

# Middle-Range Planning

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

### VISION2027

<p><b>Our Vision 2027</b></p>	<p>“A cosmetics company possessing unique strengths in specialized areas (not an “all-rounder”).”</p> <ol style="list-style-type: none"> <li>① Authentic proposals</li> <li>② Global &amp; ‘Only One’</li> <li>③ Exciting &amp; Excellent</li> </ol>
<p><b>VISION Slogan</b></p>	<p>Use our ‘Only One’ strengths to provide Dedication to Service (Oyakudachi) to a billion people around the world.</p>
<p><b>VISION Policy</b></p>	<ol style="list-style-type: none"> <li>① Leverage Asia’s economic growth to evolve into a truly global company</li> <li>② Display greater Dedication to Service (Oyakudachi) in the men’s business and invest aggressively to expand our women’s business.</li> <li>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).</li> </ol>
<p><b>Image</b></p>	

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

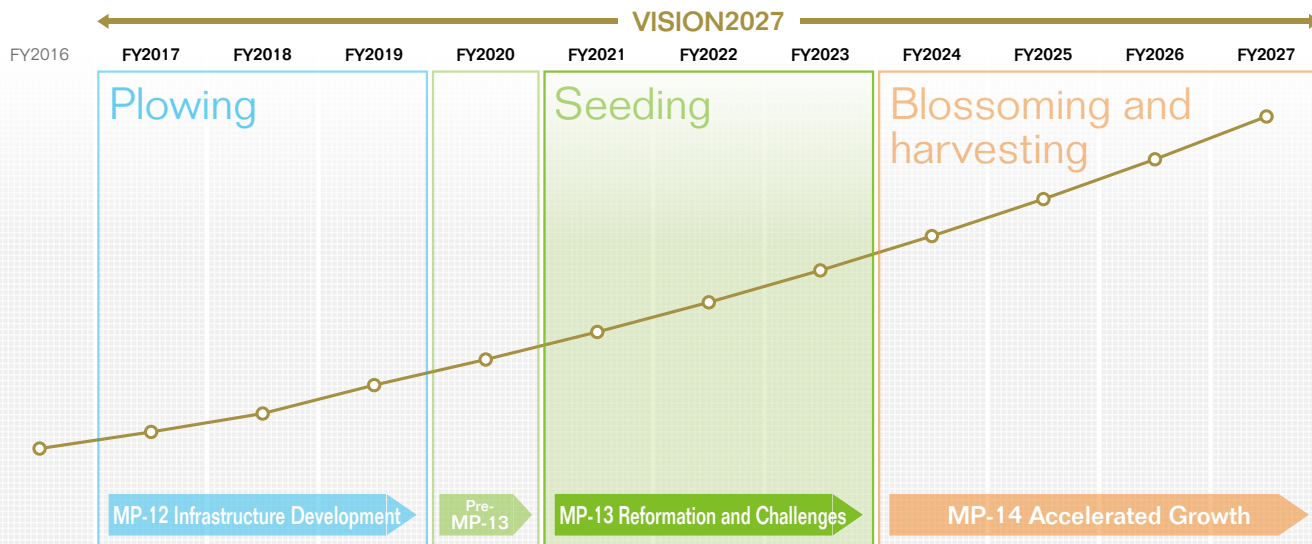
### External environment

- ▶ **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 the realization of well-being
  - 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.23



Period of transformation and challenges to achieve “VISION2027”

**Response**

- 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)

- 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

- 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 the 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

**Basic management policies**

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

**2. Complete recovery of Indonesia business in a speedy manner and reform business model of overseas operations**

**3. Shift to 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																																																																		
<b>Positioning</b>	<p><b>“Only One” Company in Asia with Global Management Expertise</b></p> <p>Focus on Dedication to Service (Oyakudachi) in Asia to accelerate growth in Group businesses</p>	<p><b>Middle-Range Planning to Accelerate Growth and Cultivate New Business in Asia</b></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><b>Corporate Infrastructure Development for Realizing “VISION2027”</b></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>																																																																			
<b>Key Points</b>	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.																																																																			
<b>Summary</b>	<ul style="list-style-type: none"> <li>● <b>Stable growth in men’s grooming business, the Company’s core business</b> Aim for stable growth as a core business; maintain and expand the market share in categories of the men’s grooming segment.</li> <li>● <b>Bolster the development of women’s cosmetics business</b> Aim to strengthen and cultivate the rollout of products centered on skin care products, with the product lineups catered for the markets in each country where the operation of business is in place.</li> <li>● <b>Continue strengthening overseas business operations with Asia as growth engine</b> 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 have a future growth prospect.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Achieve sustainable growth in men’s grooming business</b> Aim for sustainable growth as a core business; maintain and expand the market share in categories of the men’s cosmetics segment.</li> <li>● <b>Speed up the development of women’s cosmetics business</b> Aim to speed up development in Asia with a product lineup customized to each country by focusing on the skin care and base makeup categories.</li> <li>● <b>Continue strengthening overseas business operations as growth engine</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Promotion of category strategies and thorough enhancement of brand value</b> ① Develop a category into a robust pillar ② Increase brand value</li> <li>● <b>Improvement of growth in overseas business with a focus on Indonesia</b> 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 consumer wants and achieve higher profitability</li> <li>● <b>Building a group operation system and improving productivity per unit</b> 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</li> </ul>																																																																			
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<b>Results and Issues</b>	<ul style="list-style-type: none"> <li>• The men’s grooming business exceeded target growth rates mainly for “GATSBY” and achieved targets for consolidated net sales.</li> <li>• The women’s cosmetics business had sluggish growth in Japan and did not reach targets.</li> <li>• The overseas business performed well, and the annual growth rate was over 10%, exceeding the target.</li> <li>• The consolidated operating margin was 10%, reaching the target.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The overseas business did not reach targets due to the impact of the factory accident in Indonesia.</li> <li>• Consolidated operating income did not reach the target primarily due to net sales being below the planned level.</li> </ul>	<ul style="list-style-type: none"> <li>• We were able to execute just about all of the infrastructure development initiatives we should have executed.</li> <li>• 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.</li> <li>• Women’s cosmetics business continued to reach the target growth rate due to strong performance of “Bifesta” and “Pixy.”</li> <li>• 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 margin not being reached.</li> </ul>																																																																			
<b>Foreign Exchange Impact Rupiah/JPY (period average)</b>	<p><b>MP-10</b></p> <p><b>Set Rate</b></p> <p><b>¥0.0093</b></p>	<p>2011: 0.0091</p> <p>2012: 0.0086</p> <p>2013: 0.0093</p>	<p><b>MP-11</b></p> <p><b>Set Rate</b></p> <p><b>¥0.0085</b></p>	<p>2014: 0.0089</p> <p>2015: 0.0091</p> <p>2016: 0.0083</p>	<p><b>MP-12</b></p> <p><b>Set Rate</b></p> <p><b>¥0.0083</b></p>	<p>2017: 0.0084</p> <p>2018: 0.0078</p> <p>2019: 0.0077</p>																																																																
<b>Middle-Range Planning Initial Set Rate and Actual Rate by Year</b>																																																																						

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

**MP-13** 4/2021-3/2024

Theme

## Transformation and Challenges to Realize “VISION2027”

Basic management policies

### 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 brands (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. Complete recovery of Indonesia business in a speedy manner and reform business model of overseas operations

- ① Quickly build a structure and ensure its operation to solve the issues in Indonesia 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 grooming 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	<b>¥81.5</b> billion	CAGR by business	Men’s business	<b>6%</b> or higher
CAGR	<b>10.7%</b>		Women’s business	<b>16%</b> or higher
			Overseas business	<b>17%</b> or higher

Profitability

Consolidated Operating Margin	<b>8.0%</b> or higher	
Consolidated ROIC	<b>7.0%</b> or higher	ROIC = (NOPLAT <sup>1</sup> + gain/loss from equity-method investments)/invested capital <sup>2</sup>

<sup>1</sup> (Operating income + interest income + dividend income) × (1 - effective tax rate)

<sup>2</sup> Borrowings + corporate bonds + lease liability + net assets (uses the average values of beginning and ending balances of the fiscal year)

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, 2023

The fiscal year ended March 31, 2023 was the second 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. The Company has established four basic management policies and begun efforts for this transformation and these challenges. Although the impacts of COVID-19 were receding in Japan and overseas, the prolonged situation in Ukraine and the resulting increase in energy and raw material prices caused prices to soar and demand to stagnate, and the speed of recovery varied by area during the year.

As the Company recorded operating losses for two consecutive years through the fiscal year ended March 31, 2022, one of our most important tasks was to return to operating income. Due to a recovery of the movement of people, net sales increased in Japan, Indonesia, and other overseas locations, up 16.9% from the previous year to 67,047 million yen. While operating income was affected by raw material price hikes, we returned to operating income on a consolidated basis mainly due to the increase in gross income. As a result, ordinary income and net income attributable to owners of parent also returned to profit.

The basic management policies of MP-13 and major initiatives based on these for the fiscal year ended March 31, 2023 are as follows. For the fiscal year ending March 31, 2024, following on from the previous year, the Company will reinforce Dedication to Service (Oyakudachi) for consumers through our products. We will give top priority to value-added products that fulfill consumer wants as well as to high quality and satisfaction with product effectiveness. As a result, we will manufacture products in accordance with our founding management philosophy of “high-quality and best-value products” that consumers will be willing to pay more for. In addition, we will take all necessary steps and do nothing short during this fiscal year to ensure a smooth start for MP-14 in April 2024.



Senior Vice President Executive Officer & Director  
**Yasuaki Kameda**

### 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 Reinforce Dedication to Service (Oyakudachi) for consumers through our products

In an era of diversifying values and style preferences, it has become difficult to grasp consumer wants. Against this backdrop, we renewed our focus on “Consumer-led Lifestyle Value Creation.” Imagining how customers would enjoy our products, we made every effort to propose products with concepts and stories that arouse demand and make customers want to see and use them.

We released “LÚCIDO Perfect Skin Cream EX” for men’s skin care, “LÚCIDO-L High Damage Repair” series for women’s hair care, and other products which achieve a balance between a new Dedication to Service (Oyakudachi) on the one hand and product effectiveness and cost-performance on the other.

#### 2 Shift product portfolio in Japan market

In recent years, summer season products, which make up an increasing share of sales in Japan, face inherent challenges such as impact of weather conditions and intensifying market competition.

On the other hand, demand for skin care and hair care products has expanded following the onset of the pandemic.

In the fiscal year ended March 31, 2023, the Company aggressively introduced and enhanced new products under the GATSBY and LÚCIDO skin care brands for men and the LÚCIDO-L hair treatment brand for women. In addition, we launched the “GATSBY Meta Rubber” series in the men’s hair styling category, where the market is recovering in step with the increased movement of people.

## 2

### Complete recovery of Indonesia business in a speedy manner and reform business model of overseas operations

#### Specific initiatives and results

#### 1 Strengthen distribution by collaborating with the local exclusive distributor in the lead-up to the post-COVID-19 period

As the impacts of COVID-19 began to recede, we were finally able to collaborate with our exclusive distributor in Indonesia. With the market itself shifting to recovery, we were able to approach distributors in traditional markets, which is a strength of the exclusive distributor. In the fiscal year ended March 31, 2023, we strengthened sales promotion focusing on traditional markets and, in turn, expanded sales.

#### 2 Strengthen marketing of ACG International’s “SILKYGIRL” looking ahead to after the pandemic

The “SILKYGIRL” makeup products, which anticipated and adapted to changes in consumer wants and mindsets in conjunction with the reopening from the COVID-19 pandemic, contributed to strong results. During the pandemic when masks were required, we held off on the launch of new products and concentrated on investing in digital marketing centered on e-commerce. The products we promoted were mainly eye makeup, which is visible even when masks are worn. After COVID-19 restrictions were lifted, the Company made a complete shift and proactively launched new products in all categories, including lip, face, and eye, in anticipation of consumers’ longing for makeup. Our digitalization efforts since the pandemic also helped in gaining strong support from consumers.

## 3

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

#### Specific initiatives and results

#### 1 Initiatives to reduce cost

Despite the soaring costs of all energy sources and various raw materials, the consolidated cost-to-sales ratio declined by 2.0 percentage points to 57.2%, while the cost-to-sales ratio of the Japan segment declined by 1.0 percentage point to 50.4%. Significantly contributing to this result was the expansion of production volume due to net sales recovery in each segment and the accompanying increase in production efficiency. Furthermore, the procurement and production divisions are implementing project activities to reduce costs. In Japan, for example, we achieved a cost reduction of 50 million yen in the “LUCIDO-L Hair Oil” series by reviewing procurement and production methods. The Company has also achieved other cost reductions by changing the commercial distribution system for procurement and reviewing component specifications. At the Fukusaki Factory, we introduced robots to save labor on the production line, which has led to a reduction in total manufacturing costs.

## ●

### Initiatives to strengthen the management foundation

#### Specific initiatives and results

#### Preparing to implement “MHRX,” a strategic HR system to materialize organizational reform and HR creation

The fiscal year ended March 31, 2023 was a culmination of the preparations for introducing “MHRX,” a new HR system to create an organization and develop HR capable of change and taking on challenges, aimed at creating new value for the Group. As part of this initiative, as originally planned, we started a new personnel affair system for career development in April 2023 with an all-new ranking, evaluation, and compensation system.