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 2020	81,774	5,970	6,706	4,445
FYE March 2019	78,997	7,135	8,161	5,087
Change	3.5%	-16.3%	-17.8%	-12.6%

During the consolidated fiscal year, Japan's economy remained steady overall against a backdrop of strong corporate profits in the midst of uncertainty over the future of the global economy. Additionally, although slowing somewhat, the economies throughout Asia – our main sphere of international operations – remained steady in the midst of these uncertainties. Nevertheless, the situation remains unpredictable due to the spread of the novel coronavirus at the end of the fiscal year.

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

During the consolidated fiscal year, net sales were up 3.5% to ¥81.774 billion. This result was mainly due to overall strong performance of overseas subsidiaries despite the decreased sales in Japan.

Operating income was down 16.3% year on year to ¥5.970 billion. This was mainly due to decreased sales in Japan and increased general and administrative expenses. As a result, ordinary income was down 17.8% to ¥6.706 billion and net income attributable to owners of parent was down 12.6% to ¥4.445 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	48,442	46,175	-4.7%	4,248	3,014	-29.0%
Indonesia	17,044	17,791	4.4%	681	645	-5.4%
Overseas, Other	13,510	17,806	31.8%	2,205	2,310	4.8%

Net sales in Japan amounted to ¥46.175 billion, which was a 4.7% year-on-year decrease. This was mainly due to a decrease in Gatsby brand sales in the men’s business resulting from the struggles of summer products into the cumulative consolidated second quarter and lower sales of the Barrier Repair brand in the women’s business due to a drop in inbound demand. Operating income was down 29.0% year on year to ¥3.014 billion. This was due primarily to investment in marketing expenses (sales promotion expense) in the aim of expanding sales and the effect of decreased revenue.

Net sales in Indonesia reached ¥17.791 billion, representing a 4.4% year-on-year increase. This was mainly due to strong domestic sales in Indonesia. Operating income was down 5.4% year on year to ¥645 million mainly due to increased general and administrative expenses.

Net sales in Overseas, Other amounted to ¥17.806 billion, representing a 31.8% year-on-year increase. This result was mainly due to overall strong performance by each company and the inclusion of ACGI in the scope of consolidation as of the end of the prior consolidated fiscal year. Operating income was up 4.8% year on year to ¥2.310 billion. This was mainly due to higher revenues despite increased SG&A expenses.

(2) Financial Position

(Assets)

Current assets as of the end of the consolidated fiscal year amounted to ¥44.042 billion, representing an ¥8.883 billion decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a ¥10.662 billion decrease in cash and deposits. Noncurrent assets amounted to ¥47.618 billion, representing an increase of ¥7.142 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to a ¥7.034 billion increase in construction in progress.

As a result, total assets amounted to ¥91.660 billion, representing a decrease of ¥1.741 billion compared to the end of the prior consolidated fiscal year.

(Liabilities)

Current liabilities as of the end of the consolidated fiscal year amounted to ¥11.739 billion, representing a ¥44 million decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a ¥563 million decrease in incurred corporate and other taxes. Noncurrent liabilities amounted to ¥6.468 billion, representing an increase of ¥660 million compared to the end of the prior consolidated fiscal year. This increase was mainly due to a ¥389 million increase in retirement benefit obligation.

As a result, total liabilities amounted to ¥18.208 billion, representing an increase of ¥615 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 ¥73.452 billion, representing a ¥2.357 billion decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to a ¥5.000 billion decrease in stock buybacks.

As a result, shareholders' equity ratio was 73.2% (compared to 74.9% at the end of the prior consolidated fiscal year).

(3) Cash Flows

Cash and cash equivalents (Cash) as of the end of the consolidated fiscal year amounted to ¥11.657 billion. This represents a ¥11.122 billion decrease compared to the end of the prior consolidated fiscal year. This decrease was mainly due to outlays for the acquisition of tangible fixed assets and outlays for stock buybacks in addition to income before income taxes being down to ¥6.799 billion (a 14.6% 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 ¥6.781 billion. Increasing factors mainly included income before income taxes and minority interest of ¥6.799 billion and depreciation and amortization of ¥4.369 billion, while decreasing factors mainly included corporate and other taxes paid of ¥2.402 billion and a ¥1.492 billion increase in inventories.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥9.836 billion. This was mainly a decrease resulting from outlays for the acquisition of tangible fixed assets of ¥8.386 billion.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥8.307 billion. This was mainly a decrease resulting from outlays for stock buybacks of ¥5.000 billion and dividend payments of ¥2.802 billion.

(4) Future Outlook

In regard to the future economic outlook, we expect the exceedingly difficult circumstances arising from the novel coronavirus to persist, so there is an extraordinarily strong sense of uncertainty over the future.

As for the consolidated results for the fiscal year ending March 31, 2021, it is difficult to foresee the impact that the novel coronavirus will have on the Mandom Group's business activities, so the forecast is to be determined. We will keep an eye on future developments and will disclose the forecast as soon as it is possible for us to perform calculations.

Our top priority is the safety of our employees and related parties, so we will work to prevent the spread of the virus following government guidelines and instructions to fulfill our corporate social responsibility and will prepare for swift action in light of the risk of the situation becoming drawn out.

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.