1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated third 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

Third quarter consolidated net sales were up 2.7% to ¥62.724 billion. This result was mainly due to overall strong performance of overseas subsidiaries despite the decreased sales in Japan up until the second quarter.

Operating income was down 26.9% year on year to ¥5.776 billion. This was mainly due to decreased sales in Japan and increased SG&A expenses. As a result, ordinary income for the consolidated third quarter amounted to ¥6.404 billion, which was a 26.6% year-on-year decrease. Net income attributable to owners of parent decreased 29.5% year on year to ¥4.094 billion.

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

Net sales in Japan amounted to ¥35.737 billion, which was a 5.4% 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 second quarter and lower sales of the Barrier Repair brand in the women's business due to a drop in inbound demand, which resulted in a continued decline in sales in the third quarter. Operating income was down 34.5% year on year to ¥3.340 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 ¥13.580 billion, representing a 3.0% 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 39.9% year on year to ¥537 million. This was mainly due to investment in marketing expenses (sales promotion and advertising expenses) and increased general and administrative expenses.

Net sales in Overseas, Other amounted to ¥13.405 billion, representing a 32.4% 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 down 0.6% year on year to ¥1.897 billion. This was mainly due to increased SG&A expenses despite higher revenues.

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

Total consolidated assets as of the end of the third fiscal quarter amounted to ¥89.347 billion, representing a ¥4.055 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 ¥17.132 billion, representing a decrease of ¥459 million compared to the end of the prior consolidated fiscal year, due mainly to decrease in accrued expenses included in other current liabilities. Net assets amounted to ¥72.214 billion. This was a ¥3.595 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 third quarter was 74.2%.

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(Cash Flows)

Consolidated cash and cash equivalents ("cash") for the cumulative third quarter decreased by ¥8.480 billion compared to the end of the prior consolidated fiscal year to ¥14.299 billion.

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

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥6.097 billion. Increasing factors mainly included income before income taxes and minority interest of ¥6.508 billion and depreciation and amortization of ¥3.231 billion, while decreasing factors mainly included ¥2.248 billion in corporate and other taxes paid and a ¥1.524 billion decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash used by investing activities was ¥6.255 billion. Decreasing factors mainly included outlays for the acquisition of tangible fixed assets of ¥5.181 billion and outlays for the acquisition of intangible fixed assets of ¥836 million.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥8.232 billion. This was mainly a decrease resulting from outlays for stock buybacks of ¥5.000 billion and dividend payments of ¥2.799 billion.

(3) Qualitative Information concerning Forecasts of Consolidated Earnings

The consolidated full-year earnings forecast has been revised in light of the progress made on earnings during the cumulative consolidated third quarter. For details, see the "Notice of Revision to Consolidated Full-Year Earnings Forecast for Fiscal Year Ending March 31, 2020" published today.