1. Overview of Results of Operations, etc.

(1) Results of operations

(Financial Highlights)

(¥millions)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
FYE March 2019	78,997	7,135	8,161	5,087
FYE March 2018	81,386	8,457	9,264	6,086
Change	-2.9%	-15.6%	-11.9%	-16.4%

During the consolidated fiscal year, Japan's economy showed a gradual recovery against a backdrop of improvements in corporate profits and the hiring and income environment despite concern over uncertainty in the global economy. Additionally, the economies throughout Asia - our main sphere of international operations - showed a gradual recovery despite continued uncertainty about the future.

Given these economic conditions, the Mandom Group is pursuing initiatives which we believe will lead to sustained growth:

1) Maintenance and expansion of the core men’s business

2) Further strengthening of the field of women’s products

3) Strengthening of the overseas business with Indonesia at the core

Beginning from the consolidated fiscal year, some items that had been processed as expenses have been deducted from net sales at overseas consolidated subsidiaries included in financial statements prepared in accordance with International Financial Reporting Standards. To make the comparison easier, when net sales of the previous year have been calculated according to these standards, we use the phrase “in real terms.”

Net sales were up 0.2% in real terms to ¥78.997 billion (a 2.9% year-on-year decrease). This was mainly due to intensification of the competitive environment in Indonesia and other areas and decreased sales in the domestic women’s business, which had been performing favorably up to the cumulative consolidated second quarter.

As a result of decreased income in Indonesia and the aggressive spending on general and administrative expenses to strengthen the business foundation, operating income was down 15.6% year on year to ¥7.135 billion, ordinary income was down 11.9% to ¥8.161 billion, and net income attributable to owners of parent was down 16.4% to ¥5.087 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.)
(Performance by Segment)

(units: ¥ millions)

Location	Net Sales			Operating Income		
	Prior Year	Current Year	Change	Prior Year	Current Year	Change
Japan	47,739	48,442	1.5%	5,525	4,248	-23.1%
Indonesia	19,616	17,044	-13.1%	1,181	681	-42.3%
Overseas, Other	14,030	13,510	-3.7%	1,750	2,205	26.0%

Net sales in Japan amounted to ¥48.442 billion, which was a 1.5% year-on-year increase. This increase was mainly due to strong performance of the Gatsby brand in the men's business despite lower revenues of the Barrier Repair brand in the women's business. Operating income was down 23.1% year on year to ¥4.248 billion mainly due to increased general and administrative expenses.

Net sales in Indonesia fell 10.8% in real terms to ¥17.044 billion, representing a 13.1% year-on-year decrease. This was mainly due to the decrease in Indonesian domestic sales resulting from a delay in bringing new products to market and intensification of the competitive environment. Operating income was down 42.3% year on year to ¥681 million. This was mainly due to the impact of decreased sales.

Net sales in Overseas, Other were up 12.4% in real terms to ¥13.510 billion, representing a 3.7% year-on-year decrease. This result was mainly due to overall favorable performance, excluding certain countries. Operating income was up 26.0% year on year to ¥2.205 billion mainly due to higher revenues.

(2) Financial Position

(Assets) Current assets as of the end of the consolidated fiscal year amounted to ¥52.926 billion, representing a ¥5.434 billion decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a ¥22.799 billion decrease in marketable securities. Noncurrent assets amounted to ¥40.475 billion, representing an increase of ¥6.233 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to recording ¥3.408 billion in goodwill and ¥1.626 billion in customer relationship assets.

As a result, total assets amounted to ¥93.402 billion, representing an increase of ¥799 million compared to the end of the prior consolidated fiscal year.

(Liabilities) Current liabilities as of the end of the consolidated fiscal year amounted to ¥11.784 billion, representing a 34 million increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to a ¥365 million increase in notes and accounts payable-trade. Noncurrent liabilities amounted to ¥5.808 billion, representing an increase of ¥704 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to a ¥688 million increase in deferred tax liabilities.

As a result, total liabilities amounted to ¥17.592 billion, representing an increase of ¥738 million compared to the end of the prior consolidated fiscal year.

(Net assets) Net assets as of the end of the consolidated fiscal year amounted to ¥75.810 billion, representing a ¥60 million increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to a ¥2.070 billion increase in retained earnings resulting from increases in a ¥5.087 billion net income attributable to owners of parent and a ¥3.016 billion dividend of surplus.

As a result, shareholders' equity ratio was 74.9% (compared to 75.0% at the end of the prior consolidated fiscal year).

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the consolidated fiscal year. For the financial position, the comparison is based on figures from the end of the prior consolidated fiscal year after applying those amendments retroactively.

(3) Cash Flows

Cash and cash equivalents (Cash) as of the end of the consolidated fiscal year amounted to ¥22.779 billion. This represents a ¥9.139 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in proceeds from sales and redemptions of marketable securities and accounts receivables despite income before income taxes being down to ¥7.958 billion (a 13.7% decrease year on year).

The following discusses the factors that affected cash flows during the consolidated fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥6.474 billion. Increasing factors mainly included income before income taxes and minority interest of ¥7.958 billion and depreciation and amortization of ¥3.583 billion, while decreasing factors mainly included corporate and other taxes paid of ¥2.484 billion and a ¥2.372 billion increase in inventories.

(Cash Flows from Investing Activities)

Net cash provided in investing activities was ¥6.921 billion. Increasing factors mainly included ¥21.300 billion in proceeds from sales and redemptions of marketable securities, while decreasing factors mainly included outlays for the acquisition of subsidiary shares resulting in changes in the scope of consolidation of ¥6.491 billion.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥4.020 billion. This was mainly a decrease resulting from dividend payments of ¥3.013 billion.

(4) Future Outlook

(¥millions)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
FYE March 2020	85,000	7,860	8,690	5,620
FYE March 2019	78,997	7,135	8,161	5,087
Change	7.6%	10.2%	6.5%	10.5%

The economy in Japan is expected to continue a moderate recovery overall with improvements in the hiring and income environment. Nevertheless, the future remains unpredictable due to increased uncertainty in the global economy and fluctuations in the financial and capital markets. The economy in Asia is also expected to show a modest expansion, but there will continue to be a great deal of uncertainty regarding the future due to concern about economic downturns and other factors.

In light of these conditions, the Mandom Group is working to maintain and expand the men’s business, further strengthen the field of women’s products and strengthen the overseas business with Indonesia at the core. We calculated our forecasts assume major foreign exchange rates of ¥108 to the U. S. dollar, 14,000 rupiah to the U. S. dollar, and ¥0.0077 to the rupiah.

Based on the preceding facts, we forecast net sales of ¥85.000 billion (7.6% year-on-year increase), operating income of ¥7.860 billion (10.2% increase), ordinary income of ¥8.690 billion (6.5% increase), and net income attributable to owners of parent of ¥5.620 billion (10.5% increase) for the next fiscal year.

2. Basic Thinking on Selection of Accounting Standards

For the foreseeable future, the policy of the Mandom Group is to prepare consolidated financial statements according to Japanese accounting standards in consideration of comparability of consolidated financial statements between periods and between companies.

We will address the application of the International Financial Reporting Standards as appropriate, taking into account the situations in Japan and other countries.