Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2019 (January 1, 2019 through June 30, 2019); Flash Report [IFRS]

August 8, 2019

Listed Company Name: **Unicharm Corporation**
Listing: **First Section, Tokyo Stock Exchange**
Code Number: **8113**
URL: **http://www.unicharm.co.jp/**
Company Representative: **Takahisa Takahara, Representative Director, President and Chief Executive Officer**
Contact Person: **Hirotatsu Shimada, Executive Officer, General Manager of Accounting Control and Finance Division**
Telephone Number: **+81-3-3451-5111**
Scheduled Date to Submit Quarterly Securities Report: **August 13, 2019**
Scheduled Date to Commence Dividend Payments: **September 2, 2019**
Preparation of Supplementary Material on Quarterly Financial Results: **Yes**
Holding of Quarterly Financial Results Presentation Meeting: **Yes (Securities Analysts, Institutional Investors)**

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2019 (January 1, 2019 through June 30, 2019)

(1) Consolidated financial results (Q2 cumulative)

(Figures in percentage represent increases or decreases from the same period last year)

	Net Sales		Core Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of Parent		Total Comprehensive Income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Q2 of Fiscal Year Ending December 31, 2019	342,498	5.2	39,220	(17.0)	39,002	(14.1)	29,077	(11.8)	25,298	(15.7)	24,970	32.8
Q2 of Fiscal Year Ended December 31, 2018	325,685	7.8	47,269	21.4	45,418	18.2	32,956	19.3	30,001	19.1	18,810	(28.5)

(Note) Core operating income is calculated by deducting selling, general and administrative expenses from gross profit.

	Basic Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
Q2 of Fiscal Year Ending December 31, 2019	42.51	42.19
Q2 of Fiscal Year Ended December 31, 2018	51.10	49.59

(2) Consolidated financial position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of June 30, 2019	805,371	507,998	445,054	55.3
As of December 31, 2018	795,483	503,670	441,456	55.5

2. Cash Dividends

	Annual Dividends				
	1st Q-End	2nd Q-End	3rd Q-End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended December 31, 2018	–	12.00	–	12.00	24.00
Fiscal Year Ending December 31, 2019	–	14.00			
Fiscal Year Ending December 31, 2019 (forecast)			–	14.00	28.00

(Note) Changes in dividend forecasts recently disclosed: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 through December 31, 2019)

(Figures in percentage represent increases or decreases from the previous fiscal year)

	Net Sales		Core Operating Income		Profit Before Tax		Profit Attributable to Owners of Parent		Basic Earnings Per Share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full Year	730,000	6.1	100,000	5.1	96,500	5.4	63,500	3.5	106.92

(Note) Changes in results forecasts recently disclosed: None

*** Notes**

(1) Changes in major subsidiaries during the period (or any change of specified subsidiaries accompanying a change in the scope of consolidation): None

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies required by IFRS: Yes
(ii) Changes in accounting policies other than item (i) above: None
(iii) Changes in accounting estimates: None

(Note) For the details, please refer to "2. Condensed Consolidated Financial Statements and Significant Notes Thereto, (4) Notes to the condensed consolidated financial statements, 2. Significant accounting policies" section on page 11.

(3) Number of issued and outstanding shares (common shares)

(i) Number of issued and outstanding shares as of end of period (including treasury shares):

As of June 30, 2019:	620,834,319 shares
As of December 31, 2018:	620,834,319 shares

(ii) Number of treasury shares as of end of period:

As of June 30, 2019:	26,908,741 shares
As of December 31, 2018:	24,151,251 shares

(iii) Average number of shares during the period (accumulated total):

Q2 of Fiscal Year Ending December 31, 2019:	595,114,432 shares
Q2 of Fiscal Year Ended December 31, 2018:	587,077,176 shares

* The quarterly financial results report is exempt from quarterly review by certified public accountants or an auditing firm.

* Explanation regarding proper use of the forecasts of financial results and other notes

(1) While the core operating income disclosed by the Company is not an indicator defined in IFRS, the Company voluntarily discloses this as it is believed to be a valuable benchmark for measuring the Group's recurring business performance.

(2) Forecasts stated herein are based on the currently available information and the Company's assumptions that were judged to be valid as of the announcement date hereof, and are not intended to be a promise by the Company to achieve these forecasts. Therefore, actual results may differ for various factors. Please refer to "1. Qualitative Information on Financial Results, (3) Explanation of future estimate information such as forecast of consolidated financial results" section on page 5 for more information concerning the assumptions used for forecasts of financial results and other notes on proper use.

Contents of Exhibit

1. Qualitative Information on Financial Results

(1) Explanation of operating results

In the second quarter of the fiscal year under review (January 1 to June 30, 2019), the operating environment of the Group was affected by aggravated concerns over the global economic slowdown due to the increasingly severe US-China trade conflict, etc. For overseas, despite growing uncertainties over the outlook for the Chinese economy, the economies in such countries as Indonesia, Thailand and India remained in a moderate recovery trend. The Group proactively carried out sales activities for personal care products tailored to consumer needs and achieved sustainable growth.

In Japan, despite weakness in part of the economy, personal spending has been recovering, and there were signs of bottoming out in cross-border e-commerce and inbound tourist consumption. Therefore, the Group continued to make proposals offering new value to stimulate demand for high value-added personal care products and worked to expand its markets.

In these environments and under the banner "we constantly provide the world's No. 1 and unprecedented products and services to everybody around the globe, and deliver comfort, impression, and satisfaction," the Company and its group companies continued to develop unique non-woven fabric processing and forming technology, and products that meet the needs of consumers while working to create a "Cohesive Society" in which people from all generations can live while not feeling burdened by one another and with mutual respect for each other as people.

As a result, the Company's net sales, core operating income, profit before tax, profit for the period, and profit attributable to owners of parent in the second quarter of the fiscal year under review reached ¥342,498 million (up 5.2% year on year), ¥39,220 million (down 17.0% year on year), ¥39,002 million (down 14.1% year on year), ¥29,077 million (down 11.8% year on year), and ¥25,298 million (down 15.7% year on year), respectively.

Financial results by segment are as described below.

1) Personal Care Business

● Baby Care Business
Overseas, the Company continued to strengthen its internet sales, and worked to build name recognition for corporate brands and the *moony* series in China, where demand for high value-added imports from Japan that meet the needs for safety and security is high, as well as to promote pants-type disposable diapers. The Company also launched new Chinese-made *moony* series with better ventilation, in order to better meet diverse consumer needs in the Chinese market. Having acquired the shares of DSG (Cayman) Limited, which owns the *BabyLove, Fitti* and *PetPet* brands, the Company continued to pursue synergies to drive dramatic growth in the Southeast Asia region. In India, where the use of disposable diapers is still low even among emerging countries, the Company expanded its sales area and market share while promoting pants-type disposable diapers. In Vietnam, the Company endeavored to expand its market share of the *Bobby* brand by extending the distribution in local areas.

In Japan, the Company launched an improved version of the *Natural moony* series (the first disposable diaper in Japan*[1] to use organic cotton for the top sheet), which adds three kinds of additive-free*[2] vegetable oil and in which the sign indicating that the baby has urinated consists of a design of three lines to allow early detection and enhance assurance. The Company also released the world's smallest*[3] disposable diaper *moony flat type* for hospitals and maternity clinics nationwide, which was developed jointly with nurses for babies born weighing less than 1,000 g as a result of Unicharm's efforts to allow a snug fit on every baby born. Improvements have been made to the *moony Air Fit* series of diapers, which fit comfortably on the baby's skin while preventing leakage, by using an "origami technology" in their design so that the diaper can be made to fit closely simply by pulling it up, without need to be adjusted. In addition, a limited edition of *moony man Sweat Free* was launched that uses a sweat-absorbing sheet for times when sweating causes skin rashes to occur more frequently. In the *Mamy Poko* series, which has a charming Disney character design and superior absorbency, the Company worked to give parents more enjoyment as they raise their babies by launching limited products such as *Mamy Poko Special Pants*, which have a chic color design that evokes the feeling of a resort in summer, and at the same time it aimed to strengthen relations with sub-category products such as the *Oyasumi Man* series exclusive for nighttime.

*1: Surface sheets of leading disposable baby diaper products in Japan (survey by Unicharm Corporation, in March 2016)

*2: Free from the four additives of petroleum-based oils, perfume, latex and synthetic colorings

*3: Among disposable diapers for low-weight newborns manufactured by major global brands (survey by Unicharm Corporation, in March 2019)

● Feminine Care Business

For overseas, in China the Company's high-quality products featuring charming designs remain highly popular with the younger generation. Under such circumstances, the Company continued in its efforts to expand its sales area and the number of stores. In addition, the Company has been endeavoring to expand its sales area and further increase its market share for products tailored to customer needs in emerging countries such as Indonesia, Thailand, Vietnam and India.

In Japan, to meet heightened demand for health and peace of mind, the Company added the *SOFY Organic Cotton* series, which uses organic cotton, to the *SOFY* brand, which encourages women to spread their wings, as premium lines in the various categories of napkins, tampons, panty liners, and sanitary shorts. The Company also took other steps to offer products that allow customers to live their lives comfortably and confidently as usual, such as by launching new products limited to the summer season, including the *SOFY Panty Liner COOL*, a panty liner that feels cool and refreshing and reduces stuffiness even during the hotter months when stuffiness tends to become an issue. The Company also enhanced both the look and the functionality of the *Center-in Compact 1/2* series (familiar for its "IN the pouch, GO fashionable!" approach), not only by redesigning the package and individual wrappings for a more grown-up look, but also by upgrading to a W Fit Construction for a more reassuring prevention of leaks when out, such as when commuting to work or school. Moreover, with efforts such as by starting the "#NoBagForMe" project aimed at helping create a world in which everybody treats menses as an ordinary event and can feel free to talk about menstruation and sanitary products without hiding them, the Company strove to free women from their physical and emotional constraints and to realize a society in which all women can play an active role, leading healthier lives and expressing their individuality, while examining the structures of women's bodies and minds from a scientific perspective, in addition to working to offer high-value-added products using its proprietary non-woven fabric technology.

● Health Care Business

In the overseas markets, populations in Taiwan, Indonesia, Thailand, Vietnam and China are aging even faster than in Japan, which will boost the demand for adult excretion care products. The Company moved ahead with preparations to spread the care model established in Japan to Asian regions. In Thailand and Malaysia, where the Company acquired shares of DSG (Cayman) Limited, the manufacturer of the *Certainty* brand, in order to build a superior market position in the market for adult disposable diapers, the Company has conducted various initiatives aimed at accelerating the spread of such products.

In the domestic market, which continues to grow as Japan's population of the elderly increases, the Company has been working to educate the public about products that enable elderly people to continue with their current lifestyle as before. In the light incontinence care products line, the Company made additions to the lineup for the *Charm Nap Absorbent Sarafi* series, which brings happiness to daily life with its absorbent care, in the form of the *Charm Nap Absorbent Sarafi Organic Cotton 100%**, which was launched as a product that combines natural comfort with reassurance in use, and which uses natural organic cotton material. In the *Lifree* brand of adult disposable diapers and incontinence care products, by equipping *Lifree Pants* series with our patented "easy stitches" technology that allows both sides of disposable pants to be torn with only a small amount of force, thus making the changes more convenient, the Company is supporting both those in care and their carers, as well as helping to extend healthy life-spans. The Company has also actively promoted its products through TV commercials, on its website, during over-the-counter consultations at shops, and by creating shelf space at retailers based on daily activities, as well as continued its efforts to remove resistance to using these products by conveying that everyone has light incontinence and took the lead in the market for excretion care products.

In the *Cho-kaiteki* mask brand, which protects daily health and supports a safe and comfortable lifestyle, the Company strove to offer a range of masks suitable for comfortable year-round use by both children and adults, and to revitalize the market.

* The top layer that comes in contact with skin uses 100% organic cotton

- Clean and Fresh Business

  In the domestic market for clean and fresh products, changes in living environments and lifestyles have resulted in an increasing number of customers who wish to keep their living spaces always spick and span by cleaning their homes easily within the limited time they spend at home. With this in mind, the Company has added to the *Wave* brand, with its cleaning proposal that a single sheet of this product can clean the entire house, a limited-edition *Wave Handy Wiper* that uses a Moomin design for the package, case and holder as this character is popular with women and a familiar presence in their rooms, allowing it to be used comfortably in daily life. The Company also launched six Moomin designs for use outside the home for the *Silcot Wet Tissues* series, which is a box of wipes that enables users to clean quickly with just one hand, in its efforts to invigorate the market. These limited-edition products are targeted at the warmer seasons of the year during which perspiration can be an issue and when awareness of the need for hygiene and bacterial control is at its highest.

  With regard to the *Silcot Cotton* series, which maintains the health of the skin as it changes on a daily basis and which makes everyday maintenance easier and more effective, the Company took steps to revitalize the increasingly diversified cosmetic cotton market through its products such as the *Silcot Sponge Touch Moisturizing Cotton*, which makes skin amazingly moist using 50% less lotion*[1], and the *Silcot Wiping Cotton Silky Cut* products, made from Japan's first superfine filament*[2], which easily removes even microscopic dirt, as well as actively worked to capture demand from foreign visitors to Japan to promote sales.

  *1: Compared to the Company's conventional products
  *2: The sheet covering the puff has a double-layered structure. The outer layer touching the skin consists of superfine filaments that are less than 10 μm in size and the inner part is made up of coarse cellulose fibers. The survey covered cosmetic cotton from major brands in Japan. (survey by Unicharm Corporation, in October 2015)

  As a result, net sales and segment profit (core operating income) for the personal care business for the fiscal period under review were ¥298,923 million (up 5.2% year on year) and ¥34,630 million (down 19.0% year on year), respectively.

2) Pet Care Business

   The Company has been working to develop products ranging from sanitary goods to food and create markets to support the lives of pets in an integrated manner in order to help create a "Cohesive Society" in which humans and pets can live together in comfort for a long time and in good health.

   In the domestic pet toiletry business, with the proportion of elderly dogs increasing in the same way it has increased for humans in recent years, the Company has launched a new version of the *Manner Wear Long Time Diaper* brand, which are fashionable, cute, can be worn almost like clothing, and have significantly improved resistance to slippage and twisting. It allows much-loved dogs to continue to live, play and walk as normal without being confined to their beds.

   In the domestic pet food market, the Company actively promoted sales and revitalized the market for its *Grand Deli* brand of dog food, which focuses on high-quality ingredients with well-balanced colors and a balance of flavor, taste and nutrition; the *Best Balance* brand of health food designed to give the best to each dog breed with a balance of nutrition, digestibility and taste; the *Silver Spoon* brand that uses plenty of the good-quality fish that cats love so that they are immersed in their food until the very last bite; and *Silver Spoon Three-Star Gourmet*, a premium food featuring luxurious tastes and smells.

   In the North American market, sales have remained steady in sheets for dogs with the use of Japanese technology and in wet-type snacks for cats, and preparations were made for future growth, including reinforcing internet sales, which have grown significantly in recent years, and making overtures to pet specialty stores and dollar stores, single-price stores that are specific to US.

   As a result, net sales and segment profit (core operating income) for the pet care business for the fiscal period under review were ¥40,362 million (up 5.9% year on year) and ¥4,538 million (up 0.9% year on year), respectively.

3) Other Businesses

   In the category of business-use products utilizing its core non-woven fabric and absorber processing and forming technology, the Company focused on promoting the sales of industrial materials.

As a result, net sales and segment profit (core operating income) in other businesses for the fiscal period under review were ¥3,212 million (down 8.5% year on year) and ¥52 million (up 75.5% year on year), respectively.

(2) Explanation of financial position

(Assets)
Total assets as of the end of the second quarter were ¥805,371 million (up 1.2% compared with the end of the previous fiscal year). The major increase was ¥51,494 million in property, plant and equipment, and the main decreases were ¥19,502 million in cash and cash equivalents, ¥10,172 million in other current and non-current financial assets mainly due to investment securities, ¥7,443 million in other non-current assets mainly due to long-term prepaid expenses, ¥2,303 million in inventories and ¥2,109 million in trade and other receivables.

(Liabilities)
Total liabilities as of the end of the second quarter were ¥297,374 million (up 1.9% compared with the end of the previous fiscal year). The major increase was ¥44,460 million in other current and non-current financial liabilities mainly due to lease liabilities, and the main decreases were ¥14,141 million in trade and other payables, ¥9,538 million in bonds and borrowings, ¥8,866 million in other current liabilities mainly due to accrued consumption taxes and ¥5,685 million in income tax payables.

(Equity)
Total equity as of the end of the second quarter was ¥507,998 million (up 0.9% compared with the end of the previous fiscal year). The major increase was ¥25,298 million in profit attributable to owners of parent, and the major decreases were ¥11,495 million increase in treasury shares, ¥7,160 million in dividends paid to owners of parent and ¥4,377 million in other components of equity mainly due to exchange differences on translation in foreign operations.

(Ratio of equity attributable to owners of parent)
Ratio of equity attributable to owners of parent as of the end of the second quarter was 55.3%.

(3) Explanation of future estimate information such as forecast of consolidated financial results

Regarding forecast of full-year financial results, there were no changes from the announcement made on February 14, 2019.

2. Condensed Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed consolidated statement of financial position

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (as of December 31, 2018)	Q2 of Fiscal Year Ending December 31, 2019 (as of June 30, 2019)
Assets			
Current assets			
Cash and cash equivalents		135,065	115,563
Trade and other receivables		100,159	98,050
Inventories		71,939	69,636
Other current financial assets		53,520	53,612
Other current assets		23,758	24,679
Total current assets		384,441	361,540
Non-current assets			
Property, plant and equipment	2	240,628	292,122
Intangible assets		100,121	98,687
Deferred tax assets		9,418	9,775
Investments accounted for using equity method		778	857
Other non-current financial assets		49,991	39,727
Other non-current assets	2	10,106	2,663
Total non-current assets		411,042	443,831
Total assets		795,483	805,371

(Millions of Yen)

	Notes	Fiscal Year Ended December 31, 2018 (as of December 31, 2018)	Q2 of Fiscal Year Ending December 31, 2019 (as of June 30, 2019)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables		153,494	139,353
Bonds and borrowings		18,834	19,550
Income tax payables		13,579	7,894
Other current financial liabilities	2	633	5,822
Other current liabilities		44,959	36,093
Total current liabilities		231,498	208,712
Non-current liabilities			
Bonds and borrowings		21,428	11,173
Deferred tax liabilities		21,084	20,517
Retirement benefit liabilities		11,358	11,647
Other non-current financial liabilities	2	1,212	40,483
Other non-current liabilities		5,233	4,842
Total non-current liabilities		60,316	88,661
Total liabilities		291,813	297,374
Equity			
Equity attributable to owners of parent			
Capital stock		15,993	15,993
Share premium		13,058	13,414
Retained earnings		480,457	499,571
Treasury shares		(52,776)	(64,271)
Other components of equity		(15,276)	(19,653)
Total equity attributable to owners of parent		441,456	445,054
Non-controlling interests		62,214	62,944
Total equity		503,670	507,998
Total liabilities and equity		795,483	805,371

(2) Condensed consolidated statement of income and Condensed consolidated statement of comprehensive income

Condensed consolidated statement of income

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2018 (January 1, 2018 – June 30, 2018)	Q2 of Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)
Net sales	3	325,685	342,498
Cost of sales		(198,834)	(217,563)
Gross profit		126,850	124,935
Selling, general and administrative expenses	4	(79,582)	(85,715)
Other income		874	1,395
Other expenses		(374)	(801)
Financial income		1,675	1,628
Financial costs		(4,027)	(2,439)
Profit before tax		45,418	39,002
Income tax expenses		(12,462)	(9,926)
Profit for the period		32,956	29,077
Profit attributable to			
Owners of parent		30,001	25,298
Non-controlling interests		2,955	3,779
Profit for the period		32,956	29,077
Earnings per share attributable to owners of parent			
Basic earnings per share (Yen)		51.10	42.51
Diluted earnings per share (Yen)		49.59	42.19

Reconciliation of changes from gross profit to core operating income

(Millions of Yen)

Gross profit	126,850	124,935
Selling, general and administrative expenses	(79,582)	(85,715)
Core operating income (*)	47,269	39,220

* Core operating income comprises gross profit less selling, general and administrative expenses. While it is not an indicator defined in IFRS, the Company voluntarily discloses this in the condensed consolidated statement of income and Note "3. Segment information" as the Company's Board of Directors evaluates the performance of business segments based on core operating income, and it is believed to be a valuable benchmark for measuring the Group's recurring business performance.

Condensed consolidated statement of comprehensive income

(Millions of Yen)

	Notes	Q2 of Fiscal Year Ended December 31, 2018 (January 1, 2018 – June 30, 2018)	Q2 of Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)
Profit for the period		32,956	29,077
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net changes in equity instruments measured at fair value through other comprehensive income		1,600	(457)
Remeasurements related to net defined benefit liabilities (assets)		118	8
Subtotal		1,718	(449)
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges		40	(34)
Exchange differences on translation in foreign operations		(15,904)	(3,623)
Subtotal		(15,864)	(3,657)
Total other comprehensive income, net of tax		(14,146)	(4,106)
Total comprehensive income		18,810	24,970
Total comprehensive income attributable to			
Owners of parent		18,738	22,718
Non-controlling interests		72	2,252
Total comprehensive income		18,810	24,970

(3) Condensed consolidated statement of changes in equity

Second Quarter of the Fiscal Year Ended December 31, 2018 (January 1, 2018 – June 30, 2018)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2018		15,993	421	434,298	(67,652)	4,509	387,567	65,461	453,029
Profit for the period		–	–	30,001	–	–	30,001	2,955	32,956
Other comprehensive income		–	–	–	–	(11,263)	(11,263)	(2,883)	(14,146)
Total comprehensive income		–	–	30,001	–	(11,263)	18,738	72	18,810
Purchase of treasury shares		–	–	–	(0)	–	(0)	–	(0)
Conversion of convertible bond-type bonds with share acquisition rights		–	6,482	–	18,093	(1,849)	22,726	–	22,726
Dividends		–	–	(6,443)	–	–	(6,443)	(7,921)	(14,364)
Equity transactions with non-controlling interests		–	2,388	–	–	–	2,388	2,358	4,746
Transfer from other components of equity to retained earnings		–	–	94	–	(94)	–	–	–
Total transactions with owners		–	8,869	(6,349)	18,093	(1,943)	18,670	(5,563)	13,108
Balance at June 30, 2018		15,993	9,290	457,949	(49,560)	(8,697)	424,976	59,971	484,947

Second Quarter of the Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)

(Millions of Yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Treasury shares	Other components of equity	Total		
Balance at January 1, 2019		15,993	13,058	480,457	(52,776)	(15,276)	441,456	62,214	503,670
Cumulative effects of changes in accounting policies	2	–	–	(530)	–	–	(530)	(23)	(554)
Restated balance at January 1, 2019		15,993	13,058	479,927	(52,776)	(15,276)	440,926	62,190	503,116
Profit for the period		–	–	25,298	–	–	25,298	3,779	29,077
Other comprehensive income		–	–	–	–	(2,580)	(2,580)	(1,527)	(4,106)
Total comprehensive income		–	–	25,298	–	(2,580)	22,718	2,252	24,970
Purchase of treasury shares		–	–	–	(15,000)	–	(15,000)	–	(15,000)
Conversion of convertible bond-type bonds with share acquisition rights		–	356	–	3,505	(291)	3,570	–	3,570
Dividends		–	–	(7,160)	–	–	(7,160)	(1,751)	(8,912)
Equity transactions with non-controlling interests		–	–	–	–	–	–	253	253
Transfer from other components of equity to retained earnings		–	–	1,506	–	(1,506)	–	–	–
Total transactions with owners		–	356	(5,654)	(11,495)	(1,797)	(18,590)	(1,498)	(20,089)
Balance at June 30, 2019		15,993	13,414	499,571	(64,271)	(19,653)	445,054	62,944	507,998

(4) Notes to the condensed consolidated financial statements

1. Notes regarding going concern assumptions

   None.

2. Significant accounting policies

   Significant accounting policies adopted for these condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the fiscal year ended December 31, 2018 with the exception of the changes in accounting policies described hereunder.

   Quarterly income tax is calculated based on the estimated annual average effective tax rate.

   The following are the accounting standards adopted by the Group from the first quarter of the fiscal year ending December 31, 2019.

Standard number	Standard title	Overview of new and revised standards
IFRS 16	Leases	Revisions of accounting procedures relating to lease transactions

   The adoption of other new standards and interpretations has no material impact on the condensed consolidated financial statements.

   In accordance with the transitional provisions of IFRS 16 “Leases” (hereafter “IFRS 16”), the Group has not restated the consolidated financial statements for the previous fiscal year.

Adoption of IFRS 16

The Group has changed its accounting policies relating to leases as follows.

At the lease commencement date, the right-of-use asset is recognized at acquisition cost and the lease liability is recognized as the present value of the lease payments not paid as of the lease commencement date.

Right-of-use assets are depreciated over the useful life of the right-of-use asset or the period of the lease, whichever is shorter, from the lease commencement date, and are included in property, plant and equipment or intangible assets in the consolidated statement of financial position.

Lease liabilities are measured at amortized cost using the effective interest method and are shown in other financial liabilities in the consolidated statement of financial position. Lease payments are allocated between financial costs and the amount of the lease liability remaining to be repaid, so that there is a fixed interest rate on the balance of the lease liability. Financial costs are shown separately from depreciation of right-of-use assets in the consolidated statement of income.

At the start of the contract, the Group identifies whether a contract meets the definition of a lease or includes a lease, based on the substance of the contract. If the contract transfers the right to control the use of an identified asset for a period of time in exchange for a consideration, the contract is deemed to be a lease or to contain a lease.

In the case of short-term leases and leases of low value underlying assets with lease terms of less than twelve months, the Group does not recognize right-of-use assets and lease liabilities. The Group recognizes the total lease payments in profit or loss using the straight-line method over the lease term.

With the adoption of IFRS 16, the former distinction between traditional operating leases and finance leases no longer applies, and in principle all right-of-use assets and lease liabilities are recognized. The lease liability at the lease commencement date is measured as the present value of the lease payments not paid, which is discounted using the Group’s incremental borrowing rate as of January 1, 2019. The weighted average of the lessee’s incremental borrowing rates is 1.1%.

The main impact on the condensed consolidated statement of financial position is as follows. The impact on the condensed consolidated statement of income is insignificant.

(Millions of Yen)

IAS 17 (as of December 31, 2018)		Changes in recognition, presentation and classification	IFRS 16 (as of January 1, 2019)	
Property, plant and equipment	240,628	47,865	288,493	Property, plant and equipment
Intangible assets	100,121	2	100,123	Intangible assets
Deferred tax assets	9,418	65	9,484	Deferred tax assets
Other non-current assets	10,106	(7,125)	2,981	Other non-current assets
Total assets	795,483	40,808	836,291	Total assets
Other current financial liabilities	633	4,749	5,382	Other current financial liabilities
Other current liabilities	44,959	(64)	44,895	Other current liabilities
Deferred tax liabilities	21,084	(189)	20,895	Deferred tax liabilities
Other non-current financial liabilities	1,212	37,001	38,214	Other non-current financial liabilities
Other non-current liabilities	5,233	(136)	5,097	Other non-current liabilities
Retained earnings	480,457	(530)	479,927	Retained earnings
Non-controlling interests	62,214	(23)	62,190	Non-controlling interests
Total liabilities and equity	795,483	40,808	836,291	Total liabilities and equity

3. Segment information

(1) Overview of reportable segments

The Group’s reportable segments are part of its organizational units whose financial information is individually available, and are subject to regular review by its Board of Directors, the chief operating decision maker, for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Group is composed of three businesses, namely the personal care business, the pet care business and other businesses as its basic units, and has been engaged in its business activities by comprehensively developing domestic and overseas strategies by business unit. Therefore, the “personal care business,” the “pet care business,” and “other businesses” constitute the Group’s reporting segments.

In the personal care business, the Group manufactures and sells baby care products, feminine care products, health care products, and clean and fresh products. In the pet care business, the Group manufactures and sells pet food products and pet toiletry products. In other businesses, the Group manufactures and sells business-use products, etc.

The accounting policies for the reportable segments are the same as for the condensed consolidated financial statements. The segment profit is the core operating income (comprising gross profit less selling, general and administrative expenses), which is the key performance indictor based on which the Board of Directors evaluates the performance of business segments.

(2) Sales and results by reportable segment

Sales and results by reportable segment are as follows.

(Millions of Yen)

	Q2 of Fiscal Year Ended December 31, 2018 (January 1, 2018 – June 30, 2018)					
	Reportable segments				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	284,046	38,126	3,512	325,685	–	325,685
Sales across segments (Note)	–	–	16	16	(16)	–
Total segment sales	284,046	38,126	3,528	325,700	(16)	325,685
Segment profit (Core operating income)	42,743	4,496	29	47,269	–	47,269
Other income						874
Other expenses						(374)
Financial income						1,675
Financial costs						(4,027)
Profit before tax						45,418

(Millions of Yen)

	Q2 of Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)					
	Reportable segments				Adjustments	Amounts reported in condensed consolidated statements
	Personal care	Pet care	Other	Total		
Sales to external customers	298,923	40,362	3,212	342,498	–	342,498
Sales across segments (Note)	–	–	18	18	(18)	–
Total segment sales	298,923	40,362	3,231	342,516	(18)	342,498
Segment profit (Core operating income)	34,630	4,538	52	39,220	–	39,220
Other income						1,395
Other expenses						(801)
Financial income						1,628
Financial costs						(2,439)
Profit before tax						39,002

(Note) Sales across segments are based on prevailing market prices.

4. Selling, general and administrative expenses

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

(Millions of Yen)

	Q2 of Fiscal Year Ended December 31, 2018 (January 1, 2018 – June 30, 2018)	Q2 of Fiscal Year Ending December 31, 2019 (January 1, 2019 – June 30, 2019)
Freight-out expenses	21,390	23,652
Promotion expenses	10,224	11,085
Advertising expenses	11,096	11,059
Employee benefits expenses	17,097	18,492
Depreciation and amortization expenses	2,611	4,853
Research and development expenses	3,199	3,536
Others	13,966	13,038
Total	79,582	85,715