

## Consolidated Financial Results for the Six Months Ended June 30, 2016 [IFRS]

July 28, 2016

Company name: Kao Corporation

Tokyo Stock Exchange in Japan

Stock code: 4452

(URL: [http://www.kao.com/jp/en/corp\\_ir/investors.html](http://www.kao.com/jp/en/corp_ir/investors.html))

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Scheduled starting date of the dividend payments: September 1, 2016

Supplementary documents of the financial results for the six-month period: Yes

Holding the first six months 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, 2016 (from January 1, 2016 to June 30, 2016)

#### (1) Consolidated operating results

	Six months ended		Six months ended	
	June 30, 2016	%	June 30, 2015	%
Net sales	699,529	0.4	696,592	-
Operating income	81,095	26.6	64,041	-
Income before income taxes	77,149	22.9	62,797	-
Net income	50,645	37.4	36,863	-
Net income, attributable to owners of the parent	50,004	35.6	36,876	-
Comprehensive income	7,455	(81.4)	40,070	-
Basic earnings per share (Yen)	99.69		73.57	
Diluted earnings per share (Yen)	99.58		73.46	

#### (2) Consolidated financial position

	June 30, 2016	December 31, 2015
Total assets	1,233,517	1,311,064
Total equity	677,925	691,987
Equity attributable to owners of the parent	668,637	680,996
Ratio of equity attributable to owners of the parent to total assets	54.2%	51.9%
Equity attributable to owners of the parent per share (Yen)	1,332.79	1,358.03

### 2. Dividends

	Year ending December 31, 2016 (Forecast)	Year ending December 31, 2016	Year ended December 31, 2015
Annual cash dividends per share (Yen)			
1st quarter end		-	-
2nd quarter end		46.00	38.00
3rd quarter end	-		-
Fiscal year end	46.00		42.00
Total	92.00		80.00

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

### 3. Forecast of consolidated operating results for the year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

(Percentages indicate year-on-year changes)

	Year ending	
	December 31, 2016	%
Net sales	1,480,000	0.4
Operating income	184,000	10.0
Income before income taxes	183,000	10.2
Net income, attributable to owners of the parent	120,000	14.1
Basic earnings per share (Yen)	239.20	-

Notes: 1) The figures for the fiscal year ended December 31, 2015 used in growth rate comparisons with the previous fiscal year are final figures that conform to International Financial Reporting Standards (IFRS).

2) Revisions to the consolidated operating results forecasts most recently announced: None

### 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: Yes

For details, please refer to "2. Items Related to Summary Information (Notes), (2) Changes in accounting principles and changes in accounting estimates"

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

	June 30, 2016	December 31, 2015
Number of issued shares including treasury shares	504,000,000 shares	504,000,000 shares
Number of treasury shares	2,318,993 shares	2,541,816 shares
	Six months ended June 30, 2016	Six months ended June 30, 2015
Weighted average number of shares outstanding during the period	501,603,748 shares	501,272,728 shares

### Notice regarding execution of quarterly review procedures

This quarterly financial results report is exempt from quarterly review based on the Financial Instruments and Exchange Law of Japan. At the time of disclosure of this report, quarterly review procedures for the quarterly financial statements are in progress.

### 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 "1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2016 - (3) 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.

#### Adoption of International Financial Reporting Standards (IFRS)

The Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending December 31, 2016. Presentation of figures in the consolidated financial statements for the period of the previous year also conforms to IFRS.

For differences between IFRS and Japanese GAAP in the financial statements, see information on first-time adoption of IFRS in the Investor Relations section of the Company's website.

# 1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2016

## (1) Description of Operating Results

The Kao Group has adopted International Financial Reporting Standards (IFRS) from the first quarter of 2016. In addition, financial figures for the same six-month period a year earlier and the previous fiscal year have been restated using IFRS for comparative analysis.

(Billions of yen, except per share amounts)			
Six months ended June 30	2016	2015	Growth
Net sales	699.5	696.6	0.4%
Operating income	81.1	64.0	26.6%
Income before income taxes	77.1	62.8	22.9%
Net income	50.6	36.9	37.4%
Net income, attributable to owners of the parent	50.0	36.9	35.6%
Basic earnings per share (Yen)	99.69	73.57	35.5%

During the six months ended June 30, 2016, the global economy recovered moderately, although weakness was apparent in some emerging countries in Asia. The Japanese economy continued on a moderate recovery track, although weakness has also become apparent recently. Moreover, the yen appreciated substantially in foreign exchange markets. The household and personal care products market in Japan, a key market for the Kao Group, grew by 3% on a value basis and consumer purchase prices remained flat compared with the same period a year earlier. The cosmetics market in Japan grew by 1%, excluding inbound demand (demand from visitors to Japan).

Under these circumstances, the Kao Group worked to launch and nurture products with high added value in response to changes in consumer needs based on its concept of "Yoki-Monozukuri,"\* which emphasizes research and development geared to customers and consumers. The Kao Group also conducted cost reduction activities and other measures.

\* The Kao Group defines Yoki-Monozukuri as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, Yoki literally means "good/excellent," and Monozukuri means "development/manufacturing of products."

Net sales increased 0.4% compared with the same period a year earlier to 699.5 billion yen. Excluding the effect of currency translation, net sales would have increased 4.1%. In the Consumer Products Business, sales increased in Japan due to factors including market growth, launches of new and improved products, and further enhancement of sales promotion activities. Outside Japan, sales grew in Asia. In the Chemical Business, although the Kao Group worked to adjust selling prices in response to rising costs for natural fats and oils, sales were flat excluding the effect of currency translation with the impact of a decline in demand in some customer industries.

As for profits, due to the effect of increased sales in the Consumer Products Business in Japan and Asia, a decrease in the cost of petrochemical raw materials and other factors, operating income was 81.1 billion yen, an increase of 17.1 billion yen compared with the same period a year earlier, and income before income taxes was 77.1 billion yen, an increase of 14.4 billion yen compared with the same period a year earlier. Net income was 50.6 billion yen, an increase of 13.8 billion yen compared with the same period a year earlier.

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

	First quarter Jan. – Mar.		Second quarter Apr. – Jun.	
Yen/U.S. dollar	115.31	(119.15)	108.05	(121.33)
Yen/Euro	127.15	(134.43)	122.05	(134.14)
Yen/Chinese yuan	17.63	(19.11)	16.55	(19.56)

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

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## Summary of Segment Information

### Consolidated Results by Segment

Six months ended June 30	(Billions of yen)							
	Net sales				Operating income			
	2016	2015	Growth % Like-for-like*		2016	2015	Change	% of net sales
Beauty Care	<b>292.7</b>	288.0	1.6	4.8	<b>20.8</b>	10.9	9.8	7.1
Human Health Care	<b>132.9</b>	133.4	(0.3)	3.6	<b>13.6</b>	13.4	0.2	10.2
Fabric and Home Care	<b>155.8</b>	149.6	4.2	6.2	<b>31.5</b>	24.5	7.1	20.2
Total Consumer Products	<b>581.4</b>	570.9	1.8	4.9	<b>65.9</b>	48.8	17.1	11.3
Chemical	<b>135.5</b>	143.8	(5.8)	0.0	<b>14.8</b>	15.0	(0.2)	10.9
Total	<b>717.0</b>	714.7	0.3	3.9	<b>80.7</b>	63.8	16.9	11.3
Reconciliations	<b>(17.4)</b>	(18.2)	-	-	<b>0.4</b>	0.3	0.1	-
Consolidated	<b>699.5</b>	696.6	0.4	4.1	<b>81.1</b>	64.0	17.1	11.6

Note:

\* Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.

### Consolidated Net Sales Composition

Six months ended June 30	(Billions of yen)				
	Net sales				
	2016	2015	Growth % Like-for-like*		
Beauty Care	<b>202.5</b>	191.8	5.6	5.6	
Human Health Care	<b>103.6</b>	104.3	(0.6)	(0.6)	
Fabric and Home Care	<b>133.8</b>	126.1	6.1	6.1	
Total Japan	<b>439.9</b>	422.2	4.2	4.2	
Asia	<b>92.9</b>	90.5	2.6	15.8	
Americas	<b>41.2</b>	45.0	(8.5)	(0.8)	
Europe	<b>39.1</b>	42.0	(6.9)	1.2	
Eliminations	<b>(31.6)</b>	(28.8)	-	-	
Total Consumer Products	<b>581.4</b>	570.9	1.8	4.9	
Japan	<b>60.8</b>	63.0	(3.5)	(3.5)	
Asia	<b>49.2</b>	54.4	(9.5)	1.8	
Americas	<b>22.3</b>	24.7	(9.8)	2.0	
Europe	<b>30.4</b>	33.1	(8.1)	(0.9)	
Eliminations	<b>(27.2)</b>	(31.4)	-	-	
Total Chemical	<b>135.5</b>	143.8	(5.8)	0.0	
Total	<b>717.0</b>	714.7	0.3	3.9	
Reconciliations	<b>(17.4)</b>	(18.2)	-	-	
Consolidated	<b>699.5</b>	696.6	0.4	4.1	

Note:

\* Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.

**Reference: Consolidated Results by Geographic Area<sup>1</sup>**

Six months ended June 30	(Billions of yen)							
	Net sales				Operating income			
	2016	2015	Growth %		2016	2015	Change	% of net sales
				Like-for-like <sup>2</sup>				
Japan	<b>485.5</b>	469.9	3.3	3.3	<b>59.2</b>	44.4	14.8	12.2
Asia	<b>140.6</b>	143.0	(1.7)	10.9	<b>12.8</b>	11.1	1.7	9.1
Americas	<b>63.4</b>	69.6	(8.9)	0.2	<b>2.6</b>	3.2	(0.7)	4.0
Europe	<b>69.4</b>	75.0	(7.4)	0.3	<b>5.1</b>	5.8	(0.7)	7.3
Total	<b>758.9</b>	757.5	0.2	4.2	<b>79.7</b>	64.5	15.1	10.5
Reconciliations	<b>(59.4)</b>	(60.9)	-	-	<b>1.4</b>	(0.5)	1.9	-
Consolidated	<b>699.5</b>	696.6	0.4	4.1	<b>81.1</b>	64.0	17.1	11.6

**Notes:**

1. Information on consolidated results by geographic area is for reference.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.

Net sales to foreign customers were 35.4% of net sales compared with 36.9% for the same period a year earlier.

**Consumer Products Business**

Sales increased 1.8% compared with the same period a year earlier to 581.4 billion yen. Excluding the effect of currency translation, sales would have increased 4.9%.

In Japan, sales increased 4.2% to 439.9 billion yen. The Kao Group made efforts that included working to respond to changing consumer lifestyles, and social issues such as the environment, health, the aging society and hygiene, launching numerous high-value-added products and enhancing proposal-oriented sales activities.

In Asia, sales increased 2.6% to 92.9 billion yen. Excluding the effect of currency translation, sales would have increased 15.8%. Growth continued as the Kao Group worked in areas such as launching and nurturing products targeting the middle-class consumer segment, collaborating with retailers, utilizing wholesale channels and expanding sales regions.

In the Americas, sales decreased 8.5% to 41.2 billion yen. Excluding the effect of currency translation, sales would have decreased 0.8%. Although sales of skin care products and professional hair care products grew, sales of hair care products decreased compared with the same period a year earlier.

In Europe, sales decreased 6.9% to 39.1 billion yen. Excluding the effect of currency translation, sales would have increased 1.2%. Sales of professional hair care products grew.

Operating income increased 17.1 billion yen compared with the same period a year earlier to 65.9 billion yen due to factors including the effect of increased sales in the Beauty Care Business and the Fabric and Home

Care Business in Japan, as well as in the Consumer Products Business in Asia, and a decrease in the cost of raw materials.

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

### **Beauty Care Business**

Sales increased 1.6% compared with the same period a year earlier to 292.7 billion yen. Excluding the effect of currency translation, sales would have increased 4.8%.

Sales of cosmetics increased 3.7% compared with the same period a year earlier to 119.0 billion yen. Excluding the effect of currency translation, sales would have increased 5.6%. In Japan, sales increased due to factors including good performance by new products launched in the previous year and enhanced in-store sales promotion activities. In counseling cosmetics, the *ALBLANC* skin brightening brand and the *RMK* brand performed strongly, and in self-selection cosmetics, sales of *KATE TOKYO* and *media* makeup grew. Sales increased outside Japan, due in part to strong performance in China and Taiwan.

Sales of skin care products increased compared with the same period a year earlier. In Japan, sales increased due to growth in sales of *Bioré* facial cleanser and UV care as well as *Curél* derma care products. Sales also grew in Asia and in the Americas as *Bioré* sold strongly.

Sales of hair care products decreased slightly compared with the same period a year earlier. In Japan, sales increased with the steady performance of shampoos and conditioners, for which the Kao Group launched new easy-to-use, environmentally conscious refill products. Sales were flat in Asia with the impact of intensifying competition and decreased in the Americas. In Europe, sales increased, with solid sales of professional hair care products.

Operating income increased 9.8 billion yen compared with the same period a year earlier to 20.8 billion yen, due to the effect of increased sales in Japan and Asia, the completion of amortization of trademarks and other factors.

### **Human Health Care Business**

Sales decreased 0.3% compared with the same period a year earlier to 132.9 billion yen. Excluding the effect of currency translation, sales would have increased 3.6%.

For food and beverage products, signs of recovery became apparent for the *Healthya* brand of functional drinks that promote body fat utilization as the Kao Group strengthened its promotion of the function of highly concentrated tea catechins.

Sales of sanitary products increased compared with the same period a year earlier. Sales of the *Laurier* brand of sanitary napkins grew steadily. In Japan, high-value-added products such as *Laurier F*, which wicks

moisture away to be gentle on the skin, and *Laurier Slim Guard*, which offers both high absorbency and comfort, gained consumer support. In Asia, *Laurier* sales increased, with strong performance by high-value-added products. Sales of *Merries* baby diapers grew steadily. In Japan, the Kao Group is resolving shortages in stores by taking measures including continuing increases in production. In China, sales of imports from Japan grew substantially, continuing from last year. In Indonesia, locally produced products targeting the middle-class consumer segment sold strongly.

Sales of personal health products increased compared with the same period a year earlier. Sales of oral care products increased compared with the same period a year earlier, with good performance by *Pure Oral* toothpaste, which was improved in the previous year. Sales of bath additives increased compared with the same period a year earlier. Sales of *MegRhythm* steam thermo sheets were impacted by a decline in inbound demand.

Operating income increased 0.2 billion yen compared with the same period a year earlier to 13.6 billion yen, mainly due to the effect of increased sales in Asia.

### ***Fabric and Home Care Business***

Sales increased 4.2% compared with the same period a year earlier to 155.8 billion yen. Excluding the effect of currency translation, sales would have increased 6.2%.

Sales of fabric care products increased compared with the same period a year earlier. In Japan's fiercely competitive market environment, both sales and market share increased from responding to the larger-sized products category and the contribution of new and improved products. Sales of laundry detergents increased, centered on two antibacterial-type products: improved *Attack Neo Antibacterial EX W Power* ultra-concentrated liquid laundry detergent and *Attack Antibacterial EX Super Clear Gel*, which was launched last year. For fabric softeners, as the market for high-value added products expanded, the Kao Group launched *Flair Fragrance IROKA*, and *Humming Fine*, which has a strong deodorizing effect, sold strongly. Sales also increased in Asia compared with the same period a year earlier. In particular, sales were strong for *Attack Jaz1*, a powder detergent for hand washing targeting the middle-class consumer segment in Indonesia.

Sales of home care products increased compared with the same period a year earlier. In Japan, *CuCute* dishwashing detergent sold steadily. Sales of *Magiclean* household cleaners for the bath, toilet, kitchen and other areas grew with value-added offerings such as deodorizing, disinfecting and stainproofing. In addition, sales of improved *Resesh* clothing, fabric and air refresher were firm.

Operating income increased 7.1 billion yen compared with the same period a year earlier to 31.5 billion yen due to factors including the effect of increased sales and a decrease in the cost of raw materials.



**Chemical Business**

Sales decreased 5.8% compared with the same period a year earlier to 135.5 billion yen. Excluding the effect of currency translation, sales would have been flat.

In Japan, sales were impacted by a trend toward a decrease in demand in some customer industries. Outside Japan, although there were negative effects from currency fluctuation and a decrease in demand among customer industries, the Kao Group worked to expand sales amid these conditions. Sales of oleo chemicals continued to increase as the Kao Group worked to adjust selling prices in line with the uptrend in raw material prices of natural fats and oils. In performance chemicals, the Kao Group worked to develop and expand sales of high-value-added products with a reduced environmental footprint, but was impacted by worsening conditions in the construction materials and other markets. Sales of specialty chemicals decreased compared with the same period a year earlier due to ongoing sluggish demand and structural changes in the personal computer market.

Operating income decreased 0.2 billion yen compared with the same period a year earlier to 14.8 billion yen.

In June 2016, the Kao Group announced acquisitions in the United States and Europe to accelerate the development of its water-based pigment inkjet ink, which contributes to reducing environmental footprint, and the global rollout of the business.

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## (2) Description of Financial Condition

### Summary of Consolidated Financial Position

	(Billions of yen, except per share amounts)		
	June 30, 2016	December 31, 2015	Incr./(Dcr.)
Total assets	1,233.5	1,311.1	(77.5)
Total liabilities	555.6	619.1	(63.5)
Total equity	677.9	692.0	(14.1)
Ratio of equity attributable to owners of the parent to total assets	54.2%	51.9%	-
Equity attributable to owners of the parent per share (Yen)	1,332.79	1,358.03	(25.24)
Bonds and borrowings	120.5	120.5	(0.1)

### Summary of Consolidated Cash Flows

	(Billions of yen)		
Six months ended June 30	2016	2015	Incr./(Dcr.)
Net cash flows from operating activities	51.0	55.1	(4.1)
Net cash flows from investing activities	(40.1)	(31.9)	(8.2)
Free cash flow*	10.9	23.2	(12.3)
Net cash flows from financing activities	(22.1)	0.0	(22.1)

\*Free cash flow is the sum of net cash flows from operating activities and net cash flows from investing activities.

Total assets decreased 77.5 billion yen from December 31, 2015 to 1,233.5 billion yen. The principal increase in assets was a 2.2 billion yen increase in inventories. The principal decreases in assets were a 23.3 billion yen decrease in cash and cash equivalents and a 42.8 billion yen decrease in trade and other receivables.

Total liabilities decreased 63.5 billion yen from December 31, 2015 to 555.6 billion yen. The principal decreases in liabilities were a 16.2 billion yen decrease in trade and other payables, a 7.7 billion yen decrease in income tax payables, an 8.5 billion yen decrease in provisions and a 24.2 billion yen decrease in other current liabilities.

Total equity decreased 14.1 billion yen from December 31, 2015 to 677.9 billion yen. The principal increase in equity was net income totaling 50.6 billion yen. The principal decreases in equity were exchange differences on translation of foreign operations of 39.5 billion yen and dividends totaling 22.0 billion yen.

As a result of the above factors, the ratio of equity attributable to owners of the parent to total assets was 54.2% compared with 51.9% at December 31, 2015.

Net cash flows from operating activities totaled 51.0 billion yen. The principal increases in net cash were income before income taxes of 77.1 billion yen, depreciation and amortization of 25.9 billion yen and decrease in trade and other receivables of 26.0 billion yen. The principal decreases in net cash were increase

in inventories of 13.4 billion yen, decrease in trade and other payables of 5.3 billion yen, other, which includes accrued expenses, of 25.4 billion yen and income taxes paid of 34.0 billion yen.

Net cash flows from investing activities totaled negative 40.1 billion yen. This primarily consisted of purchase of property, plant and equipment of 36.1 billion yen.

Free cash flow, the sum of net cash flows from operating activities and net cash flows from investing activities, was 10.9 billion yen.

Net cash flows from financing activities totaled negative 22.1 billion yen. This primarily consisted of 22.0 billion yen for dividends paid to owners of the parent and non-controlling interests.

The balance of cash and cash equivalents at June 30, 2016 decreased 23.3 billion yen compared with December 31, 2015 to 286.6 billion yen.

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### **(3) Description of Information on Outlook, Including Forecasts of Consolidated Operating Results**

A continuing moderate recovery of the global economy is expected, although the outlook for the impact from the United Kingdom's decision to leave the European Union is unclear and there are concerns about the risk of a downturn due to factors including the impact of moves to normalize monetary policy in the United States, the economic outlook for China and other emerging nations, and the effects of crude oil and other prices and the rapid appreciation of the yen. In Japan, the economy is expected to recover moderately, underpinned by the effects of economic measures, but there is a possibility of impact from an economic downturn overseas. Moreover, the outlook for the operating environment remains unclear, including market conditions for raw materials and trends in exchange rates.

Amid these circumstances, the Kao Group will promote "*Yoki-Monozukuri*," which emphasizes research and development geared to customers and consumers, and aim for sustained "profitable growth" through the development of high-value-added products. In addition, the Kao Group aims to become a company with a global presence as it also works for "contributions to the sustainability of the world" by offering proposals to resolve social issues and conducting social contribution activities through its business activities.

With regard to operating structure, through the global management integration of the Consumer Products Business, the Kao Group is strengthening its matrix management of business units and functional divisions, and promoting reformation of its profit structure from a perspective of what is best for the Group as a whole. In the Chemical Business, the Kao Group's efforts will include developing high-value-added products that are not affected by fluctuations in the cost of raw materials and enhancing its eco-chemicals with a reduced environmental footprint.

Fiscal 2016 has been positioned as a year of preparation for continuing growth toward the next mid-term plan. Through these activities, the Kao Group intends to achieve its operating results forecast.

Please note that the forecast of consolidated operating results for the fiscal year is unchanged from "Notice of Revision of Operating Results Forecast" announced on July 26, 2016.

The main exchange rates used in the forecast of consolidated operating results are 108 yen per U.S. dollar, 120 yen per euro and 16 yen per Chinese yuan.

## **2. Items Related to Summary Information (Notes)**

**(1) Changes in material subsidiaries during this quarterly period:** None

**(2) Changes in accounting principles and changes in accounting estimates:**

Change in useful lives of property, plant and equipment

In conducting proactive capital investment, mainly in machinery and equipment, the Kao Group recognizes that the comparability of manufacturing costs for consideration on a global level of optimization of production bases is one of the issues it must address from a management perspective.

Consequently, the Kao Group globally unified its fixed asset systems in January 2016. The Kao Group decided to take advantage of this change to make the useful lives of machinery and equipment consistent (generally 9 or 10 years depending on the type of equipment) from the first quarter of 2016 to better reflect the actual use of machinery and equipment in global production. The effect of this change in accounting estimates on the consolidated financial statements is immaterial.

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# Condensed Consolidated Statement of Financial Position

(Millions of yen)

	June 30, 2016	December 31, 2015	Transition date January 1, 2015
Assets			
Current assets			
Cash and cash equivalents	286,646	309,922	228,967
Trade and other receivables	167,957	210,707	212,742
Inventories	153,456	151,271	151,876
Current income tax assets	1,973	2,077	1,261
Other financial assets	7,752	5,065	4,034
Other current assets	35,652	38,005	47,299
Subtotal	653,436	717,047	646,179
Non-current assets held for sale	1,272	1,330	-
Total current assets	654,708	718,377	646,179
Non-current assets			
Property, plant and equipment	336,537	337,997	319,282
Goodwill	134,555	138,251	138,751
Intangible assets	13,652	15,705	23,626
Investments accounted for using the equity method	3,457	4,209	3,544
Other financial assets	26,263	29,339	26,088
Other non-current assets	15,238	17,732	7,966
Deferred tax assets	49,107	49,454	61,194
Total non-current assets	578,809	592,687	580,451
Total assets	1,233,517	1,311,064	1,226,630

# Condensed Consolidated Statement of Financial Position

(Millions of yen)

	June 30, 2016	December 31, 2015	Transition date January 1, 2015
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	190,569	206,760	193,460
Bonds and borrowings	10,289	339	21,422
Income tax payables	24,449	32,184	28,283
Other financial liabilities	5,357	6,929	5,765
Provisions	8,178	16,772	33,360
Other current liabilities	101,197	125,422	123,916
Total current liabilities	340,039	388,406	406,206
Non-current liabilities			
Bonds and borrowings	110,178	120,207	80,188
Retirement benefit liabilities	71,660	75,706	77,895
Other financial liabilities	11,035	11,817	12,813
Provisions	17,770	17,704	5,296
Other non-current liabilities	4,597	4,919	5,411
Deferred tax liabilities	313	318	433
Total non-current liabilities	215,553	230,671	182,036
Total liabilities	555,592	619,077	588,242
Equity			
Share capital	85,424	85,424	85,424
Capital surplus	108,659	108,659	109,561
Treasury shares	(7,305)	(8,202)	(9,719)
Other components of equity	(45,700)	(4,184)	7,601
Retained earnings	527,559	499,299	431,975
Equity attributable to owners of the parent	668,637	680,996	624,842
Non-controlling interests	9,288	10,991	13,546
Total equity	677,925	691,987	638,388
Total liabilities and equity	1,233,517	1,311,064	1,226,630

# Condensed Consolidated Statement of Income

(Millions of yen)

	Notes	Six months ended June 30, 2016	Six months ended June 30, 2015
Net sales	1	699,529	696,592
Cost of sales		(308,634)	(319,742)
Gross profit		390,895	376,850
Selling, general and administrative expenses	2	(310,387)	(312,456)
Other operating income		6,701	7,051
Other operating expenses		(6,114)	(7,404)
Operating income	1	81,095	64,041
Financial income		753	727
Financial expenses		(5,617)	(2,706)
Share of profit in investments accounted for using the equity method		918	735
Income before income taxes		77,149	62,797
Income taxes		(26,504)	(25,934)
Net income		50,645	36,863
Attributable to:			
Owners of the parent		50,004	36,876
Non-controlling interests		641	(13)
Net income		50,645	36,863
Earnings per share			
Basic (Yen)		99.69	73.57
Diluted (Yen)		99.58	73.46



# Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income	50,645	36,863
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	(1,730)	1,875
Remeasurements of defined benefit plans	(468)	243
Share of other comprehensive income of investments accounted for using the equity method	(289)	164
Total of items that will not be reclassified to profit or loss	(2,487)	2,282
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(40,658)	913
Net gain (loss) on derivatives designated as cash flow hedges	-	12
Share of other comprehensive income of investments accounted for using the equity method	(45)	(0)
Total of items that may be reclassified subsequently to profit or loss	(40,703)	925
Other comprehensive income, net of taxes	(43,190)	3,207
Comprehensive income	7,455	40,070
Attributable to:		
Owners of the parent	8,024	40,497
Non-controlling interests	(569)	(427)
Comprehensive income	7,455	40,070

# Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Other components of equity								Retained earnings	Total			
	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 comprehensive income	Remeasurements of defined benefit plans			Total		
January 1, 2016	85,424	108,659	(8,202)	902	(13,513)	(3)	8,430	-	(4,184)	499,299	680,996	10,991	691,987
Net income	-	-	-	-	-	-	-	-	-	50,004	50,004	641	50,645
Other comprehensive income	-	-	-	-	(39,474)	(15)	(2,019)	(472)	(41,980)	-	(41,980)	(1,210)	(43,190)
Comprehensive income	-	-	-	-	(39,474)	(15)	(2,019)	(472)	(41,980)	50,004	8,024	(569)	7,455
Disposal of treasury shares	-	-	906	(122)	-	-	-	-	(122)	(324)	460	-	460
Purchase of treasury shares	-	-	(9)	-	-	-	-	-	-	-	(9)	-	(9)
Share-based payment transactions	-	-	-	227	-	-	-	-	227	-	227	-	227
Dividends	-	-	-	-	-	-	-	-	-	(21,061)	(21,061)	(955)	(22,016)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(113)	472	359	(359)	-	-	-
Other increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	(179)	(179)
Total transactions with the owners	-	-	897	105	-	-	(113)	472	464	(21,744)	(20,383)	(1,134)	(21,517)
June 30, 2016	85,424	108,659	(7,305)	1,007	(52,987)	(18)	6,298	-	(45,700)	527,559	668,637	9,288	677,925
January 1, 2015	85,424	109,561	(9,719)	980	-	(4)	6,625	-	7,601	431,975	624,842	13,546	638,388
Net income	-	-	-	-	-	-	-	-	-	36,876	36,876	(13)	36,863
Other comprehensive income	-	-	-	-	1,331	8	2,040	242	3,621	-	3,621	(414)	3,207
Comprehensive income	-	-	-	-	1,331	8	2,040	242	3,621	36,876	40,497	(427)	40,070
Disposal of treasury shares	-	-	1,227	(167)	-	-	-	-	(167)	(264)	796	-	796
Purchase of treasury shares	-	-	(31)	-	-	-	-	-	-	-	(31)	-	(31)
Share-based payment transactions	-	-	-	225	-	-	-	-	225	-	225	-	225
Dividends	-	-	-	-	-	-	-	-	-	(18,039)	(18,039)	(1,248)	(19,287)
Changes in the ownership interest in a subsidiary	-	(902)	-	-	-	-	-	-	-	-	(902)	(334)	(1,236)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(17)	(242)	(259)	259	-	-	-
Other increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	(103)	(103)
Total transactions with the owners	-	(902)	1,196	58	-	-	(17)	(242)	(201)	(18,044)	(17,951)	(1,685)	(19,636)
June 30, 2015	85,424	108,659	(8,523)	1,038	1,331	4	8,648	-	11,021	450,807	647,388	11,434	658,822

# Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash flows from operating activities		
Income before income taxes	77,149	62,797
Depreciation and amortization	25,856	27,612
Interest and dividend income	(654)	(613)
Interest expense	796	741
Share of profit in investments accounted for using the equity method	(918)	(735)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	1,525	1,800
(Increase) decrease in trade and other receivables	25,985	32,112
(Increase) decrease in inventories	(13,419)	(4,115)
Increase (decrease) in trade and other payables	(5,347)	(8,672)
Increase (decrease) in retirement benefit liabilities	(1,712)	(1,665)
Other	(25,403)	(22,624)
Subtotal	83,858	86,638
Interest received	521	463
Dividends received	1,376	1,221
Interest paid	(771)	(798)
Income taxes paid	(33,968)	(32,407)
Net cash flows from operating activities	51,016	55,117
Cash flows from investing activities		
Payments into time deposits	(5,044)	(10)
Proceeds from withdrawal of time deposits	1,934	336
Purchase of property, plant and equipment	(36,123)	(31,457)
Purchase of intangible assets	(1,567)	(1,952)
Other	655	1,156
Net cash flows from investing activities	(40,145)	(31,927)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(43)	261
Proceeds from long-term borrowings	0	40,000
Repayments of long-term borrowings	(34)	(20,029)
Dividends paid to owners of the parent	(21,087)	(18,044)
Dividends paid to non-controlling interests	(955)	(1,217)
Other	(15)	(968)
Net cash flows from financing activities	(22,134)	3
Net increase (decrease) in cash and cash equivalents	(11,263)	23,193
Cash and cash equivalents at the beginning of the period	309,922	228,967
Effect of exchange rate changes on cash and cash equivalents	(12,013)	(713)
Cash and cash equivalents at the end of the period	286,646	251,447

## Notes to 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	Beauty Care Business	Cosmetics	Counseling cosmetics, Self-selection cosmetics
		Skin care products	Soaps, Facial cleansers, Body cleansers
		Hair care products	Shampoos, Conditioners, Hair styling agents, Hair coloring agents
	Human Health Care Business	Food and beverage products	Beverages
		Sanitary products	Sanitary napkins, Baby diapers
		Personal health products	Bath additives, Oral care products, Men's products
	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
		Specialty chemicals	Toner and toner binder for copiers and printers, Ink and colorants for inkjet printers, Fragrances and aroma chemicals

## (2) Sales and results of reportable segments

Six months ended June 30, 2016	Reportable Segments							(Millions of yen)
	Consumer Products Business				Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Subtotal				
Net sales								
Sales to customers	292,694	132,912	155,830	581,436	118,093	699,529	-	699,529
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	17,425	17,425	(17,425)	-
Total net sales	292,694	132,912	155,830	581,436	135,518	716,954	(17,425)	699,529
Operating income (loss)	20,785	13,594	31,543	65,922	14,765	80,687	408	81,095
% of net sales	7.1	10.2	20.2	11.3	10.9	11.3	-	11.6
Financial income								753
Financial expenses								(5,617)
Share of profit in investments accounted for using the equity method								918
Income before income taxes								77,149

## Notes:

1. The operating income reconciliation of 408 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.

Six months ended June 30, 2015	Reportable Segments							
	Consumer Products Business				Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Subtotal				
Net sales								
Sales to customers	288,001	133,360	149,576	570,937	125,655	696,592	-	696,592
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	18,153	18,153	(18,153)	-
Total net sales	288,001	133,360	149,576	570,937	143,808	714,745	(18,153)	696,592
Operating income (loss)	10,943	13,413	24,450	48,806	14,951	63,757	284	64,041
% of net sales	3.8	10.1	16.3	8.5	10.4	8.9	-	9.2
Financial income								727
Financial expenses								(2,706)
Share of profit in investments accounted for using the equity method								735
Income before income taxes								62,797

## Notes:

1. The operating income reconciliation of 284 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, 2016	Six months ended June 30, 2015
Freight/warehouse	28,449	28,930
Advertising	47,151	48,482
Sales promotion	38,372	37,579
Employee benefits	95,512	95,453
Depreciation	5,565	5,686
Amortization	3,456	6,973
Research and development	26,727	26,297
Other	65,155	63,056
Total	310,387	312,456