

## Consolidated Financial Results for the Three Months Ended March 31, 2020 [IFRS]

April 27, 2020

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

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

### 1. Consolidated financial results for the three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Three months ended		Three months ended	
	March 31, 2020	%	March 31, 2019	%
Net sales	337,767	(2.6)	346,904	(1.1)
Operating income	39,279	2.8	38,207	(3.1)
Income before income taxes	37,277	(3.4)	38,603	(0.2)
Net income	27,159	0.6	27,006	(4.1)
Net income attributable to owners of the parent	26,665	0.9	26,440	(4.8)
Comprehensive income	13,908	(54.6)	30,667	116.8
Basic earnings per share (Yen)	55.45		54.33	
Diluted earnings per share (Yen)	55.44		54.32	

#### (2) Consolidated financial position

	March 31, 2020	December 31, 2019
Total assets	1,564,989	1,653,919
Total equity	853,374	871,421
Equity attributable to owners of the parent	840,876	857,695
Ratio of equity attributable to owners of the parent to total assets	53.7%	51.9%
Equity attributable to owners of the parent per share (Yen)	1,748.53	1,783.46

### 2. Dividends

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

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

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

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

	Year ending	
	December 31, 2020	%
Net sales	1,510,000 - 1,530,000	0.5 - 1.8
Operating income	220,000 - 230,000	3.9 - 8.6
Income before income taxes	220,000 - 230,000	4.4 - 9.2
Net income attributable to owners of the parent	154,000 - 161,000	3.9 - 8.6
Basic earnings per share (Yen)	320.23 - 334.79	-

Notes:

- Revisions to the consolidated operating results forecast most recently announced: None
- As of the fiscal year ending December 31, 2020, the Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount. Applying the same method to the forecast of consolidated operating results for the previous fiscal year would have increased net sales between 2.8% and 4.2%.

**4. Others**

- Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- Changes in accounting policies and changes in accounting estimates
  - Changes in accounting principles required by IFRS: None
  - Changes in accounting principles due to reasons other than 1): None
  - Changes in accounting estimates: None
- Number of issued shares outstanding at the end of this period (ordinary shares)

	March 31, 2020	December 31, 2019
Number of issued shares including treasury shares	482,000,000	482,000,000
Number of treasury shares	1,095,695	1,083,466
	Three months ended March 31, 2020	Three months ended March 31, 2019
Weighted average number of shares outstanding during this period	480,914,148	486,665,845

**Notice regarding execution of quarterly review procedures**

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

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

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

Please refer to page 6, "Qualitative Information on Financial Results for the Three Months Ended March 31, 2020 - 2. Description of Information on Outlook, Including Forecasts of Consolidated Results" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

## Qualitative Information on Financial Results for the Three Months Ended March 31, 2020

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

### 1. Description of Operating Results

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

Three months ended March 31	2020	2019	Growth
Net sales	<b>337.8</b>	346.9	(2.6%) Like-for-like: 0.6%
Operating income	<b>39.3</b>	38.2	2.8%
Operating margin (%)	<b>11.6</b>	11.0	-
Income before income taxes	<b>37.3</b>	38.6	(3.4%)
Net income	<b>27.2</b>	27.0	0.6%
Net income attributable to owners of the parent	<b>26.7</b>	26.4	0.9%
Basic earnings per share (Yen)	<b>55.45</b>	54.33	2.1%

The novel coronavirus (COVID-19) pandemic is having a major impact on business activities of companies around the world. It has cast a substantial shadow on the global economy that has included delays in raw material procurement, manufacturing, logistics and other areas, and a drop in consumption due to border controls, restrictions on going outside, store closures and other factors in each country and region.

In the Kao Group's key markets during the three months ended March 31, 2020, according to retail sales and consumer purchasing survey data, the cosmetics market in Japan shrank significantly from the previous year, while the household and personal care products market grew as a result of increased demand for hygiene-related products. Average unit prices for household and personal care products increased by 2 percentage points compared with the same period a year earlier.

Amid these circumstances, net sales decreased 2.6% compared with the same period a year earlier to 337.8 billion yen. On a like-for-like basis, net sales increased 0.6%. Operating income was 39.3 billion yen, an increase of 1.1 billion yen compared with the same period a year earlier, and income before income taxes was 37.3 billion yen, a decrease of 1.3 billion yen. Net income was 27.2 billion yen, an increase of 0.2 billion yen.

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

	First quarter	
	Jan. – Mar.	
Yen/U.S. dollar	108.95	(110.09)
Yen/Euro	120.18	(125.10)
Yen/Chinese yuan	15.61	(16.31)

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

## Summary of Segment Information

### Consolidated Results by Segment

Three months ended March 31	Net sales				Operating income			Operating margin (%)	
	2020	2019	Growth %	Like-for-like %	2020	2019	Change	2020	2019
								(Billions of yen)	
Cosmetics Business	59.2	67.3	(12.1)	(11.4)	0.1	6.2	(6.0)	0.2	9.2
Skin Care and Hair Care Business	74.1	80.6	(8.1)	3.1	11.3	10.7	0.7	15.3	13.2
Human Health Care Business	61.9	61.1	1.3	2.5	5.1	2.9	2.2	8.3	4.7
Fabric and Home Care Business	81.8	74.3	10.0	10.2	15.3	11.0	4.2	18.7	14.9
Consumer Products Business	276.9	283.4	(2.3)	1.3	31.8	30.8	1.1	11.5	10.9
Chemical Business	69.8	73.4	(5.0)	(3.4)	7.8	7.7	0.1	11.1	10.5
Total	346.7	356.8	(2.8)	0.3	39.6	38.5	1.1	-	-
Elimination and Reconciliation	(8.9)	(9.9)	-	-	(0.3)	(0.3)	(0.1)	-	-
Consolidated	337.8	346.9	(2.6)	0.6	39.3	38.2	1.1	11.6	11.0

**Consolidated Net Sales Composition**

Three months ended March 31		Japan	Asia	Americas	Europe	(Billions of yen) Consolidated
Cosmetics Business	2020	43.3	10.3	1.4	4.1	59.2
	2019	51.4	10.3	1.4	4.3	67.3
	Growth %	(15.7)	0.1	2.4	(3.2)	(12.1)
	Like-for-like %	(15.7)	3.3	3.6	0.1	(11.4)
Skin Care and Hair Care Business	2020	39.9	6.9	18.4	8.9	74.1
	2019	46.1	7.5	17.1	9.9	80.6
	Growth %	(13.5)	(8.1)	7.4	(10.0)	(8.1)
	Like-for-like %	4.8	(7.0)	9.1	(6.6)	3.1
Human Health Care Business	2020	35.9	25.9	0.0	0.0	61.9
	2019	35.0	26.0	0.0	-	61.1
	Growth %	2.6	(0.5)	6.1	-	1.3
	Like-for-like %	2.6	2.2	14.7	-	2.5
Fabric and Home Care Business	2020	67.9	11.0	2.8	0.1	81.8
	2019	61.6	9.8	2.8	0.1	74.3
	Growth %	10.3	11.4	0.2	(8.7)	10.0
	Like-for-like %	10.3	12.2	3.3	(6.2)	10.2
Consumer Products Business	2020	187.1	54.1	22.6	13.1	276.9
	2019	194.1	53.7	21.3	14.2	283.4
	Growth %	(3.6)	0.7	6.2	(7.9)	(2.3)
	Like-for-like %	0.6	2.9	8.0	(4.5)	1.3
Chemical Business	2020	27.6	14.1	12.1	15.9	69.8
	2019	30.0	14.5	12.3	16.6	73.4
	Growth %	(7.9)	(3.1)	(1.2)	(4.1)	(5.0)
	Like-for-like %	(7.9)	(1.6)	0.7	(0.2)	(3.4)
Elimination of intersegment	2020	(7.8)	(0.7)	(0.0)	(0.5)	(8.9)
	2019	(8.6)	(0.7)	(0.0)	(0.6)	(9.9)
Consolidated	2020	207.0	67.5	34.8	28.6	337.8
	2019	215.5	67.6	33.6	30.2	346.9
	Growth %	(4.0)	(0.1)	3.5	(5.6)	(2.6)
	Like-for-like %	(0.2)	2.0	5.3	(1.9)	0.6

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

Net sales to foreign customers were 41.1% of net sales compared with 39.9% for the same period a year earlier.

**Consumer Products Business**

Sales decreased 2.3% compared with the same period a year earlier to 276.9 billion yen. On a like-for-like basis, sales increased 1.3%.

Due to the COVID-19 pandemic, business activities were substantially impacted by a decrease in inbound demand, restrictions on going outside and other factors. In particular, sales in the Cosmetics Business and sales to hair salons decreased significantly. On the other hand, demand for hygiene-related and other products increased, and overall sales grew on a like-for-like basis.

In Japan, sales decreased 3.6% to 187.1 billion yen due to the change in the method of recognizing sales for some transactions from the gross amount to the net amount, among other factors. On a like-for-like basis, sales increased 0.6%.

In Asia, sales increased 0.7% to 54.1 billion yen. On a like-for-like basis, sales increased 2.9%.

In the Americas, sales increased 6.2% to 22.6 billion yen. On a like-for-like basis, sales increased 8.0%. In Europe, sales decreased 7.9% to 13.1 billion yen. On a like-for-like basis, sales decreased 4.5%.

Operating income increased 1.1 billion yen compared with the same period a year earlier to 31.8 billion yen.

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

**Cosmetics Business**

Sales decreased 12.1% compared with the same period a year earlier to 59.2 billion yen. On a like-for-like basis, sales decreased 11.4%.

In the Cosmetics Business, sales in Japan decreased substantially due to a significant decline in inbound demand, as well as the impact of restrictions on going outside and other factors. In the Americas and Europe, cosmetics store closures continue to have an effect. In Asia, on the other hand, sales increased with the start of a recovery at Kao China in March.

Operating income was 0.1 billion yen, a decrease of 6.0 billion yen from the same period a year earlier, due to the substantial decrease in sales.

**Skin Care and Hair Care Business**

Sales decreased 8.1% compared with the same period a year earlier to 74.1 billion yen due to the change in the method of recognizing sales for some transactions from the gross amount to the net amount, among other factors. On a like-for-like basis, sales increased 3.1%.

In skin care products, sales of *Bioré* hand soap, hand sanitizer and other products increased. The increased

demand continues to exceed supply, so the Kao Group is working to drastically ramp up production. In the Americas, there was also special demand associated with the COVID-19 pandemic. On the other hand, sales of UV care and other seasonal products decreased in Japan and Asia due to restrictions on going outside and decreased inbound demand.

Sales of hair care products with the start of salon closures by customers of the Kao Group's business for hair salons in the Americas and Europe.

Operating income increased 0.7 billion yen compared with the same period a year earlier to 11.3 billion yen.

#### ***Human Health Care Business***

Sales increased 1.3% compared with the same period a year earlier to 61.9 billion yen. On a like-for-like basis, sales increased 2.5%.

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

*Laurier* sanitary napkins substantially increased market share in Japan due to strong performance by high-value-added products as well as special demand for some products. Sales in Asia grew steadily.

Sales of personal health products were firm.

Operating income increased 2.2 billion yen compared with the same period a year earlier to 5.1 billion yen due to the increase in sales of sanitary napkins, among other factors.

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

Sales increased 10.0% compared with the same period a year earlier to 81.8 billion yen. On a like-for-like basis, sales increased 10.2%.

In Japan, laundry detergent and laundry bleach performed strongly in fabric care products, while in home care products, sales increased significantly for kitchen bleach, kitchen cleaning agents and dishwashing detergents in particular, as well as for other products. Sales of hygiene-related products also grew significantly in Asia.

Operating income increased 4.2 billion yen compared with the same period a year earlier to 15.3 billion yen due to the effect of the increase in sales.

#### ***Chemical Business***

Sales decreased 5.0% compared with the same period a year earlier to 69.8 billion yen. On a like-for-like basis, sales decreased 3.4%.

In oleo chemicals, despite an emerging downward trend in demand for some products, sales of fat and oil derivatives were firm. Sales of performance chemicals decreased, as demand was relatively solid in infrastructure-related fields but declined in other fields. In specialty chemicals, toner and toner binder were impacted by sluggish market conditions.

Operating income increased 0.1 billion yen compared with the same period a year earlier to 7.8 billion yen with the contribution of improved profitability.

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

Although the business environment is expected to remain uncertain due to the COVID-19 pandemic, and it is very difficult to predict when conditions will return to normal or what countermeasures each country or region will take, the Kao Group aims to achieve the figures announced in its forecast. Therefore, there is no change from the forecast of consolidated results announced on February 4, 2020. For more details, see "Impact on Business from the Novel Coronavirus (COVID-19) Pandemic," released by the Company on April 27, 2020.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 110 yen, one euro to 125 yen and one Chinese yuan to 16 yen.

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**Condensed Consolidated Statement of Financial Position**

(Millions of yen)

	March 31, 2020	December 31, 2019	Change
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	235,003	289,681	(54,678)
Trade and other receivables	194,600	208,839	(14,239)
Inventories	202,498	199,672	2,826
Other financial assets	11,034	13,788	(2,754)
Income tax receivables	3,513	2,440	1,073
Other current assets	19,493	22,606	(3,113)
<b>Total current assets</b>	<b>666,141</b>	<b>737,026</b>	<b>(70,885)</b>
<b>Non-current assets</b>			
Property, plant and equipment	428,710	436,831	(8,121)
Right-of-use assets	156,312	164,822	(8,510)
Goodwill	178,978	179,707	(729)
Intangible assets	49,301	47,770	1,531
Investments accounted for using the equity method	6,726	8,287	(1,561)
Other financial assets	25,215	26,104	(889)
Deferred tax assets	47,888	47,876	12
Other non-current assets	5,718	5,496	222
<b>Total non-current assets</b>	<b>898,848</b>	<b>916,893</b>	<b>(18,045)</b>
<b>Total assets</b>	<b>1,564,989</b>	<b>1,653,919</b>	<b>(88,930)</b>

(Millions of yen)

	March 31, 2020	December 31, 2019	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	204,697	222,314	(17,617)
Bonds and borrowings	35,461	25,505	9,956
Lease liabilities	18,940	19,653	(713)
Other financial liabilities	2,994	6,766	(3,772)
Income tax payables	8,024	36,208	(28,184)
Provisions	1,424	2,054	(630)
Contract liabilities	19,923	20,616	(693)
Other current liabilities	90,781	99,411	(8,630)
<b>Total current liabilities</b>	<b>382,244</b>	<b>432,527</b>	<b>(50,283)</b>
Non-current liabilities			
Bonds and borrowings	90,662	101,636	(10,974)
Lease liabilities	133,902	141,438	(7,536)
Other financial liabilities	7,495	7,527	(32)
Retirement benefit liabilities	78,653	80,579	(1,926)
Provisions	10,128	10,122	6
Deferred tax liabilities	3,716	3,747	(31)
Other non-current liabilities	4,815	4,922	(107)
<b>Total non-current liabilities</b>	<b>329,371</b>	<b>349,971</b>	<b>(20,600)</b>
<b>Total liabilities</b>	<b>711,615</b>	<b>782,498</b>	<b>(70,883)</b>
Equity			
Share capital	85,424	85,424	-
Capital surplus	108,797	108,715	82
Treasury shares	(4,196)	(4,309)	113
Other components of equity	(45,508)	(32,974)	(12,534)
Retained earnings	696,359	700,839	(4,480)
Equity attributable to owners of the parent	840,876	857,695	(16,819)
Non-controlling interests	12,498	13,726	(1,228)
<b>Total equity</b>	<b>853,374</b>	<b>871,421</b>	<b>(18,047)</b>
<b>Total liabilities and equity</b>	<b>1,564,989</b>	<b>1,653,919</b>	<b>(88,930)</b>

**Condensed Consolidated Statement of Income**

(Millions of yen)

	Notes	Three months ended March 31, 2020	Three months ended March 31, 2019	Change
Net sales	1	337,767	346,904	(9,137)
Cost of sales		(193,432)	(200,726)	7,294
Gross profit		144,335	146,178	(1,843)
Selling, general and administrative expenses	2	(106,243)	(108,381)	2,138
Other operating income		4,383	3,629	754
Other operating expenses		(3,196)	(3,219)	23
Operating income	1	39,279	38,207	1,072
Financial income		560	688	(128)
Financial expenses		(3,277)	(949)	(2,328)
Share of profit in investments accounted for using the equity method		715	657	58
Income before income taxes		37,277	38,603	(1,326)
Income taxes		(10,118)	(11,597)	1,479
Net income		27,159	27,006	153
Attributable to:				
Owners of the parent		26,665	26,440	225
Non-controlling interests		494	566	(72)
Net income		27,159	27,006	153
Earnings per share				
Basic (Yen)		55.45	54.33	
Diluted (Yen)		55.44	54.32	

**Condensed Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2019	Change
Net income	27,159	27,006	153
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	(454)	(214)	(240)
Remeasurements of defined benefit plans	-	0	(0)
Share of other comprehensive income of investments accounted for using the equity method	(266)	129	(395)
Total of items that will not be reclassified to profit or loss	(720)	(85)	(635)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(12,520)	3,730	(16,250)
Share of other comprehensive income of investments accounted for using the equity method	(11)	16	(27)
Total of items that may be reclassified subsequently to profit or loss	(12,531)	3,746	(16,277)
Other comprehensive income, net of taxes	(13,251)	3,661	(16,912)
Comprehensive income	<u>13,908</u>	<u>30,667</u>	<u>(16,759)</u>
Attributable to:			
Owners of the parent	14,364	29,866	(15,502)
Non-controlling interests	(456)	801	(1,257)
Comprehensive income	<u>13,908</u>	<u>30,667</u>	<u>(16,759)</u>

## Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent												Total equity
	Other components of equity									Retained earnings	Total	Non-controlling interests	
	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, 2020	85,424	108,715	(4,309)	448	(39,630)	-	6,208	-	(32,974)	700,839	857,695	13,726	871,421
Net income	-	-	-	-	-	-	-	-	-	26,665	26,665	494	27,159
Other comprehensive income	-	-	-	-	(11,580)	(2)	(719)	-	(12,301)	-	(12,301)	(950)	(13,251)
Comprehensive income	-	-	-	-	(11,580)	(2)	(719)	-	(12,301)	26,665	14,364	(456)	13,908
Disposal of treasury shares	-	-	119	(55)	-	-	-	-	(55)	(63)	1	-	1
Purchase of treasury shares	-	-	(6)	-	-	-	-	-	-	-	(6)	-	(6)
Share-based payment transactions	-	82	-	-	-	-	-	-	-	-	82	-	82
Dividends	-	-	-	-	-	-	-	-	-	(31,260)	(31,260)	(772)	(32,032)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(178)	-	(178)	178	-	-	-
Total transactions with the owners	-	82	113	(55)	-	-	(178)	-	(233)	(31,145)	(31,183)	(772)	(31,955)
March 31, 2020	85,424	108,797	(4,196)	393	(51,210)	(2)	5,311	-	(45,508)	696,359	840,876	12,498	853,374
January 1, 2019 (as previously reported)	85,424	108,245	(11,282)	546	(37,032)	(1)	6,458	-	(30,029)	670,002	822,360	13,149	835,509
Changes in accounting policy <sup>1</sup>	-	-	-	-	-	-	-	-	-	740	740	-	740
January 1, 2019 (after adjustment)	85,424	108,245	(11,282)	546	(37,032)	(1)	6,458	-	(30,029)	670,742	823,100	13,149	836,249
Net income	-	-	-	-	-	-	-	-	-	26,440	26,440	566	27,006
Other comprehensive income	-	-	-	-	3,512	(1)	(85)	0	3,426	-	3,426	235	3,661
Comprehensive income	-	-	-	-	3,512	(1)	(85)	0	3,426	26,440	29,866	801	30,667
Disposal of treasury shares	-	-	121	(51)	-	-	-	-	(51)	(70)	0	-	0
Purchase of treasury shares	-	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Share-based payment transactions	-	84	-	-	-	-	-	-	-	-	84	-	84
Dividends	-	-	-	-	-	-	-	-	-	(29,199)	(29,199)	(997)	(30,196)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	-	(0)	(0)	0	-	-	-
Total transactions with the owners	-	84	113	(51)	-	-	-	(0)	(51)	(29,269)	(29,123)	(997)	(30,120)
March 31, 2019	85,424	108,329	(11,169)	495	(33,520)	(2)	6,373	-	(26,654)	667,913	823,843	12,953	836,796

Note:

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

**Condensed Consolidated Statement of Cash Flows**

(Millions of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from operating activities		
Income before income taxes	37,277	38,603
Depreciation and amortization	21,426	21,151
Interest and dividend income	(492)	(390)
Interest expense	796	723
Share of profit in investments accounted for using the equity method	(715)	(657)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	495	765
(Increase) decrease in trade and other receivables	9,224	15,938
(Increase) decrease in inventories	(6,062)	(12,232)
Increase (decrease) in trade and other payables	(9,289)	(13,076)
Increase (decrease) in retirement benefit liabilities	(1,236)	(1,358)
Other	(7,312)	(17,064)
Subtotal	44,112	32,403
Interest received	450	381
Dividends received	2,059	1,990
Interest paid	(714)	(619)
Income taxes paid	(39,345)	(33,298)
Net cash flows from operating activities	6,562	857
Cash flows from investing activities		
Payments into time deposits	(1,737)	(5,244)
Proceeds from withdrawal of time deposits	3,843	9,252
Purchase of property, plant and equipment	(19,686)	(17,388)
Purchase of intangible assets	(3,791)	(1,771)
Other	71	(1,511)
Net cash flows from investing activities	(21,300)	(16,662)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(41)	(22)
Proceeds from long-term borrowings	-	40,100
Repayments of long-term borrowings	(13)	(40,016)
Repayments of lease liabilities	(5,344)	(4,920)
Dividends paid to owners of the parent	(30,766)	(27,692)
Dividends paid to non-controlling interests	(3)	(757)
Other	(14)	(14)
Net cash flows from financing activities	(36,181)	(33,321)
Net increase (decrease) in cash and cash equivalents	(50,919)	(49,126)
Cash and cash equivalents at the beginning of the period	289,681	265,978
Effect of exchange rate changes on cash and cash equivalents	(3,759)	816
Cash and cash equivalents at the end of the period	235,003	217,668

**Notes to Condensed Consolidated Financial Statements**
**1. Segment Information**

## (1) Summary of reportable segments

Major products by reportable segment are as follows:

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

## (2) Sales and results of reportable segments

Three months ended March 31, 2020	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Cosmetics Business	Skin Care and Hair Care Business <sup>3</sup>	Human Health Care Business	Fabric and Home Care Business	Subtotal				
Net sales									
Sales to customers	59,194	74,086	61,876	81,751	276,907	60,860	337,767	-	337,767
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	-	8,908	8,908	(8,908)	-
Total net sales	59,194	74,086	61,876	81,751	276,907	69,768	346,675	(8,908)	337,767
Operating income	131	11,303	5,119	15,276	31,829	7,773	39,602	(323)	39,279
% of net sales	0.2	15.3	8.3	18.7	11.5	11.1	-	-	11.6
Financial income									560
Financial expenses									(3,277)
Share of profit in investments accounted for using the equity method									715
Income before income taxes									37,277

## Notes:

1. The operating income reconciliation of -323 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
3. The Company has changed its method of recognizing sales for some transactions from the gross amount to the net amount.

Three months ended March 31, 2019	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations <sup>1</sup>	Consolidated
	Cosmetics Business	Skin Care and Hair Care Business	Human Health Care Business	Fabric and Home Care Business	Subtotal				
Net sales									
Sales to customers	67,341	80,646	61,082	74,303	283,372	63,532	346,904	-	346,904
Intersegment sales and transfers <sup>2</sup>	-	-	-	-	-	9,871	9,871	(9,871)	-
Total net sales	67,341	80,646	61,082	74,303	283,372	73,403	356,775	(9,871)	346,904
Operating income	6,175	10,651	2,898	11,048	30,772	7,689	38,461	(254)	38,207
% of net sales	9.2	13.2	4.7	14.9	10.9	10.5	-	-	11.0
Financial income									688
Financial expenses									(949)
Share of profit in investments accounted for using the equity method									657
Income before income taxes									38,603

## Notes:

1. The operating income reconciliation of -254 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)

	Three months ended March 31, 2020	Three months ended March 31, 2019
Advertising	16,137	16,362
Sales promotion	12,502	13,120
Employee benefits	37,394	38,160
Depreciation	4,626	5,378
Amortization	2,153	1,968
Research and development	15,110	15,255
Other	18,321	18,138
Total	106,243	108,381

### Note regarding Assumption of Going Concern

None applicable.