

Consolidated Financial Results for the Three Months Ended March 31, 2023 [IFRS]

May 10, 2023

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 starting date of the dividend payments: -
 Supplementary documents of the financial results: Yes
 Financial results information meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated operating results

	(Percentages indicate year-on-year changes)			
	Three months ended March 31, 2023	%	Three months ended March 31, 2022	%
Net sales	347,794	0.3	346,795	8.2
Operating income	7,287	(68.3)	22,952	(25.8)
Income before income taxes	8,439	(67.1)	25,654	(24.3)
Net income	5,371	(71.4)	18,770	(28.4)
Net income attributable to owners of the parent	4,817	(73.6)	18,244	(29.1)
Comprehensive income	14,917	(69.0)	48,106	(4.7)
Basic earnings per share (Yen)	10.36		38.50	
Diluted earnings per share (Yen)	10.36		38.50	

(2) Consolidated financial position

	March 31, 2023	December 31, 2022
Total assets	1,665,357	1,726,350
Total equity	977,591	995,384
Equity attributable to owners of the parent	951,516	972,061
Ratio of equity attributable to owners of the parent to total assets	57.1%	56.3%
Equity attributable to owners of the parent per share (Yen)	2,046.99	2,091.20

2. Dividends

	Year ending December 31, 2023 (Forecast)	Year ending December 31, 2023	Year ended December 31, 2022
Annual cash dividends per share (Yen)			
1st quarter end		-	-
2nd quarter end	75.00		74.00
3rd quarter end	-		-
Fiscal year end	75.00		74.00
Total	150.00		148.00

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

**3. Forecast of consolidated operating results for the year ending December 31, 2023
(from January 1, 2023 to December 31, 2023)**

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

	Year ending	
	December 31, 2023	%
Net sales	1,580,000	1.9
Operating income	120,000	9.0
Income before income taxes	121,000	4.4
Net income attributable to owners of the parent	88,000	2.3
Basic earnings per share (Yen)	189.31	-

4. Others

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

	March 31, 2023	December 31, 2022
Number of issued shares including treasury shares	465,900,000	465,900,000
Number of treasury shares	1,063,634	1,065,960
	Three months ended March 31, 2023	Three months ended March 31, 2022
Weighted average number of shares outstanding during this period	464,835,617	473,887,316

Notice regarding execution of quarterly review procedures

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

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

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

Please refer to page 7, "Qualitative Information on Financial Results for the Three Months Ended March 31, 2023 - 2. Description of Information on Outlook, Including Forecasts of Consolidated Results" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

Qualitative Information on Financial Results for the Three Months Ended March 31, 2023

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.

1. Description of Operating Results

(Billions of yen, except operating margin and per share amounts)			
Three months ended March 31	2023	2022	Growth
Net sales	347.8	346.8	0.3% Like-for-like: (3.8%)
Operating income	7.3	23.0	(68.3%)
Operating margin (%)	2.1	6.6	-
Income before income taxes	8.4	25.7	(67.1%)
Net income	5.4	18.8	(71.4%)
Net income attributable to owners of the parent	4.8	18.2	(73.6%)
Basic earnings per share (Yen)	10.36	38.50	(73.1%)

As the world began to emerge from the threat of COVID-19, the global economy was also on a gradual recovery track. However, the business environment remained unclear as high costs persisted due to inflation that began in 2022.

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 March 2023 compared with the same period a year earlier.

Amid these circumstances, the Kao Group started various initiatives based on the three management policies it announced in February 2023: change to a resilient business structure independent of market conditions; strengthen and expand strategic businesses globally; and generate profits from businesses that grow rapidly by anticipating change.

Net sales increased 0.3% compared with the same period a year earlier to 347.8 billion yen. Currency translation accounted for a 4.1% increase and net sales decreased 3.8% on a like-for-like basis (breakdown of the decrease: 3.4% decrease by volume, 0.4% decrease by price). Operating income was 7.3 billion yen, a decrease of 15.7 billion yen compared with the same period a year earlier, and income before income taxes was 8.4 billion yen, a decrease of 17.2 billion yen. Net income was 5.4 billion yen, a decrease of 13.4 billion yen. Results were nearly as planned in the Consumer Products Business, but fell short of the plan in the Chemical Business due to the impact of delayed market recovery and other factors.

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

	First quarter Jan. – Mar.
U.S. dollar	132.29 (116.30)
Euro	141.98 (130.45)
Chinese yuan	19.33 (18.32)

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

Summary of Segment Information

Consolidated Results by Segment

(Billions of yen)

Three months ended March 31	Net sales				Operating income			Operating margin (%)	
	2023	2022	Growth %	Like-for-like %	2023	2022	Change	2023	2022
Hygiene and Living Care Business	113.7	113.9	(0.2)	(2.5)	2.7	6.8	(4.1)	2.4	6.0
Health and Beauty Care Business	86.9	80.4	8.0	2.8	5.8	6.3	(0.4)	6.7	7.8
Life Care Business	12.8	12.2	4.9	1.9	(0.6)	(0.2)	(0.4)	(4.8)	(1.5)
Cosmetics Business	51.8	56.4	(8.0)	(10.1)	(4.5)	0.2	(4.8)	(8.8)	0.4
Consumer Products Business	265.3	262.9	0.9	(2.3)	3.4	13.2	(9.8)	1.3	5.0
Chemical Business	93.2	94.2	(1.0)	(7.4)	4.1	9.9	(5.8)	4.4	10.5
Total	358.5	357.1	0.4	(3.7)	7.5	23.1	(15.6)	-	-
Elimination and Reconciliation	(10.7)	(10.3)	-	-	(0.2)	(0.1)	(0.1)	-	-
Consolidated	347.8	346.8	0.3	(3.8)	7.3	23.0	(15.7)	2.1	6.6

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Consolidated Net Sales Composition

Three months ended March 31		Japan	Asia	Americas	Europe	(Billions of yen) Consolidated
Fabric and Home Care Products	2023	58.6	11.3	1.0	-	70.9
	2022	59.7	10.7	0.9	-	71.3
	Growth %	(1.8)	5.8	15.0	-	(0.5)
	Like-for-like %	(1.8)	(3.1)	7.0	-	(1.9)
Sanitary Products	2023	18.2	24.6	0.0	-	42.8
	2022	18.2	24.5	0.0	-	42.7
	Growth %	0.3	0.5	(66.7)	-	0.4
	Like-for-like %	0.3	(6.2)	(69.0)	-	(3.5)
Hygiene and Living Care Business	2023	76.8	35.9	1.0	-	113.7
	2022	77.8	35.2	0.9	-	113.9
	Growth %	(1.3)	2.1	13.4	-	(0.2)
	Like-for-like %	(1.3)	(5.3)	5.6	-	(2.5)
Health and Beauty Care Business	2023	42.6	8.6	23.8	11.9	86.9
	2022	43.7	8.2	18.4	10.1	80.4
	Growth %	(2.6)	4.1	29.5	18.0	8.0
	Like-for-like %	(2.6)	(3.7)	14.6	9.8	2.8
Life Care Business	2023	9.6	0.0	3.2	0.0	12.8
	2022	9.7	0.0	2.4	0.0	12.2
	Growth %	(1.2)	59.9	29.2	(24.0)	4.9
	Like-for-like %	(1.2)	52.4	14.3	(26.2)	1.9
Cosmetics Business	2023	34.1	11.1	1.6	5.0	51.8
	2022	34.9	15.3	1.4	4.8	56.4
	Growth %	(2.3)	(27.4)	19.8	4.1	(8.0)
	Like-for-like %	(2.3)	(31.9)	5.5	(1.9)	(10.1)
Consumer Products Business	2023	163.1	55.6	29.6	16.9	265.3
	2022	166.2	58.7	23.1	14.9	262.9
	Growth %	(1.9)	(5.3)	28.3	13.4	0.9
	Like-for-like %	(1.9)	(12.0)	13.7	6.0	(2.3)
Chemical Business	2023	32.8	22.5	16.1	21.9	93.2
	2022	32.4	24.4	15.6	21.8	94.2
	Growth %	1.5	(8.0)	2.8	0.5	(1.0)
	Like-for-like %	1.5	(16.2)	(11.8)	(7.7)	(7.4)
Elimination of intersegment	2023	(9.2)	(0.9)	(0.0)	(0.6)	(10.7)
	2022	(8.9)	(0.9)	(0.0)	(0.5)	(10.3)
Consolidated	2023	186.7	77.2	45.7	38.2	347.8
	2022	189.7	82.3	38.7	36.2	346.8
	Growth %	(1.6)	(6.1)	17.9	5.6	0.3
	Like-for-like %	(1.6)	(13.2)	3.4	(2.3)	(3.8)

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.

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

	Change (%)	Currency Translation (%)	Like-for-Like (%)		
				By Volume (%)	By Price (%)
Hygiene and Living Care Business	(0.2)	2.3	(2.5)	(5.8)	3.3
Health and Beauty Care Business	8.0	5.2	2.8	1.3	1.5
Life Care Business	4.9	3.0	1.9	2.8	(0.9)
Cosmetics Business	(8.0)	2.1	(10.1)	(8.0)	(2.1)
Consumer Products Business	0.9	3.2	(2.3)	(3.7)	1.4
Chemical Business	(1.0)	6.4	(7.4)	(2.0)	(5.4)
Total	0.3	4.1	(3.8)	(3.4)	(0.4)

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 48.2% of net sales compared with 47.5% for the same period a year earlier.

Consumer Products Business

Sales increased 0.9% compared with the same period a year earlier to 265.3 billion yen. Currency translation accounted for a 3.2% increase and sales decreased 2.3% on a like-for-like basis (breakdown of the decrease: 3.7% decrease by volume, 1.4% increase by price).

As the pandemic appeared to subside and economies around the world normalized, there was a gradual market recovery, but it lacked vigor. In particular, the market in China remained weak. In addition, raw material prices rose compared with the same period a year earlier. Amid these circumstances, the Kao Group implemented strategic price increases and concentrated investment in strategic brands as planned, and these initiatives began to show results.

In Japan, sales decreased 1.9% to 163.1 billion yen.

In Asia, sales decreased 5.3% to 55.6 billion yen. On a like-for-like basis, sales decreased 12.0%.

In the Americas, sales increased 28.3% to 29.6 billion yen. On a like-for-like basis, sales increased 13.7%.

In Europe, sales increased 13.4% to 16.9 billion yen. On a like-for-like basis, sales increased 6.0%.

Operating income decreased 9.8 billion yen compared with the same period a year earlier to 3.4 billion yen due to the impact of rising raw material prices and other factors.

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 decreased 0.2% compared with the same period a year earlier to 113.7 billion yen. Currency translation accounted for a 2.3% increase and sales decreased 2.5% on a like-for-like basis (breakdown of the decrease: 5.8% decrease by volume, 3.3% increase by price).

Sales of fabric care products decreased. The implementation of price increases and the launch of improved products for laundry detergents contributed significantly to substantial increases in sales and market share, but conditions were tough for fabric softeners due to fierce competition.

Home care products were impacted by market shrinkage in Japan as the frequency of product use decreased due to increased opportunities for going out, although *CuCute* dishwashing detergent increased its market share.

Sales of sanitary products decreased. Sales of *Laurier* sanitary napkins remained strong in China and Indonesia, and also increased in Japan. Sales of *Merries* baby diapers remained strong in Indonesia due to the increase in distribution stores and strengthened sales promotion activities for e-commerce, but overall sales decreased due to the impact of market shrinkage in Japan and China and other factors.

Operating income decreased 4.1 billion yen compared with the same period a year earlier to 2.7 billion yen due to the significant impact of rising raw material prices.

Health and Beauty Care Business

Sales increased 8.0% compared with the same period a year earlier to 86.9 billion yen. Currency translation accounted for a 5.2% increase and sales increased 2.8% on a like-for-like basis (breakdown of the increase: 1.3% increase by volume, 1.5% increase by price).

Sales of skin care products increased. In Japan, growth in sales of UV care and other seasonal products exceeded market growth, and market share also increased. In the Americas, sales increased due to the resolution of the logistics disruptions that had occurred in the same period a year earlier.

Sales of hair care products increased. In Japan, severe market competition continued. In products for hair salons in the Americas and Europe, sales of *ORIBE*, a brand for high-end hair salons in the United States, performed strongly mainly driven by e-commerce sales and sales of the *Goldwell* professional hair care brand remained steady.

Sales of personal health products decreased due to market shrinkage as opportunities for going out increased.

Operating income decreased 0.4 billion yen compared with the same period a year earlier to 5.8 billion yen.

Life Care Business

Sales increased 4.9% compared with the same period a year earlier to 12.8 billion yen. Currency translation accounted for a 3.0% increase and sales increased 1.9% on a like-for-like basis (breakdown of the increase: 2.8% increase by volume, 0.9% decrease by price).

In commercial-use hygiene products, the market in Japan recovered and sales grew due to increased demand for products for the food service industry and lodging facilities and other establishments. In the United States, customer industries grew and sales increased.

In health drinks, sales of *Healthya* products, which are foods for specified health uses, decreased.

Operating income was negative 0.6 billion yen, a decrease of 0.4 billion yen from the same period a year earlier.

Cosmetics Business

Sales decreased 8.0% compared with the same period a year earlier to 51.8 billion yen. Currency translation accounted for a 2.1% increase and sales decreased 10.1% on a like-for-like basis (breakdown of the decrease: 8.0% decrease by volume, 2.1% decrease by price).

In Japan, the market recovered. Amid this recovery, the Kao Group's "G11" global strategy brands, including the *KANEBO* prestige skin care and makeup and *KATE* makeup brands, performed well, but sales decreased due to structural reforms and other factors. In China, sales decreased substantially due to factors including reduced shipments ahead of the launch of new products for *freeplus*, a hypoallergenic brand containing Japanese and Chinese botanical extracts. In Europe, sales decreased, impacted by factors including a decrease in consumption due to inflation.

Operating income was negative 4.5 billion yen, a decrease of 4.8 billion yen from the same period a year earlier.

Chemical Business

Sales decreased 1.0% compared with the same period a year earlier to 93.2 billion yen. Currency translation accounted for a 6.4% increase and sales decreased 7.4% on a like-for-like basis (breakdown of the decrease: 2.0% decrease by volume, 5.4% decrease by price).

Sales of oleo chemicals decreased due to selling price adjustments in line with falling prices of natural fats and oils and the impact of ongoing inventory adjustments by customers outside Japan.

In performance chemicals, although some fields were impacted by stagnation in demand, sales were nearly flat, due in part to the contribution from selling price adjustments in line with rising prices of raw materials.

Sales of information materials decreased due to a slump in demand in the hard disk and semiconductor-related fields.

Operating income decreased 5.8 billion yen compared with the same period a year earlier to 4.1 billion yen as a result of the impact of decreased demand due to a market slump and shrinking profit margins for oleo

chemicals due to falling market prices.

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

At present, an economic recovery is expected, with factors including market recovery in China and other countries, as well as inbound demand in Japan. Under these circumstances, the Kao Group will proactively implement strategic price increases, boost the ratio of high-value-added, highly profitable products in its product mix, and concentrate investment in strategic brands. Moreover, the Kao Group aims to achieve the figures announced in its forecast while increasing Economic Value Added (EVA*) through effective capital investment. Therefore, there is no change from the forecast of consolidated results announced on February 2, 2023.

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

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 130 yen, one euro to 138 yen and one Chinese yuan to 20 yen.

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Condensed Consolidated Statement of Financial Position

(Millions of yen)

	March 31, 2023	December 31, 2022	Change
Assets			
Current assets			
Cash and cash equivalents	216,765	268,248	(51,483)
Trade and other receivables	208,284	230,604	(22,320)
Inventories	289,190	278,382	10,808
Other financial assets	3,113	3,605	(492)
Income tax receivables	7,848	4,171	3,677
Other current assets	27,976	22,196	5,780
Total current assets	753,176	807,206	(54,030)
Non-current assets			
Property, plant and equipment	441,341	439,325	2,016
Right-of-use assets	130,029	138,629	(8,600)
Goodwill	192,612	191,860	752
Intangible assets	60,223	60,183	40
Investments accounted for using the equity method	9,860	11,061	(1,201)
Other financial assets	25,146	25,325	(179)
Deferred tax assets	43,561	43,833	(272)
Other non-current assets	9,409	8,928	481
Total non-current assets	912,181	919,144	(6,963)
Total assets	1,665,357	1,726,350	(60,993)

(Millions of yen)

	March 31, 2023	December 31, 2022	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	234,939	243,767	(8,828)
Bonds and borrowings	25,669	65,670	(40,001)
Lease liabilities	18,817	19,440	(623)
Other financial liabilities	2,773	7,249	(4,476)
Income tax payables	7,508	12,299	(4,791)
Provisions	913	1,246	(333)
Contract liabilities	29,917	32,465	(2,548)
Other current liabilities	90,902	104,488	(13,586)
Total current liabilities	411,438	486,624	(75,186)
Non-current liabilities			
Bonds and borrowings	102,478	62,166	40,312
Lease liabilities	108,277	115,614	(7,337)
Other financial liabilities	6,953	7,223	(270)
Retirement benefit liabilities	38,145	38,738	(593)
Provisions	8,888	8,803	85
Deferred tax liabilities	6,802	6,858	(56)
Other non-current liabilities	4,785	4,940	(155)
Total non-current liabilities	276,328	244,342	31,986
Total liabilities	687,766	730,966	(43,200)
Equity			
Share capital	85,424	85,424	-
Capital surplus	105,975	105,880	95
Treasury shares	(3,446)	(3,459)	13
Other components of equity	52,752	43,842	8,910
Retained earnings	710,811	740,374	(29,563)
Equity attributable to owners of the parent	951,516	972,061	(20,545)
Non-controlling interests	26,075	23,323	2,752
Total equity	977,591	995,384	(17,793)
Total liabilities and equity	1,665,357	1,726,350	(60,993)

Condensed Consolidated Statement of Income

(Millions of yen)

	Notes	Three months ended March 31, 2023	Three months ended March 31, 2022	Change
Net sales	1	347,794	346,795	999
Cost of sales		(232,905)	(220,624)	(12,281)
Gross profit		114,889	126,171	(11,282)
Selling, general and administrative expenses	2	(107,567)	(103,577)	(3,990)
Other operating income		3,623	3,558	65
Other operating expenses		(3,658)	(3,200)	(458)
Operating income	1	7,287	22,952	(15,665)
Financial income		1,183	2,412	(1,229)
Financial expenses		(820)	(566)	(254)
Share of profit in investments accounted for using the equity method		789	856	(67)
Income before income taxes		8,439	25,654	(17,215)
Income taxes		(3,068)	(6,884)	3,816
Net income		5,371	18,770	(13,399)
Attributable to:				
Owners of the parent		4,817	18,244	(13,427)
Non-controlling interests		554	526	28
Net income		5,371	18,770	(13,399)
Earnings per share				
Basic (Yen)		10.36	38.50	
Diluted (Yen)		10.36	38.50	

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2022	Change
Net income	5,371	18,770	(13,399)
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	(161)	85	(246)
Share of other comprehensive income of investments accounted for using the equity method	54	18	36
Total of items that will not be reclassified to profit or loss	(107)	103	(210)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	9,621	28,962	(19,341)
Share of other comprehensive income of investments accounted for using the equity method	32	271	(239)
Total of items that may be reclassified subsequently to profit or loss	9,653	29,233	(19,580)
Other comprehensive income, net of taxes	9,546	29,336	(19,790)
Comprehensive income	<u>14,917</u>	<u>48,106</u>	<u>(33,189)</u>
Attributable to:			
Owners of the parent	13,760	46,577	(32,817)
Non-controlling interests	1,157	1,529	(372)
Comprehensive income	<u>14,917</u>	<u>48,106</u>	<u>(33,189)</u>

Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent											Total equity
	Other components of equity							Total	Retained earnings	Total	Non-controlling interests	
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income					
January 1, 2023	85,424	105,880	(3,459)	57	38,322	7	5,456	43,842	740,374	972,061	23,323	995,384
Net income	-	-	-	-	-	-	-	-	4,817	4,817	554	5,371
Other comprehensive income	-	-	-	-	9,049	1	(107)	8,943	-	8,943	603	9,546
Comprehensive income	-	-	-	-	9,049	1	(107)	8,943	4,817	13,760	1,157	14,917
Disposal of treasury shares	-	-	17	(15)	-	-	-	(15)	0	2	-	2
Purchase of treasury shares	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Share-based payment transactions	-	88	-	-	-	-	-	-	-	88	-	88
Dividends	-	-	-	-	-	-	-	-	(34,398)	(34,398)	(540)	(34,938)
Changes in the ownership interest in subsidiaries	-	7	-	-	-	-	-	-	-	7	2,135	2,142
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(18)	(18)	18	-	-	-
Total transactions with the owners	-	95	13	(15)	-	-	(18)	(33)	(34,380)	(34,305)	1,595	(32,710)
March 31, 2023	85,424	105,975	(3,446)	42	47,371	8	5,331	52,752	710,811	951,516	26,075	977,591
January 1, 2022	85,424	105,633	(3,960)	175	(9,678)	(0)	5,780	(3,723)	781,763	965,137	18,740	983,877
Net income	-	-	-	-	-	-	-	-	18,244	18,244	526	18,770
Other comprehensive income	-	-	-	-	28,224	6	103	28,333	-	28,333	1,003	29,336
Comprehensive income	-	-	-	-	28,224	6	103	28,333	18,244	46,577	1,529	48,106
Disposal of treasury shares	-	-	59	(45)	-	-	-	(45)	(13)	1	-	1
Purchase of treasury shares	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Share-based payment transactions	-	97	-	-	-	-	-	-	-	97	-	97
Dividends	-	-	-	-	-	-	-	-	(34,120)	(34,120)	(2)	(34,122)
Transfer from other components of equity to retained earnings	-	-	-	-	-	-	(188)	(188)	188	-	-	-
Total transactions with the owners	-	97	57	(45)	-	-	(188)	(233)	(33,945)	(34,024)	(2)	(34,026)
March 31, 2022	85,424	105,730	(3,903)	130	18,546	6	5,695	24,377	766,062	977,690	20,267	997,957

Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	8,439	25,654
Depreciation and amortization	22,108	21,601
Interest and dividend income	(732)	(370)
Interest expense	592	460
Share of profit in investments accounted for using the equity method	(789)	(856)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	865	571
(Increase) decrease in trade and other receivables	25,418	18,235
(Increase) decrease in inventories	(7,920)	(22,041)
Increase (decrease) in trade and other payables	(13,717)	(10,904)
Increase (decrease) in retirement benefit liabilities	(970)	(1,366)
Other	(27,314)	(21,843)
Subtotal	5,980	9,141
Interest received	718	357
Dividends received	2,117	2,044
Interest paid	(467)	(419)
Income taxes paid	(11,150)	(21,236)
Net cash flows from operating activities	(2,802)	(10,113)
Cash flows from investing activities		
Payments into time deposits	(220)	(196)
Proceeds from withdrawal of time deposits	569	172
Purchase of property, plant and equipment	(12,957)	(13,589)
Purchase of intangible assets	(2,558)	(2,495)
Other	50	426
Net cash flows from investing activities	(15,116)	(15,682)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	-	(120)
Proceeds from long-term borrowings	40,000	-
Repayments of long-term borrowings	(40,005)	(10)
Repayments of lease liabilities	(5,321)	(5,356)
Dividends paid to owners of the parent	(33,681)	(33,446)
Dividends paid to non-controlling interests	(3)	(3)
Other	2,051	(8)
Net cash flows from financing activities	(36,959)	(38,943)
Net increase (decrease) in cash and cash equivalents	(54,877)	(64,738)
Cash and cash equivalents at the beginning of the period	268,248	336,069
Effect of exchange rate changes on cash and cash equivalents	3,394	10,598
Cash and cash equivalents at the end of the period	216,765	281,929

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-based cleaning products
		Sanitary products	Sanitary napkins, Baby diapers
	Health and Beauty Care Business	Skin care products	Soaps, Facial cleansers, Body cleansers
		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, Health drinks
	Cosmetics Business	Cosmetics	Counseling cosmetics, Self-selection cosmetics
	Chemical Business	Oleo chemicals	Oleochemicals, Fat and oil derivatives, Surfactants, Fragrance
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

Three months ended March 31, 2023	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations ¹	Consolidated
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business	Subtotal				
Net sales									
Sales to customers	113,746	86,856	12,829	51,840	265,271	82,523	347,794	-	347,794
Intersegment sales and transfers ²	-	-	-	-	-	10,713	10,713	(10,713)	-
Total net sales	113,746	86,856	12,829	51,840	265,271	93,236	358,507	(10,713)	347,794
Operating income (loss)	2,698	5,837	(620)	(4,536)	3,379	4,128	7,507	(220)	7,287
% of net sales	2.4	6.7	(4.8)	(8.8)	1.3	4.4	-	-	2.1
Financial income									1,183
Financial expenses									(820)
Share of profit in investments accounted for using the equity method									789
Income before income taxes									8,439

Notes:

1. The operating income (loss) reconciliation of -220 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.

Three months ended March 31, 2022	Reportable Segments							(Millions of yen)	
	Consumer Products Business					Chemical Business	Total	Reconciliations ¹	Consolidated
	Hygiene and Living Care Business	Health and Beauty Care Business	Life Care Business	Cosmetics Business	Subtotal				
Net sales									
Sales to customers	113,930	80,412	12,231	56,360	262,933	83,862	346,795	-	346,795
Intersegment sales and transfers ²	-	-	-	-	-	10,313	10,313	(10,313)	-
Total net sales	113,930	80,412	12,231	56,360	262,933	94,175	357,108	(10,313)	346,795
Operating income (loss)	6,818	6,279	(186)	244	13,155	9,921	23,076	(124)	22,952
% of net sales	6.0	7.8	(1.5)	0.4	5.0	10.5	-	-	6.6
Financial income									2,412
Financial expenses									(566)
Share of profit in investments accounted for using the equity method									856
Income before income taxes									25,654

Notes:

1. The operating income (loss) reconciliation of -124 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.

2. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2022
Advertising	14,683	14,870
Sales promotion	11,248	9,337
Employee benefits	41,111	39,429
Depreciation	4,261	4,295
Amortization	2,370	1,994
Research and development	15,736	15,578
Other	18,158	18,074
Total	107,567	103,577

Note regarding Assumption of Going Concern

None applicable.