

Top Message



Ramifications of COVID-19

We mourn the lives of those taken due to the novel coronavirus disease (COVID-19) pandemic and furthermore wish to extend our sincere condolences to all families that have lost loved ones. We would also like to express our deepest sympathies to all those who have contracted COVID-19 and those otherwise encountering hardship resulting from spread of the infection. Moreover, we are profoundly appreciative of all those involved in production, distribution and sales integral in terms of ensuring supplies of daily necessities, and are particularly grateful to all the medical and healthcare professionals who are devoting their efforts in the front-lines of the pandemic during these demanding times.

On April 3, the Company set up its Novel Coronavirus Response Headquarters, which has been tasked with gathering information across the entire Mandom Group and taking action in that regard. Even prior to setting up the response headquarters, from the outset of the pandemic we had been placing top priority on the

health and safety of our customers, business partners and employees. This has involved instructing our employees in Japan and overseas engaged in operations aside from those of factories and logistics to work from home and stagger their shifts to the extent possible. This also involves prohibiting employees from taking domestic and overseas business trips as well as calling on them not to hold or otherwise take part in seminars and other such events. In line with the Japanese government's declaration of a state of emergency issued on April 7, we had employees work from home as a general rule. Even after the government lifted the emergency declaration, we continued our fundamental guidelines on June 1 in terms of actively resorting to remote work arrangements and staggered shifts, as well as online means of holding meetings, briefing sessions and business talks (as of July 31, 2020).

Whereas society at large is facing escalating anxieties and mounting uncertainties, the Mandom Group seeks to protect the health and safety of its employees and their families and maintain employees' jobs, while also engaging in business activities in a manner that involves



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

M Nishimura

Mandom Corporation
President Executive Officer & Director
Motonobu Nishimura

a thorough commitment to crisis management. Moreover, we have also been taking action oriented to society, and taking action in response to market shortages of sanitation products. In June for instance, we began selling Wet Wipes in Japan as an emergency measure that will benefit consumers, leveraging the Company's strengths with respect to technologies for paper product manufacturing and our proprietary production facilities. In August, we intend to launch Alcohol Gel and Alcohol Spray products. Having launched sales of hand sanitizer in Indonesia in April, we seek to take swift action that involves contributing to society drawing on assets owned by the Group.

As the social ramifications of COVID-19 persist, we are finding it difficult to foresee the potential impact of the pandemic in Japan and overseas both in terms of time and scale. Although heading into March we once again began closely examining the extent to which COVID-19 is likely to affect our financial results for the fiscal year ended March 31, 2021, we were honestly unable to make an informed assessment in that regard.

Amid that environment, we opted to postpone by one

year the initiation of our 13th Middle-Range Planning (MP-13) which had originally been slated to begin in the fiscal year ending March 31, 2021, having concluded that embarking on MP-13 would pose extremely high managerial risk such that could potentially involve situations where our plans for the second and subsequent year of the plan would turn out to be wholly unrealistic. Therefore, we positioned fiscal 2020 as the "Pre-MP-13" given that fiscal 2020 constitutes a phase during which we got off to a running start toward MP-13. Key points for the fiscal year ending March 31, 2021, are twofold as follows. First, given that we expect to briefly encounter challenges with respect to sales and profits, we will mount a firm defense which will naturally entail refraining from engaging in unnecessary and non-urgent action and investment, and thoroughly holding down costs that do not generate value. Second, we will make every effort to get off to a running start toward MP-13 which will involve embarking on new value creation and swiftly addressing our business and managerial challenges.



MP-12 infrastructure development

Our 12th Middle-Range Planning (MP-12) had been positioned as a period of infrastructure development toward realizing the VISION2027. Under MP-12, we have been aiming to evolve into a truly global company, which has entailed efforts that involved thoroughly implementing mission-based management by building mechanisms for education and implementation with respect to philosophies deemed to be a building block of utmost importance, creating a global operating structure, and establishing a management platform to support the operating structure. We engaged in efforts in the midst of this turbulence and transformation that, although somewhat insufficient, have involved various initiatives such as adopting a new Group-wide personnel system, promoting work style reforms, adopting Group-wide enterprise resource planning (ERP) and management accounting practices, implementing common groupware, improving office environments to enhance creativity, strengthening global marketing functions by enlisting matrix management organizational structure, reinforcing fundamental research into open innovation drawing on industry-academia partnership involving entities such as Osaka University and Osaka City University, and embarking on construction of a new factory building at Fukusaki Factory to help create a future that embraces people and the environment.

Infrastructure development committed to diversity in a manner tailored to Asia

We have built solid business foundations in Asia underpinned by cooperation with our partners in respective nations, upon having embarked on efforts very early on to form relationships and develop business in the region. However, changes occurring in Asia particularly since the beginning of this century are completely different from what we have encountered thus far in terms of quality, quantity and speed. We find

ourselves no longer able to address changes in the business environment during this so-called VUCA* era, in terms of enabling continuous improvement extending along the path of our existing business model underpinned by foundations we have long been developing.

For instance, thanks to the considerable efforts of our business partners (locally based general distributors) since our establishment, we have built a network that enables our products to reach far and wide across nations such as Indonesia which is home to some 270 million people and consists of around 17,000 islands dispersed over an extensive area spanning 5,500 kilometers east to west.

We regard this vast network of physical retail establishments as a major asset. However, in recent years we have been encountering marked transformation. In particular, this includes: diverse changes in means of information access and dissemination and in information touchpoints involving the youth segment which is our core target market, changes in terms of their increasingly diverse and sophisticated values and wants, and changes in their purchasing behavior. These changes have been underpinned by growth in the number of middle-income earners associated with economic development, and by the rapid proliferation of smartphones and progress of digitalization. As such, we need to take action not only in terms of developing products that inspire such consumers, but also in terms of breaking away from our traditional means of sales promotion with respect to our approach to communications and targeting physical retail establishments, and reforming distribution particularly by undertaking initiatives involving e-commerce channels.

* VUCA is an acronym which stands for volatility, uncertainty, complexity and ambiguity.

Whereas many Japanese companies initially seem to have expanded into Southeast Asia as a site of production in order to seek low-cost advantages particularly in terms of personnel expenses, we created markets with the aim of helping local residents. As such, we know firsthand how difficult it is to tap markets of developing countries. For instance, in order to get as many Indonesian consumers as possible to purchase and use our products, we have been expanding with a focus on retail establishments in traditional markets by creating “sachet” single-use products for two to three yen per item. In so doing, rather than laterally extending its success in Japan to the Indonesian market, Mandom Indonesia has instead taken a unique approach to expansion that has involved addressing needs and wants of local consumers. In the diverse market of Southeast Asia in particular, we have been engaging in locally-aligned business practices while maintaining a

commitment to the histories, cultures, natural features, customs and other such attributes of countries where we have formed relationships. We employ nearly 5,000 people in Indonesia, including beauty experts and factory workers. In providing such job opportunities we seek to bring about growth of our employees in step with that of the Company through our business pursuits. Acting as a good corporate citizen that engages in community life with a persistent dynamism during all eras, currently through the Sustainable Development Goals (SDGs), the Company has inherited from its predecessors an approach to management that adequately strikes a balance between such social responsibility and humanity, ever since having entered the market more than 60 years ago.

Under MP-12, we have adopted a new personnel system at our Group companies in Indonesia. We have been incrementally adopting a performance evaluation system applicable to those employed from the level of manager, thereby moving us a step closer toward transitioning to a personnel system that offers performance-based salaries with a focus on proficiency. The Human Resources Division in Japan had experienced and skilled employees devote time to follow the progress carefully for two years, having local staff members undergo a series of interviews. As a result, we started the operation of the personnel system in January 2019. We will work toward causing that program to take hold which will involve devoting more time to gaining an understanding of our local staff members. We currently implement training programs for our locally-hired employees who are recent graduates upon their arrival at local sites after having undergone three years of training in Japan. We also implement training programs for supervisor-class employees at Fukusaki Factory's manufacturing sites.

As for ACG International Sdn. Bhd. which we made part of the Group last year, for the time being we aim to bring greater stability to its management under its current framework in a manner that shows respect for its corporate culture, and in the near future we aim to generate Group synergies encompassing business alliances and streamlining.

Approach to work at Mandom after COVID-19

I am currently working remotely for the most part, knowing that physical distancing and quarantine help prevent transmission of the COVID-19 virus. That said, this experience has made me further realize that humans are living beings who must communicate with other humans, and that social interaction among people is essential.

At the Company we are actively resorting to file-sharing and online meeting systems on a Group-wide basis, due to the COVID-19 pandemic. However, findings of the recently administered "Work during the COVID-19 Pandemic" interview-based survey seem to suggest that

employees harbor a sense of frustration with respect to communications under remote work arrangements, which is evident from comments to that effect. For instance, one comment was that "I feel uneasy because it is difficult to know people's true intentions based on exchanges involving mainly the written word and main points," and another was that "I worry about whether or not my intentions and those of others are being correctly communicated, and about whether or not matters are understood." Drawing on these results, we have encouraged supervisors to hold individual interviews with staff members, and have furthermore provided them with instruction through the Human Resources Division asking that they consider options for communications and feedback under remote work arrangements. Meanwhile, whereas remarks furnished hinge on the nature of specific challenges at hand, the extent to which dialogue has progressed, and other such factors, we have received positive feedback that has enabled us to develop new styles of conducting business. For instance, one feedback was that "Having become able to get information to those who need it in a timely fashion, anytime and anywhere, we have worked to facilitate agile settlement of payments enlisting the notion of KohDoh (thoughtful action) in a manner that makes it possible to swiftly address changes." In online spaces, one must be mindful of risks such spaces pose in terms of the notion that drawing attention to diverse and inclusive views required for creative environments may result in rejection of such views.

We hope to establish plentiful remote work arrangements tailored to the Mandom Group and its aim of acting as a "human-oriented" company. This is premised on the notion that such remote work arrangements must give rise to a sense of employee connectivity in a manner that improves productivity, yet does not involve inorganic approaches to work, nor should such arrangements impair creativity or diminish Mandom's distinctive corporate culture in terms of its human assets and active employee engagement.

No matter what changes we make to our work arrangements, our corporate competitive strengths will not improve unless all employees take the matter of leveraging their abilities and achieving results seriously. My notion of what constitutes an ideal organization is such that an overall organization should develop a sense of leadership whereby its leaders responsibly fulfill their roles extending beyond their positions and authority. A sense of self-responsibility should permeate the organization, which should accordingly maintain a workforce of independent and strong individuals. Against that backdrop, we need to robustly engage in teamwork underpinned by a sense of unity and trust whereby employees share high aspirations while helping and supporting one another no matter what circumstances they may encounter. As a message to the Company's supervisors to such ends, I ask that our supervisors develop their own organizational units and teams into strong entities that are bolstered by a sense

of unity and trust, while exerting leadership geared to reform.

Toward a new normal

The global pandemic involving COVID-19 struck amid a scenario of social, economic and political dysfunction. The worldwide landscape has been one of progressing internationalization unfolding at tremendous speed, persisting evolution of technologies at exponential rates of growth, people considering the pros and cons of capitalism and other such systems, as well as challenges that are becoming increasingly severe as developed and emerging economies alike achieve greater development. Such challenges include degradation of the environment, climate change, infectious disease, poverty, refugee crises, unemployment, wealth disparity, divisiveness, protectionism, and hardline politics. We now need to ask ourselves whether we should be satisfied with aspects of this world we have built, which will involve assessing the new normal by reflecting back on our origins now that a mindset has been unleashed among citizens of the world who have encountered the COVID-19 pandemic, a matter of life and death. As such, we now face fundamental questions particularly in terms of social systems and economic models, and also in terms of our sense of values, lifestyles, and consumer behaviors such that had been deemed acceptable prior to the pandemic. Moreover, we must not forget to address challenges with respect to the global crisis of climate change which threatens the sustainable existence of humankind. Whereas everyone seemingly recognizes the importance of addressing climate change, in reality people don't appear to be taking any particular action in that regard given that they have not placed high priority on the issue in their day to day lives. As corporate entities and members of society, we must all endeavor to raise awareness regarding challenges posed by climate change. Whereas the COVID-19 pandemic will eventually subside, that is absolutely not the case when it comes to issues involving climate change. In our world as it encounters numerous global threats, an irreversible transformation has started to unfold toward making the notion of a sustainable society a reality. The COVID-19 crisis seems to be further accelerating this transformation. The Sustainable Development Goals (SDGs) set forth in a United Nations report act as guidelines for transforming our world in terms of aiming to fundamentally reorganize social, economic, and political systems. The report cites the true aim of the SDGs as that of "Transforming our world." This calls for us to create a society of abundance, one where human rights are protected and it is possible to achieve self-fulfillment while maintaining our planet in conjunction with human rights and the global environment.

Social and behavioral changes will be brought about with our sights set on the new normal. Business theory is also undergoing rapid change amid a scenario where

value placed on what is tangible and intangible has changed drastically in terms of consumers shifting from ownership to use, and from linear consumption to recycling and re-use. I hope to see us take on challenges going forward in a manner that involves embracing the new normal era enlisting a "Think Positive" approach.

Mandom's vision for society

The sustainability movement reflects a desire for wellness in terms of people aspiring to remain healthy both physically and mentally. The concept of "wellness" represents a broader view of health than the definition of health cited by the World Health Organization, and accordingly encompasses the notion of placing emphasis on taking initiative in health promotion, particularly in terms of maintaining a positive state of mind and establishing a lifestyle that is right for the individual. The expansive horizons of this domain represent a market with substantial potential for growth. The Company aims to help give rise to a society where people who are all smiles feel a little bit of magic and are positive and cheerful in the course of their day-to-day lives in terms of cleaning their bodies, grooming, and dressing neatly—in line with Mandom's corporate philosophy. Our ideal society also is one whereby people are able to achieve abundance and self-fulfillment in the form of wellness. We aim to serve people through our products and services in order to help bring about such a society, and will accordingly fulfill our social responsibilities acting as a good corporate citizen.

Reflecting back on the history of the Company's initiatives with respect to corporate social responsibility, in 2005 we established the Environmental Affairs Department independently of the Quality Assurance Department with the aim of redoubling our efforts involving corporate social responsibility (CSR) through environmental risk management practices. The Environmental Affairs Department was later renamed as the CSR Promotion Division in line with our efforts to strengthen business unit functions, and has accordingly been taking action to address environmental issues and contribute to society. During the decade of the 2000s, assessment of corporate value mainly centered on corporate size and scale of financial assets, and companies tended to take an approach that placed the most emphasis on shareholders among their stakeholders. However, companies have come to place importance on multiple stakeholders in a manner encompassing the environment and human rights given that the notion of assessing non-financial metrics has been gaining traction partially due to adoption of the SDGs and the Paris Agreement in 2015. In the current fiscal year, we established the ESG Promotion Division, which incorporates the functions of the CSR Promotion Department into our business planning functions, with the aim of promoting environmental, social, and governance (ESG) initiatives in-house and enhancing

our ability to communicate outside the Company. We will redouble our efforts to address the demands to us going forward, particularly with respect to the ever-increasing focus on environmental considerations, social factors and governance functions.

Expansion in fields of business that will serve useful purposes in the future

We have amassed a various forms of knowledge due to our involvement in joint research programs with graduate schools of Osaka University since 2015. A recent topic of research has yielded findings relating to applications of regenerative therapies in cosmetics. The research focuses on roles and mechanisms of stem cells with respect to shaping organs present in the skin. Notably, the research team was the first in the world to make discoveries regarding sweat gland stem cells that generate perspiration. The research team has succeeded in establishing immortalized human eccrine sweat gland myoepithelial (iEM) cells that can be cultured for a long period of time. Myoepithelial cells are cells that control the contraction of sweat glands and also function as stem cells that maintain the function of sweat glands. If we could identify the component that regulates the function of human sweat gland myoepithelial cells, it would lead to the development of a new approach of antiperspirant, as well as the development of preventive and therapeutic methods for hyperhidrosis and heat stroke. Whereas this requires many human sweat gland myoepithelial cells, our research group has established a method for maintaining the properties of human myoepithelial cells in the short term, and now applies this method further to introduce immortalizing genes. Thus, we have succeeded in establishing iEM cells that can be cultured for a long period of time. This has also enabled us to engage in the new business of selling this cell line to external research institutions through a Canadian company. Going forward, we hope to play a role not only in the development of our own products, but also with respect to addressing various social challenges relating to perspiration.

In addition to that research, we are making progress in research on so-called transient receptor potential (TRP) channels, which act as sensors for cells in the skin enabling it to sense cold and pain. This research involves technologies that will lead to applications for enabling pleasant and refreshing sensations, while reducing unpleasant sensations and mitigating pain. Commercial viability of these technologies would likely result in expanded product development involving areas of business other than those of our current offerings.

Thoughts on the next generation and successorship to remain a going concern

The COVID-19 pandemic reminded me that corporations

are social institutions. Corporations exist in conjunction with numerous partners and stakeholders and accordingly cannot survive alone. They function in a social capacity according to social norms. As such, we bear a responsibility to serve people, acting as a good corporate citizen who not only engages in economic activity but also exists with others in terms of engaging in community life. I see the notion of corporate value as constituting the sum total of the company's efforts to serve all of its business partners and other stakeholders. The corporate philosophy, SPIRIT, and PRINCIPLES which underpin these efforts serve as the foundation of the Company's existence.

Therefore, we are inclined to revisit these foundations upon encountering uncertainties in making decisions. Our world is embarking on a path of inexorable transformation toward making the notion of a sustainable society a reality. This transformation will give rise to new business competition internationally. Although we are bound to encounter substantial risk when engaging in game-changing initiatives, we must courageously take on challenges that enable us to seize future opportunities. To such ends, I see no need make changes with respect to our goals started under VISION2027 or our milestones going forward. However, our management must unleash a new mindset and exercise leadership geared to initiating discontinuous reform and innovation that alters formats and systems, while adapting to changes in the business environment through a repeated process of status-quo destruction and creation. Meanwhile, I think our future will come into view if we successfully pursue development of our business enlisting as a driving force our intangible intellectual assets, such that include the Mandom Group's hidden potential, our only one values and culture, knowledge and latent abilities residing with our entire workforce (approximately 80% of which are local staff members actively employed in different countries throughout Asia) and organization, and bonds we maintain with customers, business partners and everyone else in the Mandom World.

