1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated second 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

Second quarter consolidated net sales were up 1.3% to ¥44.439 billion. This result was mainly due to overall strong performance of overseas subsidiaries despite the decreased sales in Japan.

Operating income was down 30.2% year on year to ¥4.628 billion. This was mainly due to decreased sales in Japan and increased SG&A expenses. As a result, ordinary income for the consolidated second quarter amounted to ¥5.107 billion, which was a 28.7% year-on-year decrease. Net income attributable to owners of parent decreased 32.4% year on year to ¥3.276 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.)
Net sales in Japan amounted to ¥26.648 billion, which was a 7.1% 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 37.3% year on year to ¥3.034 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 ¥8.795 billion, representing a 2.8% year-on-year increase. This was mainly due to strong domestic sales in Indonesia despite a decrease in the yen equivalent due to appreciation of the yen. Operating income was down 51.1% year on year to ¥294 million. This was mainly due to investment in marketing expenses (advertising expense) and increased general and administrative expenses.

Net sales in Overseas, Other amounted to ¥8.995 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 8.9% year on year to ¥1.300 billion 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 second fiscal quarter amounted to ¥90.757 billion, representing a ¥2.644 billion decrease compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in cash and deposits. Total liabilities amounted to ¥17.990 billion, representing an increase of ¥398 million compared to the end of the prior consolidated fiscal year, due mainly to increases in incurred corporate and other taxes and provision for bonuses. Net assets amounted to ¥72.767 billion. This was a ¥3.042 billion 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 second quarter was 73.8%.

(Cash Flows)

Consolidated cash and cash equivalents ("cash") for the cumulative second quarter decreased by ¥5.890 billion compared to the end of the prior consolidated fiscal year to ¥16.889 billion.

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

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥5.800 billion. Increasing factors mainly included income before income taxes and minority interest of ¥5.198 billion and depreciation and amortization of ¥2.118 billion, while decreasing factors mainly included ¥1.282 billion in corporate and other taxes paid and a ¥799 million decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash used by investing activities was ¥5.403 billion. Decreasing factors mainly included outlays for the acquisition of intangible fixed assets of ¥4.652 billion and outlays for the acquisition of intangible fixed assets of ¥574 million.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥6.241 billion. This was mainly a decrease resulting from outlays for stock buybacks of ¥4.455 billion and dividend payments of ¥1.403 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.