Consolidated Financial Results for the Six Months Ended June 30, 2020 [IFRS]

July 29, 2020

Company name: Kao Corporation — Tokyo Stock Exchange in Japan
Stock code: 4452 — (URL: www.kao.com/global/en/investor-relations/library/results/)
Representative: Michitaka Sawada, President and CEO
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Scheduled starting date of the dividend payments: September 1, 2020
Supplementary documents of the financial results: Yes
Financial results information meeting: Yes (for institutional investors and analysts)

(Millions of yen, except per share amounts)
(Amounts less than one million yen are rounded)

1. Consolidated financial results for the six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Six months ended June 30, 2020	%	Six months ended June 30, 2019	%
Net sales	667,158	(7.5)	721,399	(1.0)
Operating income	74,484	(13.8)	86,386	(4.8)
Income before income taxes	73,730	(13.8)	85,515	(4.9)
Net income	51,543	(11.5)	58,232	(8.3)
Net income attributable to owners of the parent	50,600	(11.7)	57,295	(8.8)
Comprehensive income	41,191	(18.0)	50,233	(2.3)
Basic earnings per share (Yen)	105.21		117.98	
Diluted earnings per share (Yen)	105.20		117.95	

(2) Consolidated financial position

	June 30, 2020	December 31, 2019
Total assets	1,566,268	1,653,919
Total equity	881,379	871,421
Equity attributable to owners of the parent	867,254	857,695
Ratio of equity attributable to owners of the parent to total assets	55.4%	51.9%
Equity attributable to owners of the parent per share (Yen)	1,803.26	1,783.46

2. Dividends

	Year ending December 31, 2020 (Forecast)	Year ending December 31, 2020	Year ended December 31, 2019
Annual cash dividends per share (Yen)			
1st quarter end		-	-
2nd quarter end		70.00	65.00
3rd quarter end	-		-
Fiscal year end	70.00		65.00
Total	140.00		130.00

Note: Revisions to the cash dividends forecast most recently announced: None

3. Forecast of consolidated operating results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen, except per share amounts)
(Percentages indicate year-on-year changes)

	Year ending December 31, 2020	%
Net sales	1,430,000	(4.8)
Operating income	190,000	(10.3)
Income before income taxes	189,000	(10.3)
Net income attributable to owners of the parent	134,000	(9.6)
Basic earnings per share (Yen)	278.62	(9.2)

Notes:
1. Revisions to the consolidated operating results forecast most recently announced: Yes
2. As of the fiscal year ending December 31, 2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount. Applying the same method to the consolidated operating results for the previous fiscal year would result in a 2.6% decrease in the net sales forecast for FY2020.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting principles required by IFRS: None
2) Changes in accounting principles due to reasons other than 1): None
3) Changes in accounting estimates: None

(3) Number of issued shares outstanding at the end of this period (ordinary shares)

	June 30, 2020	December 31, 2019
Number of issued shares including treasury shares	482,000,000	482,000,000
Number of treasury shares	1,063,348	1,083,466

	Six months ended June 30, 2020	Six months ended June 30, 2019
Weighted average number of shares outstanding during this period	480,918,350	485,627,882

Notice regarding execution of quarterly review procedures

This quarterly financial results report is exempt from quarterly review by certified public accountants or accounting firms.

Explanation regarding the appropriate use of forecast of operating results and other special items

Forward-looking statements such as earnings forecasts and other projections contained in this release are based on information available at the time of disclosure and assumptions that management believes to be reasonable, and do not constitute guarantees of future performance. Actual results may differ materially from expectations due to various factors.

Please refer to page 6, "Qualitative Information on Financial Results for the Six Months Ended June 30, 2020 - 2. Description of Information on Outlook, Including Forecasts of Consolidated Results" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

Qualitative Information on Financial Results for the Six Months Ended June 30, 2020

Note: The Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount. In this table and hereinafter, like-for-like growth rates exclude changes due to the abovementioned method of recognizing sales and the effect of translation of local currencies into Japanese yen.

1. Description of Operating Results

(Billions of yen, except operating margin and per share amounts)

Six months ended June 30	**2020**	2019	Growth
Net sales	**667.2**	721.4	(7.5%) Like-for-like: (4.3%)
Operating income	**74.5**	86.4	(13.8%)
Operating margin (%)	**11.2**	12.0	-
Income before income taxes	**73.7**	85.5	(13.8%)
Net income	**51.5**	58.2	(11.5%)
Net income attributable to owners of the parent	**50.6**	57.3	(11.7%)
Basic earnings per share (Yen)	**105.21**	117.98	(10.8%)

The novel coronavirus (COVID-19) pandemic continues to have a major impact on people's lives and corporate activities, with no signs of subsiding. The Kao Group has rallied its comprehensive strength in striving to provide products, services and information to contribute to the lifestyles and safety of people around the world.

In the Kao Group's key markets during the six months ended June 30, 2020, according to retail sales and consumer purchasing survey data, the cosmetics market in Japan shrank significantly from the previous year due to the impact of factors including a substantial decline in inbound demand and people's voluntary restraint in going outside, while the household and personal care products market grew as a result of increased demand for hygiene-related products. Average unit prices for household and personal care products increased by 4 points compared with the same period a year earlier.

Amid these circumstances, net sales decreased 7.5% compared with the same period a year earlier to 667.2 billion yen. On a like-for-like basis, net sales decreased 4.3%. Operating income was 74.5 billion yen, a decrease of 11.9 billion yen compared with the same period a year earlier, and income before income taxes was 73.7 billion yen, a decrease of 11.8 billion yen. Net income was 51.5 billion yen, a decrease of 6.7 billion yen.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign consolidated subsidiaries and associates were as shown below.

	First quarter Jan. – Mar.	Second quarter Apr. – Jun.
Yen/U.S. dollar	108.95 (110.09)	107.54 (109.99)
Yen/Euro	120.18 (125.10)	118.41 (123.58)
Yen/Chinese yuan	15.61 (16.31)	15.18 (16.13)

Note: Figures in parentheses represent the exchange rates for the same period a year earlier.

Summary of Segment Information

Consolidated Results by Segment

(Billions of yen)

	Net sales				Operating income			Operating margin (%)	
Six months ended June 30	2020	2019	Growth %	Like-for-like %	2020	2019	Change	2020	2019
Cosmetics Business	109.9	140.0	(21.5)	(20.7)	(4.8)	14.7	(19.5)	(4.4)	10.5
Skin Care and Hair Care Business	151.1	168.6	(10.4)	(0.3)	24.2	22.9	1.3	16.0	13.6
Human Health Care Business	118.3	124.9	(5.3)	(3.7)	8.2	7.3	0.9	6.9	5.8
Fabric and Home Care Business	171.7	162.3	5.8	6.2	33.3	25.3	8.0	19.4	15.6
Consumer Products Business	551.1	595.9	(7.5)	(4.1)	60.8	70.2	(9.4)	11.0	11.8
Chemical Business	135.4	146.1	(7.3)	(5.2)	14.4	16.0	(1.6)	10.6	11.0
Total	686.4	742.0	(7.5)	(4.4)	75.2	86.2	(11.1)	-	-
Elimination and Reconciliation	(19.3)	(20.6)	-	-	(0.7)	0.2	(0.8)	-	-
Consolidated	667.2	721.4	(7.5)	(4.3)	74.5	86.4	(11.9)	11.2	12.0

Consolidated Net Sales Composition

(Billions of yen)

Six months ended June 30		Japan	Asia	Americas	Europe	Consolidated
Cosmetics Business	2020	79.3	20.9	2.6	7.0	109.9
	2019	107.5	21.5	2.7	8.4	140.0
	Growth %	(26.2)	(2.6)	(4.1)	(16.1)	(21.5)
	Like-for-like %	(26.2)	1.5	(2.5)	(12.5)	(20.7)
Skin Care and Hair Care Business	2020	86.1	13.2	35.2	16.6	151.1
	2019	96.8	15.3	36.1	20.4	168.6
	Growth %	(11.0)	(14.0)	(2.6)	(18.5)	(10.4)
	Like-for-like %	5.7	(12.1)	(0.4)	(15.0)	(0.3)
Human Health Care Business	2020	71.3	47.0	0.1	0.0	118.3
	2019	76.4	48.5	0.1	-	124.9
	Growth %	(6.7)	(3.0)	(23.9)	-	(5.3)
	Like-for-like %	(6.7)	0.9	(17.4)	-	(3.7)
Fabric and Home Care Business	2020	146.7	20.4	4.6	0.1	171.7
	2019	136.8	19.7	5.6	0.1	162.3
	Growth %	7.2	3.1	(18.7)	(38.0)	5.8
	Like-for-like %	7.2	5.3	(15.7)	(35.7)	6.2
Consumer Products Business	2020	383.4	101.5	42.4	23.7	551.1
	2019	417.5	105.0	44.5	28.9	595.9
	Growth %	(8.2)	(3.4)	(4.7)	(17.8)	(7.5)
	Like-for-like %	(4.7)	(0.0)	(2.5)	(14.3)	(4.1)
Chemical Business	2020	55.5	26.7	22.8	30.4	135.4
	2019	61.7	28.3	24.7	31.4	146.1
	Growth %	(10.1)	(5.6)	(7.8)	(3.2)	(7.3)
	Like-for-like %	(10.1)	(3.2)	(3.4)	0.9	(5.2)
Elimination of intersegment	2020	(17.0)	(1.4)	(0.0)	(0.9)	(19.3)
	2019	(18.2)	(1.4)	(0.0)	(1.0)	(20.6)
Consolidated	2020	421.9	126.9	65.2	53.2	667.2
	2019	461.0	132.0	69.2	59.2	721.4
	Growth %	(8.5)	(3.9)	(5.8)	(10.2)	(7.5)
	Like-for-like %	(5.3)	(0.7)	(2.8)	(6.4)	(4.3)

Note: Figures for the Consumer Products Business present sales to external customers and figures for the Chemical Business include sales to the Consumer Products Business in addition to external customers. Sales by geographic region are classified based on the location of the sales recognized.

Net sales to foreign customers were 39.2% of net sales compared with 38.5% for the same period a year earlier.

Consumer Products Business

Sales decreased 7.5% compared with the same period a year earlier to 551.1 billion yen. On a like-for-like basis, sales decreased 4.1%.

Business activities were substantially impacted by the COVID-19 pandemic. In particular, sales in the Cosmetics Business and sales to hair salons decreased significantly. On the other hand, demand for hygiene-related and other products increased, but overall sales decreased.

In Japan, sales decreased 8.2% to 383.4 billion yen due to a downturn in the Cosmetics Business and a change in the method of recognizing some transactions from the gross amount to the net amount, among other factors. On a like-for-like basis, sales decreased 4.7%.

In Asia, sales decreased 3.4% to 101.5 billion yen. On a like-for-like basis, sales were essentially flat.

In the Americas, sales decreased 4.7% to 42.4 billion yen. On a like-for-like basis, sales decreased 2.5%. In Europe, sales decreased 17.8% to 23.7 billion yen. On a like-for-like basis, sales decreased 14.3%.

Operating income decreased 9.4 billion yen compared with the same period a year earlier to 60.8 billion yen.

Note: The Kao Group's Consumer Products Business consists of the Cosmetics Business, the Skin Care and Hair Care Business, the Human Health Care Business, and the Fabric and Home Care Business.

Cosmetics Business

Sales decreased 21.5% compared with the same period a year earlier to 109.9 billion yen. On a like-for-like basis, sales decreased 20.7%.

Cosmetics Business sales decreased substantially due to a significant decline in inbound demand, as well as the impact of regulations and other restrictions on going outside enacted around the world.

In Japan, in addition to the decrease in inbound demand, a state of emergency was declared in April, with impact from people voluntarily refraining from going outside and temporary retail store closures. Moreover, as wearing masks became common practice, sales of makeup products decreased. In the Americas and Europe, temporary cosmetics store closures had a negative impact. In Asia, on the other hand, sales were steady for *freeplus*, which is hypoallergenic and contains Japanese and Chinese botanical extracts, and *Curél*, a derma care brand, due in part to strengthened e-commerce initiatives at Kao China.

Operating income was negative 4.8 billion yen, a decrease of 19.5 billion yen from the same period a year earlier, due to the substantial decrease in sales.

Skin Care and Hair Care Business

Sales decreased 10.4% compared with the same period a year earlier to 151.1 billion yen due to the change in the method of recognizing sales for some transactions from the gross amount to the net amount, among other factors. On a like-for-like basis, sales decreased 0.3%.

In skin care products, sales of *Bioré u* hand soap, hand sanitizer and other hygiene-related products increased. The increased demand continues to exceed supply, so the Kao Group is working to ramp up production. On the other hand, sales of UV care and other seasonal products decreased in both Japan and Asia.

Sales of hair care products decreased due to temporary salon closures by customers of the Kao Group's business for hair salons in the Americas and Europe, among other factors.

Operating income increased 1.3 billion yen compared with the same period a year earlier to 24.2 billion yen.

Human Health Care Business

Sales decreased 5.3% compared with the same period a year earlier to 118.3 billion yen. On a like-for-like basis, sales decreased 3.7%.

Sales of *Merries* baby diapers grew steadily in Indonesia, but decreased both in Japan and at Kao China.

Laurier sanitary napkins increased market share in Japan due to strong performance by high-value-added products. In Asia, sales at Kao China grew steadily.

Sales of personal health products were firm.

Operating income increased 0.9 billion yen compared with the same period a year earlier to 8.2 billion yen due to the increase in sales of sanitary napkins, among other factors.

Fabric and Home Care Business

Sales increased 5.8% compared with the same period a year earlier to 171.7 billion yen. On a like-for-like basis, sales increased 6.2%.

In Japan, sales of laundry detergent and laundry bleach were firm in fabric care products, while in home care products, the Kao Group stepped up provision of products and information to protect hygienic, healthy lifestyles, and sales increased significantly for kitchen bleach and dishwashing detergents in particular, as well as for other products. Sales of hygiene-related products also grew significantly in Asia. For commercial-use products, the Kao Group substantially ramped up its production system for hand sanitizers to supply the food service industry including restaurants, as well as lodging facilities, medical institutions, nursing facilities and other locations where hygiene management is particularly necessary.

Operating income increased 8.0 billion yen compared with the same period a year earlier to 33.3 billion yen due to the effect of the increase in sales.

Chemical Business

Sales decreased 7.3% compared with the same period a year earlier to 135.4 billion yen. On a like-for-like basis, sales decreased 5.2%.

In oleo chemicals, amid a downward trend in demand, sales of fat and oil derivatives were firm. Sales of performance chemicals decreased, impacted by a decline in demand in automobile-related and other fields. In specialty chemicals, toner and toner binder were impacted by sluggish market conditions.

Operating income decreased 1.6 billion yen compared with the same period a year earlier to 14.4 billion yen.

2. Description of Information on Outlook, Including Forecasts of Consolidated Results

Revised Forecast of Consolidated Operating Results for the Fiscal Year Ending December 31, 2020

(Billions of yen, except per share amounts)

	Net sales	Operating income	Income before income taxes	Net income attributable to owners of the parent	Basic earnings per share (Yen)
Previously announced forecast (A)*	1,510.0 - 1,530.0	220.0 - 230.0	220.0 - 230.0	154.0 - 161.0	320.23 - 334.79
Revised forecast (B)	1,430.0	190.0	189.0	134.0	278.62
Change (B-A)	(80.0) - (100.0)	(30.0) - (40.0)	(31.0) - (41.0)	(20.0) - (27.0)	—
Percentage change	(5.3) - (6.5)%	(13.6) - (17.4)%	(14.1) - (17.8)%	(13.0) - (16.8)%	—
(Reference) Results for the previous fiscal year (ended December 31, 2019)	1,502.2	211.7	210.6	148.2	306.70

* Forecast of consolidated operating results for the fiscal year ending December 31, 2020, announced on April 27, 2020

As explained in the description of operating results, operating results for the six months ended June 30, 2020 were exceptionally severe due to the impact of the COVID-19 pandemic.

The uncertain business environment is expected to continue in the third quarter and thereafter. Conditions will remain severe with a high year-on-year hurdle in the third quarter due to the last-minute demand that arose ahead of the consumption tax rate increase implemented in Japan in October 2019, but a gradual overall recovery is expected in the fourth quarter.

Under these circumstances, the Kao Group will thoroughly implement every possible measure and a review of expenses, but has determined that it will be difficult to achieve the operating results forecast announced on April 27, 2020, and therefore has revised its forecast of consolidated operating results.

In the event of a resurgence of COVID-19 infections that affects business activities and delays the recovery of the Cosmetics Business and other businesses beyond expectations, the Kao Group may fall short of this revised forecast.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 108 yen, one euro to 120 yen and one Chinese yuan to 15 yen.

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Condensed Consolidated Statement of Financial Position

(Millions of yen)

	June 30, 2020	December 31, 2019	Change
Assets			
Current assets			
Cash and cash equivalents	258,764	289,681	(30,917)
Trade and other receivables	168,677	208,839	(40,162)
Inventories	214,590	199,672	14,918
Other financial assets	7,468	13,788	(6,320)
Income tax receivables	3,961	2,440	1,521
Other current assets	17,157	22,606	(5,449)
Total current assets	670,617	737,026	(66,409)
Non-current assets			
Property, plant and equipment	429,026	436,831	(7,805)
Right-of-use assets	151,850	164,822	(12,972)
Goodwill	178,527	179,707	(1,180)
Intangible assets	48,318	47,770	548
Investments accounted for using the equity method	7,287	8,287	(1,000)
Other financial assets	25,365	26,104	(739)
Deferred tax assets	49,492	47,876	1,616
Other non-current assets	5,786	5,496	290
Total non-current assets	895,651	916,893	(21,242)
Total assets	1,566,268	1,653,919	(87,651)

(Millions of yen)

	June 30, 2020	December 31, 2019	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	206,600	222,314	(15,714)
Bonds and borrowings	10,465	25,505	(15,040)
Lease liabilities	18,720	19,653	(933)
Other financial liabilities	1,528	6,766	(5,238)
Income tax payables	18,638	36,208	(17,570)
Provisions	1,262	2,054	(792)
Contract liabilities	19,546	20,616	(1,070)
Other current liabilities	83,338	99,411	(16,073)
Total current liabilities	360,097	432,527	(72,430)
Non-current liabilities			
Bonds and borrowings	91,455	101,636	(10,181)
Lease liabilities	129,906	141,438	(11,532)
Other financial liabilities	7,662	7,527	135
Retirement benefit liabilities	77,432	80,579	(3,147)
Provisions	10,002	10,122	(120)
Deferred tax liabilities	3,534	3,747	(213)
Other non-current liabilities	4,801	4,922	(121)
Total non-current liabilities	324,792	349,971	(25,179)
Total liabilities	684,889	782,498	(97,609)
Equity			
Share capital	85,424	85,424	-
Capital surplus	108,910	108,715	195
Treasury shares	(3,944)	(4,309)	365
Other components of equity	(43,489)	(32,974)	(10,515)
Retained earnings	720,353	700,839	19,514
Equity attributable to owners of the parent	867,254	857,695	9,559
Non-controlling interests	14,125	13,726	399
Total equity	881,379	871,421	9,958
Total liabilities and equity	1,566,268	1,653,919	(87,651)

Condensed Consolidated Statement of Income

(Millions of yen)

	Notes	Six months ended June 30, 2020	Six months ended June 30, 2019	Change
Net sales	1	667,158	721,399	(54,241)
Cost of sales		(384,211)	(411,632)	27,421
Gross profit		282,947	309,767	(26,820)
Selling, general and administrative expenses	2	(209,768)	(224,564)	14,796
Other operating income		8,298	7,665	633
Other operating expenses		(6,993)	(6,482)	(511)
Operating income	1	74,484	86,386	(11,902)
Financial income		1,027	965	62
Financial expenses		(2,989)	(2,766)	(223)
Share of profit in investments accounted for using the equity method		1,208	930	278
Income before income taxes		73,730	85,515	(11,785)
Income taxes		(22,187)	(27,283)	5,096
Net income		51,543	58,232	(6,689)
Attributable to:				
Owners of the parent		50,600	57,295	(6,695)
Non-controlling interests		943	937	6
Net income		51,543	58,232	(6,689)
Earnings per share				
Basic (Yen)		105.21	117.98	
Diluted (Yen)		105.20	117.95	

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2019	Change
Net income	51,543	58,232	(6,689)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	(256)	(437)	181
Remeasurements of defined benefit plans	-	(2)	2
Share of other comprehensive income of investments accounted for using the equity method	(178)	(37)	(141)
Total of items that will not be reclassified to profit or loss	(434)	(476)	42
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(9,888)	(7,452)	(2,436)
Share of other comprehensive income of investments accounted for using the equity method	(30)	(71)	41
Total of items that may be reclassified subsequently to profit or loss	(9,918)	(7,523)	(2,395)
Other comprehensive income, net of taxes	(10,352)	(7,999)	(2,353)
Comprehensive income	41,191	50,233	(9,042)
Attributable to:			
Owners of the parent	40,537	49,523	(8,986)
Non-controlling interests	654	710	(56)
Comprehensive income	41,191	50,233	(9,042)

Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent												
				Other components of equity									
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other compre-hensive income	Remeasure-ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
January 1, 2020	85,424	108,715	(4,309)	448	(39,630)	-	6,208	-	(32,974)	700,839	857,695	13,726	871,421
Net income	-	-	-	-	-	-	-	-	-	50,600	50,600	943	51,543
Other comprehensive income	-	-	-	-	(9,628)	(1)	(434)	-	(10,063)	-	(10,063)	(289)	(10,352)
Comprehensive income	-	-	-	-	(9,628)	(1)	(434)	-	(10,063)	50,600	40,537	654	41,191
Disposal of treasury shares	-	(98)	377	(126)	-	-	-	-	(126)	(152)	1	-	1
Purchase of treasury shares	-	-	(12)	-	-	-	-	-	-	-	(12)	-	(12)
Share-based payment transactions	-	163	-	-	-	-	-	-	-	-	163	-	163
Dividends	-	-	-	-	-	-	-	-	-	(31,260)	(31,260)	(1,254)	(32,514)
Changes in the ownership interest in subsidiaries	-	130	-	-	-	-	-	-	-	-	130	999	1,129
Transfer from other components of equity to retained earnings	-	-	-	(3)	-	-	(323)	-	(326)	326	-	-	-
Total transactions with the owners	-	195	365	(129)	-	-	(323)	-	(452)	(31,086)	(30,978)	(255)	(31,233)
June 30, 2020	85,424	108,910	(3,944)	319	(49,258)	(1)	5,451	-	(43,489)	720,353	867,254	14,125	881,379
January 1, 2019 (as previously reported)	85,424	108,245	(11,282)	546	(37,032)	(1)	6,458	-	(30,029)	670,002	822,360	13,149	835,509
Changes in accounting policy[1]	-	-	-	-	-	-	-	-	-	740	740	-	740
January 1, 2019 (after adjustment)	85,424	108,245	(11,282)	546	(37,032)	(1)	6,458	-	(30,029)	670,742	823,100	13,149	836,249
Net income	-	-	-	-	-	-	-	-	-	57,295	57,295	937	58,232
Other comprehensive income	-	-	-	-	(7,294)	(2)	(474)	(2)	(7,772)	-	(7,772)	(227)	(7,999)
Comprehensive income	-	-	-	-	(7,294)	(2)	(474)	(2)	(7,772)	57,295	49,523	710	50,233
Disposal of treasury shares	-	(108)	292	(70)	-	-	-	-	(70)	(114)	0	-	0
Purchase of treasury shares	-	-	(50,021)	-	-	-	-	-	-	-	(50,021)	-	(50,021)
Share-based payment transactions	-	169	-	-	-	-	-	-	-	-	169	-	169
Dividends	-	-	-	-	-	-	-	-	-	(29,199)	(29,199)	(1,230)	(30,429)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(56)	2	(54)	54	-	-	-
Total transactions with the owners	-	61	(49,729)	(70)	-	-	(56)	2	(124)	(29,259)	(79,051)	(1,230)	(80,281)
June 30, 2019	85,424	108,306	(61,011)	476	(44,326)	(3)	5,928	-	(37,925)	698,778	793,572	12,629	806,201

Note:
1. It represents the financial effect from the adoption of IFRS 16 "Leases."

Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2019
Cash flows from operating activities		
Income before income taxes	73,730	85,515
Depreciation and amortization	42,696	42,649
Interest and dividend income	(931)	(873)
Interest expense	1,424	1,522
Share of profit in investments accounted for using the equity method	(1,208)	(930)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	1,290	1,567
(Increase) decrease in trade and other receivables	35,995	21,506
(Increase) decrease in inventories	(17,061)	(12,393)
Increase (decrease) in trade and other payables	(3,765)	(6,061)
Increase (decrease) in retirement benefit liabilities	(2,854)	(2,305)
Other	(14,462)	(13,805)
Subtotal	114,854	116,392
Interest received	933	788
Dividends received	2,078	2,065
Interest paid	(1,504)	(1,514)
Income taxes paid	(42,907)	(38,085)
Net cash flows from operating activities	73,454	79,646
Cash flows from investing activities		
Payments into time deposits	(7,075)	(15,098)
Proceeds from withdrawal of time deposits	12,560	19,098
Purchase of property, plant and equipment	(35,513)	(42,280)
Purchase of intangible assets	(5,200)	(3,760)
Other	206	(1,464)
Net cash flows from investing activities	(35,022)	(43,504)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(41)	(22)
Proceeds from long-term borrowings	-	40,100
Repayments of long-term borrowings	(24)	(40,029)
Redemption of bonds	(24,936)	(6)
Repayments of lease liabilities	(10,403)	(10,072)
Purchase of treasury shares	(13)	(50,021)
Dividends paid to owners of the parent	(31,286)	(29,222)
Dividends paid to non-controlling interests	(943)	(1,206)
Other	1,147	63
Net cash flows from financing activities	(66,499)	(90,415)
Net increase (decrease) in cash and cash equivalents	(28,067)	(54,273)
Cash and cash equivalents at the beginning of the period	289,681	265,978
Effect of exchange rate changes on cash and cash equivalents	(2,850)	(1,819)
Cash and cash equivalents at the end of the period	258,764	209,886

Notes to Condensed Consolidated Financial Statements

1. Segment Information

(1) Summary of reportable segments

Major products by reportable segment are as follows:

Reportable Segments		Major Products	
Consumer Products Business	Cosmetics Business	Cosmetics	Counseling cosmetics, Self-selection cosmetics
	Skin Care and Hair Care Business	Skin care products	Soaps, Facial cleansers, Body cleansers
		Hair care products	Shampoos, Conditioners, Hair styling agents, Hair coloring agents, Men's products
	Human Health Care Business	Sanitary products	Sanitary napkins, Baby diapers
		Personal health products	Bath additives, Oral care products, Thermo products
		Beverage products	Beverages
	Fabric and Home Care Business	Fabric care products	Laundry detergents, Fabric treatments
		Home care products	Kitchen cleaning products, House cleaning products, Paper cleaning products, Commercial-use products
Chemical Business		Oleo chemicals	Fatty alcohols, Fatty amines, Fatty acids, Glycerin, Commercial-use edible fats and oils
		Performance chemicals	Surfactants, Plastics additives, Superplasticizers for concrete admixtures, Road additives
		Specialty chemicals	Toner and toner binder for copiers and printers, Ink and water-based pigment inkjet ink, Fragrances and aroma chemicals

(2) Sales and results of reportable segments

(Millions of yen)

Six months ended June 30, 2020	Reportable Segments								
	Consumer Products Business								
	Cosmetics Business	Skin Care and Hair Care Buiness[3]	Human Health Care Business	Fabric and Home Care Business	Subtotal	Chemical Business	Total	Reconciliations[1]	Consolidated
Net sales									
Sales to customers	109,863	151,101	118,341	171,746	551,051	116,107	667,158	-	667,158
Intersegment sales and transfers[2]	-	-	-	-	-	19,281	19,281	(19,281)	-
Total net sales	109,863	151,101	118,341	171,746	551,051	135,388	686,439	(19,281)	667,158
Operating income (loss)	(4,844)	24,200	8,162	33,257	60,775	14,379	75,154	(670)	74,484
% of net sales	(4.4)	16.0	6.9	19.4	11.0	10.6	-	-	11.2
Financial income									1,027
Financial expenses									(2,989)
Share of profit in investments accounted for using the equity method									1,208
Income before income taxes									73,730

Notes:
1. The operating income (loss) reconciliation of -670 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. The Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount.

(Millions of yen)

Six months ended June 30, 2019	Reportable Segments								
	Consumer Products Business								
	Cosmetics Business	Skin Care and Hair Care Buiness	Human Health Care Business	Fabric and Home Care Business	Subtotal	Chemical Business	Total	Reconciliations[1]	Consolidated
Net sales									
Sales to customers	140,038	168,626	124,905	162,344	595,913	125,486	721,399	-	721,399
Intersegment sales and transfers[2]	-	-	-	-	-	20,615	20,615	(20,615)	-
Total net sales	140,038	168,626	124,905	162,344	595,913	146,101	742,014	(20,615)	721,399
Operating income (loss)	14,685	22,909	7,298	25,305	70,197	16,023	86,220	166	86,386
% of net sales	10.5	13.6	5.8	15.6	11.8	11.0	-	-	12.0
Financial income									965
Financial expenses									(2,766)
Share of profit in investments accounted for using the equity method									930
Income before income taxes									85,515

Notes:
1. The operating income (loss) reconciliation of 166 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.

2. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(Millions of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2019
Advertising	36,051	39,271
Sales promotion	23,227	27,269
Employee benefits	74,069	75,018
Depreciation	9,209	10,756
Amortization	4,347	3,958
Research and development	28,885	30,055
Other	33,980	38,237
Total	209,768	224,564

Note regarding Assumption of Going Concern

None applicable.