

1. Qualitative Information concerning Quarterly Financial Statements

(1) Qualitative Information concerning Consolidated Results of Operations

During the cumulative consolidated third 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 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."

Third quarter consolidated net sales were down 0.5% in real terms to ¥61.086 billion (a 3.5% year-on-year decrease). This was mainly due to intensification of the competitive environment in Indonesia and other areas and decreased sales in the domestic women's business, which had been performing favorably up to the cumulative consolidated second quarter.

Operating income was down 8.0% year on year to ¥7.901 billion. This was mainly due to decreased income in Indonesia and the aggressive spending on general and administrative expenses to strengthen the business foundation. As a result, ordinary income for the consolidated third quarter amounted to ¥8.730 billion, which was a 5.8% year-on-year decrease. Net income attributable to owners of parent decreased 3.4% year on year to ¥5.811 billion.

Group earnings by segment are as provided below. (Net sales refers to sales to external customers.) Net sales in Japan amounted to ¥37.771 billion, which was a 0.6% year-on-year increase. This increase was mainly due to strong performance of the Gatsby brand in the men's business despite lower revenues of the Barrier Repair brand in the women's business. Operating income was down 11.5% year on year to ¥5.097 billion mainly due to increased general and administrative expenses.

Net sales in Indonesia fell 9.5% in real terms to ¥13.187 billion, representing a 12.2% year-on-year decrease. This was mainly due to the decrease in Indonesian domestic sales resulting from a delay in bringing new products to market and intensification of the competitive environment. Operating income was down 23.4% year on year to ¥894 million. This was mainly due to the impact of decreased sales.

Net sales in Overseas, Other were up 9.1% in real terms to ¥10.128 billion, representing a 5.7% year-on-year decrease. This result was mainly due to overall favorable performance, excluding certain countries. Operating income was up 15.0% year on year to ¥1.909 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 third fiscal quarter amounted to ¥90.256 billion, representing a ¥2.346 billion 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 ¥14.499 billion, representing a decrease of ¥2.353 billion compared to the end of the prior consolidated fiscal year, due mainly to a decrease in accrued expenses included in other current liabilities. Total net assets amounted to ¥75.756 billion. This was a ¥6 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 third quarter was 77.6%.

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 third quarter increased by ¥16.119 billion compared to the end of the prior consolidated fiscal year to ¥29.760 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 ¥6.226 billion. Increasing factors mainly included income before income taxes and minority interest of ¥8.699 billion and depreciation and amortization of ¥2.562 billion, while decreasing factors mainly included corporate and other taxes paid of ¥2.415 billion and a ¥1.958 billion decrease in accrued expenses.

<Cash Flows from Investing Activities>

Net cash provided by investing activities was ¥14.213 billion. Increasing factors mainly included ¥21.3 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 ¥4.015 billion. This was mainly a decrease resulting from dividend payments of ¥3.011 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.