

# Financial Strategy

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### Financial strategy

Upon starting the 13th Middle-Range Planning (hereinafter “MP-13”), the Company developed the “Financial Strategy to Contribute to Sustainable Company Value Improvement” in April 2021 and communicated this strategy within the company.

**In principle**, the Company makes efforts to improve company value through the following financial strategy **from a perspective of free cash flow (FCF)**.

#### 1 Setting ROIC targets

In recent years, “a decline in earning power” has been raised as the Group’s issue, which some investors are concerned about.

In MP-13, in addition to traditional net sales and profit targets, the Company newly adopted ROIC from a perspective of capital efficiency and will shift to management that focuses on “earning power.”

MP-13 targets consolidated ROIC of 7.0% or higher for FY 2023 (final fiscal year of MP-13).

This level would surpass capital costs and make it possible to grow company value.

In the final fiscal year of MP-13, we aim to recover to FY2019 levels, before the COVID-19 pandemic.

#### 2 Improve asset efficiency rate through balance sheet (BS) management

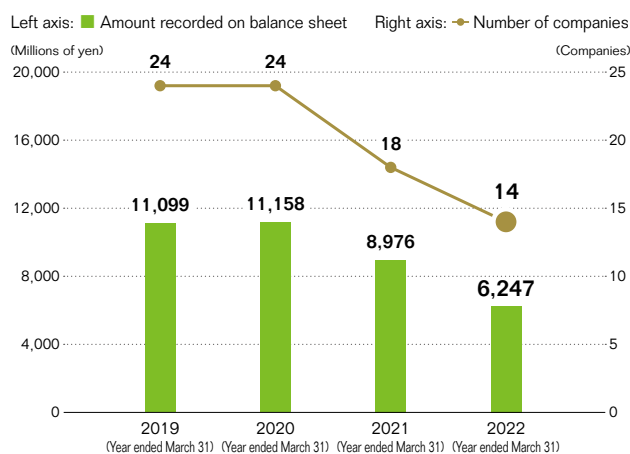
The Company will conduct the following measures as part of the financial strategies to achieve the ROIC targets and evolve into management, taking into account the balance sheet (BS) and cash flow (CF).

##### (1) Reduction of cross-shareholding

The policy states that cross-shareholding shall be less than 10% of net assets at the end of each fiscal year on the balance sheet. As of March 31, 2024 (end of the final fiscal year of MP-13), the Company policy is to reduce cross-shareholdings by at least 30% compared to March 31, 2021.

As of March 31, 2022, cross-shareholdings was 9.1% of net assets at the end of the fiscal year on the balance sheet, a 30.3% reduction compared to March 31, 2021.

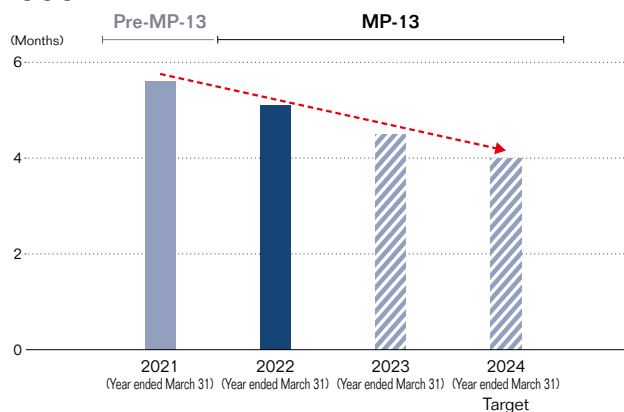
##### Trends in Cross-shareholdings (listed companies)



##### (2) Improvement of cash conversion cycle (CCC)

The Company is reviewing to improve the receivables turnover cycle, inventory assets turnover cycle, and debt repayments cycle in order to cut down the cycle from 5.6 months on a balance base on March 31, 2021 to 4.0 months or less on a balance base on March 31, 2024 (end of the final fiscal year of MP-13).

The cycle was 5.1 months based on balances as of March 31, 2022, due to the improved debt repayments cycle.



### (3) Group cash management

The Company regularly checks the cash flows of each Group company, pools excess cash in the Company, the headquarters of the Group, and utilizes it in high-profitability investments as the Group. In the fiscal year ended March 31, 2022, the Company pooled 1.2 billion yen in capital.

### (4) Financing for strategic investment

With cooperation from our partner banks, the Company has secured a line of credit of 20 billion yen. In the fiscal year ended March 31, 2022, FCF was higher than the previous fiscal year and there was no outstanding balance as of March 31.

The Company will utilize this financing for strategic investments with due consideration to FCF and the profit and loss statement (P/L).

Furthermore, the Company aims to share its earnings results and direction, including Middle-Range Planning, with our partner banks as appropriate in constructing a strong relationship.

## 3 Improve shareholder returns

The Company strives to increase FCF through BS management, boost ROIC, and improve shareholder returns.

### (1) Dividend policy

The Company maintains a basic capital policy of the stable and continuous returning of profits to shareholders through dividends. We had eight consecutive years of dividend increases until the fiscal year ended March 31, 2020 before the onset of the COVID-19 pandemic. We restarted dividend increases from the fiscal year ended March 31, 2022 and aim to continue increases after taking a comprehensive consideration of FCF, investment plans, and liquidity.

The Company targets a consolidated payout ratio of 40% or more.

### (2) Acquisition of treasury shares

The Company will deliberate the acquisition of treasury shares after the comprehensive consideration of economic status, company assets, FCF status, and stock price trends, and other factors.

## 2 Strengthening governance in accounting

In executing this financial strategy, the Company must also strengthen the financial governance that underpins the execution.

The Company is undertaking the following initiatives in order to strengthen the financial governance.

### 1 Introduction of the Company-wide ERP system (SAP)

In addition to improving the accuracy and speed of decision-making, Mandom is proceeding with the implementation of SAP for the Group companies aimed at ensuring the accuracy of information and acceleration of consolidating earnings. We aim to build a structure in which 80% of Group net sales are covered by companies that have implemented SAP. As of March 31, 2022, such companies comprised 77% of Group sales.

We are also proceeding with visualization of management information at each overseas Group company.

### 2 Standardization of accounting policies globally

The Company aims to speed up management decisions and strengthen Group management operations by changing and aligning various systems, operation rules, and processes in the Group to standardize accounting policies on a global base globally.

### 3 Minimize tax risks globally

The Company is making efforts to minimize tax risks in the overall Group while fulfilling our social responsibilities through appropriate tax payment in all countries where the Group is operating business.