1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated first quarter, Japan's economy declined rapidly due to the global spread of the novel coronavirus, which caused social and economic activity to be suspended, resulting in a rapid decrease in consumption. The economies throughout Asia – our main sphere of international operations – face a very dire situation as a result of the global spread of the coronavirus.

Given these economic conditions, the Mandom Group worked on reviewing companywide marketing functions to improve brand value, strengthening the overseas foundation with Indonesia at the core, and improving productivity and corporate value through business process reform, which are the management policies of the FYE March 2021, while thoroughly promoting action emphasizing financial soundness and work style reform.

First quarter consolidated net sales were down 20.8% to ¥17.400 billion. This was mainly due to the decrease in sales both in Japan and overseas as a result of the spread of the coronavirus.

Operating income was down 56.9% year on year to ¥1.109 billion. This was mainly due to sudden deterioration of the market environment both in Japan and overseas. The Group worked to reduce SG&A expenses, but it was not enough to cover the dip in sales. As a result, ordinary income for the consolidated first quarter amounted to ¥1.404 billion, which was a 50.4% year-on-year decrease. Net income attributable to owners of parent decreased 47.9% year on year to ¥897 million.

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

Net sales in Japan amounted to ¥10.513 billion, which was an 18.3% year-on-year decrease. This was primarily due to a substantial decrease in sales in both the men’s and women’s businesses resulting from the spread of the coronavirus. Operating income was down 24.7% year on year to ¥933 million mainly due to the impact of decreased sales.

Net sales in Indonesia reached ¥3.378 billion, representing a 24.8% year-on-year decrease. This was mainly due to sluggish consumption resulting from large-scale flooding in Indonesia and the spread of the coronavirus, both of which also hindered sales activities. An operating loss of ¥196 million was posted (compared to operating income of ¥366 million the previous year), primarily due to the impact of the decrease in sales.

Net sales in Overseas, Other amounted to ¥3.507 billion, representing a 23.9% year-on-year decrease. This was primarily due to substantial restrictions on sales activities in China and other countries in response to the spread of the coronavirus. Operating income was down 61.5% year on year to ¥372 million mainly due to the impact of decreased sales.

(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 ¥85.250 billion, representing a ¥6.410 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 ¥15.717 billion, representing a decrease of ¥2.490 billion compared to the end of the prior consolidated fiscal year, due mainly to a decrease in accrued expenses included in other current liabilities. Net assets amounted to ¥69.532 billion. This was a ¥3.920 billion decrease compared to the end of the prior consolidated fiscal year, due primarily to a decrease in foreign currency translation adjustments. Shareholders' equity ratio at the end of the first quarter was 75.4%.

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(Cash Flows)

Consolidated cash and cash equivalents (“cash”) for the cumulative first quarter decreased by ¥3.898 billion compared to the end of the prior consolidated fiscal year to ¥7.758 billion.

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

<Cash Flows from Operating Activities>

Net cash used in operating activities was ¥765 million. Increasing factors mainly included income before income taxes and minority interest of ¥1.402 billion and depreciation and amortization of ¥1.017 billion, while decreasing factors mainly included a ¥1.701 billion increase in inventories and a ¥1.430 billion decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥948 million. This was mainly a decrease resulting from outlays for the acquisition of tangible fixed assets of ¥888 million.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥1.631 billion. This was mainly a decrease resulting from dividend payments of ¥1.345 billion.

(3) Qualitative Information concerning Forecasts of Consolidated Earnings

Consolidated full-year earnings forecasts for the FYE March 2021 were pending due to the difficulty in reasonably calculating the impact of the coronavirus, but we have now calculated it based on the information currently available.

For details, please refer to the “Notice Regarding Earnings and Dividends Forecasts” published today (July 30, 2020).