

Consolidated Financial Results for the Nine Months Ended September 30, 2023 [IFRS]

November 8, 2023

Company name: Kao Corporation Tokyo Stock Exchange in Japan
 Stock code: 4452 (URL: www.kao.com/global/en/investor-relations/library/results/)
 Representative: Yoshihiro Hasebe, President and CEO
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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 nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)

(1) Consolidated operating results

	(Percentages indicate year-on-year changes)			
	Nine months ended September 30, 2023	%	Nine months ended September 30, 2022	%
Net sales	1,125,883	(0.2)	1,127,710	10.5
Operating income	50,705	(34.1)	76,917	(29.4)
Income before income taxes	54,582	(35.9)	85,095	(25.0)
Net income	34,546	(41.9)	59,470	(28.7)
Net income attributable to owners of the parent	32,542	(44.2)	58,320	(28.9)
Comprehensive income	95,966	(32.5)	142,128	27.7
Basic earnings per share (Yen)	70.01		123.82	
Diluted earnings per share (Yen)	70.00		123.82	

Note: Core income excluding expenses of structural reform for the nine months ended September 30, 2023	%
Core operating income	70,768 (8.0)
Core income before income taxes	74,645 (12.3)
Core net income	52,217 (12.2)
Core net income attributable to owners of the parent	50,213 (13.9)
Basic core earnings per share (Yen)	108.02

(2) Consolidated financial position

	September 30, 2023	December 31, 2022
Total assets	1,750,621	1,726,350
Total equity	1,023,592	995,384
Equity attributable to owners of the parent	994,406	972,061
Ratio of equity attributable to owners of the parent to total assets	56.8%	56.3%
Equity attributable to owners of the parent per share (Yen)	2,139.14	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	60,000	(45.5)
Income before income taxes	61,000	(47.3)
Net income attributable to owners of the parent	41,000	(52.3)
Basic earnings per share (Yen)	88.20	-

Notes:

1. Revisions to the consolidated operating results forecast most recently announced: None		
2. Core income excluding expenses of structural reform for the fiscal year ending December 31, 2023		%
Core operating income	120,000	9.0
Core income before income taxes	121,000	4.4
Core net income attributable to owners of the parent	88,000	2.3
Basic core earnings per share (Yen)	189.30	

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)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Number of issued shares including treasury shares	465,900,000	465,900,000
Number of treasury shares	1,037,153	1,065,960
	<u>Nine months ended September 30, 2023</u>	<u>Nine months ended September 30, 2022</u>
Weighted average number of shares outstanding during this period	464,850,282	470,995,349

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 Nine Months Ended September 30, 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 Nine Months Ended September 30, 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.

As announced in the news release dated August 3, 2023 entitled "Kao Announces a Revision of Its Forecast of Consolidated Results," Kao Corporation is conducting structural reforms. Therefore, to provide information that is useful for evaluating business performance and making forecasts, the Kao Group presents income excluding one-time gains and losses due to non-recurring factors (such as gains and losses arising from business withdrawal or downsizing, or sale or disposal of assets) as "core income." In the following table, the lower line of figures and growth rates for operating income and for each of the subsequent categories for the nine months ended September 30, 2023 has been calculated based on core income.

1. Description of Operating Results

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

Nine months ended September 30	2023	2022	Growth
Net sales	1,125.9	1,127.7	(0.2%) Like-for-like: (2.9%)
Operating income	50.7	76.9	(34.1%)
	70.8		(8.0%)
Operating margin (%)	4.5	6.8	-
	6.3		-
Income before income taxes	54.6	85.1	(35.9%)
	74.6		(12.3%)
Net income	34.5	59.5	(41.9%)
	52.2		(12.2%)
Net income attributable to owners of the parent	32.5	58.3	(44.2%)
	50.2		(13.9%)
Basic earnings per share (Yen)	70.01	123.82	(43.5%)
	108.02		(12.8%)

Although the world has been returning to conditions prior to the COVID-19 pandemic, the business environment remained unclear due to a slowdown in the previously growing market of China, geopolitical risk in Europe and the Middle East, and persistent high costs due to inflation.

According to retail sales and consumer purchasing survey data, the consumer products (household and personal care products and cosmetics) market in Japan, which is the Kao Group's key market, grew during the period from January to September 2023 compared with the same period a year earlier.

Net sales decreased 0.2% compared with the same period a year earlier to 1,125.9 billion yen. Currency translation accounted for a 2.7% increase and net sales decreased 2.9% on a like-for-like basis (breakdown

of the decrease: 2.2% decrease by volume, 0.7% decrease by price). Operating income was 50.7 billion yen, a decrease of 26.2 billion yen compared with the same period a year earlier, due to recording 20.1 billion yen in structural reform expenses, and core operating income exceeded the Kao Group's plan at 70.8 billion yen, a decrease of 6.1 billion yen. Income before income taxes was 54.6 billion yen, a decrease of 30.5 billion yen. Net income was 34.5 billion yen, a decrease of 24.9 billion yen. Results exceeded the Kao Group's plan in the Consumer Products Business, but fell short in the Chemical Business due to the impact of delayed recovery of demand in markets in the Americas and Europe 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	Second quarter	Third quarter
	Jan. – Mar.	Apr. – Jun.	Jul. – Sep.
U.S. dollar	132.29 (116.30)	137.30 (129.69)	144.49 (138.27)
Euro	141.98 (130.45)	149.50 (138.14)	157.23 (139.25)
Chinese yuan	19.33 (18.32)	19.58 (19.63)	19.94 (20.20)

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

Summary of Segment Information

Consolidated Results by Segment

Nine months ended September 30	Net sales				Operating income			Operating margin (%)	
	2023	2022	Growth %	Like-for-like %	Core operating income			Core operating margin (%)	
					2023	2022	Change	2023	2022
Hygiene and Living Care Business	379.2	370.7	2.3	1.1	5.2 23.9	18.9	(13.7) 4.9	1.4 6.3	5.1
Health and Beauty Care Business	288.5	270.8	6.5	3.1	30.3 30.6	27.2	3.1 3.3	10.5 10.6	10.1
Life Care Business	40.8	40.3	1.2	(0.5)	(1.2) (1.2)	0.0	(1.3) (1.3)	(3.1) (3.1)	0.1
Cosmetics Business	175.1	175.5	(0.2)	(1.7)	(2.8) (1.6)	3.4	(6.2) (5.0)	(1.6) (0.9)	1.9
Consumer Products Business	883.5	857.3	3.1	1.1	31.5 51.6	49.6	(18.1) 2.0	3.6 5.8	5.8
Chemical Business	275.0	303.8	(9.5)	(14.0)	18.5 18.5	26.8	(8.3) (8.3)	6.7 6.7	8.8
Total	1,158.5	1,161.1	(0.2)	(2.9)	50.0 70.0	76.4	(26.5) (6.4)	- -	-
Elimination and Reconciliation	(32.6)	(33.3)	-	-	0.7 0.7	0.5	0.2 0.2	- -	-
Consolidated	1,125.9	1,127.7	(0.2)	(2.9)	50.7 70.8	76.9	(26.2) (6.1)	4.5 6.3	6.8

Consolidated Net Sales Composition

Nine months ended September 30		Japan	Asia	Americas	Europe	(Billions of yen) Consolidated
Fabric and Home Care Products	2023	211.8	33.7	2.9	-	248.4
	2022	208.0	33.0	2.7	-	243.7
	Growth %	1.8	2.2	7.5	-	2.0
	Like-for-like %	1.8	(3.3)	5.2	-	1.2
Sanitary Products	2023	60.6	70.1	0.0	-	130.7
	2022	55.2	71.8	0.1	-	127.0
	Growth %	9.7	(2.3)	(45.6)	-	2.9
	Like-for-like %	9.7	(5.8)	(46.1)	-	0.9
Hygiene and Living Care Business	2023	272.4	103.8	2.9	-	379.2
	2022	263.2	104.8	2.8	-	370.7
	Growth %	3.5	(0.9)	6.5	-	2.3
	Like-for-like %	3.5	(5.1)	4.2	-	1.1
Health and Beauty Care Business	2023	151.1	26.2	73.6	37.6	288.5
	2022	145.7	25.4	67.0	32.7	270.8
	Growth %	3.7	3.2	9.8	15.0	6.5
	Like-for-like %	3.7	(1.2)	2.4	5.5	3.1
Life Care Business	2023	30.4	0.1	10.2	0.1	40.8
	2022	31.5	0.0	8.6	0.1	40.3
	Growth %	(3.5)	86.4	18.5	(15.5)	1.2
	Like-for-like %	(3.5)	83.2	10.5	(21.0)	(0.5)
Cosmetics Business	2023	112.7	40.0	5.2	17.1	175.1
	2022	109.6	45.7	4.7	15.5	175.5
	Growth %	2.9	(12.5)	9.9	10.6	(0.2)
	Like-for-like %	2.9	(14.1)	2.2	1.6	(1.7)
Consumer Products Business	2023	566.6	170.1	91.9	54.9	883.5
	2022	549.9	175.9	83.1	48.3	857.3
	Growth %	3.0	(3.3)	10.6	13.6	3.1
	Like-for-like %	3.0	(6.8)	3.3	4.2	1.1
Chemical Business	2023	98.8	66.0	46.1	64.0	275.0
	2022	103.7	74.9	53.9	71.3	303.8
	Growth %	(4.7)	(11.9)	(14.4)	(10.2)	(9.5)
	Like-for-like %	(4.7)	(16.2)	(23.4)	(18.3)	(14.0)
Elimination of intersegment	2023	(28.7)	(2.4)	(0.1)	(1.5)	(32.6)
	2022	(28.6)	(3.0)	(0.1)	(1.6)	(33.3)
Consolidated	2023	636.7	233.8	138.0	117.4	1,125.9
	2022	625.0	247.8	136.9	117.9	1,127.7
	Growth %	1.9	(5.7)	0.8	(0.4)	(0.2)
	Like-for-like %	1.9	(9.4)	(7.2)	(9.1)	(2.9)

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

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	2.3	1.2	1.1	(3.5)	4.6
Health and Beauty Care Business	6.5	3.4	3.1	0.9	2.2
Life Care Business	1.2	1.7	(0.5)	(1.8)	1.3
Cosmetics Business	(0.2)	1.4	(1.7)	(1.2)	(0.5)
Consumer Products Business	3.1	2.0	1.1	(1.5)	2.6
Chemical Business	(9.5)	4.6	(14.0)	(4.0)	(10.0)
Total	(0.2)	2.7	(2.9)	(2.2)	(0.7)

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 45.1% of net sales compared with 46.5% for the same period a year earlier.

Consumer Products Business

Sales increased 3.1% compared with the same period a year earlier to 883.5 billion yen. Currency translation accounted for a 2.0% increase and sales increased 1.1% on a like-for-like basis (breakdown of the increase: 1.5% decrease by volume, 2.6% increase by price).

Markets worldwide steadily recovered as the COVID-19 pandemic drew to a conclusion, but there was a market slowdown in China, which had previously been driving growth. In addition, although raw material prices appeared to be settling down, the risk of increased prices for petrochemical raw materials and other commodities rose once again due to the impact of geopolitical risk in the Middle East and other factors. Amid these circumstances, the Kao Group implemented strategic price increases and invested in new and improved products as planned, mainly in Japan, and these initiatives showed results.

In Japan, sales increased 3.0% to 566.6 billion yen.

In Asia, sales decreased 3.3% to 170.1 billion yen. On a like-for-like basis, sales decreased 6.8%.

In the Americas, sales increased 10.6% to 91.9 billion yen. On a like-for-like basis, sales increased 3.3%. In Europe, sales increased 13.6% to 54.9 billion yen. On a like-for-like basis, sales increased 4.2%.

Operating income decreased 18.1 billion yen compared with the same period a year earlier to 31.5 billion yen due to factors including the impact of recording 20.1 billion yen in structural reform expenses, which included an impairment loss. Core operating income increased 2.0 billion yen to 51.6 billion yen because the Kao Group compensated for rising raw material prices by implementing strategic price increases, among 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 increased 2.3% compared with the same period a year earlier to 379.2 billion yen. Currency translation accounted for a 1.2% increase and sales increased 1.1% on a like-for-like basis (breakdown of the increase: 3.5% decrease by volume, 4.6% increase by price).

Sales of fabric care products increased. The implementation of strategic price increases and the launch of new and improved products for laundry detergents contributed significantly to substantial increases in sales and market share. Signs of a recovery for fabric softeners became apparent.

Sales of home care products were basically unchanged. The Kao Group implemented price increases along with improvements for *CuCute* dishwashing detergent in Japan, and sales and market share grew.

Sales of sanitary products increased. Sales of *Laurier* sanitary napkins increased in Japan because communication resonated with consumers, increasing the number of loyal users, among other factors. However, sales in China were impacted by restraints on sales promotion activities. Sales of *Merries* baby diapers decreased. Although sales remained steady in Japan and Indonesia, sales in China decreased due to market shrinkage and an intensely competitive environment.

Operating income decreased 13.7 billion yen compared with the same period a year earlier to 5.2 billion yen as a result of recording 18.7 billion yen in structural reform expenses, including an impairment loss in the baby diaper business. Core operating income increased 4.9 billion yen to 23.9 billion yen because the operating margin for fabric and home care products improved as the Kao Group proactively implemented strategic price increases in response to rising raw material prices.

Health and Beauty Care Business

Sales increased 6.5% compared with the same period a year earlier to 288.5 billion yen. Currency translation accounted for a 3.4% increase and sales increased 3.1% on a like-for-like basis (breakdown of the increase: 0.9% increase by volume, 2.2% increase by price).

Sales of skin care products increased. In Japan, UV care, other seasonal products and a new makeup remover in the *Bioré* brand contributed to sales, which exceeded market growth, and market share also increased. In the Americas and Europe, sales of UV care products launched during the current fiscal year exceeded the Kao Group's plan.

Sales of hair care products increased. In Japan, new and improved *Essential* brand products performed steadily amid severe market competition. In products for hair salons, sales of the *ORIBE* brand for high-end hair salons in the United States were firm, mainly driven by e-commerce sales.

Sales of personal health products increased. Sales of *MegRhythm* thermo products grew, due to new marketing measures. The Kao Group increased its share in a shrinking market for bath additives.

Operating income increased 3.1 billion yen compared with the same period a year earlier to 30.3 billion yen. Core operating income increased 3.3 billion yen to 30.6 billion yen.

Life Care Business

Sales increased 1.2% compared with the same period a year earlier to 40.8 billion yen. Currency translation accounted for a 1.7% increase and sales decreased 0.5% on a like-for-like basis (breakdown of the decrease: 1.8% decrease by volume, 1.3% increase by price).

Sales of commercial-use hygiene products increased. In Japan, demand rose for products for the food service industry and lodging facilities and other establishments, but sales decreased due to shrinkage of the market for sanitizers. In the United States, sales grew due to growth in customer industries.

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

Operating income was negative 1.2 billion yen, a decrease of 1.3 billion yen from the same period a year earlier.

Cosmetics Business

Sales decreased 0.2% compared with the same period a year earlier to 175.1 billion yen. Currency translation accounted for a 1.4% increase and sales decreased 1.7% on a like-for-like basis (breakdown of the decrease: 1.2% decrease by volume, 0.5% decrease by price).

Although sales remained strong amid market recovery in Japan, with continuing double-digit growth for the Kao Group's "G11" global strategy brands, including the *KANEBO* prestige skin care and makeup and *KATE* makeup brands, restraints on travel retail proxy purchasing in South Korea had a negative impact. In addition, sales decreased in China due to key opinion leaders voluntarily refraining from activities, restraints on sales promotion activities and other factors. In Europe, sales increased amid a decline in consumption due to inflation, with steady performance by new products from *Molton Brown*.

Operating income was negative 2.8 billion yen, a decrease of 6.2 billion yen from the same period a year earlier, due to recording 1.2 billion yen in structural reform expenses. Core operating income was negative 1.6 billion yen, a decrease of 5.0 billion yen.

Chemical Business

Sales decreased 9.5% compared with the same period a year earlier to 275.0 billion yen. Currency translation accounted for a 4.6% increase and sales decreased 14.0% on a like-for-like basis (breakdown of the decrease: 4.0% decrease by volume, 10.0% 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.

Sales of performance chemicals decreased as some fields were impacted by a slump in demand, despite the contribution from selling price adjustments in response to increased costs.

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

Operating income decreased 8.3 billion yen compared with the same period a year earlier to 18.5 billion yen as a result of the continued impact of decreased demand due to delayed economic recovery and shrinking profit margins for oleo chemicals.

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

At present, risks include delayed recovery in the cosmetics market in China and a decline in demand in the Chemical Business, mainly in Europe. Under these circumstances, in Japan's strong household and personal care market, the Kao Group will proactively implement strategic price increases, boost the ratio of high-value-added products in its product mix, and concentrate investment in strategic brands. It will also steadily conduct structural reforms. 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 August 3, 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 140 yen, one euro to 151 yen and one Chinese yuan to 20 yen.

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Condensed Consolidated Statement of Financial Position

(Millions of yen)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>Change</u>
Assets			
Current assets			
Cash and cash equivalents	283,362	268,248	15,114
Trade and other receivables	228,227	230,604	(2,377)
Inventories	283,588	278,382	5,206
Other financial assets	5,346	3,605	1,741
Income tax receivables	6,652	4,171	2,481
Other current assets	23,973	22,196	1,777
Total current assets	831,148	807,206	23,942
Non-current assets			
Property, plant and equipment	431,435	439,325	(7,890)
Right-of-use assets	129,826	138,629	(8,803)
Goodwill	201,247	191,860	9,387
Intangible assets	63,551	60,183	3,368
Investments accounted for using the equity method	11,619	11,061	558
Other financial assets	27,096	25,325	1,771
Deferred tax assets	43,596	43,833	(237)
Other non-current assets	11,103	8,928	2,175
Total non-current assets	919,473	919,144	329
Total assets	1,750,621	1,726,350	24,271

(Millions of yen)

	September 30, 2023	December 31, 2022	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	227,503	243,767	(16,264)
Bonds and borrowings	13,735	65,670	(51,935)
Lease liabilities	19,217	19,440	(223)
Other financial liabilities	3,822	7,249	(3,427)
Income tax payables	15,529	12,299	3,230
Provisions	639	1,246	(607)
Contract liabilities	39,223	32,465	6,758
Other current liabilities	106,811	104,488	2,323
Total current liabilities	426,479	486,624	(60,145)
Non-current liabilities			
Bonds and borrowings	127,977	62,166	65,811
Lease liabilities	106,886	115,614	(8,728)
Other financial liabilities	7,037	7,223	(186)
Retirement benefit liabilities	37,171	38,738	(1,567)
Provisions	9,065	8,803	262
Deferred tax liabilities	7,291	6,858	433
Other non-current liabilities	5,123	4,940	183
Total non-current liabilities	300,550	244,342	56,208
Total liabilities	727,029	730,966	(3,937)
Equity			
Share capital	85,424	85,424	-
Capital surplus	105,821	105,880	(59)
Treasury shares	(3,262)	(3,459)	197
Other components of equity	102,728	43,842	58,886
Retained earnings	703,695	740,374	(36,679)
Equity attributable to owners of the parent	994,406	972,061	22,345
Non-controlling interests	29,186	23,323	5,863
Total equity	1,023,592	995,384	28,208
Total liabilities and equity	1,750,621	1,726,350	24,271

Condensed Consolidated Statement of Income

(Millions of yen)

	Notes	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change
Net sales	1	1,125,883	1,127,710	(1,827)
Cost of sales		(718,002)	(726,345)	8,343
Gross profit		407,881	401,365	6,516
Selling, general and administrative expenses	2	(340,690)	(327,149)	(13,541)
Other operating income		14,137	12,637	1,500
Other operating expenses		(30,623)	(9,936)	(20,687)
Operating income	1	50,705	76,917	(26,212)
Financial income		4,380	8,474	(4,094)
Financial expenses		(2,521)	(1,807)	(714)
Share of profit in investments accounted for using the equity method		2,018	1,511	507
Income before income taxes		54,582	85,095	(30,513)
Income taxes		(20,036)	(25,625)	5,589
Net income		34,546	59,470	(24,924)
Attributable to:				
Owners of the parent		32,542	58,320	(25,778)
Non-controlling interests		2,004	1,150	854
Net income		34,546	59,470	(24,924)
Earnings per share				
Basic (Yen)		70.01	123.82	
Diluted (Yen)		70.00	123.82	

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Change
Net income	34,546	59,470	(24,924)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	719	179	540
Share of other comprehensive income of investments accounted for using the equity method	275	(187)	462
Total of items that will not be reclassified to profit or loss	994	(8)	1,002
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	59,805	81,573	(21,768)
Share of other comprehensive income of investments accounted for using the equity method	621	1,093	(472)
Total of items that may be reclassified subsequently to profit or loss	60,426	82,666	(22,240)
Other comprehensive income, net of taxes	61,420	82,658	(21,238)
Comprehensive income	95,966	142,128	(46,162)
Attributable to:			
Owners of the parent	91,503	137,988	(46,485)
Non-controlling interests	4,463	4,140	323
Comprehensive income	95,966	142,128	(46,162)

Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent											
	Other components of equity							Total	Retained earnings	Total	Non-controlling interests	Total equity
	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	-	-	-	-	-	-	-	-	32,542	32,542	2,004	34,546
Other comprehensive income	-	-	-	-	57,965	2	994	58,961	-	58,961	2,459	61,420
Comprehensive income	-	-	-	-	57,965	2	994	58,961	32,542	91,503	4,463	95,966
Disposal of treasury shares	-	(177)	210	(28)	-	-	-	(28)	(4)	1	-	1
Purchase of treasury shares	-	-	(13)	-	-	-	-	-	-	(13)	-	(13)
Share-based payment transactions	-	241	-	-	-	-	-	-	-	241	-	241
Dividends	-	-	-	-	-	-	-	-	(69,264)	(69,264)	(958)	(70,222)
Changes in the ownership interest in subsidiaries	-	(123)	-	-	-	-	-	-	-	(123)	2,358	2,235
Transfer from other components of equity to retained earnings	-	-	-	(29)	-	-	(18)	(47)	47	-	-	-
Total transactions with the owners	-	(59)	197	(57)	-	-	(18)	(75)	(69,221)	(69,158)	1,400	(67,758)
September 30, 2023	85,424	105,821	(3,262)	-	96,287	9	6,432	102,728	703,695	994,406	29,186	1,023,592
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	-	-	-	-	-	-	-	-	58,320	58,320	1,150	59,470
Other comprehensive income	-	-	-	-	79,667	9	(8)	79,668	-	79,668	2,990	82,658
Comprehensive income	-	-	-	-	79,667	9	(8)	79,668	58,320	137,988	4,140	142,128
Disposal of treasury shares	-	(120)	50,505	(86)	-	-	-	(86)	(50,298)	1	-	1
Purchase of treasury shares	-	(25)	(50,006)	-	-	-	-	-	-	(50,031)	-	(50,031)
Share-based payment transactions	-	288	-	-	-	-	-	-	-	288	-	288
Dividends	-	-	-	-	-	-	-	-	(68,864)	(68,864)	(414)	(69,278)
Changes in the ownership interest in subsidiaries	-	7	-	-	-	-	-	-	-	7	2,138	2,145
Transfer from other components of equity to retained earnings	-	-	-	(28)	-	-	(516)	(544)	544	-	-	-
Total transactions with the owners	-	150	499	(114)	-	-	(516)	(630)	(118,618)	(118,599)	1,724	(116,875)
September 30, 2022	85,424	105,783	(3,461)	61	69,989	9	5,256	75,315	721,465	984,526	24,604	1,009,130

Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities		
Income before income taxes	54,582	85,095
Depreciation and amortization	67,008	66,871
Impairment losses	18,391	-
Interest and dividend income	(2,348)	(1,367)
Interest expense	1,836	1,420
Share of profit in investments accounted for using the equity method	(2,018)	(1,511)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	3,299	2,110
(Increase) decrease in trade and other receivables	20,418	22,716
(Increase) decrease in inventories	10,991	(48,803)
Increase (decrease) in trade and other payables	(28,282)	(4,746)
Increase (decrease) in retirement benefit liabilities	(3,081)	(2,392)
Other	(4,718)	(12,967)
Subtotal	136,078	106,426
Interest received	2,246	1,229
Dividends received	2,288	2,468
Interest paid	(1,539)	(1,410)
Income taxes paid	(18,809)	(35,559)
Net cash flows from operating activities	120,264	73,154
Cash flows from investing activities		
Payments into time deposits	(4,139)	(4,964)
Proceeds from withdrawal of time deposits	2,917	6,310
Purchase of property, plant and equipment	(41,614)	(51,770)
Purchase of intangible assets	(8,416)	(7,512)
Other	679	(790)
Net cash flows from investing activities	(50,573)	(58,726)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	12,523	(207)
Proceeds from long-term borrowings	40,000	-
Repayments of long-term borrowings	(40,013)	(3,685)
Proceeds from issuance of bonds	24,937	-
Redemption of bonds	(24,952)	(12)
Repayments of lease liabilities	(16,065)	(16,296)
Purchase of treasury shares	(13)	(50,031)
Dividends paid to owners of the parent	(68,524)	(68,151)
Dividends paid to non-controlling interests	(962)	(419)
Other	2,215	2,050
Net cash flows from financing activities	(70,854)	(136,751)
Net increase (decrease) in cash and cash equivalents	(1,163)	(122,323)
Cash and cash equivalents at the beginning of the period	268,248	336,069
Effect of exchange rate changes on cash and cash equivalents	16,277	26,232
Cash and cash equivalents at the end of the period	283,362	239,978

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

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

Notes:

- The operating income (loss) reconciliation of 727 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
- Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.
- Core operating income (loss) excluding expenses of related to structural reforms. Reconciliation of operating income (loss) to core operating income (loss) is as follows.

The amounts recorded in the condensed consolidated financial statements for the nine months ended September 30, 2023 in the table below present the sum of operating income (loss) of reportable segments for which structural reform expenses have not been incurred, and core operating income (loss).

	(Millions of yen)			
	Hygiene and Living Care Business	Health and Beauty Care Business	Cosmetics Business	Consolidated
Operating income (loss)	5,214	30,324	(2,768)	50,705
Structural reform expenses				
Cost of sales	194	-	1,151	1,345
Impairment loss	18,275	-	-	18,275
Other	205	238	-	443
Core operating income (loss)	23,888	30,562	(1,617)	70,768

Nine months ended September 30, 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	370,684	270,788	40,274	175,505	857,251	270,459	1,127,710	-	1,127,710
Intersegment sales and transfers ²	-	-	-	-	-	33,342	33,342	(33,342)	-
Total net sales	370,684	270,788	40,274	175,505	857,251	303,801	1,161,052	(33,342)	1,127,710
Operating income (loss)	18,948	27,248	24	3,417	49,637	26,795	76,432	485	76,917
Financial income									8,474
Financial expenses									(1,807)
Share of profit in investments accounted for using the equity method									1,511
Income before income taxes									85,095

Notes:

- The operating income (loss) reconciliation of 485 million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
- Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.

2. Selling, General and Administrative Expenses

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

	(Millions of yen)	
	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Advertising	54,543	56,760
Sales promotion	36,377	32,410
Employee benefits	126,411	120,072
Depreciation	12,678	13,006
Amortization	7,527	6,657
Research and development	46,538	45,158
Other	56,616	53,086
Total	340,690	327,149

Note regarding Assumption of Going Concern

None applicable.

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