

# Business and Other Risks

## Changes in trends and increased awareness towards public health due to the novel coronavirus disease (COVID-19).

We are now living in a situation where a new level of risk of uncertainty has been added to a world where speedy, diverse, complex and discontinuous changes had already become the norm. Globalization is advancing at remarkable speed, technology is evolving at an exponential rate of growth, and capitalism is fueling desires. The merits and demerits of those phenomena, and the light and shadow they cast are emerging with greater definition in all countries of the world, regardless of whether they are developed countries or emerging countries. As economic development has been progressing, the problems of environmental destruction, climate change, infectious diseases, poverty, refugees, unemployment, inequality, social divides, protectionism, authoritarianism and so forth have become more acute, while societies, economies and governments have been functioning less well. Then came the global pandemic of the novel coronavirus.

**The spread of the outbreak of the novel coronavirus, which has caused people around the world to confront a life-and-death crisis, has led to major changes in our lives.** In China and other Asian countries, a curfew ban was issued, and in Japan, a request to refrain from going out by the Declaration of a State of Emergency was announced. Through such measures, the movement of people and face-to-face social interaction has been extremely restricted.

The novel coronavirus pandemic has changed people's lives completely, and social and behavioral adjustments are being made with sights set on establishing a new normal. For example, **the popularization of teleworking has changed the way consumers feel about personal appearance and fashion, and the frequency of use and trends of cosmetics have changed significantly.** On the other hand, in Asian countries where we conduct business, **awareness of public health is rising, and we believe that we can expand our Dedication to Service (Oyakudachi) to society through expanding our products and services.**

## In fiscal 2020, we will proactively take action towards social and environmental issues such as climate change

The basic premise of our business activities is to have a society and environment that is sound and sustainable. Currently, various issues are emerging that threaten the soundness of that social environment.

One example is the **issue of climate change.**

Currently, we are facing a global crisis that threatens human sustainability.

As climate change becomes more serious, it is expected to be accompanied by human and physical risks, such as endangerment of the lives of employees and their families, damage to production sites, and the resulting impact on the procurement of raw materials, as well as the risk of policy and regulatory transition such as the increase in carbon prices. On the other hand, we believe that there are opportunities for us to demonstrate our Dedication to Service (Oyakudachi) to society through products that provide a sense of comfortable coolness, which is one of the Company's strengths in order to provide customers with a comfortable experience even when the temperature rises.

In addition, **other issues expected to affect the Mandom Group's business activities include marine plastic problems, resource recycling issues, protecting biodiversity and human rights violations at the raw material procurement stage, employee satisfaction and diversity issues, and ensuring high quality, safe and secure products and services for consumers.**

The world is already undergoing an irreversible transformation toward the realization of a sustainable society, and it is necessary for us, not just as a company but as each and every employee, to raise our awareness of issues as an active member of society.

Under such circumstances, we have set forth "improve productivity and corporate value by reforming business processes" as one of the management basic policies for fiscal 2020. **We will actively promote initiatives to address social and environmental issues, including prevention of the spread of COVID-19.**



## Addressing consumers' changing needs and wants is both an opportunity and a risk

At the same time, when considering the reason for Mandom's existence and that cosmetics are a cultural industry, **we believe it is our mission within society to provide value in which users of our products gain confidence in themselves and feel a sense of radiance through such actions as daily cleansing, dressing as they like, and making themselves look pretty.** What is important in order to put this into practice is how accurately we can identify the needs and wants of consumers.

We have created a variety of markets through new grooming proposals in our development of products based on "Consumer-led Lifestyle Value Creation," one of our corporate philosophies. However, the needs and wants of consumers now are changing at a remarkable pace. So much so that a fashion fad will have ended by the time products targeted for it can be produced using conventional methods. For Mandom, **changes in consumers' needs and wants are opportunities to create new markets. There is a risk, however, that if an appropriate response to a certain change is too late, it will not gain support from consumers, causing the brand value to drop and in turn, decreasing our corporate value.**

The key will be whether we are able to know our consumer better than other companies, and imagine his or her feelings to create attractive products within the appropriate timing.



## "Social Responsibility & Sustainability" is sustainability of the Mandom Group

Therefore, these moments in the social environment that we call game changes pose a major risk for us. But they also offer a chance for us to seize the greatest opportunity. **We consider that "Social Responsibility & Sustainability" is the sustainability of the Mandom Group.** With that in mind, we aim to evolve our usefulness to society and create corporate value through initiatives carried out under our core businesses, while treating sustainable management aimed at resolving social and environmental issues as a fundamental concept.

In addition, an essential part of our goals to realize a new normal is the need to realize "sustainable everyday life," which is synonymous with an everyday life in which the goals set forth by the SDGs have been realized. In order to grasp the impacts on society, the environment and the economy, and translate that understanding into more effective activities, we will identify the issues that Mandom should prioritize and strengthen in the future and focus on them.



## SUSTAINABLE DEVELOPMENT GOALS

