

**Consolidated Financial Results  
for the Six Months Ended June 30, 2017  
and FY2017 Forecast**

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**July 27, 2017**



**KaO**

Enriching lives, in harmony with nature.

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

- Kao Corporation changed its fiscal year end from March 31 to December 31 from the fiscal year ended December 31, 2012.

[Term of consolidation for FY2012]

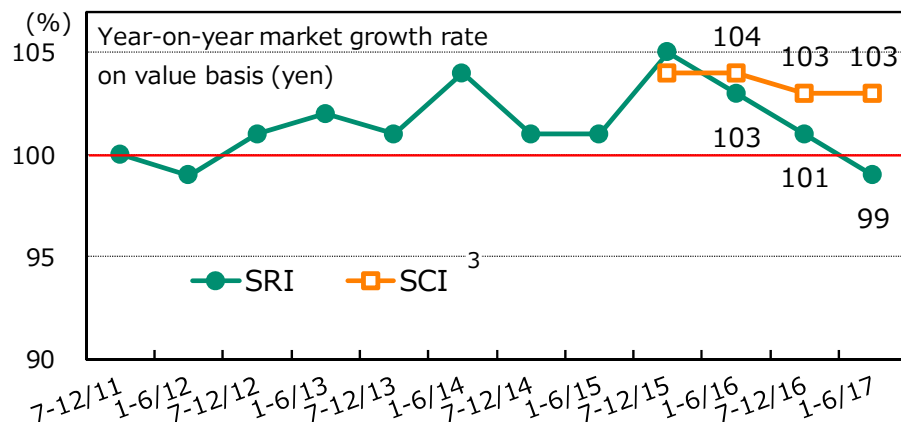
- Group companies whose fiscal year end was previously March 31\*: April - December 2012
- Group companies whose fiscal year end was already December 31: January - December 2012

\* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

- The Kao Group adopted International Financial Reporting Standards (IFRS) from the fiscal year ended December 31, 2016.
- From the fiscal year ending December 31, 2017, the Kao Group adopted IFRS 15, "Revenue from Contracts with Customers" early in tandem with a revision of its sales system for the Consumer Products Business in Japan.

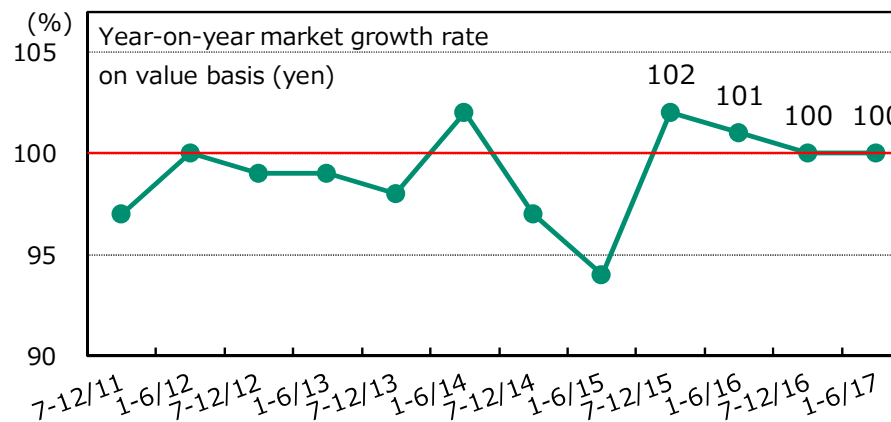
# Consumer Products Market in Japan (January - June 2017)

## • Growth of household and personal care market<sup>1</sup>



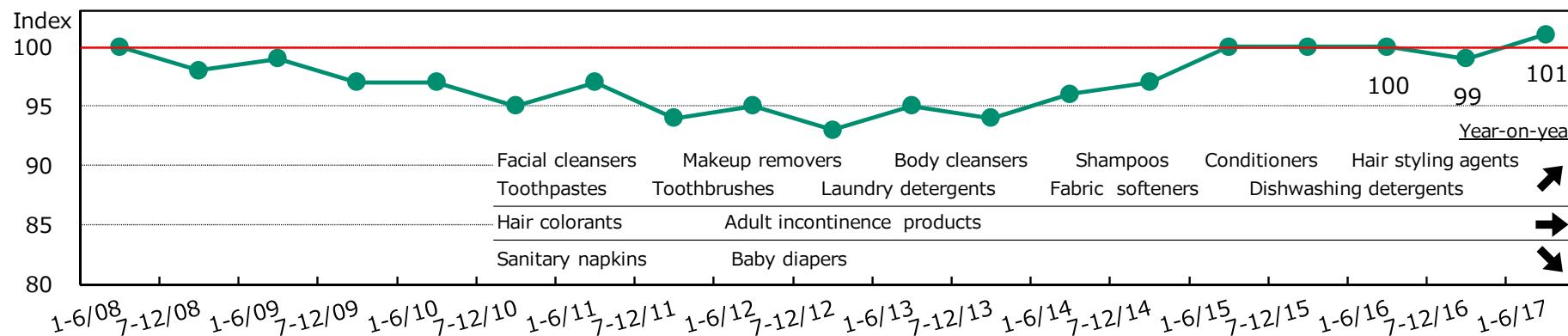
(Source: SRI POS data & SCI survey by INTAGE Inc.)

## • Growth of cosmetics market<sup>2</sup>



(Source: SLI survey by INTAGE Inc. based on Kao's definition)  
(Survey does not include inbound demand)

## • Consumer purchase price for 15 major household and personal care categories<sup>4</sup>



(Source: SRI POS data by INTAGE Inc.)

- 79 major household and personal care product categories
- 26 cosmetics product categories
- SRI: Estimates based on POS data from approx. 3,000 retail outlets nationwide / SCI: Purchasing data from approx. 50,000 consumer monitors nationwide / SLI: Purchasing data for cosmetics, skin care and hair care products from approx. 40,000 female monitors
- Index with January to June 2008 as 100

## Highlights of Consolidated Financial Results for the Six Months Ended June 30, 2017

Consolidated Operating Results (Six months ended June 30)					
(Billion yen)	FY2016	FY2017	Growth %	Change	vs.Forecast
Net sales	699.5	717.3	+2.5	+17.8	+17.3
	Impact of adoption of IFRS 15 and revision of sales system <sup>1</sup>		(4.5)	(31.4)	
	Effect of currency translation <sup>2</sup>		(0.3)	(1.9)	
	Like-for-like, excluding impact of above		+7.3	+51.0	
Operating income	81.1	87.4	+7.7	+6.3	+5.4
Operating margin	11.6%	12.2%			
Income before income taxes	77.1	86.7	+12.4	+9.6	+4.7
Net income	50.6	56.9	+12.4	+6.3	
Net income attributable to owners of the parent	50.0	56.5	+12.9	+6.5	+4.5
EBITDA (Operating income + Depr. & amort.)	107.0	113.9	+6.5	+7.0	
Basic earnings per share (yen)	99.69	114.56	+14.9	+14.87	+9.07
Cash dividends per share (yen)	46.00	54.00		+8.00	-
Cash flow	Free cash flow <sup>3</sup>	15.3 billion yen			
	Payments of cash dividends <sup>4</sup>	24.0 billion yen			

1. In FY2017, the Kao Group adopted IFRS 15 early in tandem with a revision of its sales system for the Consumer Products Business in Japan.
2. Exchange rates: 112.42 yen/USD, 121.70 yen/Euro, 16.35 yen/Yuan
3. Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities
4. Includes payments of cash dividends to non-controlling interests.

## Impact of Adoption of IFRS 15 and Revision of Sales System on Consolidated Statement of Income

Six months ended June 30							
(Billion yen)	FY2016	FY2017	Change	Sales System + IFRS 15	Sales System	IFRS 15	% of Net Sales Excluding Impact of Adoption of IFSR 15 and Revision of Sales System
Net sales	699.5	717.3	+17.8	(31.4)	(10.3)	(21.0)	
					[Reductions of net sales]		
Cost of sales	(308.6)	(403.1)	(94.5)	(61.8)	-	(61.8)	45.6%
[% of Net sales]	44.1%	56.2%					
Gross profit	390.9	314.2	(76.7)				
SG&A expenses	(310.4)	(227.6)	+82.8	+93.2	+10.3	+82.9	
						21.0	
						61.8	
					10.3		
[% of Net sales]	44.4%	31.7%					42.8%

Note: In FY2017, the Kao Group adopted IFRS 15 early in tandem with a revision of its sales system for the Consumer Products Business in Japan. As a result, certain items formerly treated as SG&A expenses are accounted for as reductions of net sales or cost of sales.

# Consolidated Net Sales by Segment/Geographic Area

Consolidated Net Sales (Six months ended June 30)						
(Billion yen)		Japan	Asia	Americas	Europe	Consolidated
Cosmetics	FY2017	93.2	10.8	1.2	7.4	112.6
	Year-on-year change (%)	(7.2)	16.8	0.8	(8.6)	(5.3)
	Like-for-like (%) <sup>1</sup>	(0.2)	29.8	(0.1)	(0.8)	2.1
Skin care/Hair care Products	FY2017	96.2	15.7	38.1	21.5	171.6
	Year-on-year change (%)	(0.3)	(10.4)	7.7	(11.2)	(1.2)
	Like-for-like (%) <sup>1</sup>	3.9	5.2	8.1	(9.4)	3.0
Beauty Care Business	FY2017	189.4	26.5	39.3	29.0	284.2
	Year-on-year change (%)	(3.8)	(1.0)	7.5	(10.6)	(2.9)
	Like-for-like (%) <sup>1</sup>	1.8	13.7	7.8	(7.3)	2.6
Human Health Care Business	FY2017	96.0	50.1	0.0	-	146.1
	Year-on-year change (%)	5.8	18.8	-	-	9.9
	Like-for-like (%) <sup>1</sup>	9.8	31.5	-	-	16.7
Fabric and Home Care Business	FY2017	132.4	18.8	1.0	-	152.3
	Year-on-year change (%)	(0.6)	(13.6)	17.9	-	(2.3)
	Like-for-like (%) <sup>1</sup>	2.9	(2.6)	16.3	-	2.2
Consumer Products Business	FY2017	417.9	95.4	40.4	29.0	582.6
	Year-on-year change (%)	(0.7)	5.2	7.8	(10.6)	0.2
	Like-for-like (%) <sup>1</sup>	3.9	18.1	8.1	(7.3)	5.7
Chemical Business <sup>2</sup>	FY2017	60.5	33.5	26.8	31.7	152.5
	Year-on-year change (%)	4.0	16.6	23.6	17.7	12.5
	Like-for-like (%) <sup>1</sup>	4.0	16.9	24.8	20.6	13.4
Consolidated	FY2017	463.0	127.2	67.1	59.9	717.3
	Year-on-year change (%)	(0.2)	7.9	13.6	2.2	2.5
	Like-for-like (%) <sup>1</sup>	4.0	17.9	14.2	5.3	7.3

1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

2. Net sales of the Chemical Business include intersegment transactions.

# Consolidated Results by Segment

Six months ended June 30										
(Billion yen)		Net Sales				Operating Income (Loss)			Operating Margin %	
		FY2016	FY2017	Growth %	Like-for-like % <sup>1</sup>	FY2016	FY2017	Change	FY2016	FY2017
	Cosmetics	119.0	112.6	(5.3)	2.1	(2.9)	(4.1)	(1.2)	(2.4)	(3.6)
	Skin care/Hair care Products	173.7	171.6	(1.2)	3.0	23.7	27.2	3.5	13.6	15.9
	Beauty Care Business	292.7	284.2	(2.9)	2.6	20.8	23.1	2.3	7.1	8.1
	Human Health Care Business	132.9	146.1	9.9	16.7	13.6	19.8	6.2	10.2	13.6
	Fabric and Home Care Business	155.8	152.3	(2.3)	2.2	31.5	28.9	(2.6)	20.2	19.0
	Consumer Products Business	581.4	582.6	0.2	5.7	65.9	71.8	5.9	11.3	12.3
	Chemical Business <sup>2</sup>	135.5	152.5	12.5	13.4	14.8	14.6	(0.2)	10.9	9.6
	Consolidated	699.5	717.3	2.5	7.3	81.1	87.4	6.3	11.6	12.2

1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

2. Net sales and operating income of the Chemical Business include intersegment transactions.

## Consumer Products Business

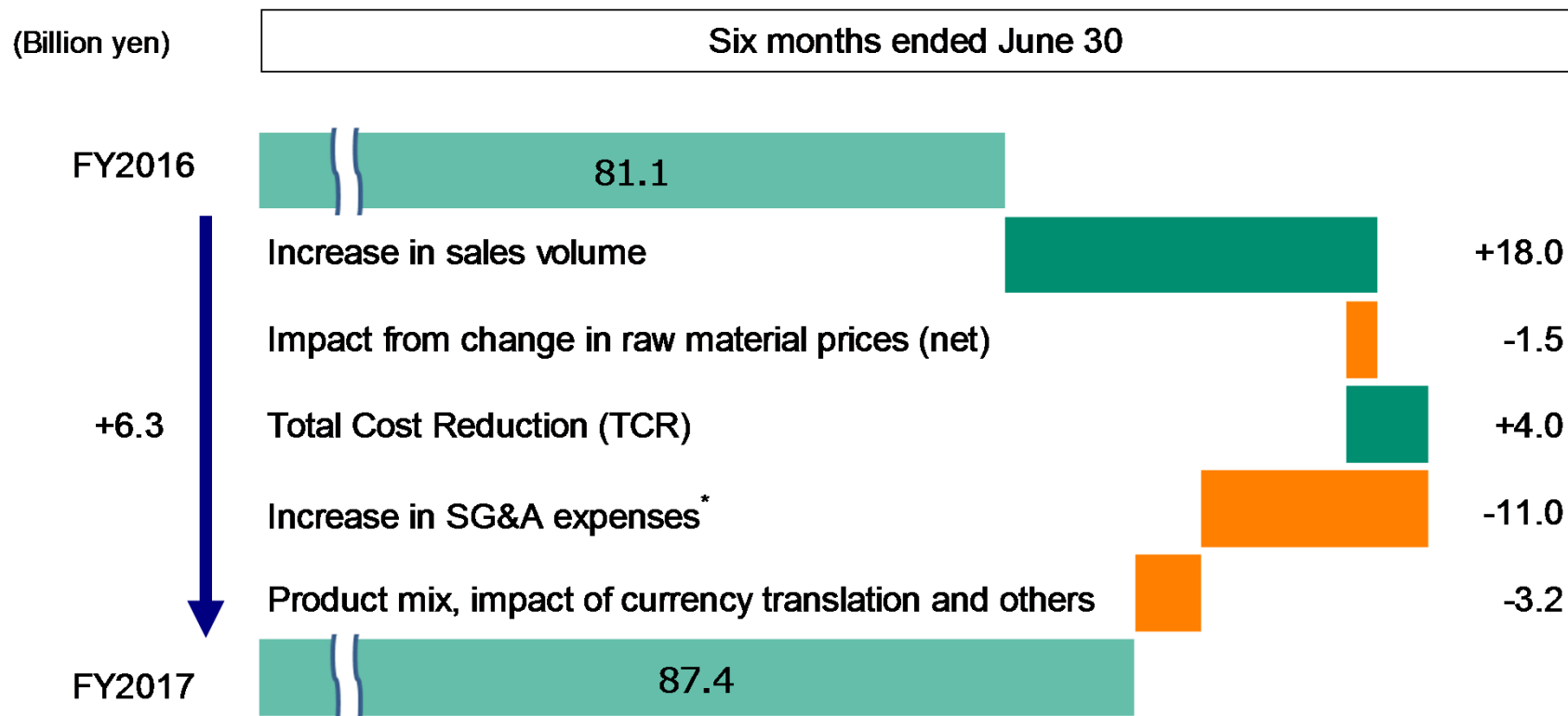
Six months ended June 30									
(Billion yen)	Net Sales				Operating Income			Operating Margin %	
	FY2016	FY2017	Growth %	Like-for-like %*	FY2016	FY2017	Change	FY2016	FY2017
Japan	420.9	417.9	(0.7)	3.9	53.4	57.9	4.5	12.7	13.9
Asia	90.7	95.4	5.2	18.1	9.4	8.7	(0.7)	10.4	9.2
Americas	37.5	40.4	7.8	8.1	0.5	3.9	3.4	1.2	9.7
Europe	32.4	29.0	(10.6)	(7.3)	2.7	1.3	(1.4)	8.3	4.5
Consumer Products Business	581.4	582.6	0.2	5.7	65.9	71.8	5.9	11.3	12.3

Net sales growth rates of	China:	45%	Taiwan:	5%	Vietnam:	4%
main countries and regions (Like-for-like %)	Indonesia:	10%	Thailand:	1%		

\* Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.



# Analysis of Change in Consolidated Operating Income



\* Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

## Major Assumptions for FY2017 Forecast

- Year-on-year growth rate of household and personal care market size in value (yen) in Japan
  - Year-on-year growth rate of cosmetics market size in value (yen) in Japan
- } Slightly higher than previous year

<ul style="list-style-type: none"> <li>■ Net sales</li> </ul>		¥1,470.0 billion	Growth +0.9%
	Like-for-like*	+¥69.1 billion	+4.7%

Estimated impact on income			
<ul style="list-style-type: none"> <li>■ Impact from change in raw material prices</li> </ul>			Gross impact -¥10.0 billion
			Net impact -¥3.0 billion
<ul style="list-style-type: none"> <li>■ Total Cost Reduction (TCR) activities</li> </ul>			+¥7.0 billion
<ul style="list-style-type: none"> <li>■ Capital expenditures/depreciation and amortization</li> </ul>	Capital expenditures		¥80.0 billion
	Depreciation and amortization		¥55.0 billion

### Exchange rate assumptions

<ul style="list-style-type: none"> <li>■ 110 yen/USD</li> </ul>	(FY2016 actual exchange rate [average])	108.76 yen/USD)
<ul style="list-style-type: none"> <li>123 yen/Euro</li> </ul>	(FY2016 actual exchange rate [average])	120.31 yen/Euro)
<ul style="list-style-type: none"> <li>16.8 yen/Yuan</li> </ul>	(FY2016 actual exchange rate [average])	16.38 yen/Yuan)

\* Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

## Consolidated Operating Results Forecast for FY2017

(Billion yen)	FY2016		FY2017 <sup>1</sup>		
		Growth %	(Forecast)	Growth %	Change
Net sales	1,457.6	(1.1)	1,470.0	+0.9	+12.4
			Like-for-like (%) <sup>2</sup>	+4.7	+69.1
Operating income	185.6	+10.9	200.0	+7.8	+14.4
Operating margin	12.7%		13.6%		
Income before income taxes	183.4	+10.5	199.0	+8.5	+15.6
[% of Net sales]	12.6%		13.5%		
Net income attributable to owners of the parent	126.6	+20.3	138.0	+9.0	+11.4
[% of Net sales]	8.7%		9.4%		
EBITDA (Operating income + Depr. & amort.)	236.7	+5.3	255.0	+7.7	+18.3
ROE	18.6%		19.1%		
Basic earnings per share (yen)	253.43	+20.8	280.07	+10.5	+26.64
Cash dividends per share (yen)	94.00		108.00		+14.00

1. Exchange rate assumptions: 110 yen/USD, 123 yen/Euro, 16.8 yen/Yuan
2. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.

# Sales Forecast for FY2017

## Consolidated Net Sales (Year ending December 31)

FY2017 (Billion yen)	Japan		Consolidated		Japan	Consolidated	
		Like-for-like (%) <sup>1</sup>		Like-for-like (%) <sup>1</sup>			Like-for-like (%) <sup>1</sup>
Beauty Care Business	398.0	2.5	589.0	2.9	Japan	979.0	2.9
Human Health Care Business	194.0	5.3	286.0	10.6	Asia	243.0	11.4
Fabric and Home Care Business	297.0	2.1	339.0	2.1	Americas	128.0	7.3
Consumer Products Business	889.0	3.0	1,214.0	4.4	Europe	120.0	3.5
Chemical Business <sup>2</sup>			291.0	4.9			
Consolidated			1,470.0	4.7	Consolidated	1,470.0	4.7

1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.
2. Net sales of the Chemical Business include intersegment transactions.
3. From the fiscal year ending December 31, 2017, figures for the Consumer Products Business are sales to external customers and figures for the Chemical Business include sales to the Consumer Products Business in addition to external customers.

## Use of Cash Flow\* and Shareholder Returns

Use steadily generated cash flow effectively in order of priority shown below from an EVA standpoint toward further growth.

1. Investment for future growth (capital expenditures, M&A, etc.)

2. Steady and continuous cash dividends (40% payout ratio target)

3. Share repurchases and early repayment of interest-bearing debt including borrowings

\* Net cash flows from operating activities

## ESG Initiatives to Enhance Corporate Value and Evaluations from External Organizations

- Expansion and enhancement of easy-to-refill products to help achieve a recycling-oriented society. Made efforts to spread this throughout the industry, contributing to reduction of plastic.
  - Over the 20 years since 1995, the industry percentage of refill and replacement containers<sup>1</sup> rose from 10% to 79%
  - Kao's refill and replacement rate<sup>2</sup> for 2016 is 84%
- Started universal design in 1990 with bottles that distinguish shampoo from conditioner; applied to more than 70% of new and renewed products in 2016.<sup>3</sup>
- Began offering a water-conserving category that includes single-rinse compact laundry detergent *Attack Neo*, dishwashing detergent with fast-rinsing foam *CuCute*, etc.
- Jointly promoting the Nationwide Cleanliness and Water-saving Initiatives with China's Ministry of Environmental Protection for the sixth consecutive year to raise awareness of water conservation in China.
- Expanding support activities for education on the start of menstruation aimed at elementary school students in Japan, with a target of 20,000 elementary schools nationwide.
- First in Japan to introduce Forest Stewardship Council (FSC®)-certified corrugated cardboard. Completed switch to FSC®-certified materials for 50% of new corrugated cardboard used by end of 2016.



Example of FSC® certification mark



### Notes:

1. Industry percentage of refill and replacement containers: Announced by the Japan Soap and Detergent Association
2. Refill and replacement rate: Percentage of sales volume of Kao refill and replacement products (unit basis)
3. Based on new and renewed products for consumers in Japan and the Americas

## ESG Initiatives to Enhance Corporate Value and Evaluations from External Organizations

### Evaluations from External Organizations

- Named one of the World's Most Ethical Companies for the 11th consecutive year
- Selected by TSE as the Grand Prix recipient for the Corporate Value Improvement Award
- Selected for inclusion in the Dow Jones Sustainability World Index (DJSI World) and Dow Jones Sustainability Asia/Pacific Index (DJSI Asia/Pacific) for the third consecutive year
- Selected by Government Pension Investment Fund (GPIF) for the new ESG indices FTSE Blossom Japan Index and MSCI Japan ESG Select Leaders Index
- Selected by UK-based non-profit environmental assessment organization CDP as a 2016 Water A List Company with a 2016 Climate Change A- score
- Received the 16th Green & Sustainable Chemistry (GSC) Award from the Minister of Economy, Trade and Industry for development of a pulp-based runner channel for casting
- Selected as a Health and Productivity Management Brand for the third consecutive year
- Received the highest rating for the second time in Development Bank of Japan Inc.'s DBJ Employees' Health Management Rated Loan Program

# SRI Indexes and External CSR Evaluations

## SRI indexes for which Kao has been selected



## CSR-related evaluations from external organizations



\* CSR: Corporate Social Responsibility  
SRI: Socially Responsible Investment

(As of July 27, 2017)



# Appendices

# Business Segments and Main Product Categories

## Consumer Products Business

### Beauty Care Business

Six months ended June 2017

Sales: ¥284.2 billion  
 Like-for-like growth:<sup>1</sup> +2.6%  
 Share of net sales: 39.6%

Cosmetics  
 Skin care (mass products)  
 Hair care (mass products)  
 Professional hair care products



### Human Health Care Business

Six months ended June 2017

Sales: ¥146.1 billion  
 Like-for-like growth:<sup>1</sup> +16.7%  
 Share of net sales: 20.4%

Beverages, Oral care  
 Sanitary products  
 Blood circulation enhancement products (incl. bath additives and thermal pads)



### Fabric and Home Care Business

Six months ended June 2017

Sales: ¥152.3 billion  
 Like-for-like growth:<sup>1</sup> +2.2%  
 Share of net sales: 21.2%

Laundry detergents  
 Fabric treatments  
 Products for kitchen, bath, toilet and living room care



### Chemical Business

Six months ended June 2017

Sales: ¥152.5 billion<sup>2</sup>  
 Like-for-like growth:<sup>1</sup> +13.4%  
 Share of net sales:<sup>3</sup> 18.8%

Oleo chemicals  
 Performance chemicals  
 Specialty chemicals



1. Excluding the impact of IFRS 15, the revision of the sales system for the Consumer Products Business in Japan and the effect of currency translation.
2. Net sales of the Chemical Business include intersegment transactions.
3. Share of net sales is calculated based on sales to customers.

## Kao Group Mid-term Plan “K20”

—Our Vision by 2030—

### **Make Kao a company with a global presence**

- **A distinctive corporate image**
- **A highly profitable global consumer goods company that exceeds:**
  - 2.5 trillion yen in net sales (1.0 trillion yen outside Japan)
  - 17% operating margin
  - 20% ROE
- **A high level of returns to stakeholders**

“K20” is an important milestone on the way to achieving our vision by 2030.

# Kao Group Mid-term Plan “K20”

## “K20” Goals: Three Commitments

- Commitment to fostering a distinctive corporate image
  - Become a company that is always by the consumer’s side  
Proposed image:     **"KIREI" Company = Kao**  
KIREI is a Japanese word that represents the concept of cleanliness, beauty, health, purity, and fairness
  
- Commitment to profitable growth
  - Continue to set new record highs for profits
  - Aim for like-for-like net sales CAGR (Compound Average Growth Rate) of 5%
  - Operating margin of 15%
  - Three 100-billion-yen brands  
(*Merries* baby diapers, *Attack* laundry detergents, *Bioré* skin care products)
  
- Commitment to returns to stakeholders
  - Shareholders:   Continuous cash dividend increases (40% payout ratio target)
  - Employees:     Continuous improvement in compensation, benefits and health support
  - Customers:     Maximization of win-win relationships
  - Society:        Advanced measures to address social issues

# Kao Group Mid-term Plan “K20”

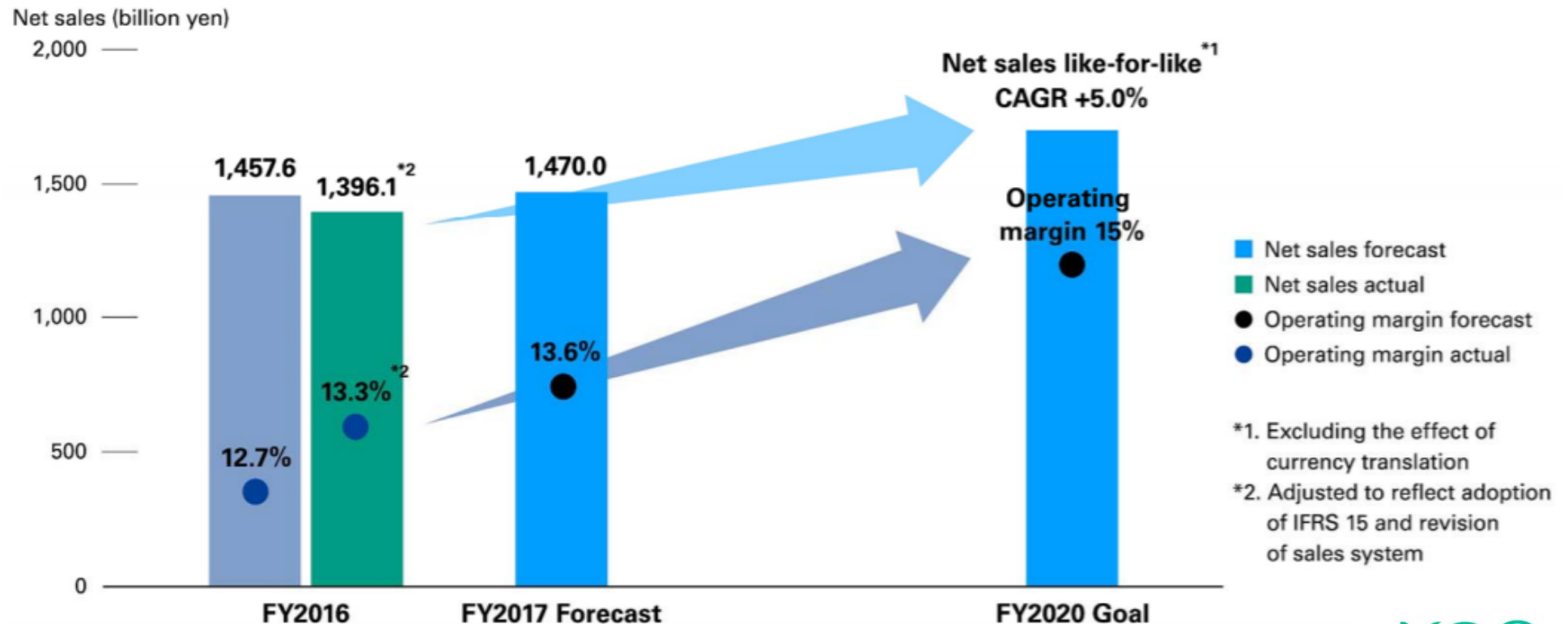
## “K20” Net Sales and Operating Income

Net sales like-for-like<sup>1</sup> CAGR: +5.0%

Like-for-like <sup>1</sup> growth rates:				
FY2012	FY2013	FY2014	FY2015	FY2016
+1.1%	+2.1%	+4.7%	+2.8%	+3.2%

Operating margin improvement: +1.7 percentage points

(FY2012-FY2016: +0.9 percentage points)



# Kao Group Mid-term Plan “K20”

## Profitable Growth 2020 Strategy

- Thoroughly instill “integrity”
  - Practice the Kao Way, the Kao Group’s corporate philosophy
  - Maintain a high level of risk and crisis management and respond to changes in ways such as thorough quality control, consumer consultations, compliance, etc.
- Make full use of Kao Group assets: Stage II
  - Enhance and energize human capital
  - Deepen our strategy of developing high-value-added products which is a highly profitable business
  - Expand the baby diaper business globally
  - Expand the Consumer Products Business in Asia and increase its profit margin
- Maximize Kao Group assets
  - Make cosmetics a pillar of growth
  - Achieve a high margin in the Consumer Products Business in the Americas and Europe
  - Accelerate development of high-value-added products in the Chemical Business
- Build new assets
  - Create new businesses
  - Re-enter the food business
  - Acquire new assets through M&A

# Financial Data

# Consolidated Statement of Financial Position

(Billion yen)	Dec.2016	Jun.2017	Change		Dec.2016	Jun.2017	Change
<b>Assets</b>				<b>Liabilities and equity</b>			
Current assets				Liabilities			
Cash and cash equivalents	303.0	292.4	(10.7)	Current liabilities			
Trade and other receivables	208.5	181.8	(26.7)	Trade and other payables	216.9	217.1	0.2
Inventories	165.2	178.2	13.0	Bonds and borrowings	30.3	45.3	15.0
Other financial assets	13.0	12.6	(0.4)	Other financial liabilities	8.2	4.8	(3.3)
Income tax receivables	1.5	3.7	2.2	Income tax payables	32.6	28.0	(4.6)
Other current assets	23.8	20.7	(3.2)	Provisions	11.4	4.9	(6.5)
Subtotal	715.0	689.3	(25.7)	Contract liabilities	-	15.4	15.4
Non-current assets held for sale	0.3	0.3	-	Other current liabilities	131.1	85.2	(46.0)
Total current assets	715.3	689.6	(25.7)	Total current liabilities	430.4	400.7	(29.7)
Non-current assets				Non-current liabilities			
Property, plant and equipment	370.8	381.5	10.7	Bonds and borrowings	90.4	75.3	(15.0)
Goodwill	137.8	138.4	0.6	Other financial liabilities	11.7	11.2	(0.5)
Intangible assets	14.7	15.4	0.7	Retirement benefit liabilities	94.8	94.9	0.1
Investments accounted for using the equity method	4.7	5.0	0.3	Provisions	13.8	13.9	0.1
Other financial assets	25.5	26.9	1.4	Deferred tax liabilities	0.5	0.6	0.1
Deferred tax assets	50.9	50.2	(0.8)	Other non-current liabilities	5.3	5.2	(0.1)
Other non-current assets	18.5	17.9	(0.7)	Total non-current liabilities	216.4	201.1	(15.3)
Total non-current assets	623.0	635.3	12.3	Total liabilities	646.8	601.8	(45.1)
Total assets	1,338.3	1,324.9	(13.4)	Equity			
				Share capital	85.4	85.4	-
				Capital surplus	107.6	107.8	0.2
				Treasury shares	(57.1)	(9.8)	47.4
				Other components of equity	(21.8)	(21.7)	0.2
				Retained earnings	565.7	549.7	(16.0)
				Equity attributable to owners of the parent	679.8	711.5	31.7
				Non-controlling interests	11.6	11.6	(0.1)
				Total equity	691.5	723.1	31.6
				Total liabilities and equity	1,338.3	1,324.9	(13.4)



# Consolidated Statement of Income

Six months ended June 30					
(Billion yen)	FY2016		FY2017		Change
		% of Net sales		% of Net sales	
Net sales	699.5	100.0	717.3	100.0	17.8
Cost of sales	(308.6)	44.1	(403.1)	56.2	(94.5)
Gross profit	390.9	55.9	314.2	43.8	(76.7)
SG&A expenses	(310.4)	44.4	(227.6)	31.7	82.8
Other operating income/expenses	0.6	0.1	0.7	0.1	0.1
Operating income	81.1	11.6	87.4	12.2	6.3
Financial income/expenses	(4.9)	0.7	(1.6)	0.2	3.3
Share of profit in investments accounted for using the equity method	0.9	0.1	0.9	0.1	(0.0)
Income before income taxes	77.1	11.0	86.7	12.1	9.6
Income taxes	(26.5)	3.8	(29.8)	4.1	(3.3)
Net income	50.6	7.2	56.9	7.9	6.3
Attributable to owners of the parent	50.0	7.1	56.5	7.9	6.5
Attributable to non-controlling interests	0.6	0.1	0.5	0.1	(0.2)

## Breakdown of Consolidated SG&A Expenses

Six months ended June 30

(Billion yen)	FY2016	FY2017	Change
Total SG&A expenses	310.4	227.6	(82.8)
Freight/warehouse	28.4	0.0	(28.4)
Advertising	47.2	44.7	(2.5)
Sales promotion	38.4	29.7	(8.7)
Employee benefits	95.5	74.4	(21.1)
Depreciation	5.6	4.4	(1.1)
Amortization	3.5	2.4	(1.1)
Research and development	26.7	28.7	2.0
Others	65.2	43.3	(21.8)

# Consolidated Statement of Cash Flows

Six months ended June 30			
(Billion yen)	FY2016	FY2017	Change
Net cash flows from operating activities	51.0	66.1	15.1
Net cash flows from investing activities	(40.1)	(50.8)	(10.7)
Net cash flows from financing activities	(22.1)	(26.1)	(4.0)
Net increase (decrease) in cash and cash equivalents	(11.3)	(10.8)	0.4
Cash and cash equivalents at the beginning of the period	309.9	303.0	(6.9)
Effect of exchange rate changes on cash and cash equivalents	(12.0)	0.2	12.2
Cash and cash equivalents at the end of the period	286.6	292.4	5.7
Bonds and borrowings at the end of the period	120.5	120.6	0.1
Free cash flow	10.9	15.3	4.4

\* Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities

## Net cash flows from investing activities

### Capital expenditures:

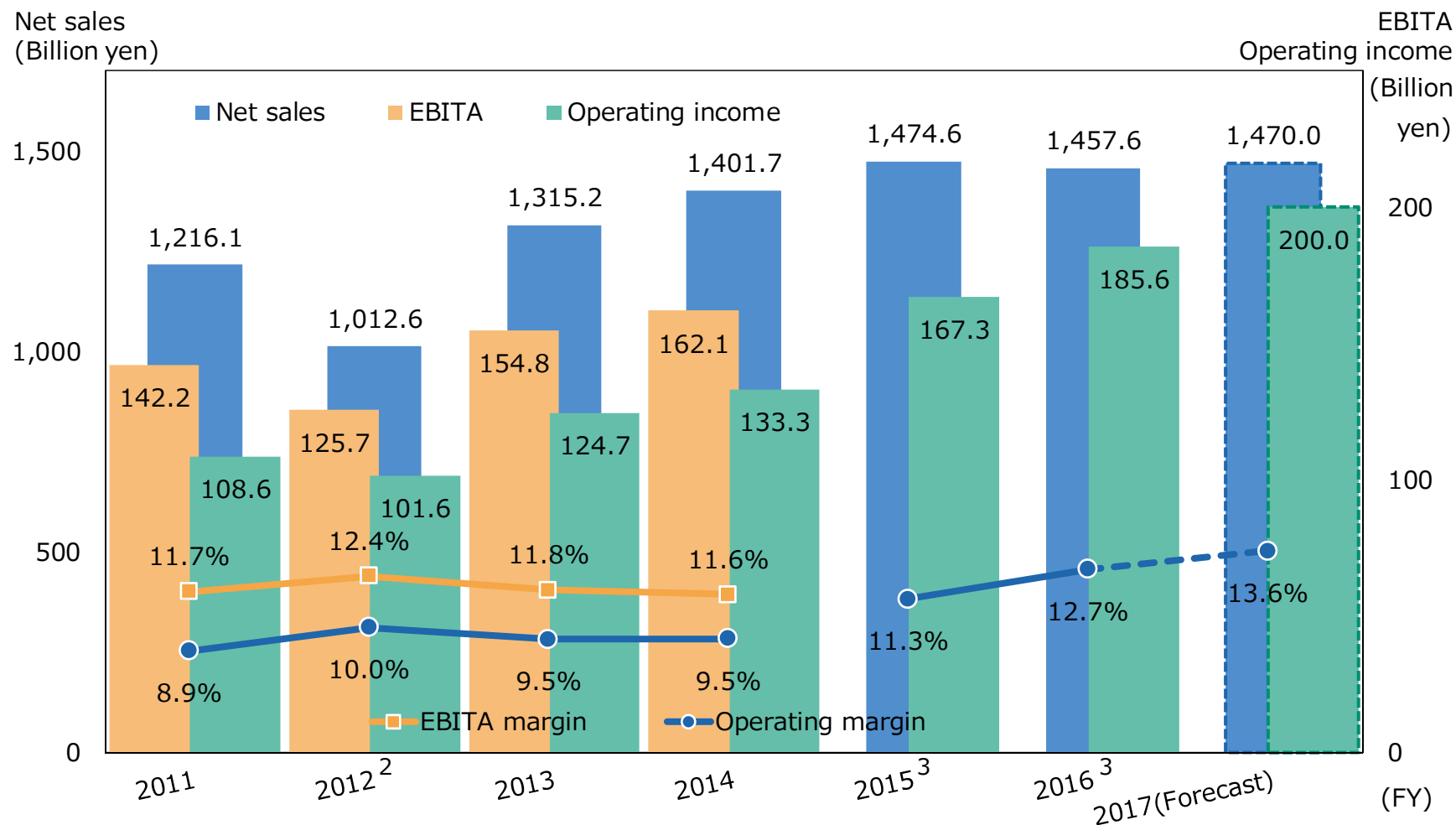
- Production capacity expansion for sanitary products in Japan
- Production capacity expansion for fabric care and home care products in Japan

## Net cash flows from financing activities

- Payments of cash dividends (Includes payments of cash dividends to non-controlling interests)

24.0 billion yen

# Consolidated Net Sales/EBITA<sup>1</sup>/Operating Income

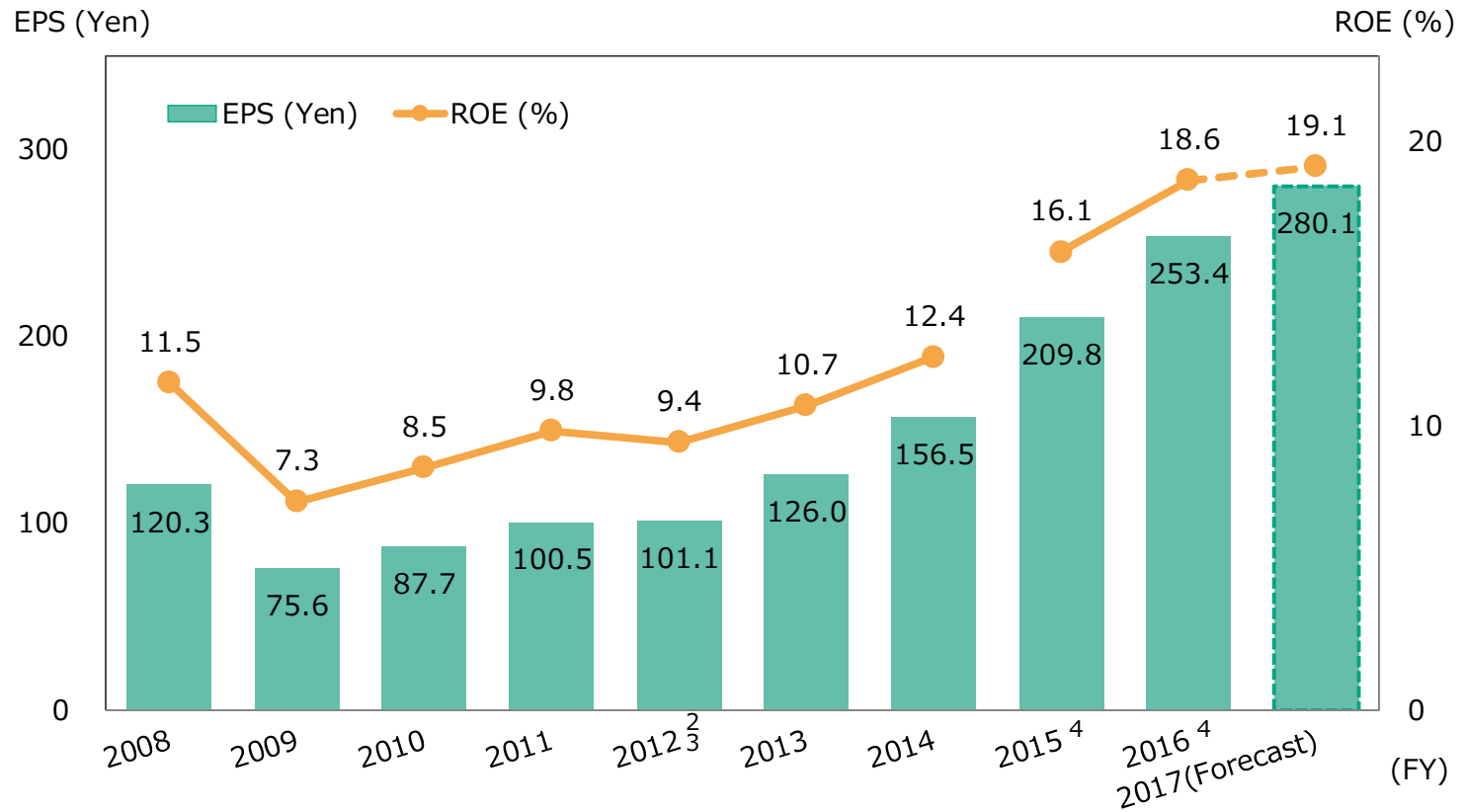


1. Operating income before amortization of goodwill and intellectual property rights related to M&A.

2. Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

3. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS. EBITA is not presented from FY2015 because amortization of goodwill has been discontinued under IFRS.

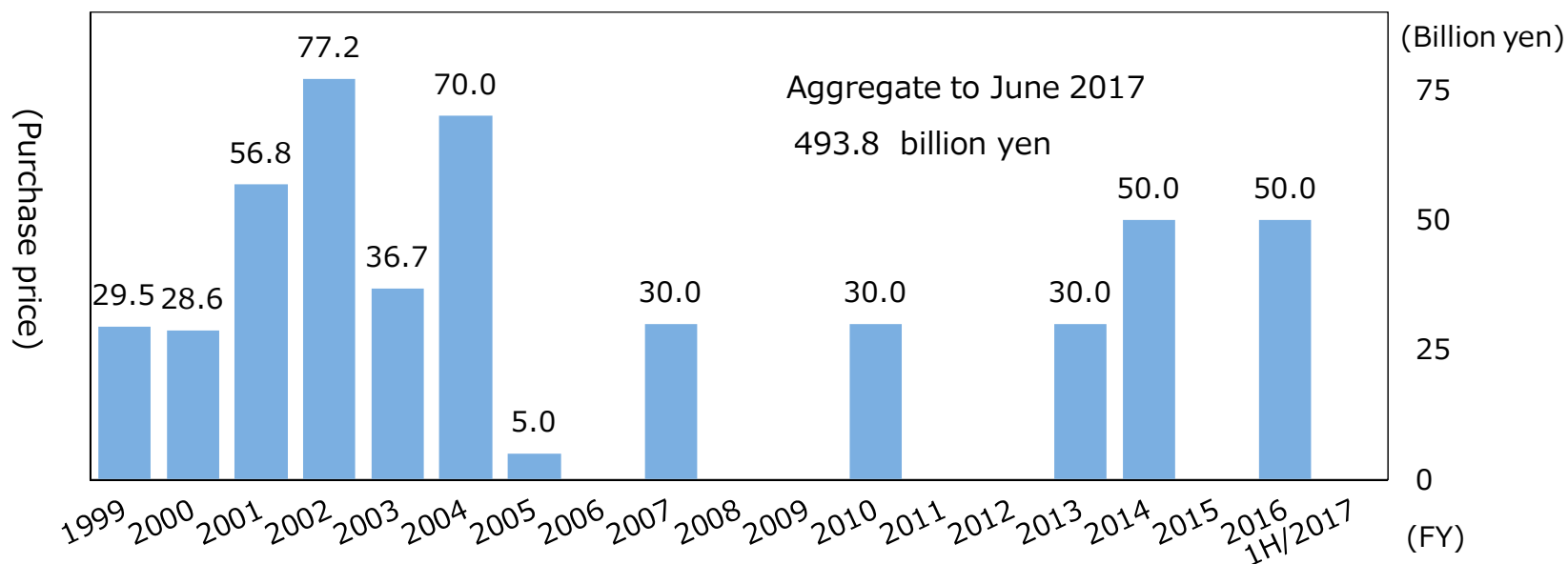
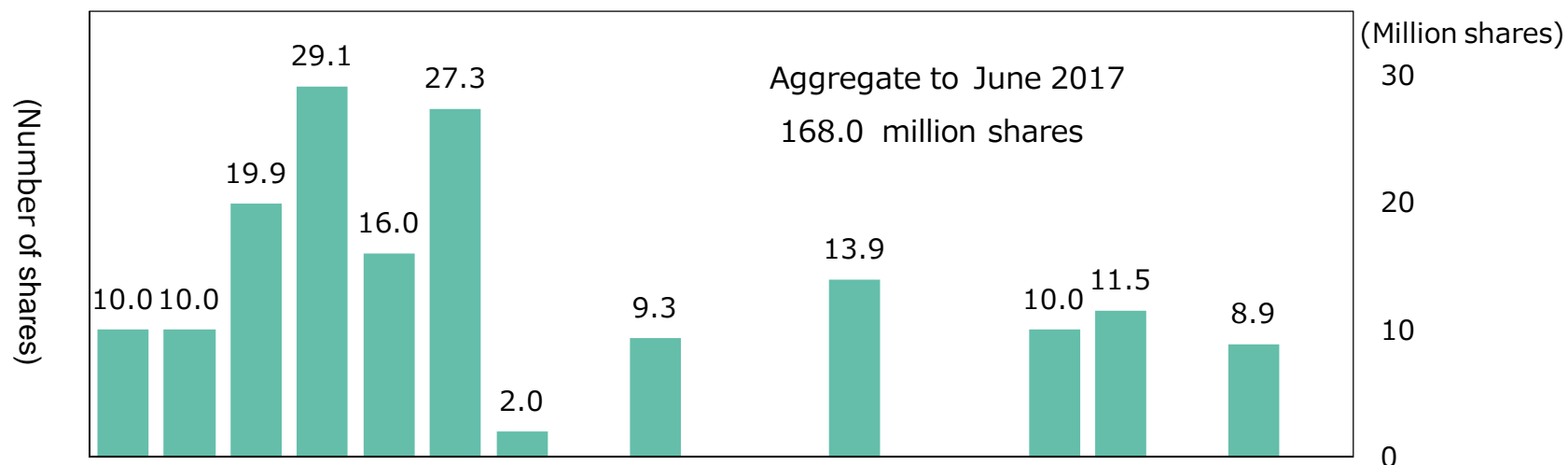
# ROE & EPS<sup>1</sup>



Weighted average number of shares outstanding (Million shares)	536.1	536.0	533.0	521.9	521.8	513.9	508.7	501.4	499.4	492.7
Net income [J-GAAP] / Net income, attributable to owners of the parent [IFRS] (Billion yen)	64.5	40.5	46.7	52.4	52.8	64.8	79.6	105.2	126.6	138.0

1. Net income per share [J-GAAP] / Basic earnings per share [IFRS]
2. Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)
3. ROE of FY2012 is for the transitional period connected with the change in fiscal year end.
4. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.

# Share Repurchase



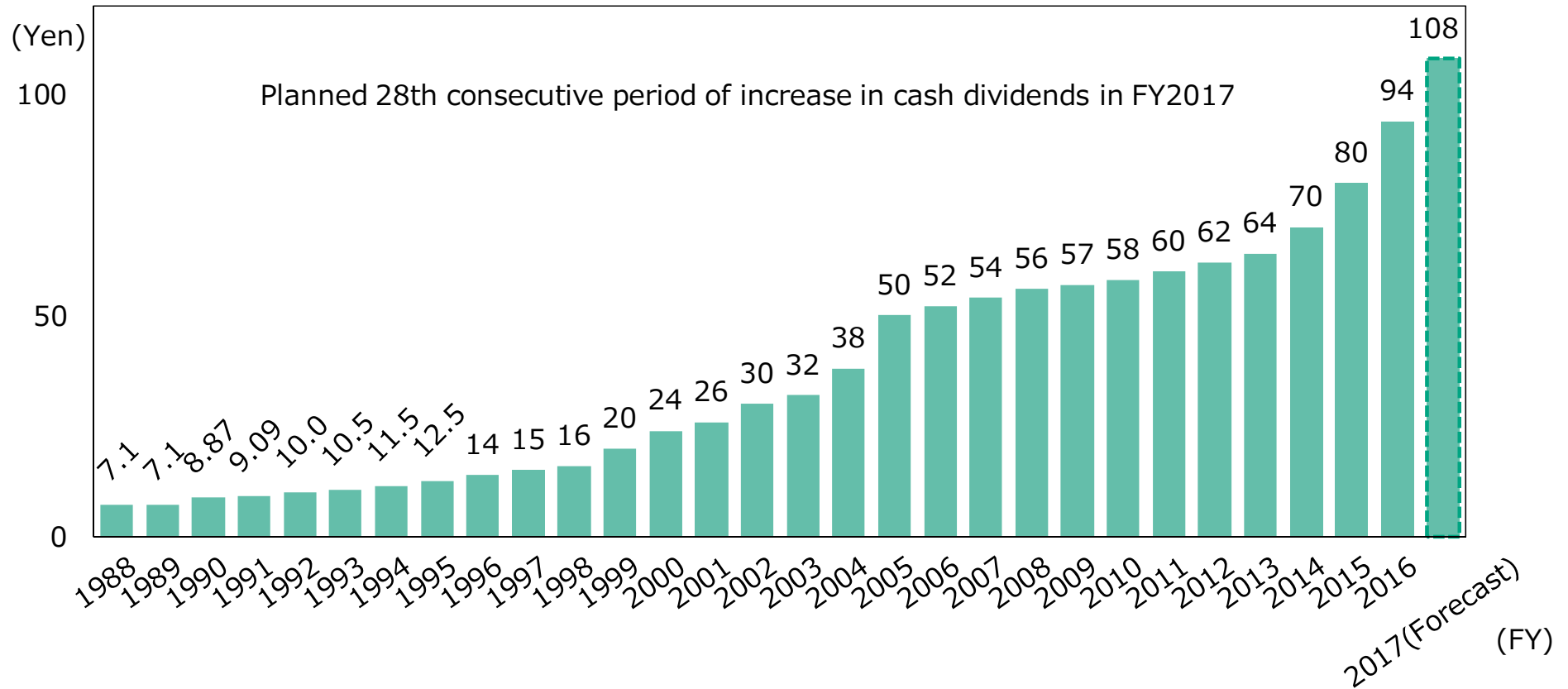
Note: Excludes repurchase of shares of less than one trading unit and shares acquired through the Board Incentive Plan Trust ("BIP Trust"). Number of issued shares including treasury shares as of June 30, 2017 is 495.0 million.



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# Cash Dividends per Share

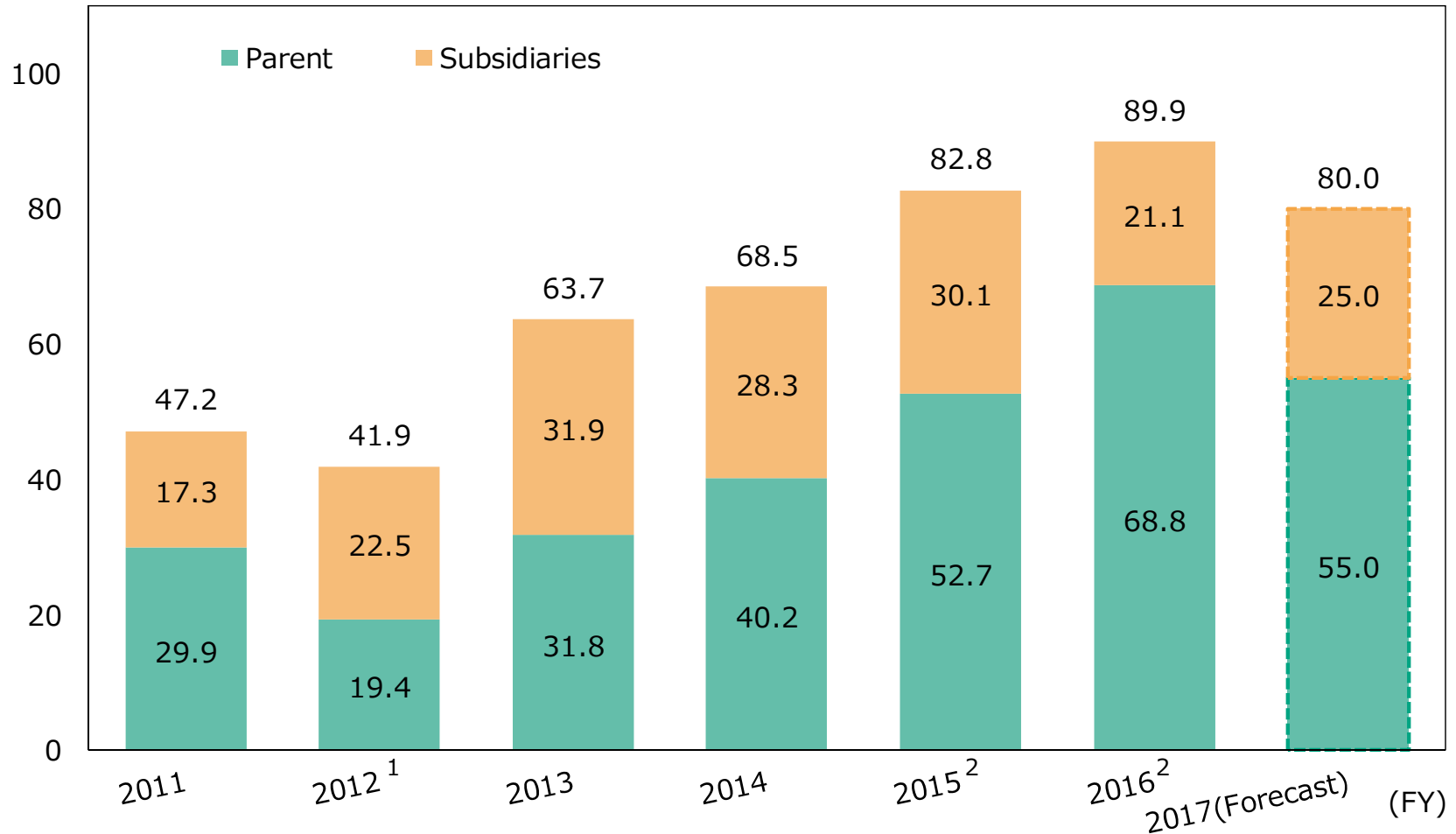
Cash Dividends per Share



Note: Impacts of share splits are retroactively reflected.

# Capital Expenditures

(Billion yen)



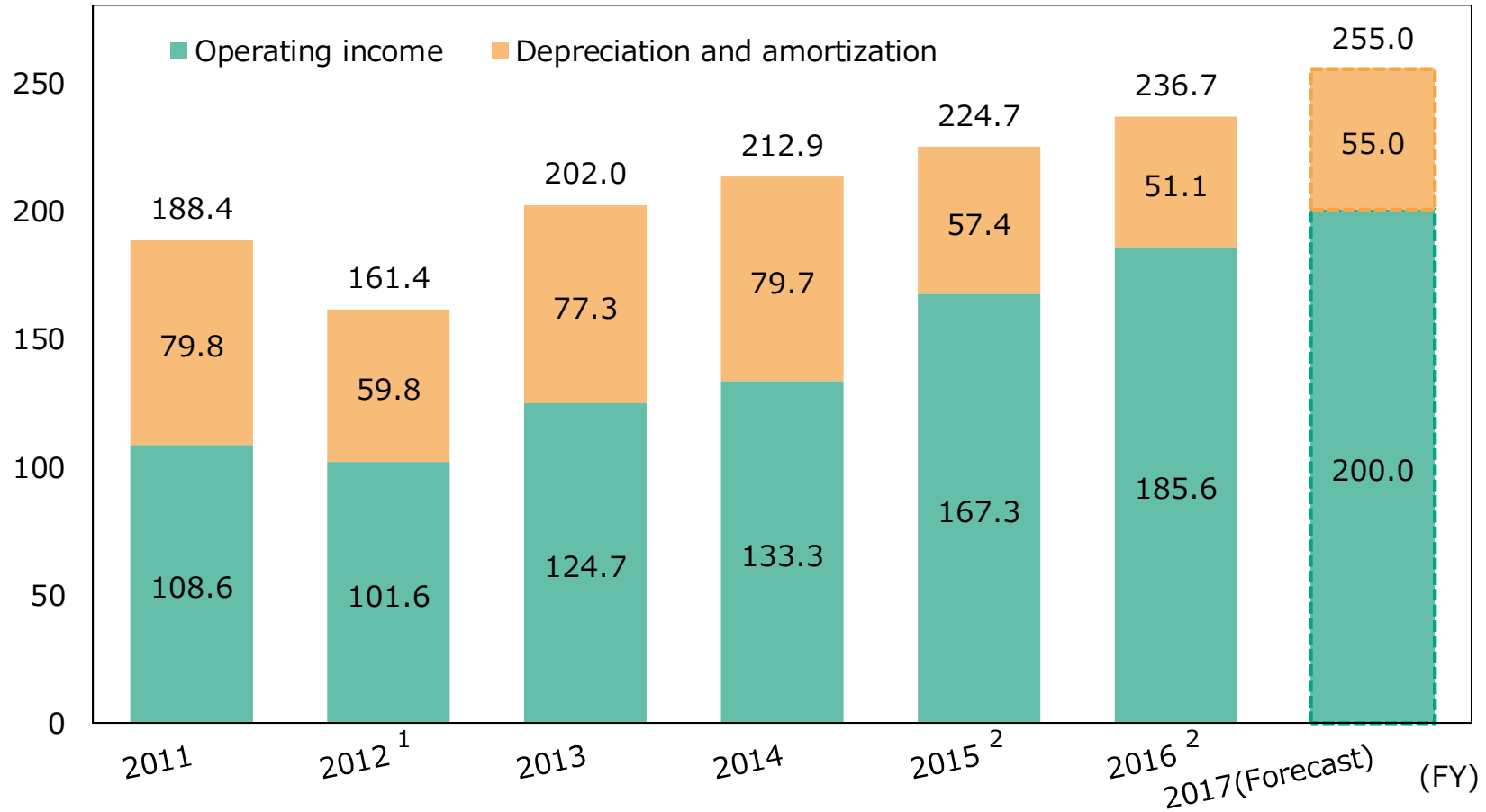
1. Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.



# EBITDA

(Billion yen)



1. Fiscal year end is December 31 from FY2012. (Please refer to slide 2 for details.)

2. IFRS adopted in FY2016. FY2015 figures are calculations based on IFRS.

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