

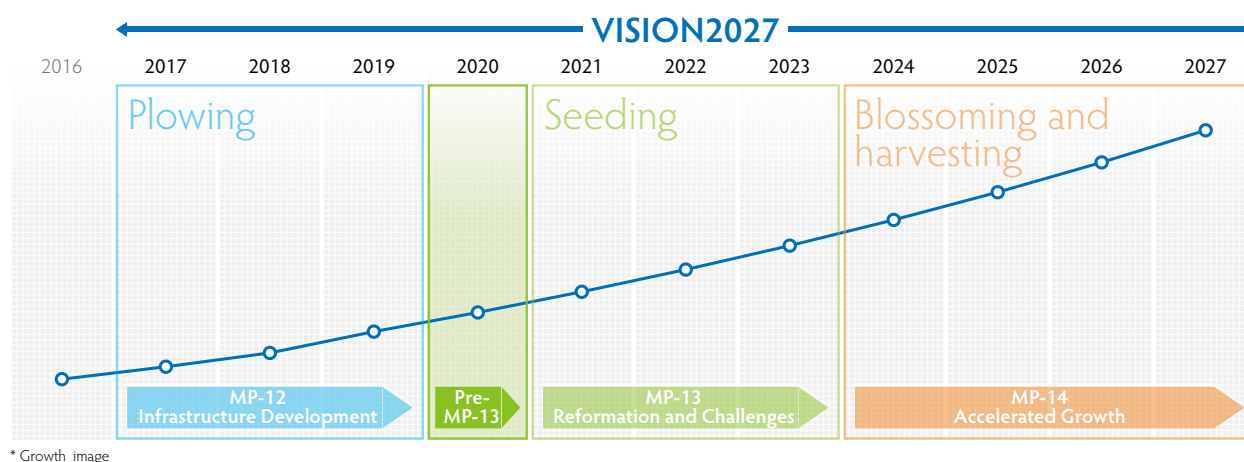
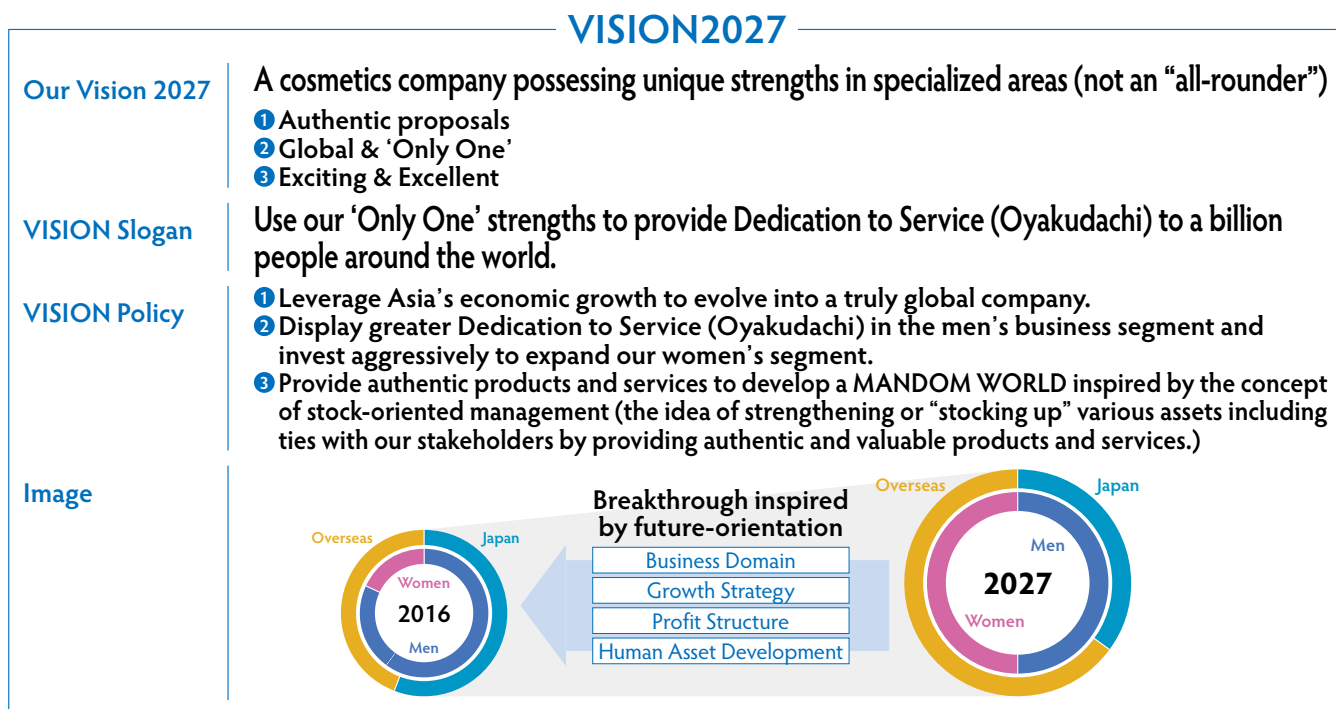
# Growth Strategy

## Changes in Middle-Range Planning



	MP-10 2011/4-2014/3	MP-11 2014/4-2017/3	MP-12 2017/4-2020/3																																																																		
<b>Positioning</b>	<p>"Only One" Company in Asia with Global Management Expertise</p> <p>Focus on Dedication to Service (Oyakudachi) in Asia to accelerate growth in Group businesses</p>	<p>Middle-Range Planning to Accelerate Growth and Cultivate New Business in Asia</p> <p>Aim to establish competitive advantages by strengthening business expansion in major markets and increase sales volume by cultivating new markets and business fields</p>	<p>Corporate Infrastructure Development for Realizing VISION2027</p> <p>First of three phases to achieve VISION2027. Aim to become a truly global company through proactive investments to strengthen marketing and internal controls</p>																																																																		
<b>Key Points</b>	<p>Shifted to Planning from backcast perspective. Envisioned the ideal form and shape Mandom should take from a long-term perspective and developed a plan which aimed higher, not simply continuing the path of the past.</p>	<p>We will further promote the shift to Asia for the Group's management in order to increase our competitiveness in the Asian market, which has high growth expectations.</p>	<p>Announced a new "MISSION," or corporate philosophy, which centers on the concept of "Human-Oriented," as well as "VISION2027," the shape we want Mandom to take in 2027, the 100th anniversary of the founding of the Company.</p>																																																																		
<b>Summary</b>	<ul style="list-style-type: none"> <li>• <b>Stable growth of the Company's core men's grooming business</b> Aim for stable growth as a core business; maintain and expand the market share in categories of the men's grooming segment.</li> <li>• <b>Bolster presence in women's cosmetics business</b> Centered around skin care, aim to strengthen and cultivate business through product lineups suited to the markets of each country of operation.</li> <li>• <b>Continue strengthening overseas business operations with Asia as growth engine</b> Establish Indonesia and China as strategic markets and aim for proactive business expansion to establish presence in the Asian market and improve growth of the Group. In addition, construct distribution network and expand into India and Indochina, markets which are expected to grow in the future.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Achieve sustainable growth in men's grooming business</b> Aim for sustainable growth as a core business; maintain and expand the market share in categories of the men's cosmetics segment</li> <li>• <b>Speed up expansion of women's cosmetics business</b> Aim to speed up Asian expansion with product lineup customized to each country, focusing on the "skin care" and "base makeup" categories.</li> <li>• <b>Continue strengthening overseas business operations as growth engine</b> Aim to expand the scale of operation by strengthening initiatives toward the major market of Indonesia and construct the foundation for developing markets, such as building a distribution network in China and Indochina.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Promotion of category strategies and thorough implementation of activity</b> ①Nurturing of a category that can become a firm mainstay ②Increase of brand values</li> <li>• <b>Improvement of growth in overseas operations, focusing on Indonesia</b> ①Indonesia: Display greater Dedication to Service (Oyakudachi) for middle-income class ②Asian countries other than Indonesia: Advance marketing measures unique to each country by understanding consumer wants and achieving profitability</li> <li>• <b>Building a group operation system and improving productivity per unit</b> ①Increases in the decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and building a structure for increasing productivity per unit ②Construction of a structure that allows prompt strategy formulation and implementation at the operating company</li> </ul>																																																																		
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<b>Look Back</b>	<p>While there were challenges such as sluggish growth in the women's cosmetic's business and delays in expanding into China and India, where growth was projected, the Group achieved growth targets due to stable growth in the men's grooming business, centered around the "Gatsby" brand, and deepening our presence in the Asian market through proactive investment in marketing activities.</p>	<p>We fell short of our initial targets and a number of issues remain to be dealt with before we can become the company that we want to be. Nonetheless, there was a certain level of results from the resurgence in growth rates. A major success was the extremely high growth rate in women's cosmetic's business. In view of product development of cosmetics in the future, we began a joint research program with outside institutions, starting with the Graduate School at Osaka University.</p>	<p>We were able to execute on just about all of the infrastructure development initiatives we should have executed. On the other hand, profit issues remained regarding the expansion of the top line item (sales). We acknowledge that the cause of this issue lies in our delayed or insufficient response to dramatically rapid and significant changes in consumer tastes and purchasing behavior. This is an ongoing important issue for the next Middle-Range Planning.</p>																																																																		
<b>Foreign exchange impact Rupiah/JPY (period average)</b>	<p><b>MP-10 Set Rate ¥0.0093</b></p> <p>2011: 0.0091 2012: 0.0086 2013: 0.0093</p>	<p><b>MP-11 Set Rate ¥0.0085</b></p> <p>2014: 0.0089 2015: 0.0091 2016: 0.0083</p>	<p><b>MP-12 Set Rate ¥0.0083</b></p> <p>2017: 0.0084 2018: 0.0078 2019: 0.0077</p>																																																																		
<b>Middle-Range Planning Initial Set Rate and Actual Rate by Year</b>																																																																					

## Positioning of VISION2027 and MP-12



### Outline of MP-12 (12th Middle-Range Planning)

MP-12 (April 2017-March 2020) was designated as the “Infrastructure Development period,” a first step in realizing VISION2027.

#### Theme Corporate Infrastructure Development for Realizing VISION2027

##### Management Basic Policy

#### 1. Promotion of category strategies and thorough implementation of activity

- Nurturing of a category that can become a firm mainstay
- Increase of brand values

#### 2. Improvement of growth in overseas operations, focusing on Indonesia

- Indonesia: Display greater Dedication to Service (Oyakudachi) for middle-income class
- Asian countries other than Indonesia: Advance marketing measures unique to each country by understanding consumer wants and achieving profitability

#### 3. Building a group operation system and improving productivity per unit

- Increases in the decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and building a structure for increasing productivity per unit
- Construction of a structure that allows prompt strategy formulation and implementation at the operating company

## Look Back at MP-12 (12th Middle-Range Planning)

In April 2017, Mandom announced “VISION2027,” the Company’s first long-term corporate vision, along with the start of MP-12.

“A cosmetics company possessing unique strengths in specialized areas (not an “all-rounder”).” This is the vision we pursue towards 2027, the 100th anniversary year of the Company’s founding, and which represents the Mandom Group’s dream.

In order to achieve the vision, we broke this concept into three phases from 2017 to 2027 and developed a plan which would steadily evolve over time.

MP-12 is positioned as the first phrase, the “Infrastructure Development Period.” In this phase, we aim to become a truly global company, analyze the external environment, and identify internal and external issues. We have established three Management Basic Policies to respond and resolve these issues as well as Management Basic Targets, quantitative targets related to “Growth Potential,” “Profitability,” and “Shareholder Returns.”

### Management Basic Policy

#### 1. Promotion of category strategies and thorough implementation of activity [Self-assessment of achievement]

##### 1 Nurturing of a category that can become a firm mainstay

- Achieved horizontal deployment of women’s cosmetic “Bifesta” overseas and strengthened non-bath hair treatment category with “Lúcido-L.”
- Achieved solid development of cosmetics for middle-aged market with men’s cosmetic “Lúcido.”

○

##### 2 Increase of brand values

- We acknowledge that we have not sufficiently invigorated the men’s cosmetic Gatsby brand, despite having begun rebranding.
- Achieved a certain level of success expanding brand awareness of the women’s cosmetic “Bifesta” through social media and influencers. We have been rebranding Pixy since 2018, and have been receiving support from target consumers with our new Make It Glow line.

△

#### 2. Improvement of growth in overseas operations, focusing on Indonesia

##### 1 Indonesia: Display greater Dedication to Service (Oyakudachi) for middle-income class

- Sales of both men’s and women’s cosmetics were sluggish due to competition from local companies’ rival brands, which have gained strength in recent years. Accordingly, we assess that we have not been able to expand sales volume, in other words volume of Dedication to Service (Oyakudachi).

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##### 2 Asian countries other than Indonesia: Advance marketing measures unique to each country by understanding consumer wants and achieving profitability

- We assess that while efforts related to women’s cosmetic Bifesta received a passing grade, efforts related to men’s cosmetic Gatsby were insufficient as sales were sluggish due to the intensification of competition regarding pomade in Indonesia.

△

#### 3. Building a group operation system and improving productivity per unit

##### 1 Increases in the decision making accuracy and speed by securing a group personnel affair system, accounting system, and information system, and building a structure for increasing productivity per unit

- We are moving toward global human resources development in the marketing domain in precedence over other business domains. We are already deploying human resources across Japan and overseas Group companies. From April of this year, an employee from Singapore has assumed the head of the “International Marketing Division” in the Aoyama Office.
- Began introducing and operating SAP (shared accounting infrastructure) in Indonesia and Thailand subsidiaries as well as Japan, which makes up over 70% of the total consolidated sales. It is now possible to check the sales in countries which have introduced this system on a daily basis without waiting for reports. Revenue by brand has also been “visualized,” enabling appropriate decision-making on investments.

○

##### 2 Construction of a structure that allows prompt strategy formulation and implementation at the operating company

- Achieved shift to profit management structure for overall overseas business operations and set the direction of strategic promotion framework for sustainable growth.

○

## Management Basic Target

### Growth Potential

Item	Target	Actual	Achievement
<b>Consolidated Net Sales</b> Final year of MP-12	¥90,000 million	¥81,700 million	Not achieved

¥950 million decrease due to foreign exchange impact, ¥2,700 million decrease pertaining to IFRS adoption. Actual gap is approximately ¥4,500 million. This is mainly due to the planning gap between the men's business in Japan and Indonesia.

<b>Men's business</b> Average annual growth rate	3% or more	-0.6%	Not achieved
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We acknowledge that a major factor is the sluggish growth of the globally-deployed Gatsby brand both in Japan and overseas.

<b>Women's business</b> Average annual growth rate	10% or more	11.1%	Achieved
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Added sales of SILKYGIRL from acquired ACG International; horizontal deployment of "Bifesta" as a global brand in each overseas country proceeded smoothly.

<b>International Business Operation</b> Average annual growth rate	10% or more	6.8%	Not achieved
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Sluggish growth in Indonesia significantly impacted results. This is mainly due to competition from local brands in both men's and women's cosmetics.

### Profitability

Item	Target	Actual	Achievement
<b>Consolidated Operating Profit Margin</b>	10%	7.1%	Not achieved

We acknowledge that the greatest factor was the insufficient gross profit caused by our failure to reach the top line which had been initially planned. This is also a result of investment related to infrastructure development progressing as planned.

### Shareholder Returns

Item	Target	Actual	Achievement
<b>Payout ratio</b> Consolidated Payout Ratio Consolidated basis, excluding extraordinary items	40%	63.5%	Achieved

Increased dividend payments for the eighth consecutive year this fiscal year. Payout ratio was greatly above target due to decline in profit. We will continue to position returning profit to shareholders as a core management policy and we are committed to continue returning profit to our shareholders in the future.

## Major Infrastructure Development Results

### Instillation of Corporate Philosophy

- ▶ Continued education and surveys (questionnaires) regarding the corporate philosophy to all employees, including overseas Group employees

For two years following philosophy training, we conduct employee surveys and results feedback to follow up on the degree of awareness among employees. We plan to continue these efforts as we consider maintaining the effectiveness of philosophy awareness among employees as one barometer in achieving a "Human-Oriented" company.

### Infrastructure Development

- ▶ Developed Group-wide accounting infrastructure (introduced "SAP" software to Japan, Indonesia and Thailand)

- ▶ Introduced a shared groupware

In order to improve work styles and increase productivity and efficiency, we introduced a groupware across the entire Group.

This system made it possible for employees working from home or teleworking to conduct operations smoothly to prevent the spread of the novel coronavirus. We are currently proactively utilizing this software in each country which has been introduced for data sharing and web meeting systems. We are quickly reaping the benefits of introducing the system.

- ▶ Assembled marketing team in Japan's Aoyama Office; relocated the sales division offices in Tokyo metropolitan area to new offices
- ▶ Adding a new factory building at Fukusaki Factory

### Company Structure Development

- ▶ Constructed Group's marketing structure to respond to an era without borders.

The Aoyama Office receives and transmits Group and external information, and also serves as the hub for the Group's marketing teams to foster a sense of unity among the teams and marketers dedicated to each brand, having held several international marketing conferences each year for "Gatsby" and women's cosmetics.

- ▶ Constructed global personnel affair system

### Other

- ▶ Acquired ACG International

This was our first corporate acquisition. The acquisition was carried out after determining that it would be effective in eliminating issues in the areas where Mandom experienced the largest gaps between the current status and the form we aspire to in VISION2027 (women's business and overseas area).

We can expect future synergies from ACG International, a company which owns "SILKYGIRL," a makeup brand that enjoys strong popularity among young women in Malaysia.

### Message from the Executive Officer in charge of the Corporate Planning & Financial Units and the Human Resources & the General Resources Units



Senior Managing Executive Officer & Director  
Yasuaki Kameda

#### Looking back on the MP-12 (12th Middle-Range Planning)

The 12th Middle-Range Planning (hereinafter, "MP-12") is positioned as the "Infrastructure Development Period," the first of three phases in realizing VISION2027, which outlines where we aspire to be in 2027, the 100th anniversary of our founding. This has been a three year period where we focused on developing various management platforms with the aim of becoming a truly global company.

We produced a variety of results such as thorough implementation of mission-based management by constructing a structure for education and implementation of our corporate philosophy, the introduction of a new personnel affair system, the promotion of work style reforms, the introduction of group management accounting, unification of groupware, and a research presentation from a joint research program on advanced cosmetic science with Osaka University Graduate School, which is expected to lead to the development of revolutionary cosmetics. On one hand, several issues have emerged.

Due to the insufficient response to changes in the social environment, consumers, and the competitive environment, I feel that it is necessary to reform our current business model. Millennials and Gen Z have new values. The Company intends to reconstruct group-wide marketing functions to respond to their new values. The Group as a whole believes that it needs to work to further strengthen the commercialization of EC (e-commerce) as well.

Looking at performance targets, in the fiscal year ended March 31, 2020, the final year of MP-12, consolidated net sales increased for the tenth consecutive fiscal year to ¥81.7 billion. However, there was a gap of ¥8.2 billion from the initial target. This was mainly due to the fact that Indonesia was unable to grow in line with initial targets, and sales of men's cosmetics, mainly Gatsby, in Japan and overseas were sluggish. On the other hand, sales of women's cosmetics were

favorable due to the steady horizontal roll-out of Bifesta to Asian countries, and the addition of sales from ACG International, which was newly added to the Group from FY2019. Profits at each stage under operating income all decreased. The primary factor was the lack of gross profit due to the inability to secure the planned sales, but on the other hand, the investment in infrastructure development was implemented as planned. As a result, the Company did not achieve its profitability target of an operating income margin of 10% or more. (7.1% in the year ended March 31, 2020)

Regarding shareholder returns, we set the target of a 40% or more payout ratio, which we have achieved for three consecutive years. (63.5% in the year ended March 31, 2020)

#### Postponing of the Start of the 13th Middle-Range Planning (MP-13)

The 13th Middle-Range Planning (hereinafter, "MP-13"), which is the second phase following MP-12, is positioned as a "period of reformation and challenge," and MP-14, which follows MP-13, is a period of "sowing seeds" to further accelerate growth. However, in light of the impact of the spread of the novel coronavirus disease (COVID-19), we have decided to postpone the start of the plan by one year.

I would like to share two important points regarding business in this fiscal year.

The first point is that our priority is to protect the health and safety of customers, clients, suppliers, and our employees and their families. We prioritize initiatives to prevent the spread of COVID-19 infection, and promote business activities while giving consideration to safety. For this reason, as it is expected that sales and profits will temporarily be in a difficult situation, I believe that it is important to ensure financial safety first by reviewing non-essential and non-urgent activities and investments. Even in this uncertain situation, in order to procure and secure the funds necessary for management, we have built a cooperative system with financial institutions which allows us to regularly secure funds of around three months' worth of monthly sales. [→ See p. 71 for capital policy](#)

Secondly, under such circumstances, based on the infrastructure development of MP-12, we will implement initiatives that should commence for the "post-COVID-19" world, which is planned for in MP-13.

In that sense, we have positioned this year as "Pre-MP-13," and we would like to consider this as the ramp-up period for "Leaping even higher" with MP-13 and MP-14.

#### Management Basic Policy for FY2020 (year ending March 31, 2021)

Next, I would like to explain the management basic policy for FY2020 (year ending March 31, 2021), which is "Pre-MP-13."

The first is "revising the group-wide marketing functions to increase brand values."

In the MP-12, we implemented a variety of actions to respond to changes, such as redefining the brand values of Gatsby, communicating the brand message through our tagline within and outside the Company, updating the external creative team, and incorporating digital communication.

However, we have entered the age of digital centrality, and with the speedy, diverse and discontinuous surroundings of consumers and changes in the market environment becoming normalized, there are some parts that cannot be used in the conventional way. I believe that reforms are necessary to combine functional design for creating value together with consumers by organically linking the various functions of the Marketing Division with those of external parties together with the Intellectual Property, IT and Human Resources Divisions, which are support divisions for divisions other than the Marketing Division. The second is "strengthening the overseas foundation, focusing on Indonesia."

To realize VISION2027, overseas growth is essential. I believe that Indonesia will be the core area to further expand the market in the future. We would like to commence with building a new business model that is highly effective and efficient and conforms with the current market environment, and leads to increased interaction with consumers by working with local general distributors.

In addition, when looking at the current penetration rate of smartphones for target consumers and their communicative behavior in Asia (including Indonesia), where the Company is developing business, the medium with the highest contact rate in each setting of daily life is social media, which has a high level of affinity with smartphones. In order to reach them effectively, we will seek the optimal marketing approach that is both accessible and cost-effective. The Group companies will also speed up and work to strengthen EC (e-commerce), which is expected to continually expand in the future due to the further acceleration of the current COVID-19 pandemic. In April 2020, the Company established a responsible department called the E-Commerce Marketing Division, which will support the promotion of EC not only in Japan but also at each Group company, and will work to strengthen EC both internally and externally.

The third is "improving productivity and enhancing corporate value through business process transformation."

There is social demand for remote work in order to prevent the spread of COVID-19. Currently, at each Group company, the Group

is actively utilizing shared groupware data sharing and web meeting systems that were introduced throughout the Group. We will use this COVID-19 pandemic as an opportunity to actively promote safe and efficient work style reforms in the world "post-COVID-19" and "with COVID-19." Of course, it is important to improve productivity, but we also wish to promote work style reforms that are unique to the Mandom Group, which help employees feel connected to each other and motivated through creativity and the participation of all employees, so that the work style does not become inorganic.

Furthermore, we would also like to actively promote initiatives that address social issues that have been raising the expectations of companies in recent years. We leave no room for doubt that the basic premise of corporate business activities is that society and environment are sound and sustainable. A variety of issues have emerged in the society and environment surrounding the Company's business activities, such as climate change, a decline in biodiversity, and problems with marine plastics. We consider that "Social Responsibility & Sustainability" is the sustainability of the Mandom Group. With that in mind, we aim to evolve our Dedication to Service (Oyakudachi) and create corporate value through initiatives carried out under our core businesses, while treating sustainable management aimed at resolving environmental and social issues, such as incorporating this viewpoint into marketing to obtain customers, as a fundamental concept.

## Management Basic Policy for FY2020 (year ending March 31, 2021)

### Management stance for this fiscal year

In the current fiscal year, we will prioritize crisis management and prompt response to COVID-19, and will thoroughly promote measures to emphasize financial safety and reform working styles to expand business after the end of the COVID-19 crisis.

In addition, we will position this as "Pre-MP-13" and promote the commencement of initiatives to create new value.

### Management Basic Policy for FY2020

#### 1 Revising the group-wide marketing functions to increase brand values

- With regard to manufacturing and communication with target consumers, we will update the current methods we use for consumers, reexamine changing values and lifestyles, create products that empathize with consumers, and pursue communication.
- By making full use of technologies and methods that make use of digital and other technologies, we will seek out what consumers want in smaller and more focused segments that the Company has not yet recognized, and will continue to make proposals with Dedication to Service (Oyakudachi).

#### 2 Strengthening the overseas foundation, focusing on Indonesia

- In Indonesia, we will work to create a new business foundation that is highly effective and efficient, which will lead to increased interaction with consumers who conform with the current society.
- With the spread of smartphones, we will seek out the most suitable marketing methods to effectively reach our target audience, focusing on social media, which is the medium that has the highest contact rate with our target consumers in the present day, which is increasingly digitalized.

#### 3 Improving productivity and enhancing corporate value through business process transformation

- We will pursue highly efficient work styles and actively promote work style reforms with a world "with COVID-19" in mind. We will strive to increase the productivity of each employee and implement the unique working style of the Company, which aims to be a "human-oriented" company where each and every employee can feel fulfillment in work.
- The Company regards initiatives to address social issues as material issues, and the ESG Promotion Division was newly established within the scope of corporate planning this fiscal year to handle the internal promotion of ESG and strengthen our communication of ESG outside the Company. We aim to resolve issues such as climate change and marine plastic problems, and through this, we will promote initiatives that are directly related to competitive advantages in the market and the improvement of corporate value.