

Top Message




Lessons Learned from Business Crises

— Mr. Nishimura, what have you learned from your business experience?

I joined Mandom in 1977 at a time when we were launching a sales company and shifting focus to the realm of direct sales. My first job was in sales, to shift distribution through distributors to direct sales through the more than 70 sales offices of the sales company. However, we had to abandon these manufacturer-centric, strong-armed reforms after only two years because they did not receive the support of the market or our business partners. We were forced to liquidate the sales company, which had lost its financial balance. We were overly focused on sales, ideas took off and landed only within the manufacturer, a mindset that contrasts sharply with our current philosophy of “Oyakudachi” dedication to service. As a result,

Mandom was forced to dispose of a large quantity of returned goods, sell portions of the land of our founding place, and most intolerably, make personnel reductions. Leaving would have been painful, but staying was also agonizing. Seeing the Company in near collapse, I learned an important lesson as I vowed never to repeat this.

In 1980, as the Company aimed to regain its footing, we underwent managerial reforms and the management became significantly younger. While younger managers could match their predecessors in mental and physical energy, they lacked managerial experience, and unlike today, there was no function set in place for drawing up management strategy. We all had to come together for the rebuild. First, we grasped the current status of the Company and identified all



**While striving to be of benefit
to consumers worldwide, we
seek to evolve in order to remain
a company that is valuable for
society.**



Mandom Corporation
President Executive Officer and Director

Motonobu Nishimura

of the problematic issues. So many issues came up that the walls of the conference room were covered by cards forming affinity diagrams. We concentrated similar issues, organized them into categories, further concentrated them into related groups, and designed cause and effect flow charts. We ultimately linked them with our corporate mission, divided the issues into those requiring overall company initiatives and those which could be handled by individual departments, and created project teams. This was the origin of the MP meetings (Middle-Range Planning meetings). At the time, there were about 20 such teams, comprised of six or seven employees who would meet for two days a month to discuss these issues. All personnel truly participated in this process as everyone from officers down to young employees with only three or four years of experience belonged to these teams. There were so many issues to be discussed in the MP meetings, many of which produced proposals which were quickly reflected in business operations. For the

first two years of MP meetings, before we put our focus on the market or consumers, we first had to strive to unify our vector within the Company, in order to restore our profitability, of course, but more so to rebuild as an organization. At first, most of the inputs from employees were of what I would describe as “geocentric” beliefs. However, further discussion of these issues would lead us to a more “heliocentric” understandings. For example, for the issue of frequent product shortages at sales locations and the resulting inconvenience to business partners, the team would discuss what measures could be taken. An employee may express a desire for a more detailed production plan to be made at factories to prevent product shortages. The discussion would often develop in the following way: “What does the factory base their production plan on?” → “The sales plan from the Sales Division” → “What does the Sales Division base their sales plan on?” → “The sales plan from sales locations around the country.” Ultimately, the team would reach

the conclusion that “product shortages could be reduced if each sales staff member more accurately grasps the information of their area and produces a more accurate sales plan.” Naturally, measures to combat product shortages must be conducted through cooperation of all related departments, including production, sales, purchasing, and product development. Once teams began to think about what is currently possible, they began to head towards problem resolution. By continuing such discussions among all employees, our vectors started to align and the whole company has begun heading in a single direction.

When we began to really feel these changes and movements, we were able to build a business development foundation based on a consumer-

centric perspective, which has continued to this day.

We also developed Mandom terminology which took the perspective of customers. Our customers are not just “shouhisha (consumer)” but “seikatsusha (liver).” We started using the term “shopping place” instead of “sales place.” Sales is not to “push” our products, but rather to have the customers “pull” the products themselves. “Sales promotions” should rather be “choice promotions,” to prompt customers to choose us. As a result of this large shift in our mindset, the whole Company started to move in a positive direction, and began over-the-counter trading of our stock in 1988. Eight years had passed since I saw the Company nearly collapse. How the large gears started to turn, pushing us up to reach the point of our stock entering the over-the-counter market, was a very important experience to me.

Mandom as a “human-oriented” company

— What is the significance of Mandom’s Corporate Mission?

A central pillar to our current mission is Dedication to Service (Oyakudachi) for consumers.

To us, “Oyakudachi” is the concept of identifying needs of people from across the globe, not just the established or the opinion-leaders, in their daily lives, not just during special moments. We hope to provide value which is “Something New” or “Something Different” based on solid technology and a stylish, fun concept. We hope that our products will help consumers from around the world to feel a little bit of magic, to feel positive and cheerful, through cleaning their body, grooming, and dressing neatly in their day-to-day lives.

In addition, we also feel that it is important to imagine and act without being constrained by common sense, preconceptions, previously accepted values, and past successes during this time when forecasting the future is a difficult task. It is vital to act boldly, facing shifts in the current of times, be prepared to cut our own path forward by being brave, taking risks and



challenges.

We will utilize this mentality passed down over the 90-year history of the Company in order to become a company which is needed in society at not only our 100th anniversary, but beyond. At the core of the reformulated MISSION, constructed last year, is the concept of being a “human-oriented” company. We have arrived at this concept by revisiting the starting point of our corporate activities, exploring Mandom’s reason for existence that our predecessors have built, and adjusting it to the needs of the times.

— In this age of stunning technological and scientific progress, why focus on being “human oriented?”

Currently, I can strongly feel how technology is growing

at an exponential rate. In the 21st century, society is supported through assorted technologies and science, including artificial intelligence, robotics, IoT, and life sciences. However, we must prevent technology from evolving in a way which ignores the needs of others and focuses solely on itself. In order to achieve that, individuals must acquire proper knowledge about new technologies and possess the ability to judge logically what the Earth and the people who live on it need using a strong moral code. **Ultimately, society requires heart. Human judgment is the foundation for such a society.**

Even as we debate and reconstruct our corporate mission, the tide of digitalization will not stop, as evolving AIs and forms of services will become more common. In that light, we ultimately reached a thinking which focused on people, which cared for human hearts, and which sought value creation only possible by humans. We often discussed the question of what capabilities are unique to humans.

Only humans are capable of being deeply touched by beauty and feeling a sense of satisfaction. This awareness of beauty is unique to humans. Humans also possess an incredible imagination which is not bound by past data or the status quo. **Human imagination is the only thing capable of producing new value** which can make one feel beautiful, cool, cute, excited, fun, or sad, to stir people's heart. We believe that it is the duty of humans to light the fire of these passions and make the impossible possible with an unbending spirit, with the help of strong-willed partners who share the same values. In other words, **we believe that it is a job for humans and role of humans and human-oriented companies, one of which we aspire to be, to grab and shake hearts and create our shared future.**

— What is the most important part of the Middle-Range Planning?

Fiscal 2017 marks the start of our twelfth Middle-Range Planning (MP-12), which is positioned as a period to develop the infrastructure for realizing VISION 2027, the 100th anniversary of the establishment of the company. **We thought that the most important factor in developing this infrastructure is to spread**



and deepen understanding of the corporate mission. In order to share the corporate mission across the Mandom Group, 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 versions crafted over time with the help of local staff to express what the Company truly is trying to express in its mission. In order to spread this mission to all employees, we first held assorted discussions through officers' gatherings. Then department and division managers learned about this mission from these officers. Finally, they went out as evangelists to spread this message to on-the-ground staff through workshops. These efforts reached 1,009 employees in Japan and overseas in about six months. This initiative especially appears to have had a significant impact overseas. Even in Japan, I have heard that employees now have a deeper understanding of how their current work ties into department and management goals. **Work does not exist in a vacuum. All tasks will ultimately tie in with the missions to "create" and "expand" Mandom World.** Employees have come to understand that the mission, vision, strategy, and tactics exist to support those missions.

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— How will you spread “Oyakudachi” from Japan to other countries?

Overseas markets overall, and Asia in particular, are diverse in many ways. It is vital that we respect the culture, history, and customs of each country we operate in, deepen our understanding of consumers, markets, and products through locally rooted management, and show dedication to service (Oyakudachi) to our overseas customers. For example, in Indonesia, we launch various sizes of the same product. Mandom provides products in a small, six gram pouch, called sachets, for single-use customers who want to use a product on special occasions, such as when they prepare for a formal event, even if it is financially difficult for them to use the product every day.

In Japan, Lúcido skin care and odor care products proposing the “smart aging” concept are currently performing well. However, even if these products found success in Japan, they may not necessarily perform well in the Asian market. Nevertheless, considering future population trends, a middle-age and senior market will certainly emerge in Asian countries. As such, we hope to be sensitive to the needs and wants of these customers and respond accordingly.

Therefore, in May 2018, we concentrated all of the

marketing functions which had been spread between our Osaka main office and Tokyo to the Tokyo office, located in Aoyama. We are aiming to promote the concept of total marketing on a global scale and concentrate the needs and wants of each country by sharing marketing know-how through cross-border personnel exchange. We have built a system to develop products that can be launched either globally or locally. We aim to utilize its location in the Aoyama/Omotesando area, which is a rich source of trend, and designated this site as not just a simple “work site,” but rather a “station to dispatch new and interesting things.” We hope to spread the “Oyakudachi” in Japan in overseas markets by drawing an image of happy people (imagination) and creating values that help people (creation).

— In a fiercely competitive environment, how do you make proposals to be the “only one” in women’s cosmetics?

We have been making efforts in cosmetics for women from an early stage. At first, we released cute products which targeted young women that you might see in variety shops. However, these products did not lead to success. In order to strengthen our proposals for women’s cosmetics, we conducted assorted surveys. One very surprising discovery was that in women’s cosmetics, lineups are set up for specific purpose and function, with very firmly cemented order of use for each item. Japanese women apparently feel a strong sense of guilt if they do not use the products according to the proper order. On the other hand, there are many working women nowadays who want to spend more time on hobbies, household chores, or child-care. As such, we put out a water-based cleansing lotion which did everything, from cleansing to skin care, in one single bottle. This product was a hit. I would like for us to continue proposing product concepts based on a respect for the lifestyles of women, release highly functional products, and offer cosmetics which can provide “Oyakudachi” to women.



How to become a Truly Global Company

— How will you strengthen the mainstay brand Gatsby?

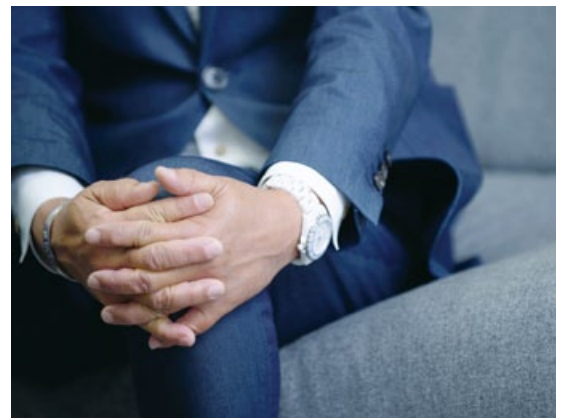
40 years have passed since the launch of our Gatsby brand. We have had six major renewal of the brand, making this the seventh generation of Gatsby. In most cases, when a highly fashionable brand targets young people, the product will end its life cycle as the consumers who supported it during its peak grow older. There are very few brands like Gatsby, which avoid obsolescence and continue to be enjoyed by consumers of all ages, primarily young people, across the span of multiple generations and cultural shifts. However, we acknowledge that as we attempt to expand our markets, primarily in Asia, Gatsby is facing a turning point as the business environment undergoes massive changes, including the diversification of communication, values, and lifestyles among young people. We are considering expanding the quantity and quality of Gatsby's Oyakudachi through re-branding. Because Gatsby is designated as a global brand, we created a brand book in order to unite and cement the brand value of Gatsby in each country we sell the product, including Japan. In order to deepen the understanding of this initiative, the Company is holding international marketing conferences where those in charge of the brand in each country assemble. Each brand supervisor receives certification as a brand ambassador at the end of this conference. These "thinking and acting" mark the beginning of the path toward re-branding.

— What issues are important for global development?

We have made progress in the global branding of our products. However, now we must move on to the process of globalizing our human assets and the management itself. As such, we must orient to a global standard, including diversity management, corporate governance, CSR, accounting systems, and a common

language. We must construct a management platform which will become the common yardstick to assess these efforts, including finance/management accounting and human resource/evaluation systems. If we can globalize management, we will be able to evaluate personnel on a global axis. While we currently conduct job rotation within the Group, the response has been irregular whenever such transfer was conducted. As such, we must design a system in which the headquarters concentrates all human resources data based on a single standard in order to support the personal career plans of employees and develop global human assets.

We acknowledge that the development of globally-minded human assets is a major issue. For example, Indonesia is a large business hub with over 5,000 employees, including factory workers and sales support staff at retail stores. Since there is a custom of workers keeping the same role over long term, job rotation for the purpose of human asset development was not carried out. In the future, we aim to use measures such as job rotation to develop human assets locally and from a global perspective. In terms of securing human assets, we have not proactively hired from top Indonesian universities on a regular basis until recently. However, since 2017, we have implemented a program to train new employees in Japan for their first three years in the Company, after which they are returned to Indonesia, and the local population has accepted this program as highly attractive.



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— What are your thoughts on global risk management in overseas development?

There are many cases in which Japanese companies move production to Asia to achieve lower labor costs. However, we entered Asia as a potential market from the very beginning. As such, we know the difficulty of developing local markets ourselves. While respecting the diversity of history, culture, traditions, and customs, we have strove to show our dedication to service (Oyakudachi) to local consumers through locally rooted management. This mindset has brought our company to where we are today, and this is also our strength.

However, changes occurring in Asia do not occur on the same timeline as changes in Japan. Regardless of the business, the speed of change has accelerated with technological developments and cutting-edge products. There are many trends which have spread at a faster pace than seen in Japan, such as mobile payments and the sharing economy. In regions where we have a long history of operation, such as



Indonesia, we have established a management base rooted in the local community. However, in an age when the environment is changing at a dizzying pace, we must not be constrained by past successes and make bold reforms to clear the path toward the future. Mandom aims to achieve both localization and globalization based on providing Oyakudachi to local consumers by executing actions based on our corporate mission, which represents the universal value of our existence as a company.



Future Potential

— As a cosmetics manufacturer, what potential do you see in the future?

We established the Laboratory of Advanced Cosmetic Science at the Graduate School of Pharmaceutical Sciences at Osaka University and have been conducting research in the field of regenerative medicine, focusing on stem cells in particular, to create innovative cosmetic technologies. This research aims to elucidate the mechanisms of living things; specifically, how the stem cells which form hair, skin, and the components of the skin, such as sweat glands and sebaceous glands, control each of these organs, and what status they may take. Researchers aim to use this knowledge to create a unique evaluation system which uses regenerative organs to screen

potential cosmetic materials and ingredients without any animal testing. We believe that this completely new evaluation system could lead to previously-unrealizable high-function cosmetics or external medicines. In 2016, the team discovered human sweat gland stem cells and succeeded in regenerating a sweat gland-like structure in vitro. The team was also the first in the world to visualize the three-dimensional structure of human sweat glands. These successes link with the ability to evaluate the perspiration function of sweat glands. This research makes it possible to discover cosmetic ingredients with new functions that may be able to stop sweating itself.

In order to respond to drastic environmental changes, such as the advancement and diversification

of consumer wants, a maturing Japanese market, and globalization, we must accelerate innovation, improve quality, and expand our scope to produce innovation that surpasses even our own imaginations. It is difficult to achieve this with our business resources alone. When I see the progress and success of the research in our joint laboratory, I am glad that we took a step toward open innovation. Osaka University is an important hub for research in regenerative medicine which is expanding its connections with other universities in and outside Japan, research institutions, and medical institutions. The university possesses impressive research facilities and high quality and quantity information. It has developed an environment to apply and research cutting-edge technologies. Our full-time researchers and the specially appointed researchers at Osaka University are diverse in past experiences, fields of study, and research experience. As such, they notice different elements of the same phenomenon due to their differing perspectives. I believe that this will lead to new discoveries. In this way, I feel that open innovation was a very meaningful initiative for us.

— How does the company achieve sustainable growth?

In the midst of this fourth industrial revolution, the roles required of people are changing significantly. Those roles require imagination,

creativity, comprehensive judgment, hospitality, and negotiating skills, which can only be accomplished by people. In order to attract human assets with such abilities to join the Company and feel a sense of satisfaction in their work, there needs to be more than a financial motivation. I believe that being able to work under a mission one can be proud of, with shared values, and a mutual sense of trust between colleagues will become vital, as elements such as social contributions, a stimulating workplace, and a cultural environment grow in importance. As such, we must provide a place for human assets to gather, nurture creativity, and create an environment and corporate culture which fosters such traits.

If we consider management as a going concern, set in a specific time, we are just a part of one short period of a long history. We believe that people and mission are crucial to the long-term existence of a company as it is handed down to the next generation. It is the mission of our generation, to pass to the next generation a Mandom which is stronger, better, and more global. Even if the times change, our mission shall be passed down. If we stay true to this mission of Dedication to Service (Oyakudachi) to consumers, we shall remain sustainable as a matter of course.



Interviewer

Hiroko Ozawa

International Integrated Reporting Council (IIRC) Japan Office



Hiroko Ozawa joined Ernst & Young ShinNihon LLC after working as an advisor for corporate acquisitions and business restructuring at a corporate auditing consulting firm. She possesses experience promoting CSR/compliance for a wide range of industries and in advisory works for non-financial reporting, primarily sustainability reports. She began working at the Japan Office of IIRC from May 2012.