

Middle-Range Planning

13th Middle-Range Planning “MP-13” and positioning of “VISION2027”

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"> ① Authentic proposals ② Global & ‘Only One’ ③ Exciting & Excellent
VISION Slogan	<p>Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world.</p>
VISION Policy	<ol style="list-style-type: none"> ① Leverage Asia’s economic growth to evolve into a truly global company ② Display greater Dedication to Service (Oyakudachi) in the men’s business segment and invest aggressively to expand our women’s segment. 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).
Image	<p style="text-align: center;">Breakthrough inspired by future-orientation</p> <ul style="list-style-type: none"> Business Domain Growth Strategy Profit Structure Human Asset Development

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

External environment

- ▶ **Threats/risks**
 - Lengthening of ramifications of COVID-19
 - Climate change/abnormal weather
 - 2050 Carbon Neutrality Declaration
 - Changes in consumer lifestyles
 - Diversification of consumer values
 - Sudden changes in business environment due to exponential technological developments
 - Declining birthrate and aging society (Japan)

- ▶ **Opportunities**
 - Emergence of new wants in transition to the new normal
 - Rise in environmental consideration and awareness, primarily among young people
 - Expansion of ethical consumption
 - Growing expectations for wellness
 - Market expansion resulting from greater hygiene awareness
 - Elimination of information time lag due to globalization
 - Expansion of EC market
 - Expansion of GDP in Asia

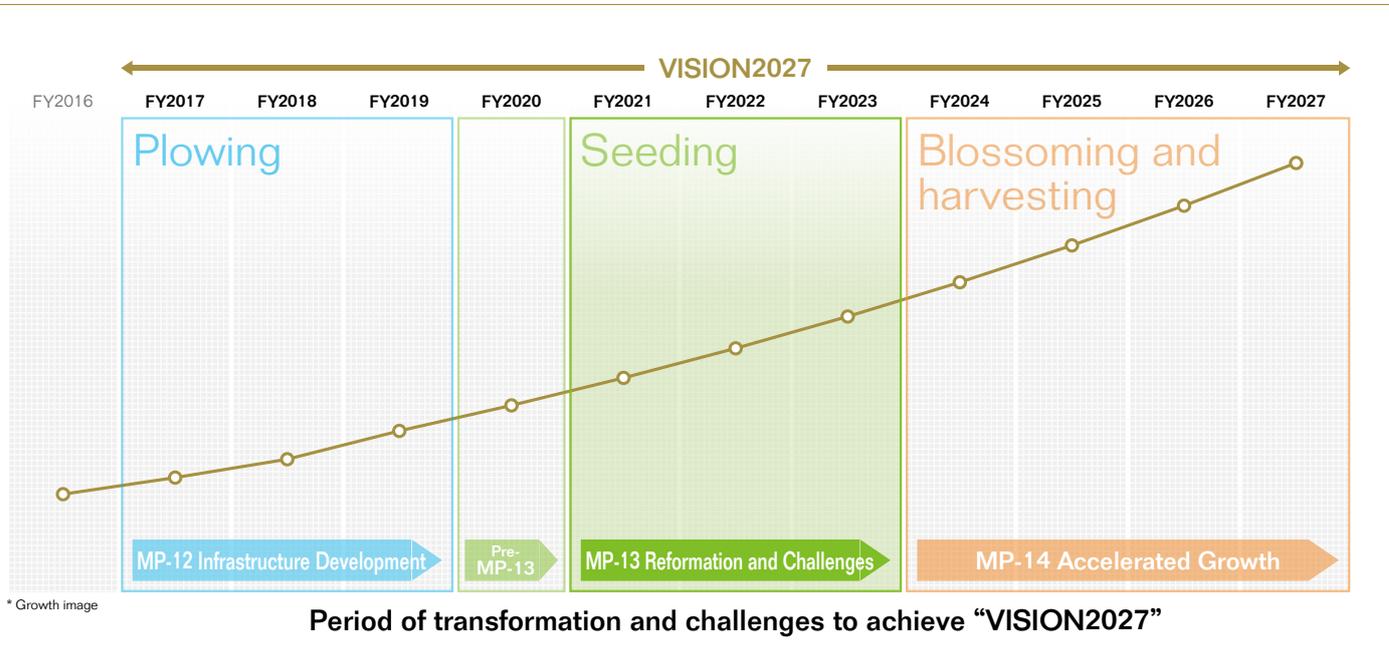
Issue awareness

- ▶ **Products**
 - Sluggish growth of Gatsby brand
 - Growth potential of women’s cosmetics
 - Product portfolio
 - Greater emphasis on items used for outings, which are impacted by COVID-19
 - Shift in men’s cosmetic portfolio
 - Acquire innovators for men’s cosmetics

- ▶ **Region**
 - Shift in shopping opportunities to EC
 - Intensified competition in the men’s cosmetics market
 - Increase in new participants entering cosmetics market (Japan)
 - Shrinking hair styling market (Japan)
 - Disappearance of inbound demand (Japan)
 - Declining earnings ratio in Indonesia

- ▶ **Internal structure**
 - Declining earning capabilities (profit margin)
 - Distribution partners’ roles and terms and conditions of transactions
 - Low composition of EC sales in sales mix
 - Breaking away from self-sufficiency
 - Breaking away from successful past experiences
 - Initiatives for sustainability

Identifying Materiality → P.20



Response

(Basic Management Policies)

- 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)

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

- 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

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

- 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

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)

Look Back at Previous Middle-Range Planning

	MP-10 4/2011-3/2014	MP-11 4/2014-3/2017	MP-12 4/2017-3/2020	Pre-MP-13		
Positioning	<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>			
Key Points	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.	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.	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.			
Summary	<ul style="list-style-type: none"> • Stable growth in men’s grooming business, the Company’s core business Aim for stable growth as a core business; maintain and expand the market share in categories of the men’s grooming segment. • Bolster the development of women’s cosmetics business 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. • Continue strengthening overseas business operations with Asia as growth engine 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 Indochinese markets, which has a future growth prospect. 	<ul style="list-style-type: none"> • Achieve sustainable growth in men’s grooming business Aim for sustainable growth as a core business; maintain and expand the market share in categories of the men’s cosmetics segment • Speed up the development of women’s cosmetics business Aim to speed up development in Asia with a product lineup customized to each country by focusing on the skincare and base makeup categories. • Continue strengthening overseas business operations as growth engine 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 Indochina. 	<ul style="list-style-type: none"> • Promotion of category strategies and thorough enhancement of brand value <ol style="list-style-type: none"> ① Develop a category of becoming a robust pillar ② Increase brand value • Improvement of growth in overseas business with a focus on Indonesia <ol style="list-style-type: none"> 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 • Building a group operation system and improving productivity per unit <ol style="list-style-type: none"> 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 			
Numerical Targets	(Targets)	(Actual)	(Targets)	(Actual)	(Targets)	(Actual)
Consolidated Net Sales	¥66,000 million or more	¥68,200 million	¥83,000 million	¥77,300 million	¥90,000 million	¥81,700 million
Men’s Grooming Business Average Annual Growth Rate	3.2% or more	5.4%	5.2% or more	2.6%	3.0% or more	-0.6%
“Gatsby” Brand Average Annual Growth Rate	3.6% or more	5.9%				
Women’s Cosmetics Business Average Annual Growth Rate <small>Note: Women’s business in MP-12</small>	19.3% or more	11.8%	15.0% or more	15.9%	10.0% or more	11.1%
Consolidated Overseas Net Sales Average Annual Growth Rate	9.4% or more	11.3%	11.4% or more	4.8%	10.0% or more	6.8%
Consolidated Operating Profit Margin <small>Note: Operating profit amount in MP-11</small>	10% or more	10.0%	¥8,600 million	¥7,600 million	10% or more	7.1%
Consolidated Payout Ratio	40% or higher	40.0%	40% or higher	40.3%	40% or higher	63.5%
Results and Issues	<ul style="list-style-type: none"> • The men’s grooming business exceeded target growth rates mainly for “Gatsby” and achieved targets for consolidated net sales. • The women’s cosmetics business had sluggish growth in Japan and did not reach targets. • The overseas business performed well, and the annual growth rate was over 10%, exceeding the target. • The consolidated operating profit margin was 10%, reaching the target. 	<ul style="list-style-type: none"> • Although the women’s cosmetics business reached the target growth rate due to growth of “Bifesta,” consolidated net sales did not reach the target due to sluggish growth in the men’s grooming business. • The overseas business did not reach targets due to the impact of the factory accident in Indonesia. • Consolidated operating profit did not reach the target primarily due to net sales being below the planned level. 	<ul style="list-style-type: none"> • We were able to execute just about all of the infrastructure development initiatives we should have executed. • Net sales in men’s grooming business decreased due to the impact of reduced sales of summer seasonal goods due to poor weather in Japan in the fiscal year ended March 31, 2020. • Women’s cosmetics business continued to reach the target growth rate due to strong performance of “Bifesta” and “Pixy.” • In addition to net sales being below the planned level, the injection of expenses associated with infrastructure development also contributed to the target consolidated operating profit margin not being reached. 			
Foreign Exchange Impact Rupiah/JPY (period average)	MP-10 Set Rate ¥0.0093	2011: 0.0091 2012: 0.0086 2013: 0.0093	MP-11 Set Rate ¥0.0085	2014: 0.0089 2015: 0.0091 2016: 0.0083	MP-12 Set Rate ¥0.0083	2017: 0.0084 2018: 0.0078 2019: 0.0077
<small>Middle-Range Planning Initial Set Rate and Actual Rate by Year</small>						

Outline of “MP-13 (April 2021 through March 2024)”

MP-13 4/2021-3/2024

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 business

- 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 glooming 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
				Overseas Business	17% or higher
Profitability	Consolidated Operating Profit Margin	8.0% or higher			
	Consolidated ROIC	7.0% or higher	(ROIC = NOPLAT ¹ + gain/loss from equity-method investments/invested capital ²)		
<p>*1 (Operating profit + interest income + dividend income) × (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)</p>					
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 on the Fiscal Year Ended March 31, 2022

Looking back on the fiscal year ended March 31, 2022

The fiscal year ended March 31, 2022 was the first year of the 13th Middle-Range Planning (hereinafter “MP-13”). MP-13 was positioned as a period of transformation and challenges to achieve “VISION2027” for the 100th anniversary of the founding of the Company. During this period, the Company established four basic management policies and began efforts for this transformation and these challenges. The number of cases of COVID-19 continues to rise and fall repeatedly in Japan and overseas. However, the Company began new marketing efforts different from mass marketing in Japan as we took on challenges for new changes as a company.

Results continued to be greatly affected by the COVID-19 pandemic in Japan and overseas. In particular, mainstay hair styling products and cleansing products were impacted by fewer opportunities to go out amidst restrictions placed on going outside. Also, summer products saw much lower sales due to unseasonable weather during the peak demand season. As a result, net sales fell 9.4% (down 4.4% if applying the new standards for revenue recognition that were adopted this year to the previous fiscal year) to 57,361 million yen. Operating profit and other items booked losses for the fiscal year.

1

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

Specific initiatives and results

1 Initiative for new marketing: Launch of “gatsby THE DESIGNER”

The Company took on the challenge of an approach to consumers that varies from mass distribution. We aim to capture male users who proactively try products and gather information related to cosmetics, an issue for the existing Gatsby Series. In October 2021, we launched a fresh and adaptable men’s cosmetic series that allows users to express themselves as they want through a lineup of skin care, makeup, and hair styling products. [Details → P.24](#)

2 Shift product portfolio in Japan market

Through the COVID-19 pandemic, consumer lifestyles have changed, resulting in lower sales for hair styling and makeup products, areas of strength for the Company. Meanwhile, sales for skin care, body care, and hair care products have been solid.

We have begun to strengthen categories that can be expected to grow even in a world with COVID-19. For example, in the case of men’s cosmetics, we are proposing products that focus on the face and body categories for new spring and summer products released in February 2022.

2

Speedy completion of Indonesia business recovery and reform business model of overseas business

Specific initiatives and results

Strengthen e-commerce channels overseas

Sales in the “Other overseas” segment in each country has risen steadily. Before the previous fiscal year, we completed establishing official brand e-commerce shops in each country, allowing us to develop and execute brand communication as we wish. The net sales growth rate of e-commerce channels in “Other overseas” exceeded 50%. With the sales mix having surpassed 10%, the EC channel is growing into the second largest channel in scope, next only to drug stores.

The basic management policies of MP-13 and major initiatives based on these are as follows.

For the fiscal year ending March 31, 2023, the Company has planned a second round of initiatives for new marketing efforts and has developed several new initiatives, such as sales of “CYQ,” the makeup brand that allows generation Z youth in Asia to be who they want to be. The Company will execute on the MP-13 themes of “transformation and challenges” to break out of our past business model, respond to changes in the lifestyles of our customers, and achieve proactive change.



Senior Vice President Executive Officer & Director
Yasuaki Kameda

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Shift to a company that creates new value through digitalization and open innovation

Specific initiatives and results

1 Promotion of digital transformation

In addition to realizing our vision in “VISION2027,” we feel that we need to increase productivity per unit beyond the current levels. In the three years that include the “Pre-MP-13” fiscal year ended March 31, 2021, the Company will generate management resources by promoting digital transformation as we aim to secure and establish a new competitive advantage by investing those management resources into new value creation. In the previous fiscal year, the company primarily engaged in three initiatives: (1) Sharing between departments and improving operations and efficiency of each department through digital tools, (2) Selection of next-generation digital leaders and beginning of training, and (3) Digital training for all employees aimed at fostering a corporate culture. [Details → P.62](#)

2 Initiatives to reduce cost

The Company made efforts to reduce fixed costs and save labor through the utilization of manufacturing robots and digital equipment in order to mitigate the effects of increased depreciation costs from large-scale investments in the Fukusaki Factory and increases in fixed expenses from lower manufacturing volume due to lower sales. In addition, as raw material expenses and transportation expenses have become inflated recently, the Company established the “Cost Down Project” in April to proceed with cost reduction activities quickly and deeper through a system that integrates production, technology development, and marketing as we strive for further cost reduction.



Initiatives to strengthen the management foundation

Specific initiatives and results

Preparing to transition to the HR system reform “MHRX” to provide Dedication to Service (Oyakudachi) for consumers in response to a changing society

The Company decided to transition to the HR system “MHRX” that originated from Mandom-style jobs and autonomy in order to continue to provide Dedication to Service for consumers stated in our vision through new value propositions and respond accurately to drastic changes in society. The Company is now proceeding carefully, beginning with internal briefings and small group discussions, in order to begin the full transition from FY 2023. [Details → P.32](#)

Middle-Range Planning Topics

〈Feature〉 Promotion of Digital Transformation

<p>MP-13 basic management policy</p>	<p>3. Shift to become a company that creates new value through digitalization and open innovation</p> <p>① Achieve success in DX (digital transformation) resulting in the realization of wellness</p>
<p>DX objectives</p>	<p>Transition to a company that produces new value through digital transformation</p> <p>Dramatically expand both the quality and quantity of Dedication to Service by simultaneously proceeding with initiatives for new businesses and improving efficiency of existing businesses through a digital foundation</p>

Image of cross-company DX promotion

The Company established the DX Promotion Committee in May 2021 to focus on these efforts.

The Company plans two steps related to DX promotion.

In Step 1, the Company will proceed with operation and efficiency improvements by promoting digital transformation of the Company by this fiscal year (ending March 31, 2023) to generate management resources, such as time and people, etc.

At the same time, we will begin Step 2, propose themes and businesses to generate new value, and invest management resources generated in Step 1 into actual creation activities.

- Step 1** “Generate management resources to take on challenges to generate new value”
- Step 2** “Invest generated management resources and take on challenges for new value creation”



Details of major initiatives in the fiscal year ended March 31, 2022

Activities related to **Step 1**

“Generate management resources to take on challenges to generate new value”

1. “OSHIGOTO DIGITALIZE”

Mandom promoted “OSHIGOTO DIGITALIZE” (“Work Digitalization”) as part of initiatives specifically for digital transformation to generate management resources. Young employees took a central role as thought leaders for operations improvement. They shared information on initiatives, primarily at monthly working groups, for the horizontal deployment of initiatives across other departments while also aiming to improve operations and efficiency in their own departments.



2. Promotion of utilization of RPA (Robotic Process Automation)

The Company automated regular operations and proactively promoted activities of the RPA Promotion Team in order to generate management resources by improving efficiency of daily routine work and reducing time spent.

Also, this team received an internal award for greatly contributing to operations in FY2021.



RPA Promotion Team awarded for contributions to operations

3. Promotion of cross-company BPR (Business Process Re-engineering)

The objective of BPR is to (1) “Reduce total labor hours across the company” and (2) “Generate time for initiatives for new value creation.”

In FY2022, the Company established BPR as the production indicator required of all domestic departments under department business plans as an initiative to improve productivity per unit across the company.

Activities related to **Step 2**

“Invest generated management resources and take on challenges for new value creation”

1. Begin selection and training of next-generation digital leaders

In order to train human resources who develop knowledge as digital human resources and are capable of taking the lead in new value creation utilizing digital technology, we selected multiple human resources from each domain in Japan with the aptitude to lead the next generation. We have already begun workshops, etc., and training for the selected members. First, we have them acquire digital technology in each domain and field the business skills contributing to transformation.



Next-generation digital leader training

2. Digital education for all employees that fosters company culture

The Company implemented e-learning for approximately 750 full-time and temporary employees both in and outside of Japan to deepen understanding of the background and objective of DX promotion as well as an overview of digital technology. The Company plans to continue its training to improve digital literacy in the current fiscal year (ending March 31, 2023). Following the digital leaders, the Company plans to select and train leader candidates and increase the number of employees capable of co-creation with digital human resources in and outside the Company.