



Consolidated Financial Results for the Three Months Ended March 31, 2024 [IFRS]

May 9, 2024

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 Stock code: 4452 (URL: www.kao.com/global/en/investor-relations/library/results/)
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 Scheduled date to file quarterly securities report: May 14, 2024
 Scheduled starting date of the dividend payments: -
 Supplementary documents of the 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 three months ended March 31, 2024 (from January 1, 2024 to March 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	%
Three months ended March 31, 2024	365,797	5.2	21,984	201.7	24,764	193.4	17,326	222.6
March 31, 2023	347,794	0.3	7,287	(68.3)	8,439	(67.1)	5,371	(71.4)

	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
Three months ended March 31, 2024	16,470	241.9	50,089	235.8	35.43	—
March 31, 2023	4,817	(73.6)	14,917	(69.0)	10.36	10.36

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	1,771,658	1,026,838	997,020	56.3	2,144.75
December 31, 2023	1,769,746	1,012,043	983,658	55.6	2,116.01

2. Dividends

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

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

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

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Income before income taxes		Net income attributable to owners of the parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	1,580,000	3.1	130,000	116.5	131,000	105.2	98,000	123.4	210.81

Note: Revisions to the most recently announced forecast of consolidated operating results: None

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: – companies (Company name) –

Excluded: – companies (Company name) –

(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)

1) Number of issued shares including treasury shares

As of March 31, 2024	465,900,000 shares
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As of December 31, 2023	465,900,000 shares
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2) Number of treasury shares

As of March 31, 2024	1,035,337 shares
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As of December 31, 2023	1,034,724 shares
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3) Weighted average number of shares outstanding during this period

Three months ended March 31, 2024	464,865,165 shares
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Three months ended March 31, 2023	464,835,617 shares
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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

(Caution regarding forward-looking statements, etc.)

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

Please refer to page 8, "1. Qualitative Information on Financial Results for the Three Months Ended March 31, 2024, (2) Description of Information on Outlook, Including Forecasts of Consolidated Results" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

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1. Qualitative Information on Financial Results for the Three Months Ended March 31, 2024

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

(1) Description of Operating Results

(Billions of yen, except operating margin and per share amounts)			
Three months ended March 31	2024	2023	Growth
Net sales	365.8	347.8	5.2% Like-for-like: 0.4%
Operating income	22.0	7.3	201.7%
Operating margin (%)	6.0	2.1	-
Income before income taxes	24.8	8.4	193.4%
Net income	17.3	5.4	222.6%
Net income attributable to owners of the parent	16.5	4.8	241.9%
Basic earnings per share (Yen)	35.43	10.36	241.9%

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

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 2024 compared with the same period a year earlier.

The Kao Group started its Mid-term Plan 2027 ("K27"), which it had announced on August 3, 2023, and has been conducting a "Global Sharp Top Strategy" to contribute as global No. 1 with leading-edge solutions that address the critical needs of customers.

As a result, net sales increased 5.2% compared with the same period a year earlier to 365.8 billion yen. Currency translation accounted for a 4.8% increase and net sales increased 0.4% on a like-for-like basis (breakdown of the increase: 0.2% increase by volume, 0.2% increase by price). Operating income was 22.0 billion yen, an increase of 14.7 billion yen, and income before income taxes was 24.8 billion yen, an increase of 16.3 billion yen. Net income was 17.3 billion yen, an increase of 12.0 billion yen.

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

	First quarter Jan. – Mar.
U.S. dollar	148.22 (132.29)
Euro	160.99 (141.98)
Chinese yuan	20.63 (19.33)

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

Summary of Segment Information

Consolidated Results by Segment

Three months ended March 31

	Net sales				Operating income				
	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	70.9	78.4	10.5	9.2	5.6	7.9	12.6	16.1	7.0
Sanitary Products	42.8	41.0	(4.2)	(8.3)	(2.9)	(6.9)	0.6	1.3	3.5
Hygiene and Living Care Business	113.7	119.4	4.9	2.6	2.7	2.4	13.1	11.0	10.5
Health and Beauty Care Business	86.9	94.8	9.1	2.9	5.8	6.7	6.6	7.0	0.8
Life Care Business	12.8	12.4	(3.1)	(6.1)	(0.6)	(4.8)	(0.3)	(2.7)	0.3
Cosmetics Business	51.8	54.6	5.4	2.0	(4.5)	(8.8)	(4.7)	(8.5)	(0.1)
Consumer Products Business	265.3	281.2	6.0	2.2	3.4	1.3	14.8	5.3	11.4
Chemical Business	93.2	94.5	1.4	(5.8)	4.1	4.4	8.1	8.6	4.0
Total	358.5	375.7	4.8	0.1	7.5	-	22.9	-	15.4
Elimination and Reconciliation	(10.7)	(9.9)	-	-	(0.2)	-	(0.9)	-	(0.7)
Consolidated	347.8	365.8	5.2	0.4	7.3	2.1	22.0	6.0	14.7

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Consolidated Net Sales Composition

(Billions of yen)

Three months ended March 31		Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2023	58.6	11.3	1.0	-	70.9
	2024	66.5	10.9	0.9	-	78.4
	Growth (%)	13.5	(3.7)	(8.3)	-	10.5
	Like-for-like (%)	13.5	(11.1)	(15.0)	-	9.2
Sanitary Products	2023	18.2	24.6	0.0	-	42.8
	2024	17.8	23.2	-	-	41.0
	Growth (%)	(2.1)	(5.8)	-	-	(4.2)
	Like-for-like (%)	(2.1)	(12.8)	-	-	(8.3)
Hygiene and Living Care Business	2023	76.8	35.9	1.0	-	113.7
	2024	84.4	34.1	0.9	-	119.4
	Growth (%)	9.8	(5.2)	(8.8)	-	4.9
	Like-for-like (%)	9.8	(12.3)	(15.5)	-	2.6
Health and Beauty Care Business	2023	42.6	8.6	23.8	11.9	86.9
	2024	44.1	9.2	26.7	14.8	94.8
	Growth (%)	3.4	7.6	12.1	24.5	9.1
	Like-for-like (%)	3.4	(0.8)	0.2	9.0	2.9
Life Care Business	2023	9.6	0.0	3.2	0.0	12.8
	2024	8.9	0.0	3.5	0.0	12.4
	Growth (%)	(7.7)	50.9	10.2	36.9	(3.1)
	Like-for-like (%)	(7.7)	40.2	(1.7)	17.1	(6.1)
Cosmetics Business	2023	34.1	11.1	1.6	5.0	51.8
	2024	35.9	10.8	1.9	6.2	54.6
	Growth (%)	5.2	(3.4)	13.5	23.5	5.4
	Like-for-like (%)	5.2	(10.1)	1.3	7.4	2.0
Consumer Products Business	2023	163.1	55.6	29.6	16.9	265.3
	2024	173.1	54.1	33.0	21.0	281.2
	Growth (%)	6.2	(2.8)	11.3	24.2	6.0
	Like-for-like (%)	6.2	(10.1)	(0.4)	8.5	2.2
Chemical Business	2023	32.8	22.5	16.1	21.9	93.2
	2024	31.8	23.4	16.2	23.1	94.5
	Growth (%)	(3.2)	4.2	1.0	5.6	1.4
	Like-for-like (%)	(3.2)	(3.9)	(12.0)	(6.9)	(5.8)
Elimination of intersegment	2023	(9.2)	(0.9)	(0.0)	(0.6)	(10.7)
	2024	(8.5)	(0.9)	(0.0)	(0.6)	(9.9)
Consolidated	2023	186.7	77.2	45.7	38.2	347.8
	2024	196.5	76.6	49.2	43.5	365.8
	Growth (%)	5.2	(0.8)	7.7	14.0	5.2
	Like-for-like (%)	5.2	(8.3)	(4.5)	0.1	0.4

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

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

	Change (%)	Currency Translation (%)	Like-for-Like (%)		
				By Volume (%)	By Price (%)
Fabric and Home Care Products	10.5	1.3	9.2	3.9	5.3
Sanitary Products	(4.2)	4.0	(8.3)	(13.2)	4.9
Hygiene and Living Care Business	4.9	2.3	2.6	(2.5)	5.1
Health and Beauty Care Business	9.1	6.2	2.9	3.2	(0.3)
Life Care Business	(3.1)	3.0	(6.1)	(9.3)	3.2
Cosmetics Business	5.4	3.4	2.0	0.1	1.9
Consumer Products Business	6.0	3.8	2.2	(0.5)	2.6
Chemical Business	1.4	7.1	(5.8)	0.9	(6.7)
Total	5.2	4.8	0.4	0.2	0.2

Note: Chemical Business sales include intersegment transactions.

Net sales to foreign customers were 47.4% of net sales compared with 48.2% for the same period a year earlier.

Consumer Products Business

Sales increased 6.0% compared with the same period a year earlier to 281.2 billion yen. Currency translation accounted for a 3.8% increase and net sales increased 2.2% on a like-for-like basis (breakdown of the increase: 0.5% decrease by volume, 2.6% increase by price).

Globally, consumer spending trended toward recovery amid ongoing inflation. In the market in Japan, signs of a rally in consumption and recovery in inbound demand were apparent. However, the market in China was affected by worsening business sentiment and the impact of factors including local reaction to Japan's discharge into the ocean of water treated using the Advanced Liquid Processing System (ALPS) from the Fukushima Daiichi Nuclear Power Station. Under these circumstances, the Kao Group increased profitability in ways including adjusting selling prices by offering high-value-added products and working to strengthen brand loyalty.

In Japan, sales increased 6.2% to 173.1 billion yen.

In Asia, sales decreased 2.8% to 54.1 billion yen. On a like-for-like basis, sales decreased 10.1%.

In the Americas, sales increased 11.3% to 33.0 billion yen. On a like-for-like basis, sales decreased 0.4%. In Europe, sales increased 24.2% to 21.0 billion yen. On a like-for-like basis, sales increased 8.5%.

Operating income increased 11.4 billion yen compared with the same period a year earlier to 14.8 billion yen, benefitting from the effects of structural reforms, including adjusting selling prices.

Note: The Kao Group's Consumer Products Business consists of the Hygiene and Living Care Business,

the Health and Beauty Care Business, the Life Care Business and the Cosmetics Business.

Hygiene and Living Care Business

Sales increased 4.9% compared with the same period a year earlier to 119.4 billion yen. Currency translation accounted for a 2.3% increase and net sales increased 2.6% on a like-for-like basis (breakdown of the increase: 2.5% decrease by volume, 5.1% increase by price).

Sales of fabric and home care products increased 10.5% to 78.4 billion yen. Currency translation accounted for a 1.3% increase and sales increased 9.2% on a like-for-like basis (breakdown of the increase: 3.9% increase by volume, 5.3% increase by price).

Market share of fabric care products in Japan grew as sales exceeded market growth due to the continued effects of factors including adjusting selling prices by promoting high-value-added laundry detergent products. In fabric softeners, an improved version of *Humming Deodorizing* sold strongly and market share was on a recovery track.

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

Operating income for fabric and home care products increased 7.0 billion yen to 12.6 billion yen.

Sales of sanitary products decreased 4.2% to 41.0 billion yen. Currency translation accounted for a 4.0% increase and sales decreased 8.3% on a like-for-like basis (breakdown of the decrease: 13.2% decrease by volume, 4.9% increase by price).

Sales of *Laurier* sanitary napkins were strong in Japan as a result of communication that resonated with consumers to increase brand loyalty. In China, sales were affected by factors including local reaction to Japan's discharge of ALPS-treated water. Sales of *Merries* baby diapers decreased.

Operating income for sanitary products was 0.6 billion yen, an increase of 3.5 billion yen, due to the effects of structural reforms in the baby diaper business, among other factors.

Operating income for the Hygiene and Living Care Business increased 10.5 billion yen compared with the same period a year earlier to 13.1 billion yen.

Health and Beauty Care Business

Sales increased 9.1% compared with the same period a year earlier to 94.8 billion yen. Currency translation accounted for a 6.2% increase and net sales increased 2.9% on a like-for-like basis (breakdown of the increase: 3.2% increase by volume, 0.3% decrease by price).

Sales of skin care products increased. In Japan, both sales and market share grew due to the

contribution of high-value-added products. Sales of the *Bondi Sands* brand, which the Kao Group acquired in November 2023, also contributed to results.

Sales of hair care products increased. In a severely competitive environment in Japan, the Kao Group made a full-fledged start of its new premium strategy with the launch of the new hair care brand *melt*. In the Americas, new *JOHN FRIEDA* products performed strongly, and sales increased. Sales of products for hair salons in the Americas and Europe decreased.

Sales of personal health products decreased. Sales of *MegRhythm* thermo products were strong, but sales of bath additives were affected by market shrinkage.

Operating income increased 0.8 billion yen compared with the same period a year earlier to 6.6 billion yen.

Life Care Business

Sales decreased 3.1% compared with the same period a year earlier to 12.4 billion yen. Currency translation accounted for a 3.0% increase and net sales decreased 6.1% on a like-for-like basis (breakdown of the decrease: 9.3% decrease by volume, 3.2% increase by price).

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

Operating income was negative 0.3 billion yen, an increase of 0.3 billion yen from the same period a year earlier.

Cosmetics Business

Sales increased 5.4% compared with the same period a year earlier to 54.6 billion yen. Currency translation accounted for a 3.4% increase and net sales increased 2.0% on a like-for-like basis (breakdown of the increase: 0.1% increase by volume, 1.9% increase by price).

Amid market recovery in Japan, *KANEBO* prestige skin care and make up, *ALLIE* UV care and other "G11" global strategy brands continued to perform strongly, and sales increased. Sales in China decreased as the *Curél* derma care brand faced tough conditions due to factors including local reaction to Japan's discharge of ALPS-treated water. In Europe, new *SENSAI* products contributed to growth in market share. Sales also increased, with strong performance by the *MOLTON BROWN* brand.

Operating income was negative 4.7 billion yen, a decrease of 0.1 billion yen from the same period a year earlier.

Chemical Business

Sales increased 1.4% compared with the same period a year earlier to 94.5 billion yen. Currency translation accounted for a 7.1% increase and net sales decreased 5.8% on a like-for-like basis (breakdown of the decrease: 0.9% increase by volume, 6.7% decrease by price).

In oleo chemicals, although customer demand began to recover, sales decreased due in part to the impact of selling price adjustments in line with declining prices of natural fats and oils.

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

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

Operating income increased 4.0 billion yen compared with the same period a year earlier to 8.1 billion yen due to improved profit margins, mainly for oleo chemicals, and the contributions from sectors where sales grew as a result of capturing recovery in demand.

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

The Kao Group is conducting a "Global Sharp Top Strategy" to carry out its Mid-term Plan K27, and by making concentrated investments in strategic brands and promoting further improvement in return on invested capital (ROIC), it has shown progress exceeding its plan for the three months ended March 31, 2024.

However, because of expectations of uncertainty in the business environment due to factors including a slowdown in the Chinese economy, geopolitical risks in Europe and the Middle East, and rising raw material prices, there is no change from the forecast of consolidated results announced on February 7, 2024.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 147 yen, one euro to 156 yen and one Chinese yuan to 20 yen.

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

Kao Corporation and Consolidated Subsidiaries

As of March 31, 2024

	(Millions of yen)		
	December 31, 2023	March 31, 2024	Change
Assets			
Current assets			
Cash and cash equivalents	291,663	253,537	(38,126)
Trade and other receivables	225,934	226,538	604
Inventories	263,815	276,830	13,015
Other financial assets	6,596	8,864	2,268
Income tax receivables	5,186	6,008	822
Other current assets	23,915	31,296	7,381
Total current assets	817,109	803,073	(14,036)
Non-current assets			
Property, plant and equipment	420,563	427,939	7,376
Right-of-use assets	126,252	128,019	1,767
Goodwill	218,886	224,495	5,609
Intangible assets	81,758	83,548	1,790
Investments accounted for using the equity method	11,807	11,288	(519)
Other financial assets	26,881	27,878	997
Deferred tax assets	55,519	54,769	(750)
Other non-current assets	10,971	10,649	(322)
Total non-current assets	952,637	968,585	15,948
Total assets	1,769,746	1,771,658	1,912

	(Millions of yen)		
	December 31, 2023	March 31, 2024	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	235,513	234,879	(634)
Bonds and borrowings	14,039	27,788	13,749
Lease liabilities	19,020	19,938	918
Other financial liabilities	7,445	2,558	(4,887)
Income tax payables	15,090	8,315	(6,775)
Provisions	14,406	13,477	(929)
Contract liabilities	45,264	42,351	(2,913)
Other current liabilities	109,157	101,567	(7,590)
Total current liabilities	<u>459,934</u>	<u>450,873</u>	<u>(9,061)</u>
Non-current liabilities			
Bonds and borrowings	124,441	119,578	(4,863)
Lease liabilities	103,572	104,651	1,079
Other financial liabilities	6,889	6,654	(235)
Retirement benefit liabilities	40,451	40,137	(314)
Provisions	8,352	8,386	34
Deferred tax liabilities	8,679	9,071	392
Other non-current liabilities	5,385	5,470	85
Total non-current liabilities	<u>297,769</u>	<u>293,947</u>	<u>(3,822)</u>
Total liabilities	<u>757,703</u>	<u>744,820</u>	<u>(12,883)</u>
Equity			
Share capital	85,424	85,424	—
Capital surplus	105,780	105,780	—
Treasury shares	(3,267)	(3,271)	(4)
Other components of equity	83,919	115,557	31,638
Retained earnings	711,802	693,530	(18,272)
Equity attributable to owners of the parent	<u>983,658</u>	<u>997,020</u>	<u>13,362</u>
Non-controlling interests	28,385	29,818	1,433
Total equity	<u>1,012,043</u>	<u>1,026,838</u>	<u>14,795</u>
Total liabilities and equity	<u><u>1,769,746</u></u>	<u><u>1,771,658</u></u>	<u><u>1,912</u></u>

(2) Condensed Quarterly Consolidated Statement of Income

Kao Corporation and Consolidated Subsidiaries

Three months ended March 31, 2024

		Three months ended March 31, 2023	Three months ended March 31, 2024	(Millions of yen) Change
	Notes			
Net sales	1	347,794	365,797	18,003
Cost of sales		<u>(232,905)</u>	<u>(228,833)</u>	4,072
Gross profit		114,889	136,964	22,075
Selling, general and administrative expenses	2	(107,567)	(115,405)	(7,838)
Other operating income		3,623	4,533	910
Other operating expenses		<u>(3,658)</u>	<u>(4,108)</u>	(450)
Operating income	1	7,287	21,984	14,697
Financial income		1,183	2,518	1,335
Financial expenses		(820)	(862)	(42)
Share of profit in investments accounted for using the equity method		789	1,124	335
Income before income taxes		<u>8,439</u>	<u>24,764</u>	16,325
Income taxes		<u>(3,068)</u>	<u>(7,438)</u>	(4,370)
Net income		<u>5,371</u>	<u>17,326</u>	<u>11,955</u>
Attributable to:				
Owners of the parent		4,817	16,470	11,653
Non-controlling interests		554	856	302
Net income		<u>5,371</u>	<u>17,326</u>	<u>11,955</u>
Earnings per share				
Basic (Yen)		10.36	35.43	
Diluted (Yen)		10.36	-	

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries

Three months ended March 31, 2024

	(Millions of yen)		
	Three months ended March 31, 2023	Three months ended March 31, 2024	Change
Net income	5,371	17,326	11,955
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)	551	712
Share of other comprehensive income of investments accounted for using the equity method	54	186	132
Total of items that will not be reclassified to profit or loss	(107)	737	844
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	9,621	31,663	22,042
Share of other comprehensive income of investments accounted for using the equity method	32	363	331
Total of items that may be reclassified subsequently to profit or loss	9,653	32,026	22,373
Other comprehensive income, net of taxes	9,546	32,763	23,217
Comprehensive income	<u>14,917</u>	<u>50,089</u>	<u>35,172</u>
Attributable to:			
Owners of the parent	13,760	48,231	34,471
Non-controlling interests	1,157	1,858	701
Comprehensive income	<u>14,917</u>	<u>50,089</u>	<u>35,172</u>

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Three months ended March 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	–	–	–	–	9,049	1	(107)
Comprehensive income	–	–	–	–	9,049	1	(107)
Disposal of treasury shares	–	–	17	(15)	–	–	–
Purchase of treasury shares	–	–	(4)	–	–	–	–
Share-based payment transactions	–	88	–	–	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the ownership interest in subsidiaries	–	7	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(18)
Total transactions with the owners	–	95	13	(15)	–	–	(18)
March 31, 2023	85,424	105,975	(3,446)	42	47,371	8	5,331
	Equity attributable to owners of the parent				Non-controlling interests	Total equity	
	Other components of equity	Retained earnings	Total				
	Total						
January 1, 2023	43,842	740,374	972,061	23,323	995,384		
Net income	–	4,817	4,817	554	5,371		
Other comprehensive income	8,943	–	8,943	603	9,546		
Comprehensive income	8,943	4,817	13,760	1,157	14,917		
Disposal of treasury shares	(15)	0	2	–	2		
Purchase of treasury shares	–	–	(4)	–	(4)		
Share-based payment transactions	–	–	88	–	88		
Dividends	–	(34,398)	(34,398)	(540)	(34,938)		
Changes in the ownership interest in subsidiaries	–	–	7	2,135	2,142		
Transfer from other components of equity to retained earnings	(18)	18	–	–	–		
Total transactions with the owners	(33)	(34,380)	(34,305)	1,595	(32,710)		
March 31, 2023	52,752	710,811	951,516	26,075	977,591		

Three months ended March 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	—	—	—	—	31,026	(2)	737
Comprehensive income	—	—	—	—	31,026	(2)	737
Purchase of treasury shares	—	—	(4)	—	—	—	—
Dividends	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(123)
Total transactions with the owners	—	—	(4)	—	—	—	(123)
March 31, 2024	85,424	105,780	(3,271)	—	108,474	8	7,075
	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity	Retained earnings	Total				
	Total						
January 1, 2024	83,919	711,802	983,658	28,385	1,012,043		
Net income	—	16,470	16,470	856	17,326		
Other comprehensive income	31,761	—	31,761	1,002	32,763		
Comprehensive income	31,761	16,470	48,231	1,858	50,089		
Purchase of treasury shares	—	—	(4)	—	(4)		
Dividends	—	(34,865)	(34,865)	(425)	(35,290)		
Transfer from other components of equity to retained earnings	(123)	123	—	—	—		
Total transactions with the owners	(123)	(34,742)	(34,869)	(425)	(35,294)		
March 31, 2024	115,557	693,530	997,020	29,818	1,026,838		

(5) Condensed Quarterly Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries

Three months ended March 31, 2024

	Three months ended March 31, 2023	(Millions of yen) Three months ended March 31, 2024
Cash flows from operating activities		
Income before income taxes	8,439	24,764
Depreciation and amortization	22,108	22,065
Interest and dividend income	(732)	(1,129)
Interest expense	592	631
Share of profit in investments accounted for using the equity method	(789)	(1,124)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	865	326
(Increase) decrease in trade and other receivables	25,418	7,725
(Increase) decrease in inventories	(7,920)	(5,905)
Increase (decrease) in trade and other payables	(13,717)	(12,792)
Increase (decrease) in retirement benefit liabilities	(970)	(842)
Increase (decrease) in provisions	(191)	(972)
Other	(27,123)	(25,386)
Subtotal	5,980	7,361
Interest received	718	1,099
Dividends received	2,117	2,231
Interest paid	(467)	(506)
Income taxes paid	(11,150)	(13,954)
Net cash flows from operating activities	(2,802)	(3,769)
Cash flows from investing activities		
Payments into time deposits	(220)	(2,381)
Proceeds from withdrawal of time deposits	569	123
Purchase of property, plant and equipment	(12,957)	(10,398)
Purchase of intangible assets	(2,558)	(2,016)
Other	50	1,646
Net cash flows from investing activities	(15,116)	(13,026)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	—	3,176
Proceeds from long-term borrowings	40,000	5,000
Repayments of long-term borrowings	(40,005)	(2)
Repayments of lease liabilities	(5,321)	(5,275)
Dividends paid to owners of the parent	(33,681)	(34,208)
Dividends paid to non-controlling interests	(3)	(2)
Other	2,051	(9)
Net cash flows from financing activities	(36,959)	(31,320)
Net increase (decrease) in cash and cash equivalents	(54,877)	(48,115)
Cash and cash equivalents at the beginning of the period	268,248	291,663
Effect of exchange rate changes on cash and cash equivalents	3,394	9,989
Cash and cash equivalents at the end of the period	216,765	253,537

(6) Notes to Condensed Quarterly Consolidated Financial Statements

1. Segment Information

(1) Summary of Reportable Segments

Major products by reportable segment are as follows:

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

(2) Sales and Results of Reportable Segments
Three months ended March 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	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
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, 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	119,363	94,761	12,435	54,643	281,202	84,595	365,797	—	365,797
Intersegment sales and transfers ²	—	—	—	—	—	9,926	9,926	(9,926)	—
Total net sales	119,363	94,761	12,435	54,643	281,202	94,521	375,723	(9,926)	365,797
Operating income (loss)	13,150	6,627	(333)	(4,665)	14,779	8,082	22,861	(877)	21,984
Financial income									2,518
Financial expenses									(862)
Share of profit in investments accounted for using the equity method									1,124
Income before income taxes									24,764

Notes:

1. The operating income (loss) reconciliation of (877) million yen includes corporate expenses not allocated to reportable segments, as well as elimination of intersegment inventory transactions.
2. Intersegment sales and transfers are mainly calculated based on market price and manufacturing cost.

2. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	(Millions of yen)	
	Three months ended March 31, 2023	Three months ended March 31, 2024
Advertising	14,683	16,686
Sales promotion	11,248	10,795
Employee benefits	41,111	43,718
Depreciation	4,261	4,298
Amortization	2,370	2,760
Research and development	15,736	16,199
Other	18,158	20,949
Total	107,567	115,405

(7) Note regarding Assumption of Going Concern

None applicable.