



Consolidated Financial Results for the Nine Months Ended September 30, 2024 [IFRS]

November 7, 2024

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 Scheduled commencement date for dividend payments: -
 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 nine months ended September 30, 2024 (from January 1, 2024 to September 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	%
Nine months ended September 30, 2024	1,190,011	5.7	101,055	99.3	104,016	90.6	72,917	111.1
September 30, 2023	1,125,883	(0.2)	50,705	(34.1)	54,582	(35.9)	34,546	(41.9)

	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
Nine months ended September 30, 2024	71,027	118.3	86,162	(10.2)	152.85	—
September 30, 2023	32,542	(44.2)	95,966	(32.5)	70.01	70.00

Note: Core income excluding impacts of structural reforms for the nine months ended September 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	70,768	42.8
Core income before income taxes	74,645	39.3
Core net income	52,217	39.6
Core net income attributable to owners of the parent	50,213	41.5
Basic core earnings per share (Yen)	108.02	

(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 September 30, 2024	1,760,381	1,024,676	994,013	56.5	2,140.03
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: None
- 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 September 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 September 30, 2024	1,414,163 shares
As of December 31, 2023	1,034,724 shares

3) Average number of shares outstanding during the period

Nine months ended September 30, 2024	464,672,121 shares
Nine months ended September 30, 2023	464,850,282 shares

Review of the Japanese-language originals of the attached condensed consolidated financial statements by certified public accountants or an audit firm: None

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 9, "1. Qualitative Information on Financial Results for the Nine Months Ended September 30, 2024, (3) Description of Information on Outlook, Including Forecasts of Consolidated Results" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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1. Qualitative Information on Financial Results for the Nine Months Ended September 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 nine months ended September 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)

Nine months ended September 30	2024	2023	Growth
Net sales	1,190.0	1,125.9	5.7% Like-for-like: 2.1%
Operating income	101.1	50.7	99.3%
		70.8	42.8%
Operating margin (%)	8.5	4.5	-
		6.3	-
Income before income taxes	104.0	54.6	90.6%
		74.6	39.3%
Net income	72.9	34.5	111.1%
		52.2	39.6%
Net income attributable to owners of the parent	71.0	32.5	118.3%
		50.2	41.5%
Basic earnings per share (Yen)	152.85	70.01	118.3%
		108.02	41.5%

In the global economy, geopolitical risks in Europe and the Middle East and international tensions between major powers have been impeding recovery. Protracted inflation and monetary tightening have also weakened recovery in consumption and investment. In Japan, as high prices persist, the movement toward wage increases has been gaining momentum, and recovery in domestic demand has become the linchpin of economic growth. For these reasons, the operating environment remains uncertain.

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 September 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 5.7% compared with the same period a year earlier to 1,190.0 billion yen. Currency translation accounted for a 3.6% increase and net sales increased 2.1% on a like-for-like basis (breakdown of the increase: 0.8% increase by volume, 1.3% increase by price). Operating income was 101.1 billion yen, an increase of 50.4 billion yen, and income before income taxes was 104.0 billion yen, an increase of 49.4 billion yen. Net income was 72.9 billion yen, an increase of 38.4 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	Third quarter
	Jan. – Mar.	Apr. – Jun.	Jul. – Sep.
U.S. dollar	148.22 (132.29)	155.72 (137.30)	149.44 (144.49)
Euro	160.99 (141.98)	167.68 (149.50)	164.04 (157.23)
Chinese yuan	20.63 (19.33)	21.51 (19.58)	20.84 (19.94)

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

Summary of Segment Information

Consolidated Results by Segment

Nine months ended September 30

	Net sales				Operating income (upper) Core operating income (lower)				
	2023 (Billions of yen)	2024 (Billions of yen)	Growth (%)	Like-for-like (%)	2023		2024		Change (Billions of yen)
					(Billions of yen)	Operating margin (%)	(Billions of yen)	Operating margin (%)	
Fabric and Home Care Products	248.4	268.4	8.0	7.2	31.2 31.2	12.6 12.6	47.8	17.8	16.6 16.6
Sanitary Products	130.7	124.6	(4.7)	(7.6)	(26.0) (7.3)	(19.9) (5.6)	6.3	5.1	32.3 13.6
Hygiene and Living Care Business	379.2	393.0	3.7	2.1	5.2 23.9	1.4 6.3	54.2	13.8	48.9 30.3
Health and Beauty Care Business	288.5	314.7	9.1	4.4	30.3 30.6	10.5 10.6	25.6	8.1	(4.7) (4.9)
Life Care Business	40.8	40.6	(0.4)	(2.8)	(1.2) (1.2)	(3.1) (3.1)	5.6	13.8	6.8 6.8
Cosmetics Business	175.1	173.2	(1.1)	(3.7)	(2.8) (1.6)	(1.6) (0.9)	(7.9)	(4.6)	(5.1) (6.3)
Consumer Products Business	883.5	921.5	4.3	1.5	31.5 51.6	3.6 5.8	77.5	8.4	45.9 25.9
Chemical Business	275.0	301.6	9.7	3.8	18.5 18.5	6.7 6.7	25.1	8.3	6.6 6.6
Total	1,158.5	1,223.1	5.6	2.0	50.0 70.0	- -	102.5	-	52.5 32.5
Elimination and Reconciliation	(32.6)	(33.1)	-	-	0.7 0.7	- -	(1.5)	-	(2.2) (2.2)
Consolidated	1,125.9	1,190.0	5.7	2.1	50.7 70.8	4.5 6.3	101.1	8.5	50.4 30.3

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Consolidated Net Sales Composition

(Billions of yen)

Nine months ended September 30		Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2023	211.8	33.7	2.9	-	248.4
	2024	232.8	32.9	2.8	-	268.4
	Growth (%)	9.9	(2.6)	(5.3)	-	8.0
	Like-for-like (%)	9.9	(8.4)	(12.8)	-	7.2
Sanitary Products	2023	60.6	70.1	0.0	-	130.7
	2024	55.3	69.3	-	-	124.6
	Growth (%)	(8.8)	(1.1)	-	-	(4.7)
	Like-for-like (%)	(8.8)	(6.5)	-	-	(7.6)
Hygiene and Living Care Business	2023	272.4	103.8	2.9	-	379.2
	2024	288.1	102.2	2.8	-	393.0
	Growth (%)	5.8	(1.6)	(6.2)	-	3.7
	Like-for-like (%)	5.8	(7.1)	(13.6)	-	2.1
Health and Beauty Care Business	2023	151.1	26.2	73.6	37.6	288.5
	2024	155.9	27.1	84.9	46.8	314.7
	Growth (%)	3.2	3.5	15.4	24.4	9.1
	Like-for-like (%)	3.2	(2.7)	5.4	12.7	4.4
Life Care Business	2023	30.4	0.1	10.2	0.1	40.8
	2024	29.0	0.1	11.3	0.1	40.6
	Growth (%)	(4.4)	124.8	10.1	46.2	(0.4)
	Like-for-like (%)	(4.4)	113.3	0.8	31.2	(2.8)
Cosmetics Business	2023	112.7	40.0	5.2	17.1	175.1
	2024	116.2	31.9	5.6	19.4	173.2
	Growth (%)	3.1	(20.2)	7.5	13.4	(1.1)
	Like-for-like (%)	3.1	(25.8)	(1.9)	2.3	(3.7)
Consumer Products Business	2023	566.6	170.1	91.9	54.9	883.5
	2024	589.2	161.4	104.5	66.4	921.5
	Growth (%)	4.0	(5.1)	13.7	21.0	4.3
	Like-for-like (%)	4.0	(10.8)	3.8	9.5	1.5
Chemical Business	2023	98.8	66.0	46.1	64.0	275.0
	2024	100.6	77.1	51.7	72.2	301.6
	Growth (%)	1.8	16.8	12.0	12.7	9.7
	Like-for-like (%)	1.8	8.8	2.4	2.7	3.8
Elimination of intersegment	2023	(28.7)	(2.4)	(0.1)	(1.5)	(32.6)
	2024	(27.8)	(2.7)	(0.1)	(2.5)	(33.1)
Consolidated	2023	636.7	233.8	138.0	117.4	1,125.9
	2024	662.0	235.8	156.1	136.1	1,190.0
	Growth (%)	4.0	0.9	13.1	15.9	5.7
	Like-for-like (%)	4.0	(5.4)	3.4	5.2	2.1

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.

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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	8.0	0.9	7.2	3.0	4.2
Sanitary Products	(4.7)	2.9	(7.6)	(11.1)	3.5
Hygiene and Living Care Business	3.7	1.6	2.1	(1.9)	4.0
Health and Beauty Care Business	9.1	4.7	4.4	4.9	(0.5)
Life Care Business	(0.4)	2.4	(2.8)	(3.9)	1.1
Cosmetics Business	(1.1)	2.6	(3.7)	(6.4)	2.7
Consumer Products Business	4.3	2.8	1.5	(0.6)	2.1
Chemical Business	9.7	5.9	3.8	5.2	(1.4)
Total	5.7	3.6	2.1	0.8	1.3

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 45.4% of net sales compared with 45.1% for the same period a year earlier.

Consumer Products Business

Sales increased 4.3% compared with the same period a year earlier to 921.5 billion yen. Currency translation accounted for a 2.8% increase and sales increased 1.5% on a like-for-like basis (breakdown of the increase: 0.6% decrease by volume, 2.1% increase by price).

Globally, while the consumer preference for low prices continued, demand for products with superior quality and performance was also apparent. Although there was a rally in consumption and recovery in inbound demand in the market in Japan, the slump in personal consumption persisted in the market in China due to the economic slowdown and other factors. Under these circumstances, the Kao Group increased profitability in ways including upgrading its marketing measures through digital transformation (DX), offering high-value-added products and adjusting selling prices to reflect that added value.

In Japan, sales increased 4.0% to 589.2 billion yen.

In Asia, sales decreased 5.1% to 161.4 billion yen. On a like-for-like basis, sales decreased 10.8%.

In the Americas, sales increased 13.7% to 104.5 billion yen. On a like-for-like basis, sales increased 3.8%. In Europe, sales increased 21.0% to 66.4 billion yen. On a like-for-like basis, sales increased 9.5%.

Operating income increased 45.9 billion yen compared with the same period a year earlier to 77.5 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 3.7% compared with the same period a year earlier to 393.0 billion yen. Currency translation accounted for a 1.6% increase and sales increased 2.1% on a like-for-like basis (breakdown of the increase: 1.9% decrease by volume, 4.0% increase by price).

Sales of fabric and home care products increased 8.0% to 268.4 billion yen. Currency translation accounted for a 0.9% increase and sales increased 7.2% on a like-for-like basis (breakdown of the increase: 3.0% increase by volume, 4.2% increase by price).

Sales of fabric care products increased in Japan, driven by strong sales of new and improved high-value-added products amid market growth spurred by the increased frequency of doing laundry because of the extreme heat, among other factors. Both market share and sales volume also increased.

Sales of home care products increased. In Japan, sales of improved *CuCute* dishwashing detergent, the *Magiclean* series of bath cleaners and toilet cleaners, and other high-value-added products remained strong, and market share and sales volume also grew.

Operating income for fabric and home care products increased 16.6 billion yen to 47.8 billion yen.

Sales of sanitary products decreased 4.7% to 124.6 billion yen. Currency translation accounted for a 2.9% increase and sales decreased 7.6% on a like-for-like basis (breakdown of the decrease: 11.1% decrease by volume, 3.5% increase by price).

Sales of *Laurier* sanitary napkins were basically unchanged because although new products performed strongly in Japan, sales in China decreased. Sales of *Merries* baby diapers decreased. While sales remained firm in Japan, sales in China decreased due to the impact of market shrinkage and intensifying competition.

Operating income for sanitary products was 6.3 billion yen, an increase of 32.3 billion yen, due to the effects of structural reforms in the baby diaper business conducted in 2023, a gain on the transfer of the pet care business, and other factors.

Operating income for the Hygiene and Living Care Business increased 48.9 billion yen compared with the same period a year earlier to 54.2 billion yen.

Health and Beauty Care Business

Sales increased 9.1% compared with the same period a year earlier to 314.7 billion yen. Currency translation accounted for a 4.7% increase and sales increased 4.4% on a like-for-like basis (breakdown of the increase: 4.9% increase by volume, 0.5% decrease by price).

Sales of skin care products increased. Strong sellers in Japan included UV care products and new sheet-related products. 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, rebranded *Essential* and new hair care brand *melt* sold strongly as 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 as *ORIBE* products maintained their strong performance.

Sales of personal health products decreased.

Operating income decreased 4.7 billion yen compared with the same period a year earlier to 25.6 billion yen due to structural reform expenses at subsidiaries in the Americas and Europe, and other factors.

Life Care Business

Sales decreased 0.4% compared with the same period a year earlier to 40.6 billion yen. Currency translation accounted for a 2.4% increase and sales decreased 2.8% on a like-for-like basis (breakdown of the decrease: 3.9% decrease by volume, 1.1% increase by price).

Sales of commercial-use hygiene products were flat. 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 an increase in the number of customers, but sales of sanitizers and other products were affected by market shrinkage. In the United States, sales increased.

In addition, the transfer of the tea-catechin beverage *Healthya* business to Kirin Beverage Company, Limited was completed on August 1, 2024.

Operating income was 5.6 billion yen, an increase of 6.8 billion yen from the same period a year earlier, due to recording a gain on business transfer, among other factors.

Cosmetics Business

Sales decreased 1.1% compared with the same period a year earlier to 173.2 billion yen. Currency translation accounted for a 2.6% increase and sales decreased 3.7% on a like-for-like basis (breakdown of the decrease: 6.4% decrease by volume, 2.7% increase by price).

In Japan, as the market remained favorable, *KANEBO* prestige skincare and makeup, *ALLIE* UV care, and *SOFINA iP* skincare brands, among others, performed strongly. Sales remained steady in Asia, excluding China. Sales in China decreased substantially due to restricted shipments aimed at optimizing distribution inventory amid the continuing slowdown in market growth and intensifying competition. In Europe, new products from the *SENSAI* luxury brand performed strongly, and sales increased.

Operating income was negative 7.9 billion yen, a decrease of 5.1 billion yen from the same period a year earlier.

Chemical Business

Sales increased 9.7% compared with the same period a year earlier to 301.6 billion yen. Currency translation accounted for a 5.9% increase and sales increased 3.8% on a like-for-like basis (breakdown of the increase: 5.2% increase by volume, 1.4% decrease by price).

In oleo chemicals, with customer demand on a recovery track, sales grew as a result of the contribution from the start of operations at new facilities, which led to an increase in sales volume.

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

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

Operating income increased 6.6 billion yen compared with the same period a year earlier to 25.1 billion yen due to contributions from increased sales in growing sectors where the Kao Group captured recovery in demand, and improved profit margins, mainly for oleo chemicals.

(2) Description of Financial Position

Consolidated Financial Position

	(Billions of yen, except per share amounts)		
	December 31, 2023	September 30, 2024	Incr./ (Dcr.)
Total assets	1,769.7	1,760.4	(9.4)
Total liabilities	757.7	735.7	(22.0)
Total equity	1,012.0	1,024.7	12.6
Ratio of equity attributable to owners of the parent to total assets	55.6%	56.5%	-
Equity attributable to owners of the parent per share (Yen)	2,116.01	2,140.03	24.02
Bonds and borrowings	138.5	136.2	(2.3)

Total assets decreased 9.4 billion yen from December 31, 2023 to 1,760.4 billion yen. The principal increase in assets was a 12.8 billion yen increase in cash and cash equivalents. The principal decreases in assets were a 13.5 billion yen decrease in trade and other receivables and a 10.3 billion yen decrease in property, plant and equipment.

Total liabilities decreased 22.0 billion yen from December 31, 2023 to 735.7 billion yen. The principal decrease in liabilities was a 10.3 billion yen decrease in provisions.

Total equity increased 12.6 billion yen from December 31, 2023 to 1,024.7 billion yen. The principal increases in equity were net income totaling 72.9 billion yen and exchange differences on translation of foreign operations totaling 11.8 billion yen. The principal decrease in equity was dividends totaling 71.2 billion yen.

The ratio of equity attributable to owners of the parent to total assets was 56.5% compared with 55.6% at December 31, 2023.

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

Business performance for the nine months ended September 30, 2024 was basically as planned.

To successfully carry out its Mid-term Plan K27, the Kao Group is making concentrated investments in strategic brands and promoting further improvement in return on invested capital (ROIC), among other measures, as it conducts its *Global Sharp Top* Strategy.

In the three months ending December 31, 2024, assuming that the business environment remains uncertain due to the economic slowdown in China and geopolitical risks in Europe and the Middle East, the Kao Group expects to invest in marketing and take other actions that will lead to future growth. Therefore, there is no change from the forecast of consolidated results announced on August 8, 2024.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 150 yen, one euro to 163 yen and one Chinese yuan to 21 yen.

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2. Condensed Consolidated Financial Statements and Notes

(1) Condensed Consolidated Statement of Financial Position

Kao Corporation and Consolidated Subsidiaries

As of September 30, 2024

	(Millions of yen)		
	December 31, 2023	September 30, 2024	Change
Assets			
Current assets			
Cash and cash equivalents	291,663	304,462	12,799
Trade and other receivables	225,934	212,461	(13,473)
Inventories	263,815	268,605	4,790
Other financial assets	6,596	8,352	1,756
Income tax receivables	5,186	7,108	1,922
Other current assets	23,915	25,211	1,296
Total current assets	817,109	826,199	9,090
Non-current assets			
Property, plant and equipment	420,563	410,312	(10,251)
Right-of-use assets	126,252	117,485	(8,767)
Goodwill	218,886	221,835	2,949
Intangible assets	81,758	77,456	(4,302)
Investments accounted for using the equity method	11,807	13,113	1,306
Other financial assets	26,881	28,094	1,213
Deferred tax assets	55,519	55,116	(403)
Other non-current assets	10,971	10,771	(200)
Total non-current assets	952,637	934,182	(18,455)
Total assets	1,769,746	1,760,381	(9,365)

	(Millions of yen)		
	December 31, 2023	September 30, 2024	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	235,513	232,586	(2,927)
Bonds and borrowings	14,039	36,626	22,587
Lease liabilities	19,020	19,804	784
Other financial liabilities	7,445	3,351	(4,094)
Income tax payables	15,090	23,221	8,131
Provisions	14,406	3,627	(10,779)
Contract liabilities	45,264	44,731	(533)
Other current liabilities	109,157	109,436	279
Total current liabilities	<u>459,934</u>	<u>473,382</u>	<u>13,448</u>
Non-current liabilities			
Bonds and borrowings	124,441	99,548	(24,893)
Lease liabilities	103,572	95,288	(8,284)
Other financial liabilities	6,889	6,499	(390)
Retirement benefit liabilities	40,451	38,457	(1,994)
Provisions	8,352	8,840	488
Deferred tax liabilities	8,679	8,234	(445)
Other non-current liabilities	5,385	5,457	72
Total non-current liabilities	<u>297,769</u>	<u>262,323</u>	<u>(35,446)</u>
Total liabilities	<u>757,703</u>	<u>735,705</u>	<u>(21,998)</u>
Equity			
Share capital	85,424	85,424	—
Capital surplus	105,780	106,093	313
Treasury shares	(3,267)	(5,916)	(2,649)
Other components of equity	83,919	95,542	11,623
Retained earnings	711,802	712,870	1,068
Equity attributable to owners of the parent	<u>983,658</u>	<u>994,013</u>	<u>10,355</u>
Non-controlling interests	28,385	30,663	2,278
Total equity	<u>1,012,043</u>	<u>1,024,676</u>	<u>12,633</u>
Total liabilities and equity	<u><u>1,769,746</u></u>	<u><u>1,760,381</u></u>	<u><u>(9,365)</u></u>

(2) Condensed Consolidated Statement of Income

Kao Corporation and Consolidated Subsidiaries

Nine months ended September 30, 2024

		Nine months ended September 30, 2023	Nine months ended September 30, 2024	(Millions of yen) Change
	Notes			
Net sales	1	1,125,883	1,190,011	64,128
Cost of sales		(718,002)	(730,725)	(12,723)
Gross profit		<u>407,881</u>	<u>459,286</u>	51,405
Selling, general and administrative expenses	2	(340,690)	(363,737)	(23,047)
Other operating income		14,137	24,040	9,903
Other operating expenses		(30,623)	(18,534)	12,089
Operating income	1	<u>50,705</u>	<u>101,055</u>	50,350
Financial income		4,380	3,747	(633)
Financial expenses		(2,521)	(3,543)	(1,022)
Share of profit in investments accounted for using the equity method		2,018	2,757	739
Income before income taxes		<u>54,582</u>	<u>104,016</u>	49,434
Income taxes		(20,036)	(31,099)	(11,063)
Net income		<u><u>34,546</u></u>	<u><u>72,917</u></u>	<u><u>38,371</u></u>
Attributable to:				
Owners of the parent		32,542	71,027	38,485
Non-controlling interests		2,004	1,890	(114)
Net income		<u><u>34,546</u></u>	<u><u>72,917</u></u>	<u><u>38,371</u></u>
Earnings per share				
Basic (Yen)		70.01	152.85	
Diluted (Yen)		70.00	-	

(3) Condensed Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries
 Nine months ended September 30, 2024

	(Millions of yen)		
	Nine months ended September 30, 2023	Nine months ended September 30, 2024	Change
Net income	34,546	72,917	38,371
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	719	1,050	331
Share of other comprehensive income of investments accounted for using the equity method	275	318	43
Total of items that will not be reclassified to profit or loss	994	1,368	374
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	59,805	11,845	(47,960)
Share of other comprehensive income of investments accounted for using the equity method	621	32	(589)
Total of items that may be reclassified subsequently to profit or loss	60,426	11,877	(48,549)
Other comprehensive income, net of taxes	61,420	13,245	(48,175)
Comprehensive income	95,966	86,162	(9,804)
Attributable to:			
Owners of the parent	91,503	82,867	(8,636)
Non-controlling interests	4,463	3,295	(1,168)
Comprehensive income	95,966	86,162	(9,804)

(4) Condensed Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Nine months ended September 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	–	–	–	–	57,965	2	994
Comprehensive income	–	–	–	–	57,965	2	994
Disposal of treasury shares	–	(177)	210	(28)	–	–	–
Purchase of treasury shares	–	–	(13)	–	–	–	–
Share-based payment transactions	–	241	–	–	–	–	–
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	–	(59)	197	(57)	–	–	(18)
September 30, 2023	85,424	105,821	(3,262)	–	96,287	9	6,432
	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	–	32,542	32,542	2,004	34,546		
Other comprehensive income	58,961	–	58,961	2,459	61,420		
Comprehensive income	58,961	32,542	91,503	4,463	95,966		
Disposal of treasury shares	(28)	(4)	1	–	1		
Purchase of treasury shares	–	–	(13)	–	(13)		
Share-based payment transactions	–	–	241	–	241		
Dividends	–	(69,264)	(69,264)	(958)	(70,222)		
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)	(69,221)	(69,158)	1,400	(67,758)		
September 30, 2023	102,728	703,695	994,406	29,186	1,023,592		

Nine months ended September 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	—	—	—	—	10,475	(4)	1,369	
Comprehensive income	—	—	—	—	10,475	(4)	1,369	
Disposal of treasury shares	—	(182)	189	—	—	—	—	
Purchase of treasury shares	—	—	(2,838)	—	—	—	—	
Share-based payment transactions	—	490	—	—	—	—	—	
Dividends	—	—	—	—	—	—	—	
Changes in the ownership interest in subsidiaries	—	5	—	—	—	—	—	
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(217)	
Total transactions with the owners	—	313	(2,649)	—	—	—	(217)	
September 30, 2024	85,424	106,093	(5,916)	—	87,923	6	7,613	
	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	—	71,027	71,027	1,890	72,917			
Other comprehensive income	11,840	—	11,840	1,405	13,245			
Comprehensive income	11,840	71,027	82,867	3,295	86,162			
Disposal of treasury shares	—	(7)	0	—	0			
Purchase of treasury shares	—	—	(2,838)	—	(2,838)			
Share-based payment transactions	—	—	490	—	490			
Dividends	—	(70,169)	(70,169)	(1,001)	(71,170)			
Changes in the ownership interest in subsidiaries	—	—	5	(16)	(11)			
Transfer from other components of equity to retained earnings	(217)	217	—	—	—			
Total transactions with the owners	(217)	(69,959)	(72,512)	(1,017)	(73,529)			
September 30, 2024	95,542	712,870	994,013	30,663	1,024,676			

(5) Condensed Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries
 Nine months ended September 30, 2024

	Nine months ended September 30, 2023	(Millions of yen) Nine months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes	54,582	104,016
Depreciation and amortization	67,008	66,427
Impairment losses	18,391	764
Gain on transfer of business	–	(10,590)
Interest and dividend income	(2,348)	(3,518)
Interest expense	1,836	2,020
Share of profit in investments accounted for using the equity method	(2,018)	(2,757)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	3,299	1,899
(Increase) decrease in trade and other receivables	20,418	19,654
(Increase) decrease in inventories	10,991	(3,103)
Increase (decrease) in trade and other payables	(28,282)	(2,563)
Increase (decrease) in retirement benefit liabilities	(3,081)	(2,318)
Increase (decrease) in provisions	(534)	(10,640)
Other	(4,184)	(6,174)
Subtotal	136,078	153,117
Interest received	2,246	3,370
Dividends received	2,288	2,270
Interest paid	(1,539)	(1,708)
Income taxes paid	(18,809)	(25,143)
Net cash flows from operating activities	120,264	131,906
Cash flows from investing activities		
Payments into time deposits	(4,139)	(9,319)
Proceeds from withdrawal of time deposits	2,917	7,980
Purchase of property, plant and equipment	(41,614)	(41,799)
Proceeds from sale of property, plant and equipment	193	5,086
Purchase of intangible assets	(8,416)	(6,454)
Proceeds from transfer of business	–	11,783
Other	486	2,328
Net cash flows from investing activities	(50,573)	(30,395)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	12,523	(13,404)
Proceeds from long-term borrowings	40,000	10,000
Repayments of long-term borrowings	(40,013)	(7)
Proceeds from issuance of bonds	24,937	–
Redemption of bonds	(24,952)	(12)
Repayments of lease liabilities	(16,065)	(16,143)
Dividends paid to owners of the parent	(68,524)	(69,625)
Dividends paid to non-controlling interests	(962)	(1,021)
Other	2,202	(2,768)
Net cash flows from financing activities	(70,854)	(92,980)
Net increase (decrease) in cash and cash equivalents	(1,163)	8,531
Cash and cash equivalents at the beginning of the period	268,248	291,663
Effect of exchange rate changes on cash and cash equivalents	16,277	4,268
Cash and cash equivalents at the end of the period	283,362	304,462

(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
 Nine months ended September 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	379,156	288,482	40,776	175,080	883,494	242,389	1,125,883	—	1,125,883
Intersegment sales and transfers ²	—	—	—	—	—	32,569	32,569	(32,569)	—
Total net sales	379,156	288,482	40,776	175,080	883,494	274,958	1,158,452	(32,569)	1,125,883
Operating income (loss)	5,214	30,324	(1,246)	(2,768)	31,524	18,454	49,978	727	50,705
Financial income									4,380
Financial expenses									(2,521)
Share of profit in investments accounted for using the equity method									2,018
Income before income taxes									54,582
Core operating income (loss) ³	23,888	30,562	(1,246)	(1,617)	51,587	18,454	70,041	727	70,768

Notes:

1. The operating income (loss) reconciliation of 727 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. 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 nine months ended September 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	Health and Beauty Care Business	Cosmetics Business	Consolidated
Operating income (loss)	5,214	30,324	(2,768)	50,705
Impacts of structural reforms				
Cost of sales	194	-	1,151	1,345
Impairment loss	18,275	-	-	18,275
Other	205	238	-	443
Core operating income (loss)	23,888	30,562	(1,617)	70,768

Nine months ended September 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	393,012	314,704	40,612	173,156	921,484	268,527	1,190,011	—	1,190,011
Intersegment sales and transfers ²	—	—	—	—	—	33,050	33,050	(33,050)	—
Total net sales	393,012	314,704	40,612	173,156	921,484	301,577	1,223,061	(33,050)	1,190,011
Operating income (loss)	54,157	25,612	5,597	(7,902)	77,464	25,055	102,519	(1,464)	101,055
Financial income									3,747
Financial expenses									(3,543)
Share of profit in investments accounted for using the equity method									2,757
Income before income taxes									104,016

Notes:

1. The operating income (loss) reconciliation of (1,464) 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

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Advertising	54,543	61,840
Sales promotion	36,377	37,330
Employee benefits	126,411	132,306
Depreciation	12,678	12,733
Amortization	7,527	8,424
Research and development	46,538	46,448
Other	56,616	64,656
Total	340,690	363,737

(7) Note regarding Assumption of Going Concern

None applicable.