discover the triggering mechanism for “middle-aged body odor\*” and developed the material “white activated carbon.” In recent years, the Company has strengthened research for cleansing, face washing, and skin care due to changes in the tastes of young men and improvements in the women's business, resulting in more patents.

\*Oily smell of sweat from middle-age men

### ► Breakdown of held patents



Research on body odor

## Business-Supporting Management Assets

# Production and supply system which seeks the spread of high-quality and low-cost products

## Product supply system which fits various GDP levels and local requirements

As it reinforces the concept of products through Consumer-led Lifestyle Value Creation in each Asian country we operates, Mandom has three manufacturing bases in Japan, Indonesia, and China in order to provide high-quality, reasonably priced products and services which fit the income levels, wants, and changes in tastes and lifestyle of consumers in various countries.

Our Fukusaki Factory in Japan takes the lead as our innovation center with technological and production functions. Our Indonesian factory, which serves as a global production center, has a production structure that allows it to manufacture high-quality, cost-competitive products. The factory primarily supplies ASEAN countries, but its global reach extends to many markets. Our factory in China supplies products to the country's domestic market and additionally provides production for the Group.

### ► Manufacturing base and production volume based on fiscal 2018 performance



Fukusaki Factory (Japan)

Site area: 71,058㎡

Production volume: 189million units

Zhongshan Factory (China)

Site area: 27,253㎡

Production volume: 19million units

[Manufacturing plant]  
Factory 1 (Indonesia)

Site area: 147,936㎡

Production volume: 511million units

[Factory for molding plastic containers]  
Factory 2 (Indonesia)

Site area: 54,442㎡

### ► Comparison of sales by manufacturing center

■ Made in Japan  
■ Made in Indonesia

