

1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated second 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.

Second quarter consolidated net sales were down 24.5% to ¥33.548 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 80.6% year on year to ¥895 million. 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 second quarter amounted to ¥1.205 billion, which was a 76.4% year-on-year decrease, and despite recording of a gain on investment securities, net income attributable to owners of parent decreased 34.8% year on year to ¥2.136 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.) Net sales in Japan amounted to ¥21.690 billion, which was an 18.6% 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 51.2% year on year to ¥1.479 billion mainly due to the impact of decreased sales.

Net sales in Indonesia reached ¥5.975 billion, representing a 32.1% 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 ¥719 million was posted (compared to operating income of ¥294 million the previous year), primarily due to the impact of the decrease in sales.

Net sales in Overseas, Other amounted to ¥5.881 billion, representing a 34.6% 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 89.6% year on year to ¥135 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 second fiscal quarter amounted to ¥86.705 billion, representing a ¥4.955 billion decrease compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in notes and accounts receivable – trade. Total liabilities amounted to ¥15.355 billion, representing a decrease of ¥2.853 billion compared to the end of the prior consolidated fiscal year, due mainly to a decrease in notes and accounts payable-trade. Net assets amounted to ¥71.350 billion. This was a ¥2.102 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 second quarter was 75.7%.

(Cash Flows)

Consolidated cash and cash equivalents (“cash”) for the cumulative second quarter decreased by ¥3.118 billion compared to the end of the prior consolidated fiscal year to ¥8.538 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 ¥2.576 billion. Increasing factors mainly included income before income taxes and minority interest of ¥2.932 billion and a ¥3.623 billion decrease in accounts receivable, while decreasing factors mainly included a ¥1.389 billion decrease in accounts payable and a ¥1.043 billion decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥3.745 billion. Decreasing factors mainly included ¥5.663 billion in outlays for the acquisition of tangible fixed assets, while increasing factors mainly included ¥2.279 billion in proceeds from sales and redemptions of investment securities.

<Cash Flows from Financing Activities>

Net cash used in financing activities was ¥1.716 billion. This was mainly a decrease resulting from dividend payments of ¥1.381 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 second quarter.

For details, please refer to the “Difference between Q2 Earnings Forecast and Actual Results, Amendment of Full-Year Earnings Forecast, and Reduction of Executive Compensation” published today (October 29, 2020).