

MP-14 Topic ①: Business Revitalization in Indonesia

Building a system for sustainable profit generation

In 1969, our company established a local subsidiary, P.T. Tancho Indonesia (now consolidated subsidiary PT Mandom Indonesia Tbk), in Jakarta, Indonesia, and we have focused on it as a key base for expanding the Mandom Group's overseas markets. We have integrated into the local community and actively developed and sold new products. Although there were tough times due to external factors such as politics and the economy, our business performance had been steady.

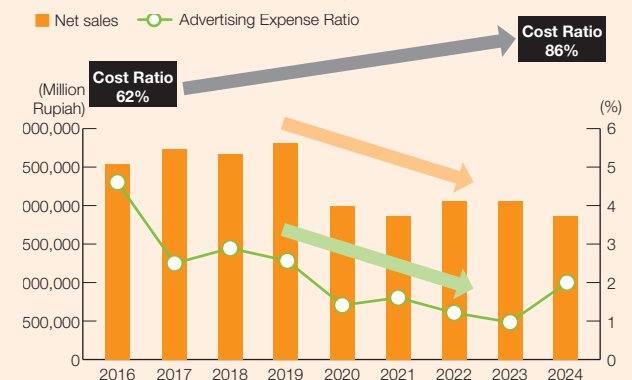
However, in recent years, in addition to intensifying market competition, the impact of the COVID-19 pandemic led to a decrease in net sales and a reduction in marketing investment in response, resulting in a decline in product competitiveness in the market. Furthermore, in FY2024, there has been a significant increase in returns of expired products, causing a substantial drop in business performance. Currently, we are advancing reforms to overcome this situation and rebuild a system capable of sustainably generating appropriate profits.

With the normalization of a high cost ratio, a significant reduction in marketing expenses led to sluggish sales

Previously, we invested a certain amount in marketing expenses and steadily increased sales. However, due to increased depreciation from large-scale investment in a new factory, rising fixed costs from inflation including local wage increases, and decreased sales volume due to the impact of COVID-19, the cost ratio worsened significantly. Under these circumstances, we significantly reduced marketing expenses to balance profitability, and further curtailed the number of new product developments, which reduced our ability to reach consumers. As a result, brand image deterioration, lack of consumer awareness of new products, and decreased presence at retail stores ensued, and, combined with aggressive moves by competitors, led to a decline in sales. The decrease in sales led to a reduction in factory production volume, which in turn further worsened the cost ratio.

Past Performance Trends*

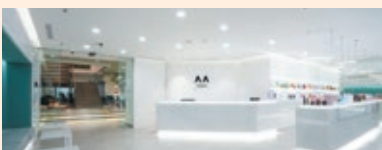
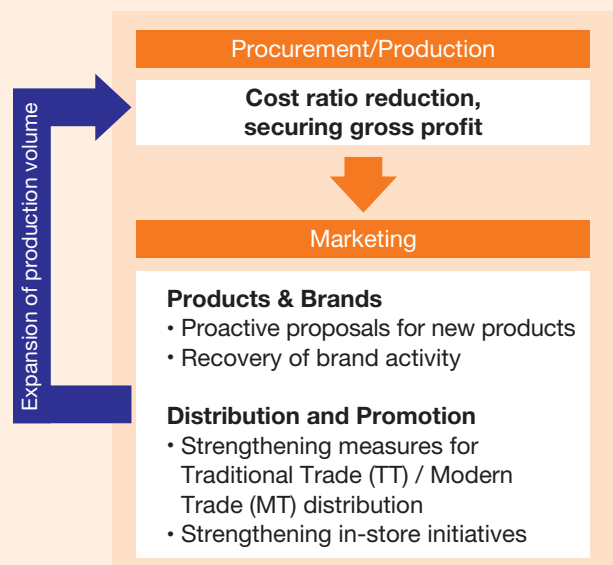
* From 2021 onward, some items previously treated as expenses have been deducted from net sales



Toward a positive cycle enabling investment in Seikatsusha (Consumers)

To solve the issue of a worsening cost ratio due to sluggish sales, MP-14 started by renewing all board members. First, while maintaining product quality, we are working to reduce the cost ratio by fundamentally reviewing raw material costs and packaging development, and reforming procurement and production systems in coordination with our Japan business. Furthermore, to enhance brand value and improve market competitiveness, we are actively investing in marketing and implementing measures in distribution and expanding in-store exposure. Ultimately, as sales recover, we will expand production volume, reduce the cost ratio, and make further investments to build a cycle toward a growth trajectory.

Marketing-focused growth investment cycle



PT Mandom Indonesia Tbk
Head Office

Shift from PUSH to PULL

Currently, in order to acquire young users in Indonesia and establish a firm market presence, we have launched a new hair styling series from GATSBY, expanded deliveries to major convenience stores, and implemented advertising across various media. In conjunction with this, we are strengthening in-store initiatives at each store (ensuring regular product placement, displaying on the golden line, multi-faceted displays on end shelves, etc.), and actively launching new products in categories other than hair styling, such as fragrances, to further enhance the brand's presence. For PIXY, another core brand, we are redefining brand value and implementing rebranding, including renewing in-store fixtures and launching new products. We are launching new

series in base makeup, decorative, and skincare, and through advertising and in-store enhancements, we are reaching a wide range of Seikatsusha (Consumers).

In developing new distribution channels, we have been strengthening our efforts in the rapidly growing e-commerce sector in recent years, implementing promotional measures on major e-commerce sites, developing toko online (e-commerce stores run by individuals or small businesses), and conducting live commerce from our in-house streaming studio, among other initiatives.

Through these activities, we are working to maximize contact points with Seikatsusha (Consumers) and restore the activity level of each brand.

GATSBY New Hair Styling Series Advertisement



Multi-faceted display of new and best-selling series

Renewal of fixtures as part of rebranding

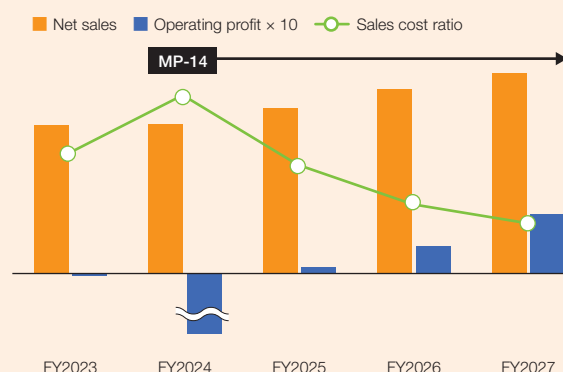


In-house EC booth

Initiatives to break away from high cost ratios

To reduce the cost ratio, which has been an ongoing issue, we are strengthening collaboration between the Sales and Manufacturing departments (such as integrating sales initiative schedules), working to level production volumes by suppressing sudden fluctuations in production numbers, and striving to stabilize factory operating rates and improve production efficiency. Furthermore, we are horizontally deploying the use of robots, which had been implemented at the Fukusaki Factory in Japan, to further streamline work processes and review personnel allocation in the production area, thereby promoting cost ratio reduction. From fiscal 2025, we will fully launch the horizontal deployment of structural reforms for profitability improvement that started in Japan in the previous term, aiming for a sound financial structure.

Indonesia Segment
Four-Year Performance Trend Image (FY2024-FY2027)



MP-14 Topic ② Structural Reforms for Improving Profitability in Japan

Background and Objectives

Upon completion of MP-13 and the start of MP-14, the most pressing issue for the Mandom Group was the deterioration of profitability in both the Japan and Indonesia businesses. In both segments, net sales have struggled to grow as initially planned, while many costs, especially raw materials, have surged, resulting in a continued rise in cost ratios, which has significantly squeezed profitability.

In MP-14, and to sustainably expand corporate value for the next 100 years and beyond, it is essential to generate solid earnings and secure resources to proactively invest profits in future growth areas. In this context, CEO Nishimura, driven by a strong belief that “we must change,” has taken the lead

as a transformative leader and, ahead of other segments, launched a cross-functional structural reform project in the Japan business from February 2024. This project is centered on not only addressing the management issue of improving profitability, but also on developing the human assets who will lead the next generation of Mandom by equipping employees with the skills and negotiation abilities needed to execute these reforms. The initiative is being promoted through nine workstreams (WS) across marketing, sales, technology, production, HR, and management strategy, with about 50 core members taking the lead and many employees participating in this company-wide effort.

Profitability improvement targets (including effects of reduced unit costs)

Over **7 billion yen**
(total for four years of MP-14)



**Allocation to growth investments
and shareholder returns**

Specific Initiatives, Effect Amounts, and Outlook

| Initiatives Measures | Progress as of the end of March 2025 | Actual and Projected Improvement Effects | |
|--|--|--|------------------|
| | | FY2025 | FY2026 |
| Revision to appropriate pricing | Price revisions implemented for 159 SKUs including major items from September 2, 2024, and an additional 48 SKUs from February 3, 2025. | 600 million yen | 600 million yen |
| Reduction of unprofitable SKUs | Discontinued half of unprofitable SKUs, revised prices for one-third | 150 million yen | 150 million yen |
| Of raw materials Strategic Procurement | Streamlining procurement of aluminum cans, nonwoven fabric, alcohol, etc. *Also implemented in Indonesia | 200 million yen | 600 million yen |
| Substitutable to alternative raw materials Switching | <ul style="list-style-type: none"> Adoption of new nonwoven fabric for paper products Switching to new packaging materials, etc. | | |
| Other | <ul style="list-style-type: none"> Optimization of sales expenses Optimization and reduction of promotional materials Reduction of indirect costs | 200 million yen | 600 million yen |
| Total | | 1.15 billion yen | 1.95 billion yen |



Status of workstream initiatives, achievements and challenges after one year

The main initiative of the Sales WS was “revision to appropriate pricing.” In the third and fourth rounds of price optimization implemented in September 2024 and February 2025, a total of 207 SKUs including core items, led by the “Moving Rubber” series, the main product of GATSBY, were subject to price revisions. In particular, the “Moving Rubber” series has been a star product since its launch in 2006, creating many fans while maintaining its original price and supporting the growth of the GATSBY brand. Therefore, in negotiations with distributors and retailers, we held repeated discussions before business talks and conducted detailed analysis and preparation to realize proposals that would benefit all parties. Persistent negotiations bore fruit, and we were able to gain understanding and rational agreement, achieving appropriate pricing. Our customers highly praised our price optimization efforts and detailed proposals, which

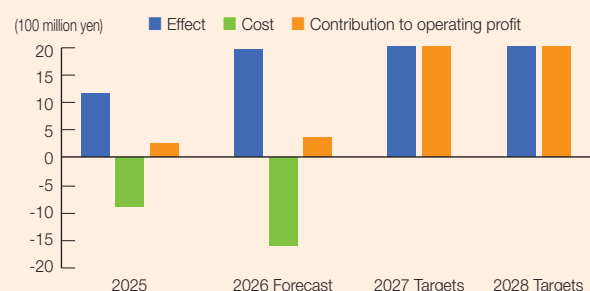
not only realized mutual benefit but also led to the growth of individual sales staff and the organization, as well as the creation of new strengths.

In the Procurement WS, we set priorities for each raw material category at the start, focused on specific categories, and succeeded in conducting actual cost reduction negotiations and achieving results in a short period of about three months. In the Technology WS, we have emphasized the quantity of ideas from the start, and based on those ideas, we have examined the content and amount of effect and formulated plans. We have continued to generate ideas, and in eight months, about 800 ideas have been produced. We also held study sessions on understanding the concept and framework of agile development, with the theme of next-generation “agile development,” and conducted discussions on these topics.

Annual structural reform project benefits and cost image

In the previous fiscal year (ending March 2025) and the current fiscal year (ending March 2026), although profitability improvement effects will be seen, necessary costs associated with structural reforms will arise, so the contribution to profits will be limited. However, from the fiscal year ending March 2027 onward, as these costs will no longer be necessary, operating profit is expected to increase dramatically, and the consolidated operating profit is also planned to grow significantly from the fiscal year ending March 2027 onward. Furthermore, from the current fiscal year (ending March

2026), we plan to horizontally deploy similar structural reforms in Indonesia.



Results after one year

- Employees are proactively taking ownership and working on solving their respective issues. As a result, the tasks to be addressed are progressing as planned.
- While promoting these initiatives, we have also been implementing the necessary education and training in parallel, such as the “thoroughness” to always achieve goals and “negotiation skills” with business partners and customers, resulting in improved skills of individual employees and enhanced organizational knowledge.

Challenges after one year

- Although the tasks themselves have progressed as planned, due to a lack of accuracy in forecasting the timing of effects on performance at the time of planning, delays in the timing of impact on some PL items have been identified. Mainly regarding strategic procurement and switching of raw materials, the gap between task completion and actual reflection in cost of sales was larger than initially

expected. (Example: When switching to a new formulation, even if negotiations with suppliers are completed, if there is inventory of the raw materials used before the switch, procurement and production will occur after consuming that inventory, etc.)

- Regarding nonwoven fabric, changes occurred from the initial procurement plan due to external factors.

