

## **1. Qualitative Information concerning Quarterly Financial Statements**

### **(1) Qualitative Information concerning Consolidated Results of Operations**

During the cumulative consolidated first quarter, Japan's economy showed a gradual recovery against a backdrop of improvements in corporate profits and the hiring and income environment despite concern over uncertainty in the global economy. Additionally, the economies throughout Asia - our main sphere of international operations - showed a gradual recovery despite continued uncertainty about the future.

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

Beginning from the cumulative consolidated first quarter, some items that had been processed as expenses have been deducted from net sales at overseas consolidated subsidiaries included in financial statements prepared in accordance with International Financial Reporting Standards. To make the comparison easier, when net sales of the previous year have been calculated according to these standards, we use the phrase "in real terms."

First quarter consolidated net sales were up 2.1% in real terms to ¥22.314 billion (a 0.7% year-on-year decrease). This increase was mainly due to favorable performance of the Bifesta brand and the Barrier Repair brand in the women's business despite lower sales of the Gatsby brand in the men's business.

Operating income was up 0.9% year on year to ¥3.928 billion. This increase was mainly due to decreased sales expenses resulting from efficient marketing activities. As a result, ordinary income for the consolidated first quarter amounted to ¥4.215 billion, which was a 2.1% year-on-year increase. Net income attributable to owners of parent increased 5.3% year on year to ¥2.774 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.) Net sales in Japan amounted to ¥14.333 billion, which was a 4.6% year-on-year increase. This increase was mainly due to favorable performance of the Bifesta brand and the Barrier Repair brand. Operating income was down 3.8% year on year to ¥2.586 billion. This was mainly due to aggressive investment in marketing expenses (sales promotion and advertising expense).

Net sales in Indonesia fell 12.1% in real terms to ¥4.579 billion, representing a 14.9% year-on-year decrease. This was mainly due to a drop in net sales in Indonesia. Operating income was down 4.3% year on year to ¥534 million. This was mainly due to decreased sales expenses resulting from efficient marketing activities.

Net sales in Overseas, Other were up 16.1% in real terms to ¥3.401 billion, representing a 0.7% year-on-year increase. This result was mainly due to overall favorable performance, excluding certain countries. Operating income was up 24.7% year on year to ¥808 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 ¥91.767 billion, representing an ¥835 million decrease compared to the end of the prior consolidated fiscal year. This result was mainly due to a decrease in investment securities. Total liabilities amounted to ¥15.581 billion, representing a decrease of ¥1.272 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 ¥76.186 billion. This was a ¥436 million increase compared to the end of the prior consolidated fiscal year, owing in part to higher retained earnings. Shareholders' equity ratio at the end of the first quarter was 76.6%.

The “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the consolidated first quarter of the fiscal year under review. For the financial position, the comparison is based on figures from the end of the prior consolidated fiscal year after applying those amendments retroactively.

**(Cash Flows)**

Consolidated cash and cash equivalents (“cash”) for the cumulative first quarter increased by ¥6.715 billion compared to the end of the prior consolidated fiscal year to ¥20.356 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 ¥986 million. Increasing factors mainly included income before income taxes and minority interest of ¥4.205 billion and depreciation and amortization of ¥796 million, while decreasing factors mainly included a ¥1.758 billion decrease in accrued expenses and a ¥1.372 billion increase in accounts receivable.

**<Cash Flows from Investing Activities>**

Net cash provided by investing activities was ¥7.849 billion. Increasing factors mainly included ¥12.8 billion in proceeds from sales and redemptions of marketable securities, while decreasing factors mainly included outlays for the acquisition of marketable securities of ¥3.499 billion.

**<Cash Flows from Financing Activities>**

Net cash used in financing activities was ¥1.828 billion. This was mainly a decrease resulting from dividend payments of ¥1.559 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 8, 2018.