

MP-14 Financial Strategy

Financial Strategy ~ CFO Message ~



Allocating resources with a view to securing growth areas for our 100th anniversary of our founding and beyond.

I joined Mandom in November 2017 from my previous position at a financial corporation, and since then have been working to strengthen the financial foundation as the General Manager of the Finance Division. In April 2024 I was appointed to the role of CFO following changes to the management promotion system. While this role involves a broader scope of authority, I am also keenly aware of the greater responsibility it brings, so will be striving even harder to advance our financial strategy and increasing corporate value. I trust you will join me along the way.

CFO Masanori Sawada: In charge of Finance Div. and Investor Relations Div.; General Manager of Finance Div.

Review of 13th Middle-Range Planning (MP-13)

“MP-13” was a Middle-Range Planning positioned as a “Period of transformation and challenges to achieve “VISION2027”,” and set forth our approach to taking on new challenges for achieving sustainable growth during the “14th Middle-Range Planning (MP-14),” in which the company will celebrate its 100th anniversary since found, and beyond. We cultivated a number of new sprouts in response to changes in consumer values and lifestyles, with the launch of the new GATSBY line “gatsby THE DESIGNER” released in October 2021 as a channel other than mass distribution that

formed our conventional revenue base, the full-scale launch of “aono” and “HOLIDEA” to D2C channels and the release of collaboration brands with retailers in late FY2023. Yet in addition to lifestyle changes following fewer opportunities to go outside with the impact of COVID-19, our key global brands of “GATSBY” and “Bifesta” failed to reach planned levels due to causes such as tougher competition, with MP-13 coming to an end falling considerably short of our performance targets.

	Targets of MP-13	Achievements of MP-13	Difference
Consolidated net sales	81,500	73,233	(8,267)
Consolidated operating income	6,520	2,020	(4,500)
Consolidated Operating Margin	8.0% or more	2.8%	(5.2P)
ROIC	7.0% or more	2.9%	(4.1P)

Consolidated Net Sales/Consolidated Operating Margin
Millions of yen

Targets of MP-14	Increase from MP-13
100,000	+26,767
9,000	+6,980
9.0%	+6.2P
8.0%	+5.1P

Financial Strategy of “MP-14” and Concurrent Structural Reform

When looking back at MP-13, one point of reflection was that we were unable to make sufficient growth investments for the future as a means of ensure profits during periods of tough business performance like those outline above. Our ROE dropped sharply after the fiscal year ended March 31, 2020, and in turn our PBR also decreased, and the PBR has been around the 1.0 level since the fiscal year ended March 31, 2022. Naturally I am aware that the primary cause of this was a lackluster recovery in business performance, but I also feel that other major causes were related to the path of recovery

to pre-COVID-19 levels and the fact that investors could not envisage any higher level of growth. We will take a proactive approach to growth investments during MP-14.

In parallel with growth investments, a key theme will be improving profitability by drastically reviewing the value chain during MP-14. More concretely, our first steps will be reforming the value chain to reduce manufacturing costs in Japan that go beyond simple cost reductions—shifting to global procurement for raw materials, switching over to substitute raw materials while retaining a high level of quality



and usability, and revising sales prices of existing products to appropriate levels. During MP-14's starting year, the fiscal year ending March 31, 2025, consolidated profits are forecast to drop following greater temporary operating losses in Indonesia due to a rise in the cost of sales ratio with the development of the business environment as well as planned enhancements to advertising and publicity. Cash acquired by improving profitability will be allocated to growth investments to significantly increase profits from the third year and beyond

while also pursuing a foundation for growth in FY2027 and beyond.

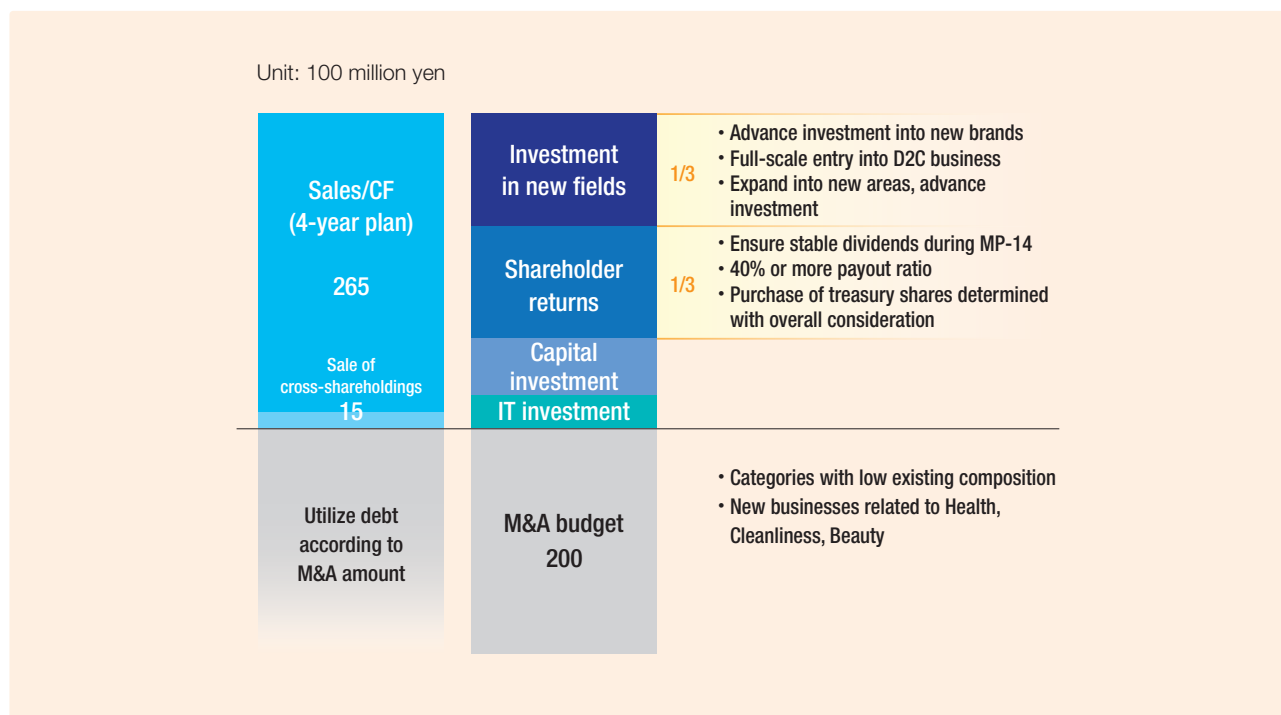
Of course we will be implementing growth investments while ensuring the soundness of our finances. In order to be able to respond to unexpected situations, we have set our amount of cash on hand to three months of monthly sales, and have set certain internal limits for our net debt, debt-to-EBITDA ratio, and DE ratio.

Capital Allocation During MP-14

During MP-14, funds will be allocated to business investments and shareholder returns with the aim of achieving medium- and long-term development. Cash secured during this period is calculated to be cash flows from operating activities as well as 28 billion yen from the sale of cross-shareholdings during the previous fiscal year. One third of this will be allocated to investments in new fields. Another third will be allocated as shareholder returns in the form of dividends. The final third

is planned to be allocated to capital investments and IT/DX investments.

Separately, we will also be actively looking into M&A possibilities. We are also considering the use of borrowings, and have set a scope of up to 20 billion yen. The targets of M&As are expected to include categories of cosmetics that our company has a low composition of sales of, and new businesses related to Health, Cleanliness, Beauty.



Shareholder Returns Policy

As outlined above, we are planning to allocate one third of acquired cash to shareholder returns as per our Shareholder Returns Policy. The payout ratio will be set to 40% or more. During this four-year period, we will be ensuring stable dividends while focusing on growth investment in new areas that will become the foundation for growth beyond MP-14. We are expecting at payout ratio of almost

200% for the first year, and do not envisage a reduction in dividends. Meanwhile, dividends are planned to be increased significantly based on a 40% payout ratio in the third year in FY2026 and final year in FY2027 when profits are planned to greatly increase. To this end, we request your continued understanding on this matter.