



Consolidated Financial Results for the Six Months Ended June 30, 2024 [IFRS]

August 8, 2024

Company name: Kao Corporation Tokyo Stock Exchange in Japan
 Stock code: 4452 (URL: www.kao.com/global/en/investor-relations/library/results/)
 Representative: Yoshihiro Hasebe, President and CEO
 Contact person: Yoshimasa Minegishi, Vice President, Financial Controllers, Global
 Telephone: +81-3-3660-7111
 Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled commencement date for dividend payments: September 2, 2024
 Preparation of supplementary material on financial results: Yes
 Financial results information meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded)

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Income before income taxes		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
June 30, 2024	787,987	6.7	57,939	123.7	64,408	124.9	44,819	152.8
June 30, 2023	738,528	0.6	25,900	(51.7)	28,639	(52.6)	17,731	(55.4)

	Net income attributable to owners of the parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Six months ended						
June 30, 2024	43,413	161.1	113,461	68.2	93.41	—
June 30, 2023	16,624	(57.3)	67,476	(39.0)	35.76	35.76

Note: Core income excluding impacts of structural reforms for the six months ended June 30, 2023 is as follows. Percentages indicate growth rates compared with core income for the same period a year earlier.

	Millions of yen	%
Core operating income	34,453	68.2
Core income before income taxes	37,192	73.2
Core net income	27,429	63.4
Core net income attributable to owners of the parent	26,322	64.9
Basic core earnings per share (Yen)	56.63	

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of					
June 30, 2024	1,847,847	1,087,127	1,056,006	57.1	2,273.50
December 31, 2023	1,769,746	1,012,043	983,658	55.6	2,116.01

2. Dividends

	Annual cash dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	—	75.00	—	75.00	150.00
Fiscal year ending December 31, 2024	—	76.00			
Fiscal year ending December 31, 2024 (Forecast)			—	76.00	152.00

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

3. Forecast of consolidated operating results for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Income before income taxes		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	1,600,000	4.4	140,000	133.2	147,000	130.3	104,000	137.1	223.90

Notes:

- Revisions to the most recently announced forecast of consolidated operating results: Yes
- Core income excluding impacts of structural reforms for the fiscal year ended December 31, 2023 is as follows. Percentages indicate growth rates compared with core income for the previous fiscal year.

	Millions of yen	%
Core operating income	114,706	22.1
Core income before income taxes	118,513	24.0
Core net income attributable to owners of the parent	85,975	21.0
Basic core earnings per share (Yen)	184.95	

4. Others

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — companies (Company name) —

Excluded: — companies (Company name) —

(2) Changes in accounting policies and changes in accounting estimates

- Changes in accounting policies required by IFRS : None
- Changes in accounting policies due to reasons other than 1) : None
- Changes in accounting estimates : None

(3) Number of issued shares (ordinary shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	465,900,000 shares
As of December 31, 2023	465,900,000 shares

2) Number of treasury shares at the end of the period

As of June 30, 2024	1,415,925 shares
As of December 31, 2023	1,034,724 shares

3) Average number of shares outstanding during the period

Six months ended June 30, 2024	464,767,064 shares
Six months ended June 30, 2023	464,843,575 shares

Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

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

(Caution regarding forward-looking statements, etc.)

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 8, "1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2024, (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.

(Remainder of page intentionally left blank.)

Contents of Attachments

1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2024	2
(1) Description of Operating Results	2
(2) Description of Information on Outlook, Including Forecasts of Consolidated Results	8
2. Condensed Consolidated Financial Statements and Notes	10
(1) Condensed Consolidated Statement of Financial Position	10
(2) Condensed Consolidated Statement of Income	12
(3) Condensed Consolidated Statement of Comprehensive Income	13
(4) Condensed Consolidated Statement of Changes in Equity	14
(5) Condensed Consolidated Statement of Cash Flows	16
(6) Notes to Condensed Consolidated Financial Statements	17
(7) Note regarding Assumption of Going Concern	19

1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2024

Note: Changes and comparisons are all with the same period a year earlier unless otherwise noted. Like-for-like growth rates below exclude the effect of translation of local currencies into Japanese yen. Growth by volume includes changes due to differences in product mix.

In the following table, the lower line of figures and growth rates for operating income and for each of the categories below it for the six months ended June 30, 2023 have been calculated based on core income, excluding the impacts of structural reforms for the fiscal year ended December 31, 2023.

(1) Description of Operating Results

(Billions of yen, except operating margin and per share amounts)			
Six months ended June 30	2024	2023	Growth
Net sales	788.0	738.5	6.7% Like-for-like: 1.9%
Operating income	57.9	25.9	123.7%
		34.5	68.2%
Operating margin (%)	7.4	3.5	-
		4.7	-
Income before income taxes	64.4	28.6	124.9%
		37.2	73.2%
Net income	44.8	17.7	152.8%
		27.4	63.4%
Net income attributable to owners of the parent	43.4	16.6	161.1%
		26.3	64.9%
Basic earnings per share (Yen)	93.41	35.76	161.2%
		56.63	64.9%

Although the global economy has been trending steadily toward recovery, the pace has varied by country and region. The Japanese economy is on a gradual recovery track. However, the outlook is unclear due to factors including exchange rate fluctuations, a slowdown in the Chinese economy and geopolitical risks in Europe and the Middle East.

According to retail sales and consumer purchasing survey data, the consumer products (household and personal care products and cosmetics) market in Japan, which is the Kao Group's key market, grew during the period from January to June 2024 compared with the same period a year earlier.

To successfully carry out its Mid-term Plan 2027 ("K27"), the Kao Group has been steadily conducting a "Global Sharp Top Strategy" to contribute as global No. 1 with leading-edge solutions that address the critical needs of customers.

As a result, net sales increased 6.7% compared with the same period a year earlier to 788.0 billion yen. Currency translation accounted for a 4.8% increase and net sales increased 1.9% on a like-for-like basis (breakdown of the increase: 0.9% increase by volume, 1.1% increase by price). Operating income was 57.9 billion yen, an increase of 32.0 billion yen, and income before income taxes was 64.4 billion yen, an increase of 35.8 billion yen. Net income was 44.8 billion yen, an increase of 27.1 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	Second quarter
	Jan. – Mar.	Apr. – Jun.
U.S. dollar	148.22 (132.29)	155.72 (137.30)
Euro	160.99 (141.98)	167.68 (149.50)
Chinese yuan	20.63 (19.33)	21.51 (19.58)

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

Summary of Segment Information

Consolidated Results by Segment

Six months ended June 30

	Net sales				Operating income (upper) Core operating income (lower)				Change (Billions of yen)
	2023 (Billions of yen)	2024 (Billions of yen)	Growth (%)	Like-for- like (%)	2023		2024		
					(Billions of yen)	Operating margin (%)	(Billions of yen)	Operating margin (%)	
Fabric and Home Care Products	158.6	172.1	8.5	7.4	16.1 16.1	10.2 10.2	28.0	16.3	11.9 11.9
Sanitary Products	87.1	83.4	(4.2)	(8.0)	(14.3) (6.3)	(16.4) (7.2)	5.9	7.1	20.2 12.2
Hygiene and Living Care Business	245.7	255.6	4.0	1.9	1.8 9.8	0.7 4.0	33.9	13.3	32.1 24.1
Health and Beauty Care Business	188.8	210.6	11.6	5.4	16.0 16.0	8.5 8.5	15.0	7.1	(1.0) (1.0)
Life Care Business	26.7	26.5	(0.7)	(3.9)	(1.1) (1.1)	(4.1) (4.1)	(0.5)	(1.7)	0.6 0.6
Cosmetics Business	115.8	116.7	0.8	(2.6)	(2.5) (2.0)	(2.2) (1.7)	(6.1)	(5.3)	(3.6) (4.2)
Consumer Products Business	576.9	609.4	5.6	1.9	14.3 22.8	2.5 4.0	42.3	6.9	28.1 19.5
Chemical Business	183.7	199.8	8.8	1.1	11.1 11.1	6.0 6.0	16.7	8.3	5.6 5.6
Total	760.6	809.1	6.4	1.7	25.3 33.9	- -	59.0	-	33.6 25.1
Elimination and Reconciliation	(22.1)	(21.2)	-	-	0.6 0.6	- -	(1.0)	-	(1.6) (1.6)
Consolidated	738.5	788.0	6.7	1.9	25.9 34.5	3.5 4.7	57.9	7.4	32.0 23.5

(Remainder of page intentionally left blank)

Consolidated Net Sales Composition

Six months ended June 30		Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2023	134.4	22.1	2.0	-	158.6
	2024	148.5	21.7	1.9	-	172.1
	Growth (%)	10.5	(1.9)	(4.2)	-	8.5
	Like-for-like (%)	10.5	(9.3)	(12.8)	-	7.4
Sanitary Products	2023	40.0	47.1	0.0	-	87.1
	2024	37.0	46.4	-	-	83.4
	Growth (%)	(7.5)	(1.4)	-	-	(4.2)
	Like-for-like (%)	(7.5)	(8.3)	-	-	(8.0)
Hygiene and Living Care Business	2023	174.5	69.2	2.0	-	245.7
	2024	185.5	68.2	1.9	-	255.6
	Growth (%)	6.3	(1.5)	(5.3)	-	4.0
	Like-for-like (%)	6.3	(8.6)	(13.8)	-	1.9
Health and Beauty Care Business	2023	98.2	17.4	48.9	24.3	188.8
	2024	101.7	18.6	58.9	31.4	210.6
	Growth (%)	3.5	7.0	20.6	29.1	11.6
	Like-for-like (%)	3.5	(1.3)	7.2	13.9	5.4
Life Care Business	2023	19.9	0.0	6.7	0.1	26.7
	2024	19.0	0.1	7.4	0.1	26.5
	Growth (%)	(4.7)	74.5	10.6	30.9	(0.7)
	Like-for-like (%)	(4.7)	61.5	(1.8)	13.3	(3.9)
Cosmetics Business	2023	75.5	26.8	3.3	10.2	115.8
	2024	76.3	24.3	3.8	12.3	116.7
	Growth (%)	1.0	(9.2)	14.1	20.9	0.8
	Like-for-like (%)	1.0	(16.5)	1.2	5.9	(2.6)
Consumer Products Business	2023	368.1	113.4	60.9	34.6	576.9
	2024	382.5	111.1	72.0	43.8	609.4
	Growth (%)	3.9	(2.0)	18.3	26.7	5.6
	Like-for-like (%)	3.9	(9.3)	5.1	11.5	1.9
Chemical Business	2023	67.3	43.1	30.3	42.9	183.7
	2024	66.4	51.0	34.5	47.9	199.8
	Growth (%)	(1.3)	18.2	13.8	11.5	8.8
	Like-for-like (%)	(1.3)	8.3	(0.6)	(1.1)	1.1
Elimination of intersegment	2023	(19.4)	(1.6)	(0.1)	(1.1)	(22.1)
	2024	(18.0)	(1.7)	(0.0)	(1.4)	(21.2)
Consolidated	2023	416.0	154.9	91.2	76.5	738.5
	2024	430.8	160.4	106.5	90.3	788.0
	Growth (%)	3.6	3.5	16.8	18.1	6.7
	Like-for-like (%)	3.6	(4.5)	3.3	4.4	1.9

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.

(Remainder of page intentionally left blank)

Analysis of Change in Net Sales Compared with the Same Period a Year Earlier

	Change (%)	Currency Translation (%)	Like-for-Like (%)		
				By Volume (%)	By Price (%)
Fabric and Home Care Products	8.5	1.1	7.4	2.3	5.1
Sanitary Products	(4.2)	3.8	(8.0)	(12.4)	4.4
Hygiene and Living Care Business	4.0	2.1	1.9	(2.9)	4.8
Health and Beauty Care Business	11.6	6.2	5.4	5.1	0.2
Life Care Business	(0.7)	3.2	(3.9)	(5.7)	1.9
Cosmetics Business	0.8	3.4	(2.6)	(5.1)	2.5
Consumer Products Business	5.6	3.7	1.9	(0.8)	2.7
Chemical Business	8.8	7.7	1.1	5.3	(4.2)
Total	6.7	4.8	1.9	0.9	1.1

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 46.4% of net sales compared with 45.4% for the same period a year earlier.

Consumer Products Business

Sales increased 5.6% compared with the same period a year earlier to 609.4 billion yen. Currency translation accounted for a 3.7% increase and sales increased 1.9% on a like-for-like basis (breakdown of the increase: 0.8% decrease by volume, 2.7% increase by price).

Globally, the temporary inflation gradually subsided, and a trend toward consumer preference for low prices began to appear. In the market in Japan, signs of a rally in consumption and recovery in inbound demand were apparent. However, the market in China was affected by the economic slowdown and other factors. Under these circumstances, the Kao Group increased profitability in ways including upgrading its marketing techniques using digital transformation (DX), offering high-value-added products and adjusting selling prices to reflect that added value.

In Japan, sales increased 3.9% to 382.5 billion yen.

In Asia, sales decreased 2.0% to 111.1 billion yen. On a like-for-like basis, sales decreased 9.3%.

In the Americas, sales increased 18.3% to 72.0 billion yen. On a like-for-like basis, sales increased 5.1%.

In Europe, sales increased 26.7% to 43.8 billion yen. On a like-for-like basis, sales increased 11.5%.

Operating income increased 28.1 billion yen compared with the same period a year earlier to 42.3 billion yen, benefitting from factors including the effects of structural reforms that began in 2023.

Note: The Kao Group's Consumer Products Business consists of the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business and the Cosmetics Business.

Hygiene and Living Care Business

Sales increased 4.0% compared with the same period a year earlier to 255.6 billion yen. Currency translation accounted for a 2.1% increase and sales increased 1.9% on a like-for-like basis (breakdown of the increase: 2.9% decrease by volume, 4.8% increase by price).

Sales of fabric and home care products increased 8.5% to 172.1 billion yen. Currency translation accounted for a 1.1% increase and sales increased 7.4% on a like-for-like basis (breakdown of the increase: 2.3% increase by volume, 5.1% increase by price).

Market share of fabric care products in Japan grew as sales exceeded market growth due to factors including successive rollouts of new high-value-added laundry detergent products. Market share also grew for laundry bleaches, reflecting the success of a new communication approach.

Sales of home care products increased. In Japan, sales and market share of *CuCute* dishwashing detergent increased, and sales of high-value-added bath cleaners and toilet cleaners remained strong.

Operating income for fabric and home care products increased 11.9 billion yen to 28.0 billion yen.

Sales of sanitary products decreased 4.2% to 83.4 billion yen. Currency translation accounted for a 3.8% increase and sales decreased 8.0% on a like-for-like basis (breakdown of the decrease: 12.4% decrease by volume, 4.4% increase by price).

Sales of *Laurier* sanitary napkins decreased slightly because although new products launched in April in Japan performed strongly, sales in China decreased. Sales of *Merries* baby diapers decreased. While sales remained firm in Japan, sales in China were impacted by market shrinkage and intensifying competition.

Operating income for sanitary products was 5.9 billion yen, an increase of 20.2 billion yen, due to the effects of structural reforms in the baby diaper business, a gain on the transfer of the pet care business, and other factors.

Operating income for the Hygiene and Living Care Business increased 32.1 billion yen compared with the same period a year earlier to 33.9 billion yen.

Health and Beauty Care Business

Sales increased 11.6% compared with the same period a year earlier to 210.6 billion yen. Currency translation accounted for a 6.2% increase and sales increased 5.4% on a like-for-like basis (breakdown of the increase: 5.1% increase by volume, 0.2% increase by price).

Sales of skin care products increased. In Japan, in addition to UV care products, new sheet-related products, in particular, performed strongly. The skin protection business, including UV care products, which the Kao Group is developing as part of its *Global Sharp Top Strategy*, progressed as planned. Sales of the *Bondi Sands* brand, which the Kao Group acquired in November 2023, also contributed to results.

Sales of hair care products increased. In Japan, a rebranding of *Essential* contributed to strong sales. In addition, the Kao Group steadily carried out its new premium strategy. In the Americas and Europe, new *JOHN FRIEDA* products performed strongly, and sales increased. Sales of products for hair salons in the Americas and Europe increased.

Sales of personal health products decreased. Sales of *MegRhythm* thermo products were strong, but sales of bath additives were affected by aggressive pricing by competitors.

Operating income decreased 1.0 billion yen compared with the same period a year earlier to 15.0 billion yen due to structural reform expenses at subsidiaries in the Americas and Europe, and other factors.

Life Care Business

Sales decreased 0.7% compared with the same period a year earlier to 26.5 billion yen. Currency translation accounted for a 3.2% increase and sales decreased 3.9% on a like-for-like basis (breakdown of the decrease: 5.7% decrease by volume, 1.9% increase by price).

Sales of commercial-use hygiene products decreased. In Japan, demand continued to rise for kitchen cleaning agents and guest room amenities in the food service industry and lodging facilities and other establishments due to a large increase in the number of customers, but sales of sanitizers and other products were affected by market shrinkage. In the United States, sales decreased.

Operating income was negative 0.5 billion yen, an increase of 0.6 billion yen from the same period a year earlier.

Cosmetics Business

Sales increased 0.8% compared with the same period a year earlier to 116.7 billion yen. Currency translation accounted for a 3.4% increase and sales decreased 2.6% on a like-for-like basis (breakdown of the decrease: 5.1% decrease by volume, 2.5% increase by price).

Amid market recovery in Japan, *KANEBO* prestige skin care and makeup, *ALLIE* UV care, *SOFINA iP* skin care brand and other brands performed strongly, but a slump in market conditions for cross-border e-commerce sales to China, and the decrease in sales of *KATE*, which has the number-one share of the makeup market, following hit products in the previous year, resulted in only a slight increase in overall sales in Japan. In China, sales decreased as the *Curél* derma care brand struggled in an intensely competitive environment, in addition to the slowdown of market growth. In the Americas and Europe, new *SENSAI* products performed strongly, and sales increased.

Operating income was negative 6.1 billion yen, a decrease of 3.6 billion yen from the same period a year earlier.

Chemical Business

Sales increased 8.8% compared with the same period a year earlier to 199.8 billion yen. Currency translation accounted for a 7.7% increase and sales increased 1.1% on a like-for-like basis (breakdown of the increase: 5.3% increase by volume, 4.2% decrease by price).

In oleo chemicals, with customer demand on a recovery track, sales grew partly as a result of utilizing new facilities to increase sales volume.

In performance chemicals, sales decreased due to stagnation in some target markets in Japan, including the automobile-related sector, and the continued impact of intensifying competition outside Japan.

In information materials, sales grew as a result of steadily capturing demand, which was on a recovery track in the hard disk, semiconductor-related and other target sectors.

Operating income increased 5.6 billion yen compared with the same period a year earlier to 16.7 billion yen due to improved profit margins, mainly for oleo chemicals, and contributions from sectors where sales grew as a result of capturing recovery in demand.

(2) Description of Information on Outlook, Including Forecasts of Consolidated Results

Revised Forecast of Consolidated Operating Results for the Fiscal Year Ending December 31, 2024

(Billions of yen, except per share amounts)

	Net sales	Operating income	Income before income taxes	Net income attributable to owners of the parent	Basic earnings per share (Yen)
Previously Announce forecast (A)	1,580.0	130.0	131.0	98.0	210.81
Revised forecast (B)	1,600.0	140.0	147.0	104.0	223.90
Change (B-A)	20.0	10.0	16.0	6.0	13.09
Percentage change (%)	1.3	7.7	12.2	6.1	6.2
(Reference) Results for the previous fiscal year (ended December 31, 2023)	1,532.6	60.0	63.8	43.9	94.37

Notes:

- (A) in the above table: Forecast of consolidated operating results for the fiscal year ending December 31, 2024, announced on May 9, 2024
- Core income excluding impacts of structural reforms for the fiscal year ended December 31, 2023 is as follows. Percentages indicate growth rates compared with core income for the previous fiscal year.

Core operating income	114.7 billion yen	22.1%
Core income before income taxes	118.5 billion yen	24.0%
Core net income attributable to owners of the parent	86.0 billion yen	21.0%
Basic core earnings per share	184.95 yen	

The Kao Group is conducting a "Global Sharp Top Strategy" to successfully carry out Mid-term Plan K27, and by making concentrated investments in strategic brands and promoting further improvement in

return on invested capital (ROIC), it has shown progress exceeding its plan for the six months ended June 30, 2024.

Business performance in the second half is expected to face challenging conditions due to an uncertain business environment resulting from factors including an economic slowdown in China, geopolitical risks in Europe and the Middle East, and rising raw material prices. However, performance was strong in the first half. Given these and other factors, the forecast of consolidated results announced on May 9, 2024 has been revised as shown above.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 146 yen, one euro to 157 yen and one Chinese yuan to 20 yen.

(Remainder of page intentionally left blank)

2. Condensed Consolidated Financial Statements and Notes**(1) Condensed Consolidated Statement of Financial Position**

Kao Corporation and Consolidated Subsidiaries

As of June 30, 2024

	(Millions of yen)		
	December 31, 2023	June 30, 2024	Change
Assets			
Current assets			
Cash and cash equivalents	291,663	303,979	12,316
Trade and other receivables	225,934	240,825	14,891
Inventories	263,815	279,041	15,226
Other financial assets	6,596	9,213	2,617
Income tax receivables	5,186	6,606	1,420
Other current assets	23,915	28,951	5,036
Total current assets	<u>817,109</u>	<u>868,615</u>	<u>51,506</u>
Non-current assets			
Property, plant and equipment	420,563	429,746	9,183
Right-of-use assets	126,252	124,671	(1,581)
Goodwill	218,886	233,139	14,253
Intangible assets	81,758	83,378	1,620
Investments accounted for using the equity method	11,807	12,645	838
Other financial assets	26,881	29,254	2,373
Deferred tax assets	55,519	55,384	(135)
Other non-current assets	10,971	11,015	44
Total non-current assets	<u>952,637</u>	<u>979,232</u>	<u>26,595</u>
Total assets	<u><u>1,769,746</u></u>	<u><u>1,847,847</u></u>	<u><u>78,101</u></u>

	(Millions of yen)		
	December 31, 2023	June 30, 2024	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	235,513	238,971	3,458
Bonds and borrowings	14,039	11,861	(2,178)
Lease liabilities	19,020	20,549	1,529
Other financial liabilities	7,445	1,872	(5,573)
Income tax payables	15,090	20,612	5,522
Provisions	14,406	17,932	3,526
Contract liabilities	45,264	48,486	3,222
Other current liabilities	109,157	103,949	(5,208)
Total current liabilities	<u>459,934</u>	<u>464,232</u>	4,298
Non-current liabilities			
Bonds and borrowings	124,441	124,724	283
Lease liabilities	103,572	101,746	(1,826)
Other financial liabilities	6,889	6,618	(271)
Retirement benefit liabilities	40,451	40,097	(354)
Provisions	8,352	8,466	114
Deferred tax liabilities	8,679	9,229	550
Other non-current liabilities	5,385	5,608	223
Total non-current liabilities	<u>297,769</u>	<u>296,488</u>	(1,281)
Total liabilities	<u>757,703</u>	<u>760,720</u>	3,017
Equity			
Share capital	85,424	85,424	—
Capital surplus	105,780	105,956	176
Treasury shares	(3,267)	(5,929)	(2,662)
Other components of equity	83,919	150,004	66,085
Retained earnings	711,802	720,551	8,749
Equity attributable to owners of the parent	<u>983,658</u>	<u>1,056,006</u>	72,348
Non-controlling interests	28,385	31,121	2,736
Total equity	<u>1,012,043</u>	<u>1,087,127</u>	75,084
Total liabilities and equity	<u><u>1,769,746</u></u>	<u><u>1,847,847</u></u>	<u><u>78,101</u></u>

(2) Condensed Consolidated Statement of Income

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2024

		Six months ended June 30, 2023	Six months ended June 30, 2024	(Millions of yen) Change
	Notes			
Net sales	1	738,528	787,987	49,459
Cost of sales		<u>(479,594)</u>	<u>(484,329)</u>	<u>(4,735)</u>
Gross profit		258,934	303,658	44,724
Selling, general and administrative expenses	2	(227,038)	(245,226)	(18,188)
Other operating income		9,410	12,920	3,510
Other operating expenses		<u>(15,406)</u>	<u>(13,413)</u>	<u>1,993</u>
Operating income	1	25,900	57,939	32,039
Financial income		3,305	6,632	3,327
Financial expenses		(1,723)	(1,784)	(61)
Share of profit in investments accounted for using the equity method		1,157	1,621	464
Income before income taxes		<u>28,639</u>	<u>64,408</u>	<u>35,769</u>
Income taxes		<u>(10,908)</u>	<u>(19,589)</u>	<u>(8,681)</u>
Net income		<u><u>17,731</u></u>	<u><u>44,819</u></u>	<u><u>27,088</u></u>
Attributable to:				
Owners of the parent		16,624	43,413	26,789
Non-controlling interests		1,107	1,406	299
Net income		<u><u>17,731</u></u>	<u><u>44,819</u></u>	<u><u>27,088</u></u>
Earnings per share				
Basic (Yen)		35.76	93.41	
Diluted (Yen)		35.76	-	

(3) Condensed Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2024

	(Millions of yen)		
	Six months ended June 30, 2023	Six months ended June 30, 2024	Change
Net income	17,731	44,819	27,088
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	533	1,302	769
Share of other comprehensive income of investments accounted for using the equity method	268	336	68
Total of items that will not be reclassified to profit or loss	801	1,638	837
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	48,470	66,269	17,799
Share of other comprehensive income of investments accounted for using the equity method	474	735	261
Total of items that may be reclassified subsequently to profit or loss	48,944	67,004	18,060
Other comprehensive income, net of taxes	49,745	68,642	18,897
Comprehensive income	67,476	113,461	45,985
Attributable to:			
Owners of the parent	64,082	109,707	45,625
Non-controlling interests	3,394	3,754	360
Comprehensive income	67,476	113,461	45,985

(4) Condensed Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2023

(Millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity		
					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
January 1, 2023	85,424	105,880	(3,459)	57	38,322	7	5,456
Net income	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	46,651	5	802
Comprehensive income	–	–	–	–	46,651	5	802
Disposal of treasury shares	–	(177)	210	(28)	–	–	–
Purchase of treasury shares	–	–	(8)	–	–	–	–
Share-based payment transactions	–	153	–	–	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the ownership interest in subsidiaries	–	(123)	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(29)	–	–	(18)
Total transactions with the owners	–	(147)	202	(57)	–	–	(18)
June 30, 2023	85,424	105,733	(3,257)	–	84,973	12	6,240
	Equity attributable to owners of the parent				Non-controlling interests	Total equity	
	Other components of equity	Retained earnings	Total				
	Total						
January 1, 2023	43,842	740,374	972,061	23,323	995,384		
Net income	–	16,624	16,624	1,107	17,731		
Other comprehensive income	47,458	–	47,458	2,287	49,745		
Comprehensive income	47,458	16,624	64,082	3,394	67,476		
Disposal of treasury shares	(28)	(4)	1	–	1		
Purchase of treasury shares	–	–	(8)	–	(8)		
Share-based payment transactions	–	–	153	–	153		
Dividends	–	(34,399)	(34,399)	(953)	(35,352)		
Changes in the ownership interest in subsidiaries	–	–	(123)	2,358	2,235		
Transfer from other components of equity to retained earnings	(47)	47	–	–	–		
Total transactions with the owners	(75)	(34,356)	(34,376)	1,405	(32,971)		
June 30, 2023	91,225	722,642	1,001,767	28,122	1,029,889		

Six months ended June 30, 2024

(Millions of yen)

	Equity attributable to owners of the parent							
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Other components of equity			
					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	
January 1, 2024	85,424	105,780	(3,267)	—	77,448	10	6,461	
Net income	—	—	—	—	—	—	—	
Other comprehensive income	—	—	—	—	64,655	1	1,638	
Comprehensive income	—	—	—	—	64,655	1	1,638	
Disposal of treasury shares	—	(165)	171	—	—	—	—	
Purchase of treasury shares	—	—	(2,833)	—	—	—	—	
Share-based payment transactions	—	336	—	—	—	—	—	
Dividends	—	—	—	—	—	—	—	
Changes in the ownership interest in subsidiaries	—	5	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(209)	
Total transactions with the owners	—	176	(2,662)	—	—	—	(209)	
June 30, 2024	85,424	105,956	(5,929)	—	142,103	11	7,890	
	Equity attributable to owners of the parent				Non-controlling interests	Total equity		
	Other components of equity	Retained earnings	Total					
	Total							
January 1, 2024	83,919	711,802	983,658	28,385	1,012,043			
Net income	—	43,413	43,413	1,406	44,819			
Other comprehensive income	66,294	—	66,294	2,348	68,642			
Comprehensive income	66,294	43,413	109,707	3,754	113,461			
Disposal of treasury shares	—	(6)	—	—	—			
Purchase of treasury shares	—	—	(2,833)	—	(2,833)			
Share-based payment transactions	—	—	336	—	336			
Dividends	—	(34,867)	(34,867)	(1,002)	(35,869)			
Changes in the ownership interest in subsidiaries	—	—	5	(16)	(11)			
Transfer from other components of equity to retained earnings	(209)	209	—	—	—			
Total transactions with the owners	(209)	(34,664)	(37,359)	(1,018)	(38,377)			
June 30, 2024	150,004	720,551	1,056,006	31,121	1,087,127			

(5) Condensed Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2024

	Six months ended June 30, 2023	(Millions of yen) Six months ended June 30, 2024
Cash flows from operating activities		
Income before income taxes	28,639	64,408
Depreciation and amortization	44,576	44,358
Impairment losses	7,935	557
Interest and dividend income	(1,549)	(2,295)
Interest expense	1,262	1,298
Share of profit in investments accounted for using the equity method	(1,157)	(1,621)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	1,874	1,052
(Increase) decrease in trade and other receivables	29,746	4,767
(Increase) decrease in inventories	4,364	(351)
Increase (decrease) in trade and other payables	(20,135)	(11,477)
Increase (decrease) in retirement benefit liabilities	(2,091)	(1,624)
Increase (decrease) in provisions	(366)	3,406
Other	(19,243)	(27,262)
Subtotal	73,855	75,216
Interest received	1,495	2,192
Dividends received	2,300	2,823
Interest paid	(1,041)	(1,104)
Income taxes paid	(14,200)	(14,985)
Net cash flows from operating activities	62,409	64,142
Cash flows from investing activities		
Payments into time deposits	(3,987)	(7,667)
Proceeds from withdrawal of time deposits	2,701	5,533
Purchase of property, plant and equipment	(27,251)	(26,355)
Proceeds from sale of property, plant and equipment	129	5,037
Purchase of intangible assets	(5,528)	(4,336)
Other	487	7,249
Net cash flows from investing activities	(33,449)	(20,539)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	9,511	(13,264)
Proceeds from long-term borrowings	40,000	10,000
Repayments of long-term borrowings	(40,010)	(5)
Proceeds from issuance of bonds	24,937	—
Redemption of bonds	(24,946)	(6)
Repayments of lease liabilities	(10,715)	(10,634)
Dividends paid to owners of the parent	(34,434)	(34,894)
Dividends paid to non-controlling interests	(923)	(975)
Other	2,206	(2,771)
Net cash flows from financing activities	(34,374)	(52,549)
Net increase (decrease) in cash and cash equivalents	(5,414)	(8,946)
Cash and cash equivalents at the beginning of the period	268,248	291,663
Effect of exchange rate changes on cash and cash equivalents	12,826	21,262
Cash and cash equivalents at the end of the period	275,660	303,979

(6) 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	Hygiene and Living Care Business	Fabric care products	Laundry detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products
		Sanitary products	Sanitary napkins, baby diapers
	Health and Beauty Care Business	Skin care products	Soaps, facial cleansers, body cleansers, UV care products
		Hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents, men's products
		Personal health products	Bath additives, oral care products, thermo products
	Life Care Business	Life care products	Commercial-use hygiene products
	Cosmetics Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
	Chemical Business	Oleo chemicals	Oleochemicals, fat and oil derivatives, surfactants, fragrances
Performance chemicals		Water-reducing admixture for concrete, casting sand binders, plastics additives, process chemicals for various industries	
Information materials		Toners/Toner binders, inkjet ink colorants, ink, fine polishing agents and cleaner for hard disk, materials and process chemicals for semiconductor	

(2) Sales and Results of Reportable Segments
Six months ended June 30, 2023

(Millions of yen)

	Reportable segments							Reconciliation ¹	Consolidated
	Consumer Products Business				Subtotal	Chemical Business	Total		
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business					
Net sales									
Sales to customers	245,701	188,774	26,662	115,799	576,936	161,592	738,528	—	738,528
Intersegment sales and transfers ²	—	—	—	—	—	22,071	22,071	(22,071)	—
Total net sales	245,701	188,774	26,662	115,799	576,936	183,663	760,599	(22,071)	738,528
Operating income (loss)	1,805	16,035	(1,082)	(2,505)	14,253	11,092	25,345	555	25,900
Financial income									3,305
Financial expenses									(1,723)
Share of profit in investments accounted for using the equity method									1,157
Income before income taxes									28,639
Core operating income (loss) ³	9,839	16,035	(1,082)	(1,986)	22,806	11,092	33,898	555	34,453

Notes:

- The operating income (loss) reconciliation of 555 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
- Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
- Core operating income (loss) excludes impacts of structural reforms. Reconciliation of operating income (loss) to core operating income (loss) is as follows. The amounts recorded in the condensed consolidated financial statements for the six months ended June 30, 2023 in the table below present the sum of operating income (loss) of reportable segments for which impacts of structural reforms have not been incurred, and core operating income (loss).

	(Millions of yen)		
	Hygiene and Living Care Business	Cosmetics Business	Consolidated
Operating income (loss)	1,805	(2,505)	25,900
Impacts of structural reforms			
Cost of sales	215	519	734
Impairment loss	7,819	-	7,819
Core operating income (loss)	9,839	(1,986)	34,453

Six months ended June 30, 2024

(Millions of yen)

	Reportable segments							Reconciliation ¹	Consolidated
	Consumer Products Business					Chemical Business	Total		
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business	Subtotal				
Net sales									
Sales to customers	255,582	210,604	26,479	116,729	609,394	178,593	787,987	—	787,987
Intersegment sales and transfers ²	—	—	—	—	—	21,157	21,157	(21,157)	—
Total net sales	255,582	210,604	26,479	116,729	609,394	199,750	809,144	(21,157)	787,987
Operating income (loss)	33,944	14,988	(460)	(6,137)	42,335	16,652	58,987	(1,048)	57,939
Financial income									6,632
Financial expenses									(1,784)
Share of profit in investments accounted for using the equity method									1,621
Income before income taxes									64,408

Notes:

- The operating income (loss) reconciliation of (1,048) million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
- Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.

2. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	Six months ended June 30, 2023	Six months ended June 30, 2024
Advertising	36,610	42,003
Sales promotion	24,060	24,632
Employee benefits	83,918	89,286
Depreciation	8,463	8,561
Amortization	4,962	5,536
Research and development	31,129	31,519
Other	37,896	43,689
Total	227,038	245,226

(7) Note regarding Assumption of Going Concern

None applicable.