

1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated second 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."

Second quarter consolidated net sales were up 2.1% in real terms to ¥43.882 billion (a 0.8% year-on-year decrease). This increase was mainly due to strong performance of the Gatsby brand in the men's business and the Bifesta brand the women's business.

Operating income was up 7.4% year on year to ¥6.632 billion. This increase was mainly due to decreased sales expenses resulting from efficient marketing activities. As a result, ordinary income for the consolidated second quarter amounted to ¥7.165 billion, which was an 8.1% year-on-year increase. Net income attributable to owners of parent increased 11.2% year on year to ¥4.845 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.) Net sales in Japan amounted to ¥28.690 billion, which was a 4.6% year-on-year increase. This increase was mainly due to strong performance of the Gatsby brand and the Bifesta brand. Operating income was up 6.5% year on year to ¥4.836 billion. This was mainly due to decreased sales expenses associated with efficient marketing activities.

Net sales in Indonesia fell 10.3% in real terms to ¥8.555 billion, representing a 13.4% year-on-year decrease. This was mainly due to a drop in net sales in Indonesia. Operating income was down 3.9% year on year to ¥601 million. This was mainly due to decreased sales expenses resulting from efficient marketing activities.

Net sales in Overseas, Other were up 10.6% in real terms to ¥6.636 billion, representing a 4.3% year-on-year decrease. This result was mainly due to overall favorable performance, excluding certain countries. Operating income was up 18.6% year on year to ¥1.194 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 ¥94.710 billion, representing an ¥2.107 billion increase compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in cash and deposits. Total liabilities amounted to ¥16.255 billion, representing a decrease of ¥597 million 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 ¥78.454 billion. This was a ¥2.705 billion 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 second 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. 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 second quarter increased by ¥14.991 billion compared to the end of the prior consolidated fiscal year to ¥28.632 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 ¥6.422 billion. Increasing factors mainly included income before income taxes and minority interest of ¥7.148 billion and depreciation and amortization of ¥1.651 billion, while decreasing factors mainly included corporate and other taxes paid of ¥1.304 billion and a ¥1.160 billion decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash provided by investing activities was ¥10.851 billion. Increasing factors mainly included ¥16.8 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 ¥1.985 billion. This was mainly a decrease resulting from dividend payments of ¥1.611 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.