

# Growth Strategy

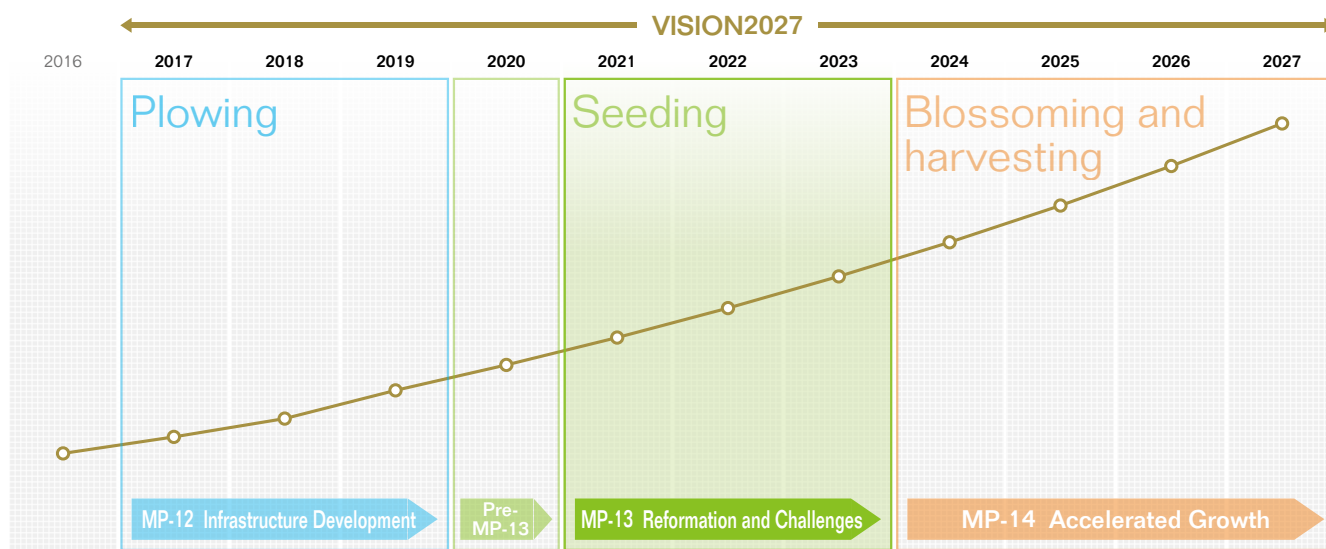
## Positioning of VISION2027 and the 13th Middle-Range Planning (MP-13)

VISION2027	
Our Vision 2027	<p>“A cosmetics company possessing unique strengths in specialized areas (not an “all-rounder”).”</p> <ol style="list-style-type: none"> <li>1 Authentic proposals</li> <li>2 Global &amp; ‘Only One’</li> <li>3 Exciting &amp; Excellent</li> </ol>
VISION Slogan	Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world.
VISION Policy	<ol style="list-style-type: none"> <li>1 Leverage Asia’s economic growth to evolve into a truly global company</li> <li>2 Display greater Dedication to Service (Oyakudachi) in the men’s business segment and invest aggressively to expand our women’s segment.</li> <li>3 Provide authentic products and services to develop a MANDOM WORLD inspired by the concept of stock-oriented management (the idea of strengthening or “stocking up” various assets including ties with our stakeholders by providing authentic and valuable products and services).</li> </ol>
Image	

## Background of MP-13 Formulation (External Environment, Internal Issues)

External environment	Issue awareness
<p>► <b>Threats/risks</b></p> <ul style="list-style-type: none"> <li>• Lengthening of ramifications of COVID-19</li> <li>• Climate change/abnormal weather</li> <li>• 2050 Carbon Neutrality Declaration</li> <li>• Changes in consumer lifestyles</li> <li>• Diversification of consumer values</li> <li>• Sudden changes in business environment due to exponential technological developments</li> <li>• Declining birthrate and aging society (Japan)</li> </ul> <p>► <b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Emergence of new wants in transition to the new normal</li> <li>• Rise in environmental consideration and awareness, primarily among young people</li> <li>• Expansion of ethical consumption</li> <li>• Growing expectations for wellness</li> <li>• Market expansion resulting from greater hygiene awareness</li> <li>• Elimination of information time lag due to globalization</li> <li>• Expansion of EC market</li> <li>• Expansion of GDP in Asia</li> </ul>	<p>► <b>Products</b></p> <ul style="list-style-type: none"> <li>• Sluggish growth of Gatsby brand</li> <li>• Growth potential of women’s cosmetics</li> <li>• Product portfolio</li> <li>• Greater emphasis on items used for outings, which are impacted by COVID-19</li> <li>• Shift in men’s cosmetic portfolio</li> <li>• Acquire innovators for men’s cosmetics</li> </ul> <p>► <b>Region</b></p> <ul style="list-style-type: none"> <li>• Shift in shopping opportunities to EC</li> <li>• Intensified competition in the men’s cosmetics market</li> <li>• Increase in new participants entering cosmetics market (Japan)</li> <li>• Shrinking hair styling market (Japan)</li> <li>• Disappearance of inbound demand (Japan)</li> <li>• Declining earnings ratio in Indonesia</li> </ul> <p>► <b>Internal structure</b></p> <ul style="list-style-type: none"> <li>• Declining earning capabilities (profit margin)</li> <li>• Distribution partners’ roles and terms and conditions of transactions</li> <li>• Low composition of EC sales in sales mix</li> <li>• Breaking away from self-sufficiency</li> <li>• Breaking away from successful past experiences</li> <li>• Initiatives for sustainability</li> </ul>

Identifying Materiality → P.13



### Period of transformation and challenges to achieve "VISION2027"

#### Response

- Restrengthen Gatsby brand (Japan/overseas)
- Propose new line from Gatsby (Japan)
- Continue to strengthen Bifesta brand (Japan/overseas)
- Enter hygiene market with sale of MA-T Pure (Japan/overseas)
- Expand to roll out our makeup brands such as Pixy and SILKYGIRL into new countries (overseas)

- Strengthen EC channel (Japan/overseas)
- Strengthen digital marketing (Japan/overseas)
- Strengthen men's face care and body care categories (Japan/overseas)
- Strengthen local development for Gatsby (overseas)
- Initiatives to improve profitability in Indonesia

- Newly include ROIC as a profitability target
- Sustainability strategy placed at the core of management structure
- Strengthen EC channel
- Strengthen open innovation initiatives with external partners
- New Dedication to Service (Oyakudachi) in realm of Health, Cleanliness, Beauty and Fun
- Generate resources to create new value through utilization of DX
- Propose products with an ethical perspective to attract customers

#### (Basic Management Policies)

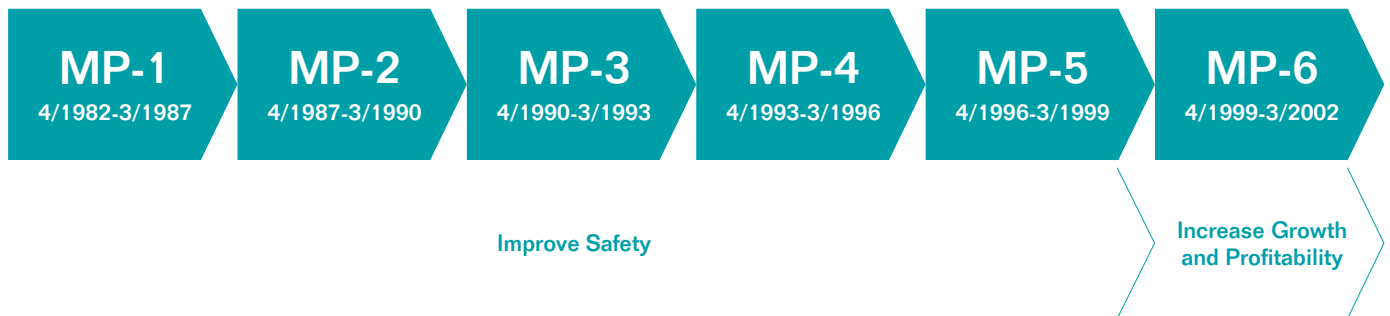
**1. Evolve and take on challenges in category strategy for the new normal; cross-company marketing transformation to improve brand value**

**2. Speedy completion of business recovery in Indonesia and reform business model of overseas operations**

**3. Shift to become a company that creates new value through digitalization and open innovation**

**4. Increase corporate value focused on sustainable management and evolve Dedication to Service (Oyakudachi)**

## Changes in Middle-Range Planning



### MP-13 4/2021-3/2024

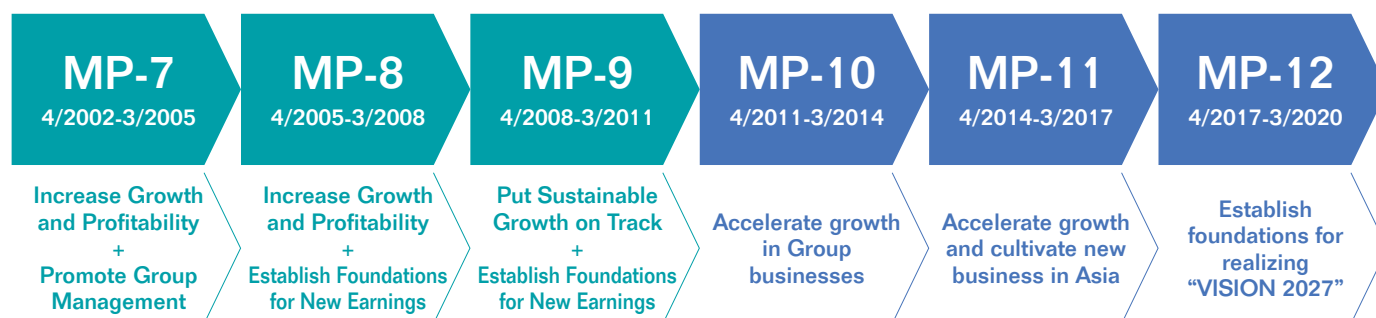
## Outline of the 13th Middle-Range Planning (MP-13) (April 2021 through March 2024)

#### Theme

## Transformation and Challenges to Realize “VISION2027”

#### Basic management policy

- 1. Evolve and take on challenges in category strategy for the new normal; cross-company marketing transformation to improve brand value**
  - ① Quickly construct cross-company structure that leads to accelerating growth in overseas and women's categories
  - ② Improve value of global brand (Gatsby/Bifesta) across Asia
  - ③ Improve quality and expand regions where Dedication to Service (Oyakudachi) is offered in the COVID-19 and the post-pandemic world
- 2. Speedy completion of Indonesia business recovery and reform business model of overseas operations**
  - ① Quickly build structure to solve the issues in Indonesian business
  - ② Accelerate growth by strengthening alliances between overseas countries and marketing areas; improve management efficiency
- 3. Shift to a company that creates new value through digitalization and open innovation**
  - ① Achieve success in DX (digital transformation) resulting in the realization of wellness
  - ② Create and expand new beauty and grooming culture that includes external knowledge
- 4. Increase corporate value focused on sustainable management and evolve Dedication to Service (Oyakudachi)**
  - ① Promote business expansion that contributes to solving social issues (ESG/SDGs)
  - ② Advance capabilities to create unique values and improve corporate branding



## (Basic Management Targets)

## Growth Potential

Consolidated Net Sales	¥81.5 billion	CAGR by business	Men's business	6% or higher
CAGR	10.7%		Women's business	16% or higher
			International Business Operation	17% or higher

## Profitability

Consolidated Operating Profit Margin	8.0% or higher	
Consolidated ROIC	7.0% or higher	(ROIC = NOPLAT <sup>*1</sup> + gain/loss from equity-method investments/invested capital <sup>*2</sup> )

\*1 (Operating income + interest received + dividends received) × (1 - effective tax rate)

\*2 Borrowings + corporate bonds + lease liability + net assets (uses the average values of beginning and ending balances of the fiscal year)

## Address Social Issues

## Promote eco-friendly products

Japan: 60% of domestic products are eco-friendly (in line with voluntary standards)

Indonesia: Reduce volume of plastic containers/packaging by 10% (compared to FY2016)

Reduce volume of plastic waste by 10% (compared to FY2016)

## Look Back at MP-10 to MP-12

	MP-10 4/2011-3/2014	MP-11 4/2014-3/2017	MP-12 4/2017-3/2020	to Pre-MP-13																																																																		
Positioning	<p><b>“Only One” Company in Asia with Global Management Expertise</b></p> <p>Focus on Dedication to Service (Oyakudachi) in Asia to accelerate growth in Group businesses</p>	<p><b>Middle-Range Planning to Accelerate Growth and Cultivate New Business in Asia</b></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><b>Corporate Infrastructure Development for Realizing “VISION2027”</b></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>																																																																			
Key Points	<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 our corporate philosophy of a new “MISSION” focusing on the concept of “Human-Orientation,” and “VISION2027,” the company figure that Mandom will become in 2027 when it marks the 100th anniversary of the founding of the Company.</p>																																																																			
Summary	<ul style="list-style-type: none"><li>● <b>Stable growth in men’s grooming business, the Company’s core 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 the development of women’s cosmetics business</b> Aim to strengthen and cultivate the rollout of products centered on skincare products, with the product lineups catered for the markets in each country where the operation of business is in place.</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 the greater Asian market presence and improve the growth of the Group. In addition, construct distribution network and expand businesses in Indian and Indonesian markets, which has a future growth prospect</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 the development of women’s cosmetics business</b> Aim to speed up development in Asia with a product lineup customized to each country by focusing on the skincare 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 for Indonesian market as the major market and construct the foundation for developing markets, such as building a distribution network in China and Indonesia.</li></ul>	<ul style="list-style-type: none"><li>● <b>Promotion of category strategies and thorough enhancement of brand value</b> ① Develop a category of becoming a robust pillar ② Increase brand value</li><li>● <b>Improvement of growth in overseas operations with a focus on Indonesia</b> ① Indonesia: Provide greater Dedication to Service (Oyakudachi) for middle-income class ② Asian countries other than Indonesia: Promote marketing measures unique to each country by understanding consumers’ wants and achieve higher profitability</li><li>● <b>Building a group operation system and improving productivity per unit</b> ① Increases in the decision-making accuracy and speed by building the group’s personnel affair system, accounting system, and information system, and building a structure to increase productivity per unit ② Build a structure that allows the prompt formulation and implementation of strategy at operating companies</li></ul>																																																																			
Numerical Targets	<table><tr><th></th><th>(Targets)</th><th>(Actual)</th></tr><tr><td>Consolidated Net Sales</td><td>¥66,000 million or more</td><td>¥68,200 million</td></tr><tr><td>Men’s Grooming Business Average Annual Growth Rate</td><td>3.2% or more</td><td>5.4%</td></tr><tr><td>Gatsby Brand Average Annual Growth Rate</td><td>3.6% or more</td><td>5.9%</td></tr><tr><td>Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12</td><td>19.3% or more</td><td>11.8%</td></tr><tr><td>Consolidated Overseas Net Sales Average Annual Growth Rate</td><td>9.4% or more</td><td>11.3%</td></tr><tr><td>Consolidated Operating Profit Margin * Operating profit amount in MP-11</td><td>10% or more</td><td>10.0%</td></tr><tr><td>Consolidated Payout Ratio</td><td>40% or higher</td><td>40.0%</td></tr></table>		(Targets)	(Actual)	Consolidated Net Sales	¥66,000 million or more	¥68,200 million	Men’s Grooming Business Average Annual Growth Rate	3.2% or more	5.4%	Gatsby Brand Average Annual Growth Rate	3.6% or more	5.9%	Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12	19.3% or more	11.8%	Consolidated Overseas Net Sales Average Annual Growth Rate	9.4% or more	11.3%	Consolidated Operating Profit Margin * Operating profit amount in MP-11	10% or more	10.0%	Consolidated Payout Ratio	40% or higher	40.0%	<table><tr><th></th><th>(Targets)</th><th>(Actual)</th></tr><tr><td>Consolidated Net Sales</td><td>¥83,000 million</td><td>¥77,300 million</td></tr><tr><td>Men’s Grooming Business Average Annual Growth Rate</td><td>5.2% or more</td><td>2.6%</td></tr><tr><td>Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12</td><td>15.0% or more</td><td>15.9%</td></tr><tr><td>Consolidated Overseas Net Sales Average Annual Growth Rate</td><td>11.4% or more</td><td>4.8%</td></tr><tr><td>Consolidated Operating Profit Margin * Operating profit amount in MP-11</td><td>¥8,600 million</td><td>¥7,600 million</td></tr><tr><td>Consolidated Payout Ratio</td><td>40% or higher</td><td>40.3%</td></tr></table>		(Targets)	(Actual)	Consolidated Net Sales	¥83,000 million	¥77,300 million	Men’s Grooming Business Average Annual Growth Rate	5.2% or more	2.6%	Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12	15.0% or more	15.9%	Consolidated Overseas Net Sales Average Annual Growth Rate	11.4% or more	4.8%	Consolidated Operating Profit Margin * Operating profit amount in MP-11	¥8,600 million	¥7,600 million	Consolidated Payout Ratio	40% or higher	40.3%	<table><tr><th></th><th>(Targets)</th><th>(Actual)</th></tr><tr><td>Consolidated Net Sales</td><td>¥90,000 million</td><td>¥81,700 million</td></tr><tr><td>Men’s Grooming Business Average Annual Growth Rate</td><td>3.0% or more</td><td>-0.6%</td></tr><tr><td>Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12</td><td>10.0% or more</td><td>11.1%</td></tr><tr><td>Consolidated Overseas Net Sales Average Annual Growth Rate</td><td>10.0% or more</td><td>6.8%</td></tr><tr><td>Consolidated Operating Profit Margin * Operating profit amount in MP-11</td><td>10% or more</td><td>7.1%</td></tr><tr><td>Consolidated Payout Ratio</td><td>40% or higher</td><td>63.5%</td></tr></table>		(Targets)	(Actual)	Consolidated Net Sales	¥90,000 million	¥81,700 million	Men’s Grooming Business Average Annual Growth Rate	3.0% or more	-0.6%	Women’s Cosmetics Business Average Annual Growth Rate * Women’s business in MP-12	10.0% or more	11.1%	Consolidated Overseas Net Sales Average Annual Growth Rate	10.0% or more	6.8%	Consolidated Operating Profit Margin * Operating profit amount in MP-11	10% or more	7.1%	Consolidated Payout Ratio	40% or higher	63.5%	
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Look Back	<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>																																																																			
Foreign exchange impact Rupiah/JPY (period average)	<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 ¥0.0083</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>																																																																			
Middle-Range Planning Initial Set Rate and Actual Rate by Year																																																																						

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

## Looking back the fiscal year ended March 31, 2021

The fiscal year ended March 31, 2021, the sudden and unexpected COVID-19 pandemic shifted our priorities to the health and safety of our customers, suppliers, business partners, company employees, and their families, imposed wide-spread restrictions to activities, and created an extremely uncertain business environment. As a result, we quickly postponed the start of the planned 13th Middle-Range Planning (hereinafter "MP-13") one year and positioned business management of that single year as "Pre-MP-13," a ramp-up year for a smooth start to MP-13, the period of transformation and challenges to realize "VISION2027."

The ramifications of COVID-19 significantly impacted results in Japan and overseas. In particular, our main products include hair styling, make-up, and cleansing products that received direct impact from the decline in opportunities to go out. The spread of the virus was not contained in Indonesia and Malaysia, which compose a large part of sales among the countries where we operate. Therefore, results ended down significantly as net sales were ¥63,310 million yen, down 22.6% year-on-year, while we booked losses for operating income and ordinary income.

The results and issues of the Management Basic Policy developed for FY2021 and the initiatives stemming from this policy are as follows.



Director, Vice President & Executive Officer  
Yasuaki Kameda

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

#### Specific initiatives and results

- ① Started rebuilding Gatsby brand
- ② Expanded Dedication of new Service (Oyakudachi) against the impact of COVID-19

#### Issues

- ① Faced by the ramifications of COVID-19, missed sales targets in important brands and categories
- ② Postponed strengthening core marketing talent for entire Group

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

#### Specific initiatives and results

#### Indonesia

- ① Undertook preparations for shifting future growth strategy and business portfolios
- ② Liquidated assets through scrap & build approach by seeing the COVID-19 pandemic as a chance

#### Other overseas

- ① **China:** Transitioned to a system to undertake direct initiatives undertaken for major EC platforms  
Strengthened the EC initiatives apart from above
- ② **Vietnam:** Created a structure capable of having face-to-face business negotiations and submitting shopping location proposals with modern traders and major EC companies as a means of addressing a swiftly changing market

#### Issues

#### Indonesia

- ① Cost-to-sales ratio worsened due to diminishing production stemming from lower sales
- ② Improve transaction conditions to secure appropriate profits in the modern trade distribution

#### Other overseas

- ① **China:** Postponed the expansion and strengthening of men's hair styling products in inland areas due to ramifications of COVID-19

### 3 Improved productivity and enhance corporate value through business process transformation

#### Specific initiatives and results

- ① Promoted workstyle reforms, primarily remote work
- ② Prepared to construct strategic human resource structure and promoted talent management

#### Issues

- ① A delay in the ongoing evolution of corporate philosophy training in some Group companies due to the ramifications of COVID-19

In addition to the above, the Company reviewed KGI and KPI aimed at higher capital efficiency in management. As a result of a paralleled review of shareholdings, the Company deleveraged through the sale of the shares of six companies worth

2,200 million yen, resulting in the reduction of capital. These initiatives are interrelated to the adoption of ROIC, which is a new profitability target set out in MP-13. We will continue to improve capital efficiency in the future.