




## Top Message



### Look back at my first year as President

I don't often use the word "busy" to describe my daily life, but it really felt like this year went by in a flash. The fiscal year ended March 31, 2022 was my first year as President. However, as the impact of the COVID-19 pandemic continued to be felt, my activities were limited to within Japan. I spent my time focusing on various issues inside the company rather than looking at external factors. This is my 15th year in Mandom, but there were still many employees I did not know in person, so I took this time to engage in dialogues with them. In the past year, I had approximately 40 sessions and spoke with a total of 247 people, primarily officers. My main objectives

were to spread an understanding of our medium- to long-term strategic direction and share an awareness of issues they felt in worksites. However, in an environment with constraints on communication, I also felt that this was a very meaningful opportunity to deepen our mutual understanding of personalities between myself and the employees. On the other hand, I felt a sense of apprehension toward the fact that many employees were concerned about taking on new challenges as the existing business model had been successful over a long period of the last 30 to 40 years.

We faced very disappointing results this year as we booked the first operating loss since the second business crisis in the 1980s. However, under limited distribution that differed from the past, we launched products with a slightly different approach from past products, such as the



**We will evolve Dedication to Service (Oyakudachi) in the realm of Health, Cleanliness, Beauty and Fun\* to realize the wellness of consumers across the globe.**



**Mandom Corporation  
President Executive Officer & Director  
Ken Nishimura**

\* Mandom's business domains.  
Embodying Mandom's unique style by entwining elements of "fun" with health, cleanliness, and beauty.

men's cosmetic product "gatsby THE DESIGNER" and the women's cosmetics product "CYQ." I feel that this year made it easier to take on these sort of new challenges. These did not significantly contribute to overall sales or profits yet, but this year allowed us to plant various seeds for the medium- to long-term. It was a year that made me feel that companies truly are just people as it is people who run organizations and business models.



**Management balance from the short-term to medium- to long-term perspective**

As we consider how to restore our results, I believe that new challenges, including these planted seeds, will be

important for the medium- to long-term. However, in the short-term, in the existing business model that comprises the majority of our sales, it is true that we must connect with consumers in the mass distribution retail businesses for them to purchase our products, primarily brands such as Gatsby, Bifesta, and Lúcido. I feel the practical issue is that we must prioritize and restore sales, profits, and the channel that can be considered the framework for the current business. I think it is extremely important to strike a balance between effectively shifting the business model and improving results. In particular, I've been having more discussions with investors on how to restore the current business. Right before the COVID-19 pandemic, we increased depreciation by making a large investment to reinforce the Fukusaki Factory. As such, we have recorded an operating loss on the statement of income.

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However, looking at our cash flow statement, we have maintained free cash flow. We have enough capabilities to make investments and forecast an increase in dividends for this fiscal year. However, we plan to do this with our free cash flow rather than procuring capital externally. I believe we have sufficient ability to earn cash.

As a company, I feel we must commit to recording an operating profit. On the other hand, rather than stubbornly and somewhat forcibly increasing operating profits for the short-term, I believe that making investments for future growth while maintaining a minimum of profitability and managing the company from a perspective of maximizing company value for the medium- to long-term are necessary to make all stakeholders, including shareholders and employees, the most happy.

Global affairs have become uncertain since February of this year, causing costs of raw materials and transportation costs to rise significantly. Naturally, our company also began to be influenced. Comparing consumer prices in the Euro zone, the US, and Japan with the index chart of raw material prices, Europe and the US saw prices clearly linked and rising while only Japan's consumer prices were even. Here I felt the difference between Japanese companies and companies in Europe and the US. However, our basic stance as a company in responding to inflated costs is to propose added value through new value creation rather than simply raise prices to meet the cost level.

Materiality in our company is largely comprised of two major themes. First, **“Issues to be addressed to realize a sustainable society and company.”** This refers to social issues such as fair trade in raw material procurement and environmental issues such as climate change and plastics in the ocean. These are issues for Mandom to coexist within society. However, these issues have become more complex in recent years due to these global uncertainties I referred to earlier, causing trouble for stable procurement. We are conducting various initiatives because we must properly address these important issues. However, in

order to continue sustainable growth, we must also take a thorough look into new value. Therefore, we have identified important issues related with value creation in our other materiality, **“Future challenges to be addressed by taking advantage of our strength and creating values.”** In the age of VUCA<sup>\*1</sup> when the outlook is unclear and complicated, we believe that the following three materiality will connect to value creation in order to continue providing Dedication to Service in society: “Creating an easy-to-start grooming culture,” “Expanding Dedication to Service to a diversity of consumers,” and “Realizing mutual growth of employees and the company.”

\*1 VUCA is an acronym which stands for volatility, uncertainty, complexity and ambiguity.



## Mandom's Only One Marketing

Mandom has generated various value until now through Only One Marketing. When asked what Mandom's Only One Marketing is, I answer that it means focusing on “Consumer-led Lifestyle Value Creation.” Mandom's products and services have connections with the daily lives of consumers. We identify their wants from their everyday dissatisfactions and hopes, and provide products and services backed by proprietary, effective technology to satisfy our consumers. However, the world now is full of products and there are fewer dissatisfactions in everyday life. As lifestyles and values become more diverse, it is more difficult to identify wants of consumers. Under these circumstances, we must be sensitive to not overlook the smallest changes among consumers and remain aware that consumer wants are also mental instead of physical. As I spoke about in last year's message, there is a growing need to strengthen and exercise the two abilities of creativity and imagination<sup>2</sup>. When discussing Mandom's Only One Marketing, the four words “Health,” “Cleanliness,” “Beauty,” and “Fun” are

very important. “Health,” “Cleanliness,” and “Beauty” are words often spoken by companies closely associated with the beauty industry. However, “Fun” is a concept unique to Mandom. This speaks not only about fun itself, but also the idea of enjoying using or spending time with a product. This idea of “Fun” can be seen in the concepts, packaging, and advertising slogans for the products and services provided by our company. I believe this desire to provide more fun and better products to consumers is passed down in Mandom’s Only One Marketing.

For example, the facial cleansing brand Bifesta was born from the real issue of consumers wanting to go to bed immediately after coming home tired and not going through the time-consuming effort of removing makeup in the bathroom. This cleansing product allows them to remove the makeup without water by just swabbing with cotton, so they can then fall asleep as is. In cosmetics, there is a functional approach and an approach that solves dissatisfactions that consumers have. Bifesta is a good example of the second approach. We try to empathize with how our customers may feel on ordinary days, and I think it is good to provide cosmetics that allow them to take it easy for the day on those days they want to let go a little. I think it is good for there to be diversity in the pursuit of beauty. This is a human approach that is very fitting for Mandom.

The recently released makeup product CYQ was developed by employees from Indonesia, Hong Kong, China, and Japan, primarily generation Z employees in their 20s. Generation Z uses social media to communicate a lot. Nowadays, there are apps that make it look like they’re wearing natural makeup, helping them express their best selves. These people want to recreate or come closer to their best digital selves in their real lives. As such, “cosmetic surgery-grade makeup” has become popular on sites like YouTube. At least in Asia, this has become a common topic that crosses borders. Therefore, we are proposing a new genre called “parts design cosmetics” that lies between traditional cosmetics and

cosmetic surgery to allow any consumer to do this with a single cosmetic product.

\*2 Imagination and creativity: Imagination is the ability to accurately envision the smiles and happiness of consumers, as well as their dissatisfactions, to uncover issues. Creativity is the ability to combine or pick up resources to deliver happiness to consumers and solve their dissatisfactions.



## Aiming to be a singular cosmetics company

As we showed in our long-term vision “VISION2027,” we desire to become “a cosmetics company possessing unique strengths in specialized areas (not an ‘all-rounder’).” We would like to operate with agility while proactively making new proposals. In the recent cosmetics market, startups with the desire to attempt interesting initiatives despite a small scale have been entering from niche fields. I believe that it may be possible to do something similar in our women’s cosmetics. At first, there might be few purchasing opportunities for consumers to buy just because it is a Mandom product. However, I think another way to reach consumers is for them to discover an interesting product and see only after their purchase that they bought a Mandom product without realizing it.

I would like to continue to utilize our strengths in men’s cosmetics. Since its launch, Gatsby has been loved by young consumers for 44 years. Along with Lúcido, a product for men from their 40s to middle age, they have become our flagship brands. Looking at the future men’s cosmetics market, I thought we should expand the range of our target and increase our product categories, primarily among young people. We can expect the number of used items and consumer spending per person to increase, so I would like to continue strengthening this area. From a product portfolio perspective, we must adopt approaches toward our target that match our investments in technology and production facilities for the skin care and makeup markets, which have grown in recent years,

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along with our past strengths of hair styling and deodorant products.

On the other hand, our sales of women's cosmetics are small in scale, but the market is massive. The categories our company currently operates in are limited and we are naturally strengthening that area as there is much potential for expansion. For the recent well-being market, we aim to provide services that are not limited to cosmetics to reflect Dedication to Service that means creating comfortable societies and ensuring the physical and mental health of people. For example, it is possible to expand our business by providing these services using apps. In those cases, we will do so by utilizing open innovation and executing collaborations with external companies.

In the hair styling field, I am confident that we are among the top companies in the world with strong knowledge. Apart from that, we also possess strength in technology capable of effectively generating a cooling sensation by controlling the sensors in cells that exist in the skin called TRP channels. Last year, JAXA adopted our "Space Shower Paper" that astronauts can use to keep their bodies clean while staying at the space station. This technology that cleans the body and gives a sense of cool refreshment while using almost no alcohol at all can easily be adopted by people sensitive to alcohol and expanded to regions that cannot use alcohol. Since 2015, we have conducted research about sweat glands with an endowed chair at the Graduate School and School of Pharmaceutical Sciences at Osaka University. In 2021, we established a research program in Kitasato University's School of Pharmacy and proceeded with skin research that will lead to the products of the future. I think that investments in technology will be one source of future competitiveness so that we can achieve co-creation while utilizing facilities and skilled external researchers, and boosting proprietary technology through open innovation in fundamental research in various fields, including academia.



## Thoughts on human resources as a "human-oriented" company

It may be our corporate culture, but I feel we have many employees who like people and connections with people. I think our company cannot become strong and improve if our employees don't come together to be intellectually charged. I have been stating in various places and at various opportunities that our employees are the greatest strength of our company. We always make sure to have employees of the highest quality and we cannot save any expense in investing in people.

The one quality I want to see in our employees the most is a spirit to take on challenges. I want employees to continue to have the will to improve and never give up becoming their better selves. Due to the COVID-19 pandemic, our results have continued to be sluggish. Reflecting back, I think our mistake was not constantly considering what we could do to improve and take our company to a higher level even when things were going well. In that sense, our ideal employees are those with a positive outlook who actively and constantly look forward. In addition, we want human resources with a specialty or area of excellence that can fortify any weak spots in our company.

As technology and various things are evolving in this era, the skills demanded of employees are growing more diverse and advanced. We will need more DX specialists and ESG specialists in the future. As each employee spreads their antennae to all directions and strengthens their specialty or area of expertise, we must form a group of these types of people who possess "career autonomy." As both employees and the company become aware of what employees want to do and what skills are needed moving forward, we will provide opportunities to learn such skills. Therefore, we are preparing to innovate our HR structure for this. We want all employees to be aware of the know-how and skills that are demanded for each



role. If an employee wants to do a certain job in a certain department, they will know what skills they lack. We intend to create this sort of atmosphere by changing the HR structure.



## Conclusion

I believe that many of our stakeholders have faced difficult living circumstances and painful experiences due to the COVID-19 pandemic. We truly appreciate your support for Mandom products and the business as a whole. As I enter my second year as President, we face a turbulent era and many internal issues. I believe that the years to come will be very challenging but extremely satisfying to

take on. While results have become sluggish for the moment, we aim for a mindset to proactively take on new challenges in the company. Many of our ambitious employees are working hard. From the medium- to long-term perspective, I am confident that our company will once again return to a path toward solid growth and be a company that provides Dedication to Service to society and all our consumers. I promise that we will do just that. I hope that Mandom will be able to enrich the world through new value creation and expansion of our services in the cosmetics and beauty industries while also fulfilling our medium- to long-term corporate vision of addressing ESG issues, including the global environment. I thank you for your continued support.

