1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated first quarter, Japan's economy remained steady overall as corporate profits and the hiring and income environment kept pace 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.

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

First quarter consolidated net sales were down 1.6% to ¥21.966 billion. Despite the overall strong performance of overseas subsidiaries, it was not enough to cover the decreased sales in Japan.

Operating income was down 34.5% year on year to ¥2.573 billion. This was mainly due to decreased sales in Japan and increased general and administrative expenses. As a result, ordinary income for the consolidated first quarter amounted to ¥2.829 billion, which was a 32.9% year-on-year decrease. Net income attributable to owners of parent decreased 37.9% year on year to ¥1.721 billion.

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

Net sales in Japan amounted to ¥12.868 billion, which was a 10.2% year-on-year decrease. This was primarily due to the struggles of summer products in the Gatsby brand in the men's business in conjunction with unseasonable weather and lower sales of the Bifesta and Barrier Repair brands in the women's business due to a drop in inbound demand. Operating income was down 52.1% year on year to ¥1.239 billion. This was due primarily to investment in marketing expenses (sales promotion and advertising expenses) in the aim of expanding sales and the effect of decreased revenue.

Net sales in Indonesia reached ¥4.489 billion, representing a 2.0% year-on-year decrease. Sales increased in real terms, but appreciation of the yen resulted in a decrease in the yen equivalent. Operating income was down 31.4% year on year to ¥366 million. This was mainly due to increased general and administrative expenses.

Net sales in Overseas, Other amounted to ¥4.608 billion, representing a 35.5% 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 19.8% year on year to ¥968 million mainly due to higher revenues.

(2) Qualitative Information concerning Consolidated Financial Position
(Assets, Liabilities, and Net Assets)

Total consolidated assets as of the end of the first fiscal quarter amounted to ¥96.219 billion, representing a ¥2.817 billion increase compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in tangible fixed assets. Total liabilities amounted to ¥21.256 billion, representing an increase of ¥3.664 billion compared to the end of the prior consolidated fiscal year, due mainly to an increase in accrued expenses included in other current liabilities. Net assets amounted to ¥74.963 billion. This was an ¥846 million decrease compared to the end of the prior consolidated fiscal year, owing in part to stock buybacks. Shareholders' equity ratio at the end of the first quarter was 71.6%.

(Cash Flows)

Consolidated cash and cash equivalents ("cash") for the cumulative first quarter decreased by ¥2.895 billion compared to the end of the prior consolidated fiscal year to ¥19.884 billion.

The following discusses the factors that affected cash flows during the first quarter.

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥1.055 billion. Increasing factors mainly included income before income taxes and minority interest of ¥2.830 billion and depreciation and amortization of ¥1.038 billion, while decreasing factors mainly included a ¥1.299 billion decrease in accrued expenses and ¥854 million in corporate and other taxes paid.

<Cash Flows from Investing Activities>

Net cash used by investing activities was ¥877 million. Decreasing factors mainly included outlays for the acquisition of intangible fixed assets of ¥438 million and outlays for the acquisition of intangible fixed assets of ¥329 million.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥3,163 billion. This was mainly a decrease resulting from outlays for stock buybacks of ¥1.500 billion and dividend payments of ¥1.357 billion.

(3) Qualitative Information concerning Forecasts of Consolidated Earnings

The Mandom Group has made no changes to consolidated full-year earnings forecasts as published on May 14, 2019.