

Consolidated Financial Results for the Six Months Ended June 30, 2025 [IFRS]

August 6, 2025

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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 semi-annual securities report: August 12, 2025
 Scheduled commencement date for dividend payments: September 1, 2025
 Preparation of supplementary material on financial results: Yes
 Financial results information meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded)

1. Consolidated financial results for the six months ended June 30, 2025 (from January 1, 2025 to June 30, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Income before income taxes		Net income	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	809,022	2.7	69,469	19.9	71,766	11.4	49,465	10.4
June 30, 2024	787,987	6.7	57,939	123.7	64,408	124.9	44,819	152.8

	Net income attributable to owners of the parent		Comprehensive income		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2025	49,631	14.3	19,316	(83.0)	106.85	—
June 30, 2024	43,413	161.1	113,461	68.2	93.41	—

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
June 30, 2025	1,804,104	1,080,436	1,052,879	58.4	2,266.52
December 31, 2024	1,867,237	1,098,835	1,066,776	57.1	2,296.69

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, 2024	—	76.00	—	76.00	152.00
Fiscal year ending December 31, 2025	—	77.00			
Fiscal year ending December 31, 2025 (Forecast)			—	77.00	154.00

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, 2025 (from January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Income before income taxes		Net income attributable to owners of the parent		Basic earnings per share
Fiscal year ending December 31, 2025	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	1,690,000	3.8	165,000	12.5	168,000	11.2	121,000	12.3	262.02

Note: Revisions to the most recently announced forecast of consolidated operating results: Yes

4. Others

(1) Significant changes in the scope of consolidation during the period: None

Newly included: — companies (Company name) —

Excluded: — companies (Company name) —

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

1) Changes in accounting policies required by IFRS : None

2) Changes in accounting policies due to reasons other than 1) : None

3) Changes in accounting estimates : None

(3) Number of issued shares (ordinary shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2025	465,900,000 shares
As of December 31, 2024	465,900,000 shares

2) Number of treasury shares at the end of the period

As of June 30, 2025	1,364,040 shares
As of December 31, 2024	1,415,333 shares

3) Average number of shares outstanding during the period

Six months ended June 30, 2025	464,498,757 shares
Six months ended June 30, 2024	464,767,064 shares

Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

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

(Caution regarding forward-looking statements, etc.)

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

Please refer to page 8, "1. Qualitative Information on Financial Results for the Six Months Ended June 30, 2025, (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 Six Months Ended June 30, 2025

(1) Description of Operating Results

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.

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

Six months ended June 30	2025	2024	Growth
Net sales	809.0	788.0	2.7% Like-for-like: 3.7%
Operating income	69.5	57.9	19.9%
Operating margin (%)	8.6	7.4	-
Income before income taxes	71.8	64.4	11.4%
Net income	49.5	44.8	10.4%
Net income attributable to owners of the parent	49.6	43.4	14.3%
Basic earnings per share (Yen)	106.85	93.41	14.4%

In the global economy, disruptions in international supply chains and procurement costs have arisen due to changes in tariff policies. In addition, geopolitical risks in Europe and the Middle East have become protracted, and the outlook remains unclear. In Japan, the impact of high prices has persisted and recovery in domestic demand has lacked strength.

According to retail sales and consumer purchasing survey data, the household and personal care products and cosmetics markets in Japan, which are the Kao Group's key markets, grew during the period from January to June 2025 compared with the same period a year earlier.

To successfully carry out its Mid-term Plan 2027 ("K27") in this business environment, the Kao Group has been working to improve its earning power while building a foundation for global sales expansion accompanied by profitable growth.

Net sales increased 2.7% compared with the same period a year earlier to 809.0 billion yen. Currency translation accounted for a 1.0% decrease and net sales increased 3.7% on a like-for-like basis (breakdown of the increase: 0.2% increase by volume, 3.5% increase by price). Operating income was 69.5 billion yen, an increase of 11.5 billion yen, and income before income taxes was 71.8 billion yen, an increase of 7.4 billion yen. Net income was 49.5 billion yen, an increase of 4.6 billion yen.

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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
	Jan. – Mar.	Apr. – Jun.
U.S. dollar	152.65 (148.22)	144.49 (155.72)
Euro	160.48 (160.99)	163.73 (167.68)
Chinese yuan	20.98 (20.63)	19.98 (21.51)

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

Summary of Segment Information

A summary of the changes to reportable segments implemented during the three months ended March 31, 2025 is as follows. (Reference: 2. Condensed Consolidated Financial Statements and Notes, (6) Notes to Condensed Consolidated Financial Statements, 1. Segment Information on page 17.)

1. The “Consumer Products Business,” “Hygiene and Living Care Business” and “Health and Beauty Care Business” have been renamed the “Global Consumer Care Business,” “Hygiene Living Care Business” and “Health Beauty Care Business,” respectively.
2. The Business Connected Business has been newly established within the Global Consumer Care Business. This business consists of commercial-use hygiene products (excluding Washing Systems, LLC), life care products and other products.
3. Washing Systems, LLC has been included in the Chemical Business.
4. Net sales and operating income for the same period a year earlier have been reclassified and restated to reflect the reorganization of segments in items 1 to 3 above.

Consolidated Results by Segment

Six months ended June 30

	Net sales				Operating income				
	2024 (Billions of yen)	2025 (Billions of yen)	Growth (%)	Like-for- like (%)	2024		2025		Change (Billions of yen)
					(Billions of yen)	Operating margin (%)	(Billions of yen)	Operating margin (%)	
Fabric and Home Care Products	172.1	178.2	3.5	3.5	28.0	16.3	30.9	17.3	2.9
Sanitary Products	83.4	79.6	(4.6)	(3.2)	5.9	7.1	4.5	5.6	(1.5)
Hygiene Living Care Business	255.6	257.8	0.9	1.3	33.9	13.3	35.4	13.7	1.4
Health Beauty Care Business	210.6	211.5	0.4	1.6	15.0	7.1	18.1	8.6	3.1
Cosmetics Business	116.7	118.5	1.5	2.1	(6.1)	(5.3)	0.4	0.3	6.5
Business Connected Business	19.0	18.0	(5.4)	(5.4)	(1.0)	(5.1)	0.4	2.1	1.4
Global Consumer Care Business	601.9	605.8	0.6	1.3	41.8	6.9	54.3	9.0	12.5
Chemical Business	207.2	226.0	9.1	11.0	17.2	8.3	14.9	6.6	(2.3)
Total	809.1	831.9	2.8	3.8	59.0	-	69.1	-	10.2
Elimination and Reconciliation	(21.2)	(22.8)	-	-	(1.0)	-	0.3	-	1.4
Consolidated	788.0	809.0	2.7	3.7	57.9	7.4	69.5	8.6	11.5

Consolidated Net Sales Composition

(Billions of yen)

Six months ended June 30			Japan	Asia	Americas	Europe	Consolidated
Fabric and Home Care Products	2024		148.5	21.7	1.9	-	172.1
	2025		156.8	19.9	1.5	-	178.2
	Growth (%)		5.6	(8.2)	(23.8)	-	3.5
	Like-for-like (%)		5.6	(9.0)	(19.0)	-	3.5
Sanitary Products	2024		37.0	46.4	-	-	83.4
	2025		36.0	43.6	-	-	79.6
	Growth (%)		(2.7)	(6.1)	-	-	(4.6)
	Like-for-like (%)		(2.7)	(3.6)	-	-	(3.2)
Hygiene Living Care Business	2024		185.5	68.2	1.9	-	255.6
	2025		192.8	63.5	1.5	-	257.8
	Growth (%)		3.9	(6.8)	(23.8)	-	0.9
	Like-for-like (%)		3.9	(5.3)	(19.0)	-	1.3
Health Beauty Care Business	2024		101.7	18.6	58.9	31.4	210.6
	2025		107.4	17.9	55.7	30.6	211.5
	Growth (%)		5.6	(3.9)	(5.5)	(2.8)	0.4
	Like-for-like (%)		5.6	(2.0)	(2.4)	(1.9)	1.6
Cosmetics Business	2024		76.3	24.3	3.8	12.3	116.7
	2025		81.4	21.4	3.4	12.3	118.5
	Growth (%)		6.7	(12.0)	(9.5)	(0.0)	1.5
	Like-for-like (%)		6.7	(9.8)	(7.4)	0.6	2.1
Business Connected Business	2024		19.0	0.1	-	-	19.0
	2025		17.9	0.1	-	-	18.0
	Growth (%)		(5.7)	115.6	-	-	(5.4)
	Like-for-like (%)		(5.7)	123.7	-	-	(5.4)
Global Consumer Care Business	2024		382.5	111.1	64.6	43.8	601.9
	2025		399.5	102.9	60.6	42.9	605.8
	Growth (%)		4.4	(7.4)	(6.3)	(2.0)	0.6
	Like-for-like (%)		4.4	(5.7)	(3.2)	(1.2)	1.3
Chemical Business	2024		66.4	51.0	41.9	48.0	207.2
	2025		72.0	59.6	43.8	50.6	226.0
	Growth (%)		8.5	17.0	4.6	5.6	9.1
	Like-for-like (%)		8.5	17.7	11.3	7.0	11.0
Elimination of intersegment	2024		(18.0)	(1.7)	(0.0)	(1.4)	(21.2)
	2025		(19.7)	(1.6)	(0.1)	(1.5)	(22.8)
Consolidated	2024		430.8	160.4	106.5	90.3	788.0
	2025		451.8	161.0	104.2	92.1	809.0
	Growth (%)		4.9	0.4	(2.1)	1.9	2.7
	Like-for-like (%)		4.9	1.8	2.4	3.0	3.7

Notes:

- Figures for the Global Consumer Care Business present sales to external customers and figures for the Chemical Business include sales to the Global Consumer Care Business in addition to external customers. Sales by geographic region are classified based on the location of the sales recognized.
- The percentage of sales outside Japan to total net sales was 44.2% compared with 45.3% in the same period a year earlier. Starting from the three months ended March 31, 2025, this percentage is disclosed based on the location where the sales were recognized. Figures for the same period a year earlier were recalculated using the same method.

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	3.5	0.0	3.5	2.0	1.5
Sanitary Products	(4.6)	(1.4)	(3.2)	(1.9)	(1.3)
Hygiene Living Care Business	0.9	(0.4)	1.3	0.7	0.6
Health Beauty Care Business	0.4	(1.2)	1.6	1.8	(0.2)
Cosmetics Business	1.5	(0.6)	2.1	1.3	0.8
Business Connected Business	(5.4)	(0.0)	(5.4)	(5.4)	-
Global Consumer Care Business	0.6	(0.7)	1.3	1.0	0.3
Chemical Business	9.1	(1.9)	11.0	(1.5)	12.4
Total	2.7	(1.0)	3.7	0.2	3.5

Note: Chemical Business sales include intersegment transactions.

Global Consumer Care Business

Sales increased 0.6% compared with the same period a year earlier to 605.8 billion yen. Currency translation accounted for a 0.7% decrease and sales increased 1.3% on a like-for-like basis (breakdown of the increase: 1.0% increase by volume, 0.3% increase by price).

Globally, demand for products that offer practicality and high added value has been growing stronger amid an ongoing consumer trend toward low prices. In the market in Japan, despite signs of some support for consumption from wage increases and growth in inbound demand, consumer behavior tended to remain cautious due to the impact of rising prices. Under these circumstances, the Kao Group conducted initiatives including upgrading its marketing measures through digital transformation (DX), offering high-value-added products and adjusting selling prices to reflect that added value.

In Japan, sales increased 4.4% to 399.5 billion yen.

In Asia, sales decreased 7.4% to 102.9 billion yen. On a like-for-like basis, sales decreased 5.7%.

In the Americas, sales decreased 6.3% to 60.6 billion yen. On a like-for-like basis, sales decreased 3.2%.

In Europe, sales decreased 2.0% to 42.9 billion yen. On a like-for-like basis, sales decreased 1.2%.

Operating income increased 12.5 billion yen compared with the same period a year earlier to 54.3 billion yen despite the impact of an increase in raw material prices, due to the contribution of increased sales volume and improved earning power.

Note: The Kao Group's Global Consumer Care Business consists of the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business and the Business Connected Business.

Hygiene Living Care Business

Sales increased 0.9% compared with the same period a year earlier to 257.8 billion yen. Currency translation accounted for a 0.4% decrease and sales increased 1.3% on a like-for-like basis (breakdown of the increase: 0.7% increase by volume, 0.6% increase by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales increased 1.9% on a like-for-like basis.

Sales of fabric and home care products increased 3.5% to 178.2 billion yen. Currency translation accounted for a 0.0% increase and sales increased 3.5% on a like-for-like basis (breakdown of the increase: 2.0% increase by volume, 1.5% increase by price).

Sales of fabric care products increased. In Japan, both market share and sales volume of *Attack* laundry detergent and other products increased in a growing market, contributing significantly to sales.

Sales of home care products increased. In Japan, market share of dishwashing detergent continued to grow and high-value-added *Magiclean* brand products, including bath cleaners and toilet cleaners, continued to perform well.

Operating income for fabric and home care products increased 2.9 billion yen to 30.9 billion yen.

Sales of sanitary products decreased 4.6% to 79.6 billion yen. Currency translation accounted for a 1.4% decrease and sales decreased 3.2% on a like-for-like basis (breakdown of the decrease: 1.9% decrease by volume, 1.3% decrease by price). However, if the impact of the transfer of the pet care business conducted in June 2024 is also excluded, sales decreased 1.5% on a like-for-like basis.

Sales of *Laurier* sanitary napkins increased. In China, sales were strong due to the continued success of loyalty marketing. Sales of *Merries* baby diapers increased in Japan but decreased in Asia.

Operating income for sanitary products was 4.5 billion yen, a decrease of 1.5 billion yen. However, excluding the impact of the transfer of the pet care business conducted in June 2024, operating income increased 2.8 billion yen. Operating income for *Merries* remained in the black from the first quarter due to the contribution of increased earning power and other factors.

Operating income for the Hygiene Living Care Business increased 1.4 billion yen compared with the same period a year earlier to 35.4 billion yen. However, excluding the impact of the transfer of the pet care business conducted in June 2024, operating income increased 5.7 billion yen.

Health Beauty Care Business

Sales increased 0.4% compared with the same period a year earlier to 211.5 billion yen. Currency translation accounted for a 1.2% decrease and sales increased 1.6% on a like-for-like basis (breakdown of the increase: 1.8% increase by volume, 0.2% decrease by price).

Sales of skin care products decreased slightly. Sales in Japan increased due to strong performance by UV care products and hand soap, but sales in the Americas decreased due to the impact of aggressive moves by competitors on the *Jergens* skin care brand, among other factors.

Sales of hair care products increased. Amid a severely competitive environment in Japan, sales increased due to continued strong performance by new high-priced hair care brands *melt* and *THE ANSWER*, which were launched in 2024, and rebranded *Essential*. Sales of products for hair salons in the Americas and Europe decreased as *GOLDWELL* products were affected by worsening business sentiment in the United States and Europe.

Sales of personal health products increased due to the contribution of new *PureOra Carbonic Acid Toothpaste* in Japan and *MegRhythm* thermo products in China.

Operating income increased 3.1 billion yen compared with the same period a year earlier to 18.1 billion yen. However, excluding the impact of structural reform expenses at subsidiaries in the Americas and Europe in the same period a year earlier, operating income decreased 0.3 billion yen.

Cosmetics Business

Sales increased 1.5% compared with the same period a year earlier to 118.5 billion yen. Currency translation accounted for a 0.6% decrease and sales increased 2.1% on a like-for-like basis (breakdown of the increase: 1.3% increase by volume, 0.8% increase by price).

Sales in Japan increased substantially, centered on the Kao Group's six focus brands, including the *Curél* derma care brand, the *KATE* makeup brand and the *KANEBO* prestige skincare and makeup brand, all of which continued to sell strongly, the *SENSAI* luxury brand, which captured inbound demand, and strong-selling new products from the *SOFINA iP* skincare brand. Sales in Asia decreased, while *KATE* and *KANEBO* exceeded plans in Thailand. In Europe, *MOLTON BROWN* products continued to perform well, the rollout of *Curél* ramped up, and sales grew, particularly in the United Kingdom.

Operating income returned to the black, reaching 0.4 billion yen—an increase of 6.5 billion yen from the same period a year earlier. This improvement was largely driven by concentrated investment in the six focus brands and human capital structural reforms, among other factors.

Business Connected Business

Sales decreased 5.4% compared with the same period a year earlier to 18.0 billion yen. Currency translation accounted for a 0.0% decrease and sales decreased 5.4% on a like-for-like basis (breakdown of the decrease: 5.4% decrease by volume, no increase or decrease by price). However, if the impact of the transfer of the beverage business conducted in August 2024 is also excluded, sales increased 0.6% on a like-for-like basis.

Sales of commercial-use hygiene products increased slightly. Sales decreased in the medical and nursing

care sectors due to the impact of price competition from rival companies and other factors, while sales increased in the food service, lodging and leisure sectors due to firm market conditions in Japan and Asia.

Operating income increased 1.4 billion yen compared with the same period a year earlier to 0.4 billion yen.

Chemical Business

Sales increased 9.1% compared with the same period a year earlier to 226.0 billion yen. Currency translation accounted for a 1.9% decrease and sales increased 11.0% on a like-for-like basis (breakdown of the increase: 1.5% decrease by volume, 12.4% increase by price).

In oleo chemicals, although differences in demand emerged in each region, sales increased due to the substantial contribution from selling price adjustments implemented in response to rising prices for fat and oil raw materials.

In performance chemicals, despite a slump in the automobile-related sector and other target markets, sales were on par with the same period a year earlier due to the contribution from the effects of selling price adjustments.

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

Operating income decreased 2.3 billion yen compared with the same period a year earlier to 14.9 billion yen due to factors including a decline in demand in some target sectors and the impact of rising raw material prices.

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

Revised Forecast of Consolidated Operating Results for the Fiscal Year Ending December 31, 2025

(Billions of yen, except per share amounts)

	Net sales	Operating income	Income before income taxes	Net income attributable to owners of the parent	Basic earnings per share (Yen)
Previously announced forecast (A) *	1,670.0	160.0	163.0	116.0	249.74
Revised forecast (B)	1,690.0	165.0	168.0	121.0	262.02
Change (B-A)	20.0	5.0	5.0	5.0	12.28
Percentage change (%)	1.2	3.1	3.1	4.3	4.9
(Reference) Results for the previous fiscal year (ended December 31, 2024)	1,628.4	146.6	151.0	107.8	231.94

* Forecast of consolidated operating results for the fiscal year ending December 31, 2025, announced on May 8, 2025

To successfully carry out its Mid-term Plan K27, the Kao Group is working to improve its earning power

while building a foundation for global sales expansion accompanied by profitable growth, and made greater progress than planned during the six months ended June 30, 2025.

Although an uncertain business environment is expected due to factors including disruptions caused by changes in tariff policies, an economic slowdown and protracted geopolitical risks in Europe and the Middle East, by conducting an upgrade of marketing methods through digital transformation, offering high-value-added products and adjusting selling prices to reflect that added value, among other measures, the Kao Group has revised the forecast of consolidated results announced on May 8, 2025 as shown above.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 147 yen, one euro to 164 yen and one Chinese yuan to 20.2 yen.

To improve capital efficiency and further increase shareholders' returns, the Board of Directors of Kao Corporation (the "Company") resolved at a meeting held on August 6, 2025 to repurchase up to a maximum of 15,000,000 shares or a total amount of 80.0 billion yen of the Company's stock during the period from August 7, 2025 to January 30, 2026.

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

Kao Corporation and Consolidated Subsidiaries

As of June 30, 2025

	(Millions of yen)		
	December 31, 2024	June 30, 2025	Change
Assets			
Current assets			
Cash and cash equivalents	357,713	321,580	(36,133)
Trade and other receivables	238,077	222,878	(15,199)
Inventories	274,628	288,480	13,852
Other financial assets	10,525	4,077	(6,448)
Income tax receivables	5,467	6,122	655
Other current assets	26,053	28,294	2,241
Subtotal	912,463	871,431	(41,032)
Non-current assets held for sale	1,562	1,487	(75)
Total current assets	914,025	872,918	(41,107)
Non-current assets			
Property, plant and equipment	423,251	418,320	(4,931)
Right-of-use assets	116,637	111,189	(5,448)
Goodwill	228,413	222,335	(6,078)
Intangible assets	81,947	77,491	(4,456)
Investments accounted for using the equity method	14,526	12,773	(1,753)
Other financial assets	28,132	28,032	(100)
Deferred tax assets	49,044	50,188	1,144
Other non-current assets	11,262	10,858	(404)
Total non-current assets	953,212	931,186	(22,026)
Total assets	1,867,237	1,804,104	(63,133)

		(Millions of yen)	
	December 31, 2024	June 30, 2025	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	258,035	249,069	(8,966)
Bonds and borrowings	35,749	25,799	(9,950)
Lease liabilities	20,146	20,144	(2)
Other financial liabilities	7,280	2,751	(4,529)
Income tax payables	20,984	23,476	2,492
Provisions	2,773	1,564	(1,209)
Contract liabilities	43,878	42,784	(1,094)
Other current liabilities	120,755	97,429	(23,326)
Total current liabilities	509,600	463,016	(46,584)
Non-current liabilities			
Bonds and borrowings	95,310	105,284	9,974
Lease liabilities	94,123	89,390	(4,733)
Other financial liabilities	6,370	6,694	324
Retirement benefit liabilities	39,460	37,585	(1,875)
Provisions	8,223	7,498	(725)
Deferred tax liabilities	9,754	8,862	(892)
Other non-current liabilities	5,562	5,339	(223)
Total non-current liabilities	258,802	260,652	1,850
Total liabilities	768,402	723,668	(44,734)
Equity			
Share capital	85,424	85,424	—
Capital surplus	106,256	106,156	(100)
Treasury shares	(5,924)	(5,567)	357
Other components of equity	132,239	103,712	(28,527)
Retained earnings	748,781	763,154	14,373
Equity attributable to owners of the parent	1,066,776	1,052,879	(13,897)
Non-controlling interests	32,059	27,557	(4,502)
Total equity	1,098,835	1,080,436	(18,399)
Total liabilities and equity	1,867,237	1,804,104	(63,133)

(2) Condensed Consolidated Statement of Income

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2025

		Six months ended June 30, 2024	Six months ended June 30, 2025	(Millions of yen) Change
	Notes			
Net sales	1	787,987	809,022	21,035
Cost of sales		(484,329)	(497,196)	(12,867)
Gross profit		303,658	311,826	8,168
Selling, general and administrative expenses	2	(245,226)	(243,292)	1,934
Other operating income		12,920	8,810	(4,110)
Other operating expenses		(13,413)	(7,875)	5,538
Operating income	1	57,939	69,469	11,530
Financial income		6,632	2,305	(4,327)
Financial expenses		(1,784)	(1,792)	(8)
Share of profit in investments accounted for using the equity method		1,621	1,784	163
Income before income taxes		64,408	71,766	7,358
Income taxes		(19,589)	(22,301)	(2,712)
Net income		44,819	49,465	4,646
Attributable to:				
Owners of the parent		43,413	49,631	6,218
Non-controlling interests		1,406	(166)	(1,572)
Net income		44,819	49,465	4,646
Earnings per share				
Basic (Yen)		93.41	106.85	
Diluted (Yen)		—	—	

(3) Condensed Consolidated Statement of Comprehensive Income

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2025

	Six months ended June 30, 2024	Six months ended June 30, 2025	(Millions of yen) Change
Net income	44,819	49,465	4,646
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	1,302	186	(1,116)
Remeasurements of defined benefit plans	—	(28)	(28)
Share of other comprehensive income of investments accounted for using the equity method	336	45	(291)
Total of items that will not be reclassified to profit or loss	1,638	203	(1,435)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	66,269	(29,889)	(96,158)
Share of other comprehensive income of investments accounted for using the equity method	735	(463)	(1,198)
Total of items that may be reclassified subsequently to profit or loss	67,004	(30,352)	(97,356)
Other comprehensive income, net of taxes	68,642	(30,149)	(98,791)
Comprehensive income	113,461	19,316	(94,145)
Attributable to:			
Owners of the parent	109,707	21,192	(88,515)
Non-controlling interests	3,754	(1,876)	(5,630)
Comprehensive income	113,461	19,316	(94,145)

(4) Condensed Consolidated Statement of Changes in Equity

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2024

(Millions of yen)

Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
January 1, 2024	85,424	105,780	(3,267)	77,448	10	6,461
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	64,655	1	1,638
Comprehensive income	—	—	—	64,655	1	1,638
Disposal of treasury shares	—	(165)	171	—	—	—
Purchase of treasury shares	—	—	(2,833)	—	—	—
Share-based payment transactions	—	336	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	5	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(209)
Total transactions with the owners	—	176	(2,662)	—	—	(209)
June 30, 2024	85,424	105,956	(5,929)	142,103	11	7,890

Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	Total					
January 1, 2024	—	83,919	711,802	983,658	28,385	1,012,043	
Net income	—	—	43,413	43,413	1,406	44,819	
Other comprehensive income	—	66,294	—	66,294	2,348	68,642	
Comprehensive income	—	66,294	43,413	109,707	3,754	113,461	
Disposal of treasury shares	—	—	(6)	—	—	—	
Purchase of treasury shares	—	—	—	(2,833)	—	(2,833)	
Share-based payment transactions	—	—	—	336	—	336	
Dividends	—	—	(34,867)	(34,867)	(1,002)	(35,869)	
Changes in the ownership interest in subsidiaries	—	—	—	5	(16)	(11)	
Transfer from other components of equity to retained earnings	—	(209)	209	—	—	—	
Total transactions with the owners	—	(209)	(34,664)	(37,359)	(1,018)	(38,377)	
June 30, 2024	—	150,004	720,551	1,056,006	31,121	1,087,127	

Six months ended June 30, 2025

(Millions of yen)

	Equity attributable to owners of the parent					
	Share capital	Capital surplus	Treasury 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, 2025	85,424	106,256	(5,924)	124,321	6	7,912
Net income	—	—	—	—	—	—
Other comprehensive income	—	—	—	(28,646)	3	232
Comprehensive income	—	—	—	(28,646)	3	232
Disposal of treasury shares	—	(320)	363	—	—	—
Purchase of treasury shares	—	—	(6)	—	—	—
Share-based payment transactions	—	342	—	—	—	—
Dividends	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries	—	(122)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(116)
Total transactions with the owners	—	(100)	357	—	—	(116)
June 30, 2025	85,424	106,156	(5,567)	95,675	9	8,028

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	Total					
January 1, 2025	—	132,239	748,781	1,066,776	32,059	1,098,835	
Net income	—	—	49,631	49,631	(166)	49,465	
Other comprehensive income	(28)	(28,439)	—	(28,439)	(1,710)	(30,149)	
Comprehensive income	(28)	(28,439)	49,631	21,192	(1,876)	19,316	
Disposal of treasury shares	—	—	(42)	1	—	1	
Purchase of treasury shares	—	—	—	(6)	—	(6)	
Share-based payment transactions	—	—	—	342	—	342	
Dividends	—	—	(35,304)	(35,304)	(1,655)	(36,959)	
Changes in the ownership interest in subsidiaries	—	—	—	(122)	(971)	(1,093)	
Transfer from other components of equity to retained earnings	28	(88)	88	—	—	—	
Total transactions with the owners	28	(88)	(35,258)	(35,089)	(2,626)	(37,715)	
June 30, 2025	—	103,712	763,154	1,052,879	27,557	1,080,436	

(5) Condensed Consolidated Statement of Cash Flows

Kao Corporation and Consolidated Subsidiaries

Six months ended June 30, 2025

	Six months ended June 30, 2024	(Millions of yen) Six months ended June 30, 2025
Cash flows from operating activities		
Income before income taxes	64,408	71,766
Depreciation and amortization	44,358	42,724
Interest and dividend income	(2,295)	(1,851)
Interest expense	1,298	1,250
Share of profit in investments accounted for using the equity method	(1,621)	(1,784)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	1,052	1,400
(Increase) decrease in trade and other receivables	4,767	8,911
(Increase) decrease in inventories	(351)	(19,257)
Increase (decrease) in trade and other payables	(11,477)	(5,543)
Increase (decrease) in retirement benefit liabilities	(1,624)	(1,868)
Increase (decrease) in provisions	3,406	(1,903)
Other	(26,705)	(28,752)
Subtotal	75,216	65,093
Interest received	2,192	1,795
Dividends received	2,823	3,103
Interest paid	(1,104)	(1,241)
Income taxes paid	(14,985)	(22,241)
Net cash flows from operating activities	64,142	46,509
Cash flows from investing activities		
Payments into time deposits	(7,667)	(3,665)
Proceeds from withdrawal of time deposits	5,533	9,519
Purchase of property, plant and equipment	(26,355)	(28,763)
Proceeds from sale of property, plant and equipment	5,037	62
Purchase of intangible assets	(4,336)	(4,730)
Other	7,249	332
Net cash flows from investing activities	(20,539)	(27,245)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(13,264)	40
Proceeds from long-term borrowings	10,000	10,000
Repayments of long-term borrowings	(5)	(10,011)
Repayments of lease liabilities	(10,634)	(10,973)
Dividends paid to owners of the parent	(34,894)	(35,345)
Dividends paid to non-controlling interests	(975)	(947)
Other	(2,777)	(953)
Net cash flows from financing activities	(52,549)	(48,189)
Net increase (decrease) in cash and cash equivalents	(8,946)	(28,925)
Cash and cash equivalents at the beginning of the period	291,663	357,713
Effect of exchange rate changes on cash and cash equivalents	21,262	(7,208)
Cash and cash equivalents at the end of the period	303,979	321,580

(6) Notes to Condensed Consolidated Financial Statements**1. Segment Information****(1) Summary of Reportable Segments**

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

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

Accordingly, the Kao Group has five reportable segments: the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business, and the Chemical Business.

Due to a change in organization as of January 1, 2025, the Kao Group reclassified its five former reportable segments (the Hygiene and Living Care Business, the Health and Beauty Care Business, the Life Care Business, the Cosmetics Business, and the Chemical Business) into the above-noted five reportable segments (the Hygiene Living Care Business, the Health Beauty Care Business, the Cosmetics Business, the Business Connected Business, and the Chemical Business) from the three months ended March 31, 2025. Segment information for the same period a year earlier has been restated to reflect the reclassification.

Major products by reportable segment are as follows:

Reportable segments		Major products	
Global Consumer Care Business	Hygiene 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 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
	Cosmetics Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
Chemical Business	Business Connected Business	Commercial-use hygiene products, life care products	Commercial-use hygiene products, life care products
		Oleo chemicals	Oleochemicals, fat and oil derivatives, surfactants and blending products, 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
Six months ended June 30, 2024

(Millions of yen)

	Reportable segments							Reconciliation ¹	Consolidated
	Global Consumer Care Business					Chemical Business	Total		
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal				
Net sales									
Sales to customers	255,582	210,604	116,729	19,033	601,948	186,039	787,987	—	787,987
Intersegment sales and transfers ²	—	—	—	—	—	21,157	21,157	(21,157)	—
Total net sales	255,582	210,604	116,729	19,033	601,948	207,196	809,144	(21,157)	787,987
Operating income (loss)	33,944	14,988	(6,137)	(976)	41,819	17,168	58,987	(1,048)	57,939
Financial income									6,632
Financial expenses									(1,784)
Share of profit in investments accounted for using the equity method									1,621
Income before income taxes									64,408

Notes:

1. The operating income (loss) reconciliation of (1,048) 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.

Six months ended June 30, 2025

(Millions of yen)

	Reportable segments							Reconciliation ¹	Consolidated
	Global Consumer Care Business					Chemical Business	Total		
	Hygiene Living Care Business	Health Beauty Care Business	Cosmetics Business	Business Connected Business	Subtotal				
Net sales									
Sales to customers	257,809	211,477	118,532	18,002	605,820	203,202	809,022	—	809,022
Intersegment sales and transfers ²	—	—	—	—	—	22,847	22,847	(22,847)	—
Total net sales	257,809	211,477	118,532	18,002	605,820	226,049	831,869	(22,847)	809,022
Operating income (loss)	35,374	18,129	408	375	54,286	14,861	69,147	322	69,469
Financial income									2,305
Financial expenses									(1,792)
Share of profit in investments accounted for using the equity method									1,784
Income before income taxes									71,766

Notes:

1. The operating income (loss) reconciliation of 322 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)

	Six months ended June 30, 2024	Six months ended June 30, 2025
Advertising	42,003	40,756
Sales promotion	24,632	26,183
Employee benefits	89,286	87,958
Depreciation	8,561	7,649
Amortization	5,536	5,759
Research and development	31,519	31,439
Other	43,689	43,548
Total	245,226	243,292

(7) Note regarding Assumption of Going Concern

None applicable.