

Mandom's Six Strengths

Strengths of Mandom ①

Only One Marketing through Consumer-led Lifestyle Value Creation

Dedication to Service (Oyakudachi) products that align with changes in lifestyles

The Mandom Group pursues a unique marketing model in which we constantly interact with and give care to consumers. This is in order to meet their latent needs and wants and guide their discoveries and feelings under a marketing philosophy of “Only One Marketing through Consumer-led Lifestyle Value Creation.”

For example, even though it was only natural that cosmetics had a fragrance, other consumers faced the difficulty of being unable to wear fragrant cosmetics in their workplaces, or had wants of a fragrance-free cosmetic because scents of cosmetics interfered with the specific scent they wanted to wear. As such, in 1989, the fragrance-free brand Lúcido was born to address these wants. Other customers wanted a product to wash their face and refresh them while they were out. As a result, Mandom proposed a grooming custom of a paper facial cleanser, which had not existed until then. In 2001, in response to the suddenly growing trend of men wanting brighter hair color, Mandom launched a hair coloring series for men with black hair from the Gatsby brand. As such, Mandom has created several new markets in the men's cosmetic market.



Fragrance-free Lúcido Series



Gatsby Hair Color series

Responding to new wants of middle-aged men in an age of COVID-19

Last year, in 2020, working from home was recommended and remote meetings suddenly became prevalent with the spread of COVID-19. Men in their 40s are aware of the changes in their skin as they age and know the link between the condition of blemishes, dark circles, and skin pores and appearing older or not clean.

There were many middle-aged men who, seeing themselves appear on a computer screen for remote meetings during the COVID-19 pandemic, grew worried about the darkness of their color, or increasing wrinkles and blotches.

In August 2020, Lúcido released a wrinkle-improvement cream infused with niacinamide, an ingredient that improves the appearance of wrinkles, as well as an anti-blotch cream* infused with tranexamic acid, an ingredient that is effective against blotches*. In addition to proposing products that fully addressed wrinkles and blotches, two symbols of aging, Mandom also launched a compact-type concealer that can easily be applied by the fingers to instantly change one's impression ahead of a meeting and a lotion that easily adds a bright tone to the face with a single application. These efforts quickly attempted to address recent concerns of middle-aged men.

* Prevents blotches by restricting the production of melanin



Lúcido products



Lúcido face make-up series

Strengths of Mandom ③

Overseas Expansion Focused on the 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 policy 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 13 business companies in 11 areas in Asia. 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 area, 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, such as with the Pixy make-up brand in Indonesia.

Moreover, lifestyle types, income levels, and preferences about fragrances vary depending on the area. As of now, we have placed development hubs in Indonesia, China, and South Korea in order to offer products that match the preferences and buying power of consumers and have built a distribution network that makes it easy for general public consumers to acquire our goods. Through these and other efforts, we provide reasonably priced products and services that allow people to enjoy personal styling.



Men's cosmetics in Japan and overseas



Traditional trade store (The Philippines)

► Overseas Business Areas

(The Company's overseas operations are reported in two segments: Indonesia and Overseas Other)



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“Unique Research” and “Reliable Technology” to Respond to Consumer Wants

Conducting unique research to respond to diversifying consumer wants

Mandom conducts research and development focused on the three areas of “hair/scalp,” “skin,” and “body odor/antiperspirant,” an area which has gained significant interest in recent years.

Hair/scalp, skin, and body odor/antiperspirant vary by individual depending on their race, gender, age, lifestyle, climate, and culture. In order to respond to as many customer wants as possible, Mandom is proceeding with research and development in a wide range of areas including the human body structure, function, and mechanisms in order to discover ingredients and apply them to products that respond to these wants.

We are also taking efforts for research and development that can be used for lifestyles in which mask wearing become commonplace due to the recent spread of COVID-19.

Research Example

Realizing a sustainable refreshing feeling with minimal unpleasant stimulation that reduces the stress of mask-wearing during the COVID-19 pandemic

As mask-wearing has become commonplace during the COVID-19 pandemic, many consumers are dissatisfied by the heat and humidity inside their mask. Depending on high temperatures and certain ingredients used in cosmetics, one might even feel an unpleasant stimulation in the form of pain or scorching heat. This unpleasant stimulation is caused by TRPV1, a receptor for chili pepper substances and one type of TRP channel*, a cellular sensor. From Mandom's research, we discovered that l-menthol, a commonly used refreshing compound, has the effect of restricting the activity

of TRPV1. On the other hand, there was an issue of the refreshing feeling dissipating quickly due to its volatile nature. We discovered that menthoxypropanediol, which has a structure close to l-menthol, has an even stronger restricting effect on TRPV1. We conducted testing to see whether this technology could produce a sustainable refreshing feeling with minimal unpleasant stimulation even when wearing a mask. As a result of our study, we found that we could expect for the refreshing feeling to continue with less unpleasant stimulation by using menthoxypropanediol as a key ingredient. In the future, we plan to apply this technology into a product.

* TRP = Transient Receptor Potential. A family of cation channels related to various sense receptors and a sensor that detects and converts chemical substances and temperature into an electrical signal.

Skin

Mandom has continuously conducted surveys and research related to the condition of skin in both men and women and has shown that there are unique conditions for the skin of each gender. In particular, we have carried out fully designed surveys and research on men before anyone else in the cosmetics industry. We discovered that men's skin has attributes different from that of women's. In recent years, we have conducted research and development which consider how skin condition makes the “impression of appearance.” We have also made new discoveries about women through research focusing on the relationship between the menstrual cycle and skin condition.

Research Example

Concealer is proven to instantly change the impression of the skin of middle-aged men by reducing the appearance of blotches, redness, and dry skin

In a joint study with Dr. Koyo Nakamura of the University of Vienna and Professor Katsumi Watanabe of the School of Science and Engineering, Waseda University, it was found that the makeup effect of concealers tended to reduce the “noticeability of blemishes,” “noticeability of scars,” and “redness of skin,” as well as the “apparent age.” It was also found to have a stronger effect of reducing the appearance of blotches close rather than far away, meaningfully improve one's impression of leadership, and make one appear younger when the face was slightly tilted to the side rather than facing straight forward.

Body odor/Antiperspirant

Body odor influences one's impression and plays an important role in achieving smooth communication. Understanding body odor and taking appropriate care is directly linked to a clean and comfortable life.

Mandom is engaged in research and development to propose products best suited to various body odors, such as with the discovery of a new body odors like the “middle-aged body odor” which had not been identified before and the development of technology to limit the function of substances which are the source of body odor, including sweat.

Research Example

3D structure of sweat gland published in “Gray's Anatomy,” the common anatomy textbook used worldwide

The (Mandom) Joint Research Program in the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University produced a new visualization of the detailed structure of human sweat glands and the blood vessel structure that is the source of sweat production. This image was published in the “Skin” part of Chapter 1 of “Gray's Anatomy.” Based on this knowledge, if ideas that solve sweat gland disorders are born and our understanding of the basic mechanisms of sweat gland contraction and maintenance of homeostasis are deepened, this will not only help in development of the next generation of antiperspirants, but also contribute to medical developments through the elucidation and treatment of medical conditions related to sweat, such as heat stroke and hyperhidrosis.

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Production and Supply System Which Seeks the Spread of High-Quality and Low-Cost Products

Product supply system comprised of three manufacturing bases with different missions

Mandom Group reinforces the concept of products through Consumer-led Lifestyle Value Creation in each Asian area we operate. 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.

Fukusaki Factory in Japan takes the lead of the Group as an innovation center with technological and production functions. It is the supply base to provide high quality "Made in Japan" men's and women's cosmetics, including Gatsby and Bifesta, to Asian countries.

In February 2019, we began construction of a new production building to meet the expected supply capacity, including domestic and overseas exports, by the time we reach VISION 2027, the 100th anniversary of the Company's founding.

By connecting the buildings that were previously dispersed by formulation, the entire plant will function as a single, integrated plant for all formulations.

This will improve productivity by reducing labor and automation, enhance safety and quality, and further improve the working environment.

As an environmentally friendly design, the new building has been awarded an A rating under the CASBEE* evaluation standard.

The new production building has been in operation since January 2021.

* CASBEE (Comprehensive Assessment System for Built Environment Efficiency): Methodology of evaluating and rating the environmental performance of buildings

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 primarily supplies products to the country's domestic market and provides additional production for the Group.

We are also taking efforts to construct a system to substitute, provide complementary production, and conduct shipping in cases when natural disasters or accidents occur at factories.

► Three manufacturing bases which support the Group



Fukusaki Factory (Japan)

Production volume: 134 million units



Factory 1 (Indonesia)

Production volume: 323 million units



Zhongshan Factory (China)

Production volume: 14 million units

* Production volume based on fiscal 2020 performance

Product supply system which fits various GDP levels and local requirements

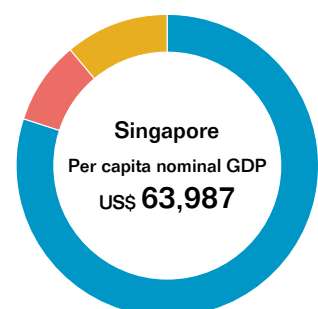
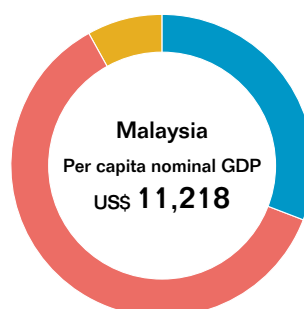
Group companies in each country sell products with their own unique product mix; importing products from Japan, Indonesia, and some from China, tailored to the GDP levels of the countries, consumers' income levels, and lifestyles.

In each country, products produced in Japan are in a higher price zone, while products produced in Indonesia are in a more reasonable price zone and products produced in China are between those two zones.

This makes it possible to arrange the best product mix for each country.

► Comparison of sales by manufacturing center

- Made in Japan
 - Made in Indonesia
 - Made in China
- * Composition excluding products from other companies



Highly-Engaged Employees

Efforts to share and instill the philosophy

Fiscal 2017 marked the start of our 12th Middle-Range Planning (MP-12), which was positioned as a period to develop the infrastructure for realizing VISION2027, the 100th anniversary of the establishment of the Company. Within this, our priority was the instillation and establishment of the corporate philosophy. In order to promote the understanding of the corporate philosophy across all employees of Group Companies, the text for training has been translated into eight languages: Mandarin Chinese, Cantonese, Korean, Vietnamese, Indonesian, and Thai, in addition to Japanese and English versions. These were not simple direct translations but rather translations crafted with the help of local staff to express what the Company truly is trying to express in its philosophy.

We educated all employees on this philosophy in three steps. First, we held assorted discussions through officers' gatherings. Next, each department head was named an "evangelist," and the program was conducted by the directors to the department heads. Finally, the "evangelists" conducted the program in the form of workshops for the staff of their own departments. The project was completed in a short period of six months, targeting 1,009 employees in Japan and overseas (at the time of implementation).

Fiscal 2020 survey results and Group response

From 2018, we conducted employee surveys and feedback results to follow up on the degree of awareness among employees.

A key focus on 2020 is that the "employee engagement," in other words, the sense of employees belonging and desire to contribute to the Company, declined compared to 2019 when it was higher than the average global company level and had been continuing to rise.

The Group takes this result very seriously.

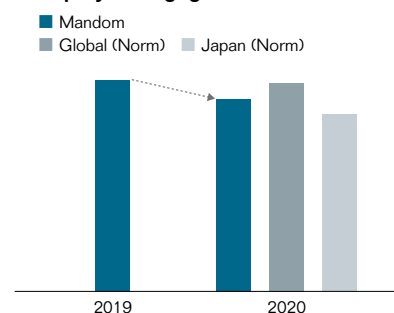
We have determined that this decline in "employee engagement" was due to the sudden shift to remote work and worsening results due to the COVID-19 pandemic, which caused a decline in the quality and quantity of communication and prevented management from sending appropriate messages to employees and alleviating their concerns. As such, we promptly took action to address this.

As we expect the COVID-19 pandemic to drag on and for face-to-face communication to remain difficult in this environment, we decided to release video messages from each supervisory executive officer to employees on a monthly basis to share what efforts are being taken in each area of the Group. The first messages were promptly sent out in June 2021.

We aim to boost communication by sharing our future aspirations to employees through a means of communication that fits a world with COVID-19.

For the category "environment which utilizes employees," while we surpassed the Japanese average, we did not reach the global average. We recognize the need to continue improvements in this area.

Employee engagement



Environment which utilizes employees



Human resource development initiatives

Basic training

Training title	Objectives and contents	FY2020 implementation status
New employee training	Junior employees with less than 2 years experience on the job are provided with training so that they can learn about the company's principles, acquire the fundamental knowledge required to work at Mandom, gain and verify the skills necessary for working individuals, and develop an appropriate mindset. In this way, we hope to nurture a group of self-reliant employees.	Number of new graduates: 25 18 days in April-May*; 3 days in October* Number of second year employees: 23 3 days in October*
New manager training	This training course is designed for employees who have newly assumed managerial positions. Through changing their mindset from player to manager, they will learn to recognize their role as a manager and acquire the knowledge necessary to complete their responsibilities in their assigned organization (section unit).	Eligible: 23 persons July, September: total of 2 days*
Education and training for next-generation global leaders	Training will be provided to develop leaders who can devise strategies to achieve the goals of VISION2027, implement integrated management and marketing, predict future market conditions in today's highly uncertain business environment (backcast), independently come up with hypotheses and gauge their feasibility, and formulate policies for the entire group and create strategies to introduce them.	N/A
Education and training for next-generation global managers		Eligible: 20 persons (selected nominees) January to October 2021*

* Held remotely

Other education and career support measures

Compliance Education

Confidential information management education, Company-wide education on Mandom Code of Conduct

Health and Safety Education/Environmental Protection Education

Group training for the entire Fukusaki Plant

Systems for organizational revitalization

Senior Full-time Employee System, Managerial Position Retirement System

Support system for employee career autonomy

Self-investment Support System, Side Job System, e-learning, Language study support system

Please refer to the website for details.



CSR Information

- Mandom Group's CSR Activities
- > Labor Practices
- > Human Resource Development