



Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 [IFRS]

February 6, 2025

Company name: Kao Corporation Tokyo Stock Exchange in Japan
 Stock code: 4452 (URL: www.kao.com/global/en/investor-relations/library/results/)
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 Scheduled date of the Annual General Meeting of Shareholders: March 21, 2025
 Scheduled commencement date for dividend payments: March 24, 2025
 Scheduled date to file annual securities report: March 21, 2025
 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 fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 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	%
Fiscal year ended								
December 31, 2024	1,628,448	6.3	146,644	144.3	151,024	136.6	110,374	139.1
December 31, 2023	1,532,579	(1.2)	60,035	(45.5)	63,842	(44.9)	46,157	(47.4)

	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
Fiscal year ended						
December 31, 2024	107,767	145.7	160,377	89.9	231.94	—
December 31, 2023	43,870	(49.0)	84,471	(34.2)	94.37	94.37

	Ratio of net income to equity attributable to owners of the parent	Ratio of income before income taxes to total assets	Ratio of operating income to net sales
	%	%	%
Fiscal year ended			
December 31, 2024	10.5	8.3	9.0
December 31, 2023	4.5	3.7	3.9

(Reference) Share of profit in investments accounted for using the equity method
 For the fiscal year ended December 31, 2024 : 3,482 million yen
 For the fiscal year ended December 31, 2023 : 2,387 million yen

Note: Core income excluding impacts of structural reform 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	27.8
Core income before income taxes	118,513	27.4
Core net income	88,262	25.1
Core net income attributable to owners of the parent	85,975	25.3
Basic core earnings per share (Yen)	184.95	

(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
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
December 31, 2024	1,867,237	1,098,835	1,066,776	57.1	2,296.69
December 31, 2023	1,769,514	1,012,043	983,658	55.6	2,116.01

Note: Provisional accounting treatment for business combinations was finalized during the fiscal year ended December 31, 2024. Accordingly, the Consolidated Statement of Financial Position for the fiscal year ended December 31, 2023 have been retrospectively restated.

(3) Consolidated cash flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of the year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2024	201,585	(45,902)	(104,578)	357,713
December 31, 2023	202,481	(109,302)	(79,983)	291,663

2. Dividends

	Annual cash dividends per share					Total dividend payment amount	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of the parent (Consolidated)
	1st quarter -end	2nd quarter -end	3rd quarter -end	Fiscal year -end	Total			
Fiscal year ended December 31, 2023	Yen —	Yen 75.00	Yen —	Yen 75.00	Yen 150.00	Millions of yen 69,872	% 158.9	% 7.1
Fiscal year ended December 31, 2024	—	76.00	—	76.00	152.00	70,803	65.5	6.9
Fiscal year ending December 31, 2025 (Forecast)	—	77.00	—	77.00	154.00		61.7	

3. Forecast of consolidated operating results for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

(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, 2025	1,670,000	2.6	160,000	9.1	163,000	7.9	116,000	7.6	249.74

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4. Others

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: — companies (Company name) —
Excluded: 2 companies (Company name) Kao (Hefei) Co., Ltd., Bondi Sands (USA) Inc.

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

- 1) Changes in accounting policies required by IFRS : None
2) Changes in accounting policies due to reasons other than 1) : None
3) 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 December 31, 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 December 31, 2024	1,415,333 shares
As of December 31, 2023	1,034,724 shares

- 3) Average number of shares outstanding during the period

Fiscal year ended December 31, 2024	464,625,236 shares
Fiscal year ended December 31, 2023	464,853,547 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
December 31, 2024	898,054	3.5	62,947	111.3	104,389	119.5	91,745	227.6
December 31, 2023	868,067	(0.4)	29,787	(53.4)	47,563	(52.1)	28,004	(64.6)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	yen	yen
December 31, 2024	197.22	—
December 31, 2023	60.17	60.17

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2024	1,291,272	726,267	56.2	1,561.67
December 31, 2023	1,239,775	706,951	57.0	1,518.89

(Reference) Equity

As of December 31, 2024: 726,267 million yen

As of December 31, 2023: 706,951 million yen

Note: Financial figures in the non-consolidated financial results are based on Japanese GAAP.

<Reasons for differences in individual financial results compared to the actual results for the previous year>

There is a difference between the actual results for the previous fiscal year and the actual results for the current fiscal year due to the strong performance in the current fiscal year and the impact of structural reform recorded in the previous fiscal year, among other factors.

Financial results reports are exempt from audit 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 2 to 14 "1. Summary of Operating Results and Financial Position" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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Contents of Attachments

1. Summary of Operating Results and Financial Position	2
(1) Summary of Operating Results	2
(2) Summary of Financial Position.....	12
(3) Basic Policies regarding Distribution of Profits and Dividends for the Fiscal Years Ended December 31, 2024 and Ending December 31, 2025	14
2. Basic Approach to Selection of Accounting Standards	14
3. Consolidated Financial Statements and Notes	15
(1) Consolidated Statement of Financial Position	15
(2) Consolidated Statement of Income	17
(3) Consolidated Statement of Comprehensive Income	18
(4) Consolidated Statement of Changes in Equity	19
(5) Consolidated Statement of Cash Flows	21
(6) Notes to Consolidated Financial Statements	22
(7) Note regarding Assumption of Going Concern	26

1. Summary of Operating Results and Financial Position

Provisional accounting treatment for business combinations was finalized during the fiscal year ended December 31, 2024. Accordingly, the Consolidated Statement of Financial Position for the fiscal year ended December 31, 2023 have been retrospectively restated.

(1) Summary of Operating Results

Note: Changes and comparisons are all with the previous year 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 have been calculated based on core income, excluding the impacts of structural reforms for the fiscal year ended December 31, 2023.

Operating Results for the Fiscal Year Ended December 31, 2024

1) Trends in Overall Results for the Fiscal Year Ended December 31, 2024

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

	2024	2023	Growth
Net sales	1,628.4	1,532.6	6.3% Like-for-like: 3.3%
Operating income	146.6	60.0 114.7	144.3% 27.8%
Operating margin (%)	9.0	3.9 7.5	-
Income before income taxes	151.0	63.8 118.5	136.6% 27.4%
Net income	110.4	46.2 88.3	139.1% 25.1%
Net income attributable to owners of the parent	107.8	43.9 86.0	145.7% 25.3%
Basic earnings per share (Yen)	231.94	94.37 184.95	145.8% 25.4%

In the global economy during fiscal 2024, geopolitical risks in Europe and the Middle East and international tensions between major powers impeded recovery. Protracted inflation and monetary tightening also weakened recovery in consumption and investment. In Japan, amid persistently high prices, 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 business environment remained unclear.

According to retail sales and consumer purchasing survey data, the Kao Group's key market of consumer products in Japan, consisting of household and personal care products and cosmetics, grew compared with the previous fiscal year.

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.

Net sales increased 6.3% compared with the previous fiscal year to 1,628.4 billion yen. Currency translation accounted for a 3.0% increase and net sales increased 3.3% on a like-for-like basis (breakdown of the increase: 1.7% increase by volume, 1.5% increase by price). Operating income was

146.6 billion yen, an increase of 86.6 billion yen compared with the previous fiscal year, and the operating margin was 9.0%. Income before income taxes was 151.0 billion yen, an increase of 87.2 billion yen, and net income was 110.4 billion yen, an increase of 64.2 billion yen.

Basic earnings per share were 231.94 yen, an increase of 137.57 yen, or 145.8%, from 94.37 yen in the previous fiscal year.

Return on invested capital (ROIC), which the Kao Group uses as a management metric, was 9.2% and although capital cost increased slightly, Economic Value Added (EVA*) increased 18.3 billion yen compared with the previous fiscal year to 33.2 billion yen as net operating profit after tax (NOPAT) increased substantially.

* EVA is a registered trademark of Stern Stewart & Co.

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

	First quarter Jan. – Mar.	Second quarter Apr. – Jun.	Third quarter Jul. – Sep.	Fourth quarter Oct. – Dec.
U.S. dollar	148.22 (132.29)	155.72 (137.30)	149.44 (144.49)	152.30 (147.84)
Euro	160.99 (141.98)	167.68 (149.50)	164.04 (157.23)	162.55 (159.01)
Chinese yuan	20.63 (19.33)	21.51 (19.58)	20.84 (19.94)	21.19 (20.45)

Note: Figures in parentheses represent the exchange rates for the previous fiscal year.

2) Trends by Segment during the Fiscal Year

Summary of Segment Information

Consolidated Results by Segment

Fiscal year ended December 31

	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	349.1	375.7	7.6	6.8	50.7 51.0	14.5 14.6	68.4	18.2	17.7 17.4
Sanitary Products	173.4	168.6	(2.8)	(5.4)	(30.6) (9.1)	(17.6) (5.2)	7.3	4.4	37.9 16.4
Hygiene and Living Care Business	522.5	544.3	4.2	2.8	20.1 41.9	3.9 8.0	75.8	13.9	55.6 33.9
Health and Beauty Care Business	392.9	424.0	7.9	4.1	40.5 42.8	10.3 10.9	34.4	8.1	(6.0) (8.4)
Life Care Business	56.3	55.9	(0.7)	(2.6)	(5.3) (1.3)	(9.4) (2.3)	6.3	11.3	11.6 7.6
Cosmetics Business	238.6	244.1	2.3	0.0	(5.4) 5.3	(2.3) 2.2	(3.7)	(1.5)	1.7 (9.0)
Consumer Products Business	1,210.3	1,268.2	4.8	2.4	49.9 88.7	4.1 7.3	112.8	8.9	62.9 24.1
Chemical Business	366.1	405.9	10.9	6.1	23.6 24.8	6.4 6.8	34.6	8.5	11.1 9.9
Total	1,576.4	1,674.1	6.2	3.3	73.5 113.5	-	147.5	-	74.0 34.0
Elimination and Reconciliation	(43.9)	(45.7)	-	-	(13.4) 1.2	-	(0.8)	-	12.6 (2.0)
Consolidated	1,532.6	1,628.4	6.3	3.3	60.0 114.7	3.9 7.5	146.6	9.0	86.6 31.9

Consolidated Net Sales Composition

(Billions of yen)

Fiscal year ended December 31		Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2023	300.3	45.1	3.8	-	349.1
	2024	327.9	44.3	3.5	-	375.7
	Growth (%)	9.2	(1.8)	(8.1)	-	7.6
	Like-for-like (%)	9.2	(7.3)	(14.5)	-	6.8
Sanitary Products	2023	80.4	92.9	0.1	-	173.4
	2024	76.5	92.1	-	-	168.6
	Growth (%)	(4.9)	(0.9)	-	-	(2.8)
	Like-for-like (%)	(4.9)	(5.7)	-	-	(5.4)
Hygiene and Living Care Business	2023	380.7	138.0	3.8	-	522.5
	2024	404.4	136.4	3.5	-	544.3
	Growth (%)	6.2	(1.2)	(9.5)	-	4.2
	Like-for-like (%)	6.2	(6.2)	(15.8)	-	2.8
Health and Beauty Care Business	2023	205.3	34.5	101.2	51.9	392.9
	2024	212.1	36.7	112.5	62.7	424.0
	Growth (%)	3.3	6.2	11.2	20.7	7.9
	Like-for-like (%)	3.3	0.7	3.2	11.2	4.1
Life Care Business	2023	42.1	0.1	13.9	0.1	56.3
	2024	40.2	0.2	15.2	0.2	55.9
	Growth (%)	(4.5)	234.2	9.4	32.0	(0.7)
	Like-for-like (%)	(4.5)	219.9	1.8	19.9	(2.6)
Cosmetics Business	2023	153.5	50.0	7.7	27.4	238.6
	2024	166.5	39.1	7.9	30.6	244.1
	Growth (%)	8.4	(21.8)	2.6	11.8	2.3
	Like-for-like (%)	8.4	(26.7)	(4.6)	2.9	0.0
Consumer Products Business	2023	781.7	222.6	126.6	79.4	1,210.3
	2024	823.2	212.5	139.1	93.5	1,268.2
	Growth (%)	5.3	(4.6)	9.9	17.7	4.8
	Like-for-like (%)	5.3	(9.7)	2.0	8.4	2.4
Chemical Business	2023	133.9	86.7	61.1	84.4	366.1
	2024	138.4	105.0	68.3	94.2	405.9
	Growth (%)	3.4	21.0	11.8	11.7	10.9
	Like-for-like (%)	3.4	13.6	4.8	3.5	6.1
Elimination of intersegment	2023	(38.8)	(3.2)	(0.1)	(1.9)	(43.9)
	2024	(38.6)	(3.7)	(0.1)	(3.2)	(45.7)
Consolidated	2023	876.8	306.2	187.7	162.0	1,532.6
	2024	923.0	313.7	207.3	184.5	1,628.4
	Growth (%)	5.3	2.4	10.5	13.9	6.3
	Like-for-like (%)	5.3	(3.3)	2.9	5.2	3.3

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 Previous Fiscal Year

	Change (%)	Currency Translation (%)	Like-for-Like (%)		
				By Volume (%)	By Price (%)
Fabric and Home Care Products	7.6	0.8	6.8	3.3	3.6
Sanitary Products	(2.8)	2.6	(5.4)	(8.1)	2.7
Hygiene and Living Care Business	4.2	1.4	2.8	(0.5)	3.3
Health and Beauty Care Business	7.9	3.8	4.1	4.0	0.1
Life Care Business	(0.7)	1.9	(2.6)	(2.9)	0.3
Cosmetics Business	2.3	2.3	0.0	(1.6)	1.7
Consumer Products Business	4.8	2.4	2.4	0.6	1.8
Chemical Business	10.9	4.8	6.1	5.6	0.5
Total	6.3	3.0	3.3	1.7	1.5

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 44.5% of net sales compared with 44.3% for the previous fiscal year.

Consumer Products Business

Sales increased 4.8% compared with the previous fiscal year to 1,268.2 billion yen. Currency translation accounted for a 2.4% increase and sales increased 2.4% on a like-for-like basis (breakdown of the increase: 0.6% increase by volume, 1.8% increase by price).

Globally, while the consumer preference for low prices continued, demand increased for high-cost-performance products offering superior quality and functionality. In the market in Japan, inflation persisted and consumer spending remained cautious. In the market in China, sluggish personal consumption persisted due to the economic slowdown and other factors. Under these circumstances, the Kao Group conducted initiatives including upgrading its marketing methods through digital transformation (DX), offering high-value-added products and adjusting selling prices to reflect that added value.

As a result, sales in Japan increased 5.3%% to 823.2 billion yen.

In Asia, sales decreased 4.6% to 212.5 billion yen. On a like-for-like basis, sales decreased 9.7%. In the Americas, sales increased 9.9% to 139.1 billion yen. On a like-for-like basis, sales increased 2.0%. In Europe, sales increased 17.7% to 93.5 billion yen. On a like-for-like basis, sales increased 8.4%.

Operating income was 112.8 billion yen, an increase of 62.9 billion yen compared with the previous fiscal year, as the Kao Group improved its earning power through measures including structural reform initiatives 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.

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Hygiene and Living Care Business

Sales increased 4.2% compared with the previous fiscal year to 544.3 billion yen. Currency translation accounted for a 1.4% increase and sales increased 2.8% on a like-for-like basis (breakdown of the increase: 0.5% decrease by volume, 3.3% increase by price).

Sales of fabric and home care products increased 7.6% to 375.7 billion yen. Currency translation accounted for a 0.8% increase and sales increased 6.8% on a like-for-like basis (breakdown of the increase: 3.3% increase by volume, 3.6% increase by price). Scrum-style operation facilitated faster product development and smooth promotion of high-value-added products.

Sales of fabric care products increased. In Japan, new and improved laundry detergents and other products sold strongly amid market growth spurred by factors including the increased frequency of doing laundry as the extreme heat continued until October, and both market share and sales volume increased. In addition, sales of *Wide Haiter* laundry bleach were strong, and fabric softeners were on a recovery track.

Sales of home care products increased. In Japan, market share continued to grow due to factors including an improvement for *CuCute* dishwashing detergent, and new and improved *Magiclean* brand products sold strongly. Growth in market share of toilet cleaners was particularly substantial.

Operating income for fabric and home care products increased 17.7 billion yen to 68.4 billion yen.

Sales of sanitary products decreased 2.8% to 168.6 billion yen. Currency translation accounted for a 2.6% increase and sales decreased 5.4% on a like-for-like basis (breakdown of the decrease: 8.1% decrease by volume, 2.7% increase by price).

Sales of *Laurier* sanitary napkins increased. In Japan, sales grew due to the strong performance of new high-value-added *Shiawase Suhada Mochi-Fuwa (Soft and Fluffy) fit*, among other factors. Sales of *Merries* baby diapers decreased. Sales in Japan decreased due to a decline in exports to China and other countries, but market share grew. Sales in China were affected by market shrinkage and intensifying competition.

Operating income for sanitary products was 7.3 billion yen, an increase of 37.9 billion yen, due to the effects of structural reforms in the baby diaper business conducted in fiscal 2023, activities to enhance brand power and a gain recorded on the transfer of the pet care business, among other factors.

Operating income for the Hygiene and Living Care Business was 75.8 billion yen, an increase of 55.6 billion yen from the previous fiscal year.

Health and Beauty Care Business

Sales increased 7.9% compared with the previous fiscal year to 424.0 billion yen. Currency translation accounted for a 3.8% increase and sales increased 4.1% on a like-for-like basis (breakdown of the increase: 4.0% increase by volume, 0.1% increase by price).

Sales of skin care products increased. Strong sellers in Japan included *Bioré* makeup remover, 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 premium skin care brand, which the Kao Group acquired in November 2023, also contributed to results.

Sales of hair care products increased. In Japan, a new product in the *Cape* hair spray brand and rebranded *Essential* sold strongly and sales of new hair care brands *melt* and *THE ANSWER* exceeded the plan as the Kao Group steadily carried out its new premium strategy. In the Americas and Europe, new *JOHN FRIEDA* products performed strongly. Sales of products for hair salons increased, with strong sales of the *ORIBE* brand for high-end hair salons in the United States, primarily through e-commerce, and growth in sales of the *GOLDWELL* brand in Europe.

Sales of personal health products decreased.

Operating income decreased 6.0 billion yen compared with the previous fiscal year to 34.4 billion yen as the Kao Group recorded marketing expenses for growth and structural reform expenses at subsidiaries in the Americas and Europe, among other factors.

Life Care Business

Sales decreased 0.7% compared with the previous fiscal year to 55.9 billion yen. Currency translation accounted for a 1.9% increase and sales decreased 2.6% on a like-for-like basis (breakdown of the decrease: 2.9% decrease by volume, 0.3% increase by price).

Sales of commercial-use hygiene products increased. In Japan, demand rose for kitchen cleaning agents, guest room amenities and cleaning items from the food service industry and lodging facilities and other establishments, but sales were basically unchanged due to the continued shrinkage of the market for sanitizers. In the United States, sales increased due to factors including acquisition of new customers through new products.

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 6.3 billion yen, an increase of 11.6 billion yen compared with the previous fiscal year, due to recording a gain on a business transfer, among other factors.

Cosmetics Business

Sales increased 2.3% compared with the previous fiscal year to 244.1 billion yen. Currency translation accounted for a 2.3% increase and sales increased 0.0% on a like-for-like basis (breakdown of the increase: 1.6% decrease by volume, 1.7% increase by price. However, if the impact of China, provision for product returns due to cosmetics brand consolidation in Japan that was implemented in the previous fiscal year, and other factors are also excluded, sales increased approximately 4% on a like-for-like basis.)

Sales in Japan increased as the market remained favorable, driven by *KANEBO* prestige skin care and makeup, and also due to strong performance by the *SOFINA iP* skin care, *Curél* derma care and *SENSAI* luxury brands, among others. In Asia excluding China, sales of *Curél*, *KATE* and other products were strong as the Kao Group further strengthened its online-merges-with-offline (OMO) initiatives. In China, however, as market growth slowed and the competitive environment continued to intensify, the Kao

Group optimized distribution inventory by restricting shipments. As a result, overall sales in Asia decreased substantially. Sales in Europe increased due to factors including strong sales of the *SENSAI* supreme skin care line and *Total Lip Treatment Stick*, an anti-aging lip serum, as well as steady sales of *MOLTON BROWN* products.

Operating income increased 1.7 billion yen compared with the previous fiscal year to negative 3.7 billion yen.

Chemical Business

Sales increased 10.9% compared with the previous fiscal year to 405.9 billion yen. Currency translation accounted for a 4.8% increase and sales increased 6.1% on a like-for-like basis (breakdown of the increase: 5.6% increase by volume, 0.5% increase by price).

Sales of oleo chemicals increased amid a recovery in customer demand, due to the start-up of new facilities, increased sales volume, and selling price adjustments in line with rising raw material prices.

Sales of performance chemicals were basically unchanged due to the continued impact of a slump in some target markets such as the automobile-related sector and intensifying competition outside Japan.

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

Operating income increased 11.1 billion yen compared with the previous fiscal year to 34.6 billion yen due to increased sales from factors including sales promotion of high-value-added products in the electronics materials and other sectors, as well as the contribution of improved profit margins, mainly in oleo chemicals.

Forecast for the Fiscal Year Ending December 31, 2025

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

	2025	2024	Growth
Net sales	1,670.0	1,628.4	2.6%
			Like-for-like: 3.1%
Operating income	160.0	146.6	9.1%
Operating margin (%)	9.6	9.0	-
Income before income taxes	163.0	151.0	7.9%
Net income attributable to owners of the parent	116.0	107.8	7.6%
Basic earnings per share (Yen)	249.74	231.94	7.7%

**In this table and hereafter, like-for-like growth rates exclude changes due to the effect of currency translation of local currencies into Japanese yen.*

1) Forecast of Overall Business Results for the Fiscal Year Ending December 31, 2025

The global business environment is forecast to remain unclear due to factors such as geopolitical risks in Europe and the Middle East, uncertainty in China's economy and the possibility of economic disruption from the impact of the administration change in the United States.

Under its Mid-term Plan 2027 ("K27"), the Kao Group conducted major structural reforms in fiscal 2023

and achieved solid results in fiscal 2024. By enhancing and accelerating “Yoki-Monozukuri”^{*} in fiscal 2025, the Kao Group will further strengthen its earning power from the perspective of return on invested capital (ROIC) and stabilize its revenue base. The Kao Group will also continue to execute its *Global Sharp Top* Strategy to contribute as the global No. 1 with leading-edge solutions and advance toward further growth worldwide.

** In Japanese, “yoki” means good or excellent, and “monozukuri” means making or craftsmanship. For us, Yoki-Monozukuri means an excellent creation process that is good for everyone involved and enriches the lives of consumers and customers.*

To further accelerate this global growth, as of January 1, 2025 the Kao Group further integrated business and sales by restructuring its organization and functions to maximize use of Group resources, clarify the scope of responsibility and enable swift decision-making. The Kao Group also established a new Business Connected Business to maximize global business and sales, as well as cross-business activities, and to strengthen external collaboration for creating new businesses. In addition, the Kao Group will accelerate the growth of its B2B business by incorporating commercial-use hygiene products (excluding Washing Systems, LLC in the United States) in this business.

As a result, the reportable segments “Consumer Products Business,” “Hygiene and Living Care Business” and “Health and Beauty Care Business” will be renamed “Global Consumer Care Business,” “Hygiene Living Care Business” and “Health Beauty Care Business,” respectively, and the “Business Connected Business” will be added.

In light of these circumstances, the Kao Group forecasts the following business results for the fiscal year ending December 31, 2025.

The Kao Group forecasts a 2.6% year-on-year increase in net sales to 1,670.0 billion yen (a 3.1% increase on a like-for-like basis), a 9.1% increase in operating income to 160.0 billion yen, an operating margin of 9.6%, a 7.9% increase in income before income taxes to 163.0 billion yen, a 7.6% increase in net income attributable to owners of the parent to 116.0 billion yen, and a 7.7% increase in basic earnings per share to 249.74 yen.

The Kao Group expects to improve ROIC from the 9.2% it achieved in fiscal 2024 to 9.4%. It intends to increase Economic Value Added (EVA) from the 33.2 billion yen it achieved in fiscal 2024 to 37.0 billion yen by making full use of its assets to manage invested capital more efficiently, together with an increase in net operating profit after tax (NOPAT).

2) Forecast by Segment for the Fiscal Year Ending December 31, 2025

The **Hygiene Living Care Business** provides fabric care, home care and sanitary products that support people’s daily lives and society and help make lifestyles more comfortable.

By reducing the burden of housework, fabric home care products create living spaces where everyone can live with peace of mind. In tune with each stage of life, sanitary products and services help people lead their daily lives in their own unique style and in comfort.

This business will establish a more stable revenue structure by increasing its brand power through high-added-value product offerings and rapid product development using scrum-style operation.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 0.2% year on year on a like-for-like basis to 546.0 billion yen.

The **Health Beauty Care Business** provides skin care, hair care and personal health products offering value unique to Kao with a comprehensive understanding of the entire human body, under the theme of contributing to health, beauty, cleanliness and hygiene. This business will accelerate growth by promoting high-value-added products and by making concentrated investments in strategic brands. In particular, the business will make skin care products a key pillar of its *Global Sharp Top Strategy* by offering solutions that protect the skin from external environmental factors that are becoming increasingly severe year after year, such as heat and ultraviolet rays, and by further expanding into Japan, Asia, the Americas and Europe. The business will also work to increase sales through product development and manufacturing with an eye toward a global rollout and innovations in marketing through digital transformation (DX).

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 6.9% year on year on a like-for-like basis to 448.0 billion yen.

The **Cosmetics Business** contributes to a lifestyle and culture of joy and the realization of a society in which people around the world can shine by providing "hope" and "Kirei"* to customers through solid science and abundant sensitivity attuned to each person's beauty and individuality. To maximize its unique value and to meet customer needs, this business will focus investment on six brands that it will roll out globally, aiming to increase the number of loyal customers through purpose-driven branding. At the same time, it will work to restore profitability by improving earning power, among other measures.

** The Japanese word Kirei describes something that is clean, well-ordered, and beautiful all at once. For Kao, this concept of Kirei not only describes appearance, but also attitude—a desire to create beauty for oneself, for other people, and for the natural world around us. At Kao, Kirei is the value we want to bring to everyday life through our brands, products, technologies, solutions, and services—now and in the future.*

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 4.5% year on year on a like-for-like basis to 254.0 billion yen.

The **Business Connected Business** will work to further improve the productivity of business activities by utilizing the Kao Group's various marketing platforms to foster coordination among the businesses and sales functions in Global Consumer Care. In addition, it aims to strengthen external collaboration to create new businesses that meet market and consumer needs. This business consists of the commercial-use hygiene products that were previously included in the Life Care business (excluding Washing Systems, LLC in the United States), as well as business co-creation initiatives with partners.

Commercial-use hygiene products will support people's future health and safety by providing products that utilize cleaning, antibacterial, disinfecting, deodorizing and other technologies, as well as services that deploy Kao's comprehensive capabilities, to meet the professional hygiene needs of commercial and public facilities in areas such as food service, tourism, medicine and nursing.

As a result of the above measures, the Kao Group forecasts that sales in this business will decrease 0.4% year on year on a like-for-like basis to 40.0 billion yen.

The **Chemical Business** strives to resolve environmental and social issues through co-creation that brings together Kao's various strengths with those of its customers and partners to generate new value in industry and have a social impact. The business will also contribute to initiatives among customers, industry and society for a transition to decarbonization and a circular economy by enhancing sustainable materials and proposing new eco-solutions, in addition to continuing to work to develop high-value-added products.

As a result of the above measures, the Kao Group forecasts that sales in this business will increase 2.4% year on year on a like-for-like basis to 427.2 billion yen.

3) Underlying Assumptions of the Forecast for the Fiscal Year Ending December 31, 2025

The above forecast was made assuming translation rates of one U.S. dollar to 150 yen, one euro to 160 yen and one Chinese yuan to 21 yen.

Please note that there is potential for volatility in prices of natural fats and oils and petrochemicals. Assumptions for prices are based on information currently available to the Kao Group.

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(2) Summary of Financial Position**Summary of Assets, Liabilities, Equity and Cash Flows****1) Summary of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ended December 31, 2024**

Note: Negative numbers are shown in parentheses.

Provisional accounting treatment for business combinations was finalized during the fiscal year ended December 31, 2024. Accordingly, finalized figures have been used for comparisons with the previous fiscal year and for analysis.

Consolidated Financial Position

	December 31, 2023	December 31, 2024	Incr./ (Dcr.)
Total assets	1,769.5	1,867.2	97.7
Total liabilities	757.5	768.4	10.9
Total equity	1,012.0	1,098.8	86.8
Ratio of equity attributable to owners of the parent to total assets	55.6%	57.1%	-
Equity attributable to owners of the parent per share (Yen)	2,116.01	2,296.69	180.68
Bonds and borrowings	138.5	131.1	(7.4)

Total assets increased 97.7 billion yen from December 31, 2023 to 1,867.2 billion yen. The principal increases in assets were a 66.1 billion yen increase in cash and cash equivalents, a 12.1 billion yen increase in trade and other receivables, and a 10.9 billion yen increase in inventories.

Total liabilities increased 10.9 billion yen from December 31, 2023 to 768.4 billion yen. The principal increase in liabilities was a 22.5 billion yen increase in trade and other payables, and the principal decrease in liabilities was an 11.8 billion yen decrease in provisions.

Total equity increased 86.8 billion yen from December 31, 2023 to 1,098.8 billion yen. The principal increases in equity were net income totaling 110.4 billion yen and exchange differences on translation of foreign operations totaling 48.6 billion yen. The principal decrease in equity was dividends totaling 71.4 billion yen.

The ratio of equity attributable to owners of the parent to total assets was 57.1% compared with 55.6% at December 31, 2023. Return on equity (ROE) was 10.5%.

Consolidated Cash Flows

	2023	2024	Incr./ (Dcr.)
Net cash flows from operating activities	202.5	201.6	(0.9)
Net cash flows from investing activities	(109.3)	(45.9)	63.4
Free cash flows	93.2	155.7	62.5
Net cash flows from financing activities	(80.0)	(104.6)	(24.6)

Net cash flows from operating activities totaled 201.6 billion yen. The principal increases in net cash were income before income taxes of 151.0 billion yen, depreciation and amortization of 88.4 billion yen and an increase in trade and other payables of 11.0 billion yen. The principal decreases in net cash were 27.6 billion yen in income taxes paid, a 12.3 billion yen decrease in provisions and a 10.6 billion yen gain on business transfer.

Net cash flows from investing activities totaled negative 45.9 billion yen. The principal increases in net cash outflow were purchase of property, plant and equipment of 57.4 billion yen and purchase of intangible assets totaling 10.1 billion yen. The principal decrease in net cash outflow was 11.8 billion yen in proceeds from business transfer.

Free cash flow, which is the total of net cash flows from operating activities and net cash flows from investing activities, was 155.7 billion yen.

Net cash flows from financing activities totaled negative 104.6 billion yen. The Company emphasizes steady and continuous dividends and flexibly repurchases and retires treasury shares to improve capital efficiency from the perspective of EVA and ROIC. During fiscal 2024, this primarily consisted of 71.5 billion yen for dividends paid to owners of the parent and non-controlling interests, 21.6 billion yen in repayments of lease liabilities and a 14.3 billion yen decrease in short-term borrowings.

The balance of cash and cash equivalents at December 31, 2024 increased 66.1 billion yen compared with December 31, 2023 to 357.7 billion yen, including the effect of exchange rate changes.

2) Forecast of Assets, Liabilities, Equity and Cash Flows for the Fiscal Year Ending December 31, 2025

Net cash flows from operating activities are forecast to be approximately 220.0 billion yen, due in part to an increase in income.

Net cash flows from investing activities are forecast to be approximately 90.0 billion yen due to scheduled investments for further growth encompassing enhancement and rationalization of production capacity, greater distribution efficiency and other purposes.

In net cash flows from financing activities, the Kao Group expects to pay cash dividends, among other expenditures.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2025 is forecast to be approximately 390.0 billion yen, an increase of approximately 30.0 billion yen from a year earlier.

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(3) Basic Policies regarding Distribution of Profits and Dividends for the Fiscal Years Ended December 31, 2024 and Ending December 31, 2025

The Kao Group uses Economic Value Added (EVA) and return on invested capital (ROIC) as its principal management metrics and clearly determines the uses of its steadily generated cash flow as shown below from that viewpoint. Shareholder returns are one such use, and they are implemented after considering future demand for funds and the situation in financial markets.

Use of cash flow:

- Investment for future development (capital expenditures, M&A, etc.)
- Steady and continuous dividends
- Share repurchases

In accordance with these policies, the Company plans to pay a year-end dividend for fiscal 2024 of 76.00 yen per share, an increase of 1 yen per share compared with the previous fiscal year. Consequently, annual cash dividends will increase 2 yen per share compared with the previous fiscal year, resulting in a total of 152 yen per share. The consolidated payout ratio will be 65.5%.

For fiscal 2025, the Company plans to pay total cash dividends of 154 yen per share (61.7% payout ratio), an increase of 2 yen per share compared with the previous fiscal year. This plan is in accordance with the Company's basic policies regarding distribution of profits, and free cash flow and other factors have also been taken into consideration. As a result, the Company is aiming for its 36th consecutive fiscal year of increases in dividends.

2. Basic Approach to Selection of Accounting Standards

Having decided that unifying accounting standards within the Kao Group will contribute to improving the quality of its business management, the Kao Group voluntarily adopted International Financial Reporting Standards (IFRS) from fiscal 2016. This enables management based on standardized procedures and information for each Group company and business, and the Kao Group intends to reinforce its management foundation in order to enhance its corporate value as a global company. The Kao Group also believes that the application of IFRS facilitates the international comparability of its financial statements in capital markets.

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

Kao Corporation and Consolidated Subsidiaries

As of December 31, 2024

	2023	2024	(Millions of yen) Change
Assets			
Current assets			
Cash and cash equivalents	291,663	357,713	66,050
Trade and other receivables	225,934	238,077	12,143
Inventories	263,753	274,628	10,875
Other financial assets	6,596	10,525	3,929
Income tax receivables	5,186	5,467	281
Other current assets	24,931	26,053	1,122
Subtotal	<u>818,063</u>	<u>912,463</u>	<u>94,400</u>
Non-current assets held for sale	—	1,562	1,562
Total current assets	<u>818,063</u>	<u>914,025</u>	<u>95,962</u>
Non-current assets			
Property, plant and equipment	420,563	423,251	2,688
Right-of-use assets	126,252	116,637	(9,615)
Goodwill	220,227	228,413	8,186
Intangible assets	79,435	81,947	2,512
Investments accounted for using the equity method	11,807	14,526	2,719
Other financial assets	26,881	28,132	1,251
Deferred tax assets	55,315	49,044	(6,271)
Other non-current assets	10,971	11,262	291
Total non-current assets	<u>951,451</u>	<u>953,212</u>	<u>1,761</u>
Total assets	<u><u>1,769,514</u></u>	<u><u>1,867,237</u></u>	<u><u>97,723</u></u>

	(Millions of yen)		
	2023	2024	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	235,513	258,035	22,522
Bonds and borrowings	14,039	35,749	21,710
Lease liabilities	19,020	20,146	1,126
Other financial liabilities	7,445	7,280	(165)
Income tax payables	15,090	20,984	5,894
Provisions	14,406	2,773	(11,633)
Contract liabilities	45,264	43,878	(1,386)
Other current liabilities	109,157	120,755	11,598
Total current liabilities	459,934	509,600	49,666
Non-current liabilities			
Bonds and borrowings	124,441	95,310	(29,131)
Lease liabilities	103,572	94,123	(9,449)
Other financial liabilities	6,889	6,370	(519)
Retirement benefit liabilities	40,451	39,460	(991)
Provisions	8,352	8,223	(129)
Deferred tax liabilities	8,447	9,754	1,307
Other non-current liabilities	5,385	5,562	177
Total non-current liabilities	297,537	258,802	(38,735)
Total liabilities	757,471	768,402	10,931
Equity			
Share capital	85,424	85,424	—
Capital surplus	105,780	106,256	476
Treasury shares	(3,267)	(5,924)	(2,657)
Other components of equity	83,919	132,239	48,320
Retained earnings	711,802	748,781	36,979
Equity attributable to owners of the parent	983,658	1,066,776	83,118
Non-controlling interests	28,385	32,059	3,674
Total equity	1,012,043	1,098,835	86,792
Total liabilities and equity	1,769,514	1,867,237	97,723

(2) Consolidated Statement of IncomeKao Corporation and Consolidated Subsidiaries
Fiscal year ended December 31, 2024

		(Millions of yen)		
		2023	2024	Change
	Notes			
Net sales	1	1,532,579	1,628,448	95,869
Cost of sales		<u>(972,152)</u>	<u>(990,044)</u>	<u>(17,892)</u>
Gross profit		560,427	638,404	77,977
Selling, general and administrative expenses	2	(466,770)	(498,140)	(31,370)
Other operating income		18,892	30,354	11,462
Other operating expenses		<u>(52,514)</u>	<u>(23,974)</u>	<u>28,540</u>
Operating income	1	60,035	146,644	86,609
Financial income		4,867	4,988	121
Financial expenses		(3,447)	(4,090)	(643)
Share of profit in investments accounted for using the equity method		2,387	3,482	1,095
Income before income taxes		<u>63,842</u>	<u>151,024</u>	<u>87,182</u>
Income taxes		<u>(17,685)</u>	<u>(40,650)</u>	<u>(22,965)</u>
Net income		<u><u>46,157</u></u>	<u><u>110,374</u></u>	<u><u>64,217</u></u>
Attributable to:				
Owners of the parent		43,870	107,767	63,897
Non-controlling interests		<u>2,287</u>	<u>2,607</u>	<u>320</u>
Net income		<u><u>46,157</u></u>	<u><u>110,374</u></u>	<u><u>64,217</u></u>
Earnings per share				
Basic (Yen)	3	94.37	231.94	
Diluted (Yen)	3	94.37	—	

(3) Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2024

	(Millions of yen)		
	2023	2024	Change
Net income	46,157	110,374	64,217
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	627	1,334	707
Remeasurements of defined benefit plans	(3,215)	(936)	2,279
Share of other comprehensive income of investments accounted for using the equity method	347	430	83
Total of items that will not be reclassified to profit or loss	(2,241)	828	3,069
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	40,221	48,601	8,380
Share of other comprehensive income of investments accounted for using the equity method	334	574	240
Total of items that may be reclassified subsequently to profit or loss	40,555	49,175	8,620
Other comprehensive income, net of taxes	38,314	50,003	11,689
Comprehensive income	<u>84,471</u>	<u>160,377</u>	<u>75,906</u>
Attributable to:			
Owners of the parent	80,809	155,475	74,666
Non-controlling interests	3,662	4,902	1,240
Comprehensive income	<u>84,471</u>	<u>160,377</u>	<u>75,906</u>

(4) Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 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	—	—	—	—	39,126	3	981
Comprehensive income	—	—	—	—	39,126	3	981
Disposal of treasury shares	—	(177)	209	(28)	—	—	—
Purchase of treasury shares	—	—	(17)	—	—	—	—
Share-based payment transactions	—	200	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	(123)	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(29)	—	—	24
Other increase (decrease)	—	—	—	—	—	—	—
Total transactions with the owners	—	(100)	192	(57)	—	—	24
December 31, 2023	85,424	105,780	(3,267)	—	77,448	10	6,461

	Equity attributable to owners of the parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total				
January 1, 2023	—	43,842	740,374	972,061	23,323	995,384
Net income	—	—	43,870	43,870	2,287	46,157
Other comprehensive income	(3,171)	36,939	—	36,939	1,375	38,314
Comprehensive income	(3,171)	36,939	43,870	80,809	3,662	84,471
Disposal of treasury shares	—	(28)	(4)	0	—	0
Purchase of treasury shares	—	—	—	(17)	—	(17)
Share-based payment transactions	—	—	—	200	—	200
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	3,171	3,166	(3,166)	—	—	—
Other increase (decrease)	—	—	(8)	(8)	—	(8)
Total transactions with the owners	3,171	3,138	(72,442)	(69,212)	1,400	(67,812)
December 31, 2023	—	83,919	711,802	983,658	28,385	1,012,043

Fiscal year ended December 31, 2024

(Millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				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
January 1, 2024	85,424	105,780	(3,267)	—	77,448	10	6,461
Net income	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	46,873	(4)	1,780
Comprehensive income	—	—	—	—	46,873	(4)	1,780
Disposal of treasury shares	—	(182)	189	—	—	—	—
Purchase of treasury shares	—	—	(2,846)	—	—	—	—
Share-based payment transactions	—	653	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	5	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(329)
Total transactions with the owners	—	476	(2,657)	—	—	—	(329)
December 31, 2024	85,424	106,256	(5,924)	—	124,321	6	7,912

	Equity attributable to owners of the parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total				
January 1, 2024	—	83,919	711,802	983,658	28,385	1,012,043
Net income	—	—	107,767	107,767	2,607	110,374
Other comprehensive income	(941)	47,708	—	47,708	2,295	50,003
Comprehensive income	(941)	47,708	107,767	155,475	4,902	160,377
Disposal of treasury shares	—	—	(7)	0	—	0
Purchase of treasury shares	—	—	—	(2,846)	—	(2,846)
Share-based payment transactions	—	—	—	653	—	653
Dividends	—	—	(70,169)	(70,169)	(1,207)	(71,376)
Changes in the ownership interest in subsidiaries	—	—	—	5	(21)	(16)
Transfer from other components of equity to retained earnings	941	612	(612)	—	—	—
Total transactions with the owners	941	612	(70,788)	(72,357)	(1,228)	(73,585)
December 31, 2024	—	132,239	748,781	1,066,776	32,059	1,098,835

(5) Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries

Fiscal year ended December 31, 2024

	2023	(Millions of yen) 2024
Cash flows from operating activities		
Income before income taxes	63,842	151,024
Depreciation and amortization	89,595	88,422
Impairment losses	21,703	1,813
Gain on transfer of business	—	(10,590)
Interest and dividend income	(3,525)	(4,678)
Interest expense	2,524	2,729
Share of profit in investments accounted for using the equity method	(2,387)	(3,482)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	4,784	2,361
(Increase) decrease in trade and other receivables	20,476	1,184
(Increase) decrease in inventories	29,383	(1,414)
Increase (decrease) in trade and other payables	(19,380)	10,991
Increase (decrease) in retirement benefit liabilities	398	(1,793)
Increase (decrease) in provisions	12,540	(12,293)
Other	3,779	790
Subtotal	223,732	225,064
Interest received	3,329	4,428
Dividends received	2,650	2,343
Interest paid	(2,596)	(2,622)
Income taxes paid	(24,634)	(27,628)
Net cash flows from operating activities	202,481	201,585
Cash flows from investing activities		
Payments into time deposits	(9,358)	(16,977)
Proceeds from withdrawal of time deposits	6,713	13,554
Purchase of property, plant and equipment	(54,166)	(57,404)
Proceeds from sale of property, plant and equipment	223	9,827
Purchase of intangible assets	(12,281)	(10,072)
Payments for business combinations	(40,826)	—
Proceeds from transfer of business	—	11,783
Other	393	3,387
Net cash flows from investing activities	(109,302)	(45,902)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	12,909	(14,299)
Proceeds from long-term borrowings	40,000	10,000
Repayments of long-term borrowings	(43,341)	(4,375)
Proceeds from issuance of bonds	24,937	—
Redemption of bonds	(24,952)	(12)
Repayments of lease liabilities	(21,432)	(21,637)
Dividends paid to owners of the parent	(69,339)	(70,246)
Dividends paid to non-controlling interests	(962)	(1,227)
Other	2,197	(2,782)
Net cash flows from financing activities	(79,983)	(104,578)
Net increase (decrease) in cash and cash equivalents	13,196	51,105
Cash and cash equivalents at the beginning of the year	268,248	291,663
Effect of exchange rate changes on cash and cash equivalents	10,219	14,945
Cash and cash equivalents at the end of the year	291,663	357,713

(6) Notes to Consolidated Financial Statements

1. Segment Information

(1) Summary of Reportable Segments

The Group's reportable segments are the components of the Group for which discrete financial information is available and are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing their performance. Net sales and operating income are the key measures used by the Board of Directors to evaluate the performance of each segment.

The Group is organized on the basis of five businesses: the four business areas that constitute the Consumer Products Business (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, and the Cosmetics Business) and the Chemical Business. In each business, the Group plans comprehensive business strategies and carries out business activities on a global basis.

Accordingly, the Group has five reportable segments: the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business and the Chemical Business. Information about major customers has been omitted as the revenue from each customer is less than 10% of the Group's net sales.

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
Fiscal year ended December 31, 2023

(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	522,536	392,913	56,274	238,606	1,210,329	322,250	1,532,579	—	1,532,579
Intersegment sales and transfers ²	—	—	—	—	—	43,858	43,858	(43,858)	—
Total net sales	522,536	392,913	56,274	238,606	1,210,329	366,108	1,576,437	(43,858)	1,532,579
Operating income (loss)	20,126	40,474	(5,296)	(5,402)	49,902	23,565	73,467	(13,432)	60,035
Financial income									4,867
Financial expenses									(3,447)
Share of profit in investments accounted for using the equity method									2,387
Income before income taxes									63,842
Core operating income (loss) ³	41,911	42,818	(1,318)	5,324	88,735	24,757	113,492	1,214	114,706
Other items									
Depreciation and amortization	33,522	18,880	3,933	14,469	70,804	17,650	88,454	1,141	89,595
Impairment losses	19,894	—	510	4	20,408	1,295	21,703	—	21,703
Capital expenditures ⁴	32,689	18,754	4,584	12,460	68,487	22,948	91,435	1,743	93,178

Notes:

- The operating income (loss) reconciliation of (13,432) 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 13,222 million yen of expenses for promoting structural reform of human capital, which is recognized by the Company and its subsidiaries in Japan and others, is included in the reconciliation as corporate expenses.

(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				
Operating income (loss)	20,126	40,474	(5,296)	(5,402)	49,902	23,565	73,467	(13,432)	60,035
Impacts of structural reforms									
Net Sales	—	—	—	8,330	8,330	—	8,330	—	8,330
Cost of sales	1,440	451	3,468	950	6,309	8	6,317	—	6,317
Impairment losses	19,894	—	510	—	20,404	1,184	21,588	—	21,588
Expenses for promoting structural reform of human capital	—	354	—	—	354	—	354	13,222	13,576
Other	451	1,539	—	1,446	3,436	—	3,436	1,424	4,860
Total impacts of structural reform	21,785	2,344	3,978	10,726	38,833	1,192	40,025	14,646	54,671
Core operating income (loss)	41,911	42,818	(1,318)	5,324	88,735	24,757	113,492	1,214	114,706

- Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

Fiscal year ended December 31, 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	544,278	423,967	55,899	244,102	1,268,246	360,202	1,628,448	—	1,628,448		
Intersegment sales and transfers ²	—	—	—	—	—	45,678	45,678	(45,678)	—		
Total net sales	544,278	423,967	55,899	244,102	1,268,246	405,880	1,674,126	(45,678)	1,628,448		
Operating income (loss)	75,771	34,433	6,293	(3,664)	112,833	34,634	147,467	(823)	146,644		
Financial income									4,988		
Financial expenses									(4,090)		
Share of profit in investments accounted for using the equity method									3,482		
Income before income taxes									151,024		
Other items											
Depreciation and amortization	30,309	19,633	3,631	13,297	66,870	19,479	86,349	2,073	88,422		
Impairment losses	726	76	3	69	874	658	1,532	281	1,813		
Capital expenditures ³	28,394	18,632	1,928	15,132	64,086	28,385	92,471	1,059	93,530		

Notes:

1. The operating income (loss) reconciliation of (823) 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. Capital expenditures include investments in property, plant and equipment, right-of-use assets and intangible assets.

(3) Geographical Information

Sales to customers and non-current assets (excluding financial assets, deferred tax assets and retirement benefit assets) by region consist of the following:

Sales to Customers	(Millions of yen)	
	2023	2024
Japan	854,161	903,857
Asia	326,646	332,029
Americas	191,645	213,270
Europe	160,127	179,292
Total	<u>1,532,579</u>	<u>1,628,448</u>

Note: Sales are classified by country or region based on the location of customers.

Non-current Assets (excluding Financial Assets, Deferred Tax Assets and Retirement Benefit Assets)	(Millions of yen)	
	2023	2024
Japan	538,859	519,501
Asia	108,742	101,924
Americas	164,505	192,254
Europe	53,088	57,555
Total	<u>865,194</u>	<u>871,234</u>

2. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	2023	2024
Advertising	75,841	88,270
Sales promotion	51,274	54,327
Employee benefits	168,645	176,955
Depreciation	17,398	16,696
Amortization	10,421	11,637
Research and development	62,575	62,092
Other	80,616	88,163
Total	<u>466,770</u>	<u>498,140</u>

3. Earnings per Share

(1) The Basis for Calculating Basic Earnings per Share

(Millions of yen, unless otherwise noted)

	2023	2024
Net income attributable to owners of the parent	43,870	107,767
Amounts not attributable to ordinary shareholders of the parent	—	—
Net income used to calculate basic earnings per share	43,870	107,767
Weighted average number of ordinary shares (Thousands of shares)	464,854	464,625
Basic earnings per share (Yen)	94.37	231.94

(2) The Basis for Calculating Diluted Earnings per Share

(Millions of yen, unless otherwise noted)

	2023	2024
Net income used to calculate basic earnings per share	43,870	—
Adjustments to net income	—	—
Net income used to calculate diluted earnings per share	43,870	—
Weighted average number of ordinary shares (Thousands of shares)	464,854	—
Increase in ordinary shares		
Subscription rights to shares (Thousands of shares)	4	—
Weighted average number of ordinary shares after dilution (Thousands of shares)	464,857	—
Diluted earnings per share (Yen)	94.37	—
Summary of potential ordinary shares not included in the calculation of diluted earnings per share because they have no dilutive effect	—	—

Note: Diluted earnings per share for the current fiscal year are not presented because there were no potential ordinary shares.

4. Significant Subsequent Events

None applicable.

(7) Note regarding Assumption of Going Concern

None applicable.