

Consolidated Financial Results for the Nine Months Ended September 30, 2022 [IFRS]

November 1, 2022

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, 2022 (from January 1, 2022 to September 30, 2022)

(1) Consolidated operating results

	(Percentages indicate year-on-year changes)			
	Nine months ended September 30, 2022	%	Nine months ended September 30, 2021	%
Net sales	1,127,710	10.5	1,020,959	1.6
Operating income	76,917	(29.4)	108,994	(9.2)
Income before income taxes	85,095	(25.0)	113,509	(4.7)
Net income	59,470	(28.7)	83,362	(4.6)
Net income attributable to owners of the parent	58,320	(28.9)	82,070	(4.5)
Comprehensive income	142,128	27.7	111,259	47.0
Basic earnings per share (Yen)	123.82		172.42	
Diluted earnings per share (Yen)	123.82		172.40	

(2) Consolidated financial position

	September 30, 2022	December 31, 2021
Total assets	1,733,913	1,704,007
Total equity	1,009,130	983,877
Equity attributable to owners of the parent	984,526	965,137
Ratio of equity attributable to owners of the parent to total assets	56.8%	56.6%
Equity attributable to owners of the parent per share (Yen)	2,118.03	2,036.66

2. Dividends

	Year ending December 31, 2022 (Forecast)	Year ending December 31, 2022	Year ended December 31, 2021
Annual cash dividends per share (Yen)			
1st quarter end		-	-
2nd quarter end		74.00	72.00
3rd quarter end		-	-
Fiscal year end	74.00		72.00
Total	148.00		144.00

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

3. Forecast of consolidated operating results for the year ending December 31, 2022
(from January 1, 2022 to December 31, 2022)

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

	Year ending	
	December 31, 2022	%
Net sales	1,570,000	10.7
Operating income	145,000	1.0
Income before income taxes	156,000	4.0
Net income attributable to owners of the parent	111,000	1.2
Basic earnings per share (Yen)	236.45	-

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

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)

	September 30, 2022	December 31, 2021
Number of issued shares including treasury shares	465,900,000	475,000,000
Number of treasury shares	1,069,258	1,117,195
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Weighted average number of shares outstanding during this period	470,995,349	476,000,663

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 6, "Qualitative Information on Financial Results for the Nine Months Ended September 30, 2022 - 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, 2022

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.

1. Description of Operating Results

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

Nine months ended September 30	2022	2021	Growth
Net sales	1,127.7	1,021.0	10.5% Like-for-like: 4.9%
Operating income	76.9	109.0	(29.4%)
Operating margin (%)	6.8	10.7	-
Income before income taxes	85.1	113.5	(25.0%)
Net income	59.5	83.4	(28.7%)
Net income attributable to owners of the parent	58.3	82.1	(28.9%)
Basic earnings per share (Yen)	123.82	172.42	(28.2%)

The global economy gradually slowed and the business environment remained unclear due to factors including hikes in raw material prices and rapid exchange rate fluctuations, together with an attendant increase in the prices of goods, as well as the Russia-Ukraine crisis and the impact of COVID-19.

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 2022, compared with the same period a year earlier.

Amid these circumstances, the Kao Group has been steadily advancing the management strategy announced in February 2022, including its capital allocation policy, brand management reform and adjustments to selling prices, among other measures.

Net sales increased 10.5% compared with the same period a year earlier to 1,127.7 billion yen. On a like-for-like basis, net sales increased 4.9%. Operating income was 76.9 billion yen, a decrease of 32.1 billion yen compared with the same period a year earlier due to the substantial impact of hikes in raw material prices, and income before income taxes was 85.1 billion yen, a decrease of 28.4 billion yen. Net income was 59.5 billion yen, a decrease of 23.9 billion yen.

To improve capital efficiency and further increase shareholders' returns, Kao Corporation (the "Company") repurchased a total of 50.0 billion yen of the Company's stock pursuant to a resolution of its Board of Directors at a meeting held on May 11, 2022. In addition, the Company retired 9,100,000 treasury shares on September 28, 2022.

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.	Second quarter Apr. – Jun.	Third quarter Jul. – Sep.
U.S. dollar	116.30 (105.96)	129.69 (109.47)	138.27 (110.09)
Euro	130.45 (127.74)	138.14 (131.90)	139.25 (129.78)
Chinese yuan	18.32 (16.35)	19.63 (16.95)	20.20 (17.01)

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

Summary of Segment Information

Consolidated Results by Segment

(Billions of yen)

Nine months ended September 30	Net sales				Operating income			Operating margin (%)	
	2022	2021	Growth %	Like-for-like %	2022	2021	Change	2022	2021
Hygiene and Living Care Business	370.7	357.2	3.8	0.1	18.9	41.1	(22.2)	5.1	11.5
Health and Beauty Care Business	270.8	261.2	3.7	(2.0)	27.2	41.3	(14.1)	10.1	15.8
Life Care Business	40.3	38.1	5.7	2.2	0.0	2.5	(2.4)	0.1	6.5
Cosmetics Business	175.5	165.9	5.8	1.2	3.4	0.1	3.3	1.9	0.1
Consumer Products Business	857.3	822.4	4.2	(0.2)	49.6	85.0	(35.4)	5.8	10.3
Chemical Business	303.8	228.0	33.3	24.2	26.8	23.3	3.5	8.8	10.2
Total	1,161.1	1,050.3	10.5	5.1	76.4	108.3	(31.9)	-	-
Elimination and Reconciliation	(33.3)	(29.4)	-	-	0.5	0.7	(0.2)	-	-
Consolidated	1,127.7	1,021.0	10.5	4.9	76.9	109.0	(32.1)	6.8	10.7

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Consolidated Net Sales Composition

Nine months ended September 30		Japan	Asia	Americas	Europe	(Billions of yen) Consolidated
Fabric and Home Care Products	2022	208.0	33.0	2.7	-	243.7
	2021	206.0	29.0	2.1	-	237.1
	Growth %	0.9	13.9	28.5	-	2.8
	Like-for-like %	0.9	1.5	17.0	-	1.1
Sanitary Products	2022	55.2	71.8	0.1	-	127.0
	2021	57.0	63.0	0.1	-	120.1
	Growth %	(3.1)	13.9	(24.3)	-	5.8
	Like-for-like %	(3.1)	(0.7)	(31.2)	-	(1.8)
Hygiene and Living Care Business	2022	263.2	104.8	2.8	-	370.7
	2021	263.0	92.0	2.2	-	357.2
	Growth %	0.1	13.9	26.8	-	3.8
	Like-for-like %	0.1	0.0	15.5	-	0.1
Health and Beauty Care Business	2022	145.7	25.4	67.0	32.7	270.8
	2021	150.7	21.8	58.1	30.6	261.2
	Growth %	(3.3)	16.5	15.3	6.9	3.7
	Like-for-like %	(3.3)	2.4	(2.0)	1.3	(2.0)
Life Care Business	2022	31.5	0.0	8.6	0.1	40.3
	2021	31.0	0.0	7.0	0.1	38.1
	Growth %	1.6	37.1	23.3	13.9	5.7
	Like-for-like %	1.6	21.7	4.4	6.6	2.2
Cosmetics Business	2022	109.6	45.7	4.7	15.5	175.5
	2021	107.2	41.0	4.0	13.7	165.9
	Growth %	2.2	11.6	17.5	13.0	5.8
	Like-for-like %	2.2	(3.1)	(0.6)	6.5	1.2
Consumer Products Business	2022	549.9	175.9	83.1	48.3	857.3
	2021	551.8	154.8	71.3	44.4	822.4
	Growth %	(0.4)	13.7	16.5	8.8	4.2
	Like-for-like %	(0.4)	(0.5)	(0.8)	2.9	(0.2)
Chemical Business	2022	103.7	74.9	53.9	71.3	303.8
	2021	89.8	51.3	35.6	51.2	228.0
	Growth %	15.5	46.0	51.3	39.2	33.3
	Like-for-like %	15.5	27.9	28.1	32.8	24.2
Elimination of intersegment	2022	(28.6)	(3.0)	(0.1)	(1.6)	(33.3)
	2021	(25.5)	(2.4)	(0.0)	(1.5)	(29.4)
Consolidated	2022	625.0	247.8	136.9	117.9	1,127.7
	2021	616.2	203.7	106.9	94.1	1,021.0
	Growth %	1.4	21.7	28.0	25.3	10.5
	Like-for-like %	1.4	6.6	8.8	19.1	4.9

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.

Net sales to foreign customers were 46.5% of net sales compared with 42.1% for the same period a year earlier.

Consumer Products Business

Sales increased 4.2% compared with the same period a year earlier to 857.3 billion yen. On a like-for-like basis, sales decreased 0.2%.

The business environment remained severe, due to factors including the impact of hikes in raw material prices, rising logistics expenses, exchange rate fluctuations and lockdowns in China. Under these circumstances, the Kao Group sought to minimize the impact of these factors by conducting various initiatives for substantive price increases and promoting cost reductions.

In Japan, sales decreased 0.4% to 549.9 billion yen.

In Asia, sales increased 13.7% to 175.9 billion yen. On a like-for-like basis, sales decreased 0.5%.

In the Americas, sales increased 16.5% to 83.1 billion yen. On a like-for-like basis, sales decreased 0.8%. In Europe, sales increased 8.8% to 48.3 billion yen. On a like-for-like basis, sales increased 2.9%.

Operating income decreased 35.4 billion yen compared with the same period a year earlier to 49.6 billion yen due to the impact of hikes in raw material prices and other factors.

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

Hygiene and Living Care Business

Sales increased 3.8% compared with the same period a year earlier to 370.7 billion yen. On a like-for-like basis, sales increased 0.1%.

Sales of fabric care products increased. In Japan, the Kao Group conducted strategic price increases, mainly for laundry detergents, to minimize the impact of hikes in raw material prices, and stepped up marketing activities, resulting in steady sales. In Asia, sales decreased.

In home care products, sales in Japan decreased slightly due to the impact of market shrinkage, but market share grew substantially for *CuCute* dishwashing detergent and *Bath Magiclean* bathroom cleaner.

Sales of sanitary products decreased. *Laurier* sanitary napkins sold strongly in Japan and elsewhere in Asia as a result of ramping up sales promotion activities and other factors. Sales of *Merries* baby diapers decreased. Sales were strong in Indonesia but decreased in Japan and China due to the impact of market shrinkage, among other factors.

Operating income decreased 22.2 billion yen compared with the same period a year earlier to 18.9 billion yen due to factors including the substantial impact of hikes in raw material prices.

Health and Beauty Care Business

Sales increased 3.7% compared with the same period a year earlier to 270.8 billion yen. On a like-for-like basis, sales decreased 2.0%.

Sales of skin care products increased. In Japan, sales of UV care and other seasonal products were strong due to the impact of a heat wave, and market share grew substantially.

Sales of hair care products decreased. Products for hair salons in the Americas and Europe continued to perform strongly as sales of the *ORIBE* brand for high-end hair salons in the United States grew substantially in the e-commerce channel as well as in the core salon channel. In Japan, where the environment for mass-market products remains fiercely competitive, the Kao Group began a fundamental business transformation.

Sales of personal health products decreased. Sales of *MegRhythm* thermo products grew steadily, but sales of bath additives decreased.

Operating income decreased 14.1 billion yen compared with the same period a year earlier to 27.2 billion yen due to the substantial impact of hikes in raw material prices and other factors.

Life Care Business

Sales increased 5.7% compared with the same period a year earlier to 40.3 billion yen. On a like-for-like basis, sales increased 2.2%.

In commercial-use hygiene products, the market in Japan recovered significantly. In particular, sales grew as demand for kitchen cleaning agents and guest room amenities rose in the food service industry and lodging facilities and other establishments. In the United States, sales increased as customer industries grew.

In health drinks, an increase in the e-commerce channel of loyal users of *Healthya* products, which are foods for specified health uses, did not compensate for a decrease in sales among conventional mass retailers, and sales decreased.

Operating income was 0.0 billion yen, a decrease of 2.4 billion yen from the same period a year earlier due to the impact of hikes in raw material prices, among other factors.

Cosmetics Business

Sales increased 5.8% compared with the same period a year earlier to 175.5 billion yen. On a like-for-like basis, sales increased 1.2%.

Amid lower-than-expected market recovery in Japan, the Kao Group's "G11" global strategy brands,

including the *KANEBO* prestige skin care and makeup and *KATE* makeup brands, sold strongly. In addition, fixed cost reductions as well as structural reforms of the makeup business have been advancing steadily. In China, lockdowns in the first half of the year had a substantial impact, and the market as a whole slowed thereafter. Sales increased in Europe.

Operating income was 3.4 billion yen, an increase of 3.3 billion yen from the same period a year earlier.

Chemical Business

Sales increased 33.3% compared with the same period a year earlier to 303.8 billion yen. On a like-for-like basis, sales increased 24.2%.

Sales of oleo chemicals increased, due in part to the contribution from efforts to adjust selling prices in line with rising prices of natural fats and oils.

Sales of performance chemicals were impacted by a decline in demand in automobile-related fields, but grew due to advances in adjusting selling prices in line with rising prices of raw materials.

In information materials, sales of toner and toner binder grew by steadily capturing recovery in demand, and sales of hard disk-related products were firm.

Operating income increased 3.5 billion yen compared with the same period a year earlier to 26.8 billion yen.

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

Although the severe business environment is expected to continue, the Kao Group aims to achieve its forecast of consolidated results by continuing its strategic price increases, launching new and improved products, conducting proactive sales measures and thoroughly implementing cost structure reforms. Therefore, there is no change from the forecast of consolidated results announced on August 3, 2022.

The main exchange rates used in the forecast of consolidated results are one U.S. dollar to 132 yen, one euro to 137 yen and one Chinese yuan to 20 yen.

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Condensed Consolidated Statement of Financial Position

(Millions of yen)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>Change</u>
Assets			
Current assets			
Cash and cash equivalents	239,978	336,069	(96,091)
Trade and other receivables	219,729	216,209	3,520
Inventories	300,213	228,070	72,143
Other financial assets	5,860	6,094	(234)
Income tax receivables	8,464	2,508	5,956
Other current assets	23,196	20,842	2,354
Total current assets	797,440	809,792	(12,352)
Non-current assets			
Property, plant and equipment	451,090	428,609	22,481
Right-of-use assets	138,458	144,057	(5,599)
Goodwill	197,580	183,498	14,082
Intangible assets	60,855	52,636	8,219
Investments accounted for using the equity method	10,552	10,050	502
Other financial assets	25,451	23,588	1,863
Deferred tax assets	40,942	41,348	(406)
Other non-current assets	11,545	10,429	1,116
Total non-current assets	936,473	894,215	42,258
Total assets	1,733,913	1,704,007	29,906

(Millions of yen)

	September 30, 2022	December 31, 2021	Change
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	240,356	229,086	11,270
Bonds and borrowings	69,471	6,156	63,315
Lease liabilities	20,067	19,929	138
Other financial liabilities	4,003	6,329	(2,326)
Income tax payables	19,033	24,078	(5,045)
Provisions	1,340	2,041	(701)
Contract liabilities	35,654	31,143	4,511
Other current liabilities	108,013	103,135	4,878
Total current liabilities	497,937	421,897	76,040
Non-current liabilities			
Bonds and borrowings	55,370	121,581	(66,211)
Lease liabilities	114,612	121,016	(6,404)
Other financial liabilities	7,205	7,070	135
Retirement benefit liabilities	29,370	29,843	(473)
Provisions	8,439	8,187	252
Deferred tax liabilities	6,725	5,830	895
Other non-current liabilities	5,125	4,706	419
Total non-current liabilities	226,846	298,233	(71,387)
Total liabilities	724,783	720,130	4,653
Equity			
Share capital	85,424	85,424	-
Capital surplus	105,783	105,633	150
Treasury shares	(3,461)	(3,960)	499
Other components of equity	75,315	(3,723)	79,038
Retained earnings	721,465	781,763	(60,298)
Equity attributable to owners of the parent	984,526	965,137	19,389
Non-controlling interests	24,604	18,740	5,864
Total equity	1,009,130	983,877	25,253
Total liabilities and equity	1,733,913	1,704,007	29,906

Condensed Consolidated Statement of Income

(Millions of yen)

	Notes	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Change
Net sales	1	1,127,710	1,020,959	106,751
Cost of sales		(726,345)	(604,175)	(122,170)
Gross profit		401,365	416,784	(15,419)
Selling, general and administrative expenses	2	(327,149)	(309,985)	(17,164)
Other operating income		12,637	12,979	(342)
Other operating expenses		(9,936)	(10,784)	848
Operating income	1	76,917	108,994	(32,077)
Financial income		8,474	4,496	3,978
Financial expenses		(1,807)	(1,953)	146
Share of profit in investments accounted for using the equity method		1,511	1,972	(461)
Income before income taxes		85,095	113,509	(28,414)
Income taxes		(25,625)	(30,147)	4,522
Net income		59,470	83,362	(23,892)
Attributable to:				
Owners of the parent		58,320	82,070	(23,750)
Non-controlling interests		1,150	1,292	(142)
Net income		59,470	83,362	(23,892)
Earnings per share				
Basic (Yen)		123.82	172.42	
Diluted (Yen)		123.82	172.40	

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Change
Net income	59,470	83,362	(23,892)
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	179	520	(341)
Remeasurements of defined benefit plans	-	(193)	193
Share of other comprehensive income of investments accounted for using the equity method	(187)	339	(526)
Total of items that will not be reclassified to profit or loss	(8)	666	(674)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	81,573	26,949	54,624
Share of other comprehensive income of investments accounted for using the equity method	1,093	282	811
Total of items that may be reclassified subsequently to profit or loss	82,666	27,231	55,435
Other comprehensive income, net of taxes	82,658	27,897	54,761
Comprehensive income	<u>142,128</u>	<u>111,259</u>	<u>30,869</u>
Attributable to:			
Owners of the parent	137,988	109,022	28,966
Non-controlling interests	4,140	2,237	1,903
Comprehensive income	<u>142,128</u>	<u>111,259</u>	<u>30,869</u>

Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent												Total equity
	Other components of equity							Total	Retained earnings	Total	Non-controlling interests		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income					Remeasurements of defined benefit plans	
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
January 1, 2021	85,424	106,618	(3,865)	268	(49,368)	(0)	5,724	-	(43,376)	778,886	923,687	14,507	938,194
Net income	-	-	-	-	-	-	-	-	-	82,070	82,070	1,292	83,362
Other comprehensive income	-	-	-	-	26,286	0	859	(193)	26,952	-	26,952	945	27,897
Comprehensive income	-	-	-	-	26,286	0	859	(193)	26,952	82,070	109,022	2,237	111,259
Disposal of treasury shares	-	(334)	51,697	(89)	-	-	-	-	(89)	(51,272)	2	-	2
Purchase of treasury shares	-	-	(51,790)	-	-	-	-	-	-	-	(51,790)	-	(51,790)
Share-based payment transactions	-	277	-	-	-	-	-	-	-	-	277	-	277
Dividends	-	-	-	-	-	-	-	-	-	(67,794)	(67,794)	(797)	(68,591)
Changes in the ownership interest in subsidiaries	-	(1,021)	-	-	-	-	-	-	-	-	(1,021)	1,585	564
Transfer from other components of equity to retained earnings	-	-	-	(4)	-	-	(516)	193	(327)	327	-	-	-
Total transactions with the owners	-	(1,078)	(93)	(93)	-	-	(516)	193	(416)	(118,739)	(120,326)	788	(119,538)
September 30, 2021	85,424	105,540	(3,958)	175	(23,082)	0	6,067	-	(16,840)	742,217	912,383	17,532	929,915

Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from operating activities		
Income before income taxes	85,095	113,509
Depreciation and amortization	66,871	65,666
Interest and dividend income	(1,367)	(975)
Interest expense	1,420	1,527
Share of profit in investments accounted for using the equity method	(1,511)	(1,972)
(Gains) losses on sale and disposal of property, plant and equipment, and intangible assets	2,110	2,703
(Increase) decrease in trade and other receivables	22,716	26,919
(Increase) decrease in inventories	(48,803)	(28,830)
Increase (decrease) in trade and other payables	(4,746)	972
Increase (decrease) in retirement benefit liabilities	(2,392)	(5,868)
Other	(12,967)	(11,651)
Subtotal	106,426	162,000
Interest received	1,229	900
Dividends received	2,468	2,174
Interest paid	(1,410)	(1,511)
Income taxes paid	(35,559)	(42,271)
Net cash flows from operating activities	73,154	121,292
Cash flows from investing activities		
Payments into time deposits	(4,964)	(6,466)
Proceeds from withdrawal of time deposits	6,310	7,827
Purchase of property, plant and equipment	(51,770)	(46,238)
Purchase of intangible assets	(7,512)	(7,294)
Other	(790)	1,959
Net cash flows from investing activities	(58,726)	(50,212)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(207)	320
Proceeds from long-term borrowings	-	30,091
Repayments of long-term borrowings	(3,685)	(31,173)
Repayments of lease liabilities	(16,296)	(15,982)
Purchase of treasury shares	(50,031)	(51,790)
Dividends paid to owners of the parent	(68,151)	(67,152)
Dividends paid to non-controlling interests	(419)	(802)
Other	2,038	795
Net cash flows from financing activities	(136,751)	(135,693)
Net increase (decrease) in cash and cash equivalents	(122,323)	(64,613)
Cash and cash equivalents at the beginning of the period	336,069	353,176
Effect of exchange rate changes on cash and cash equivalents	26,232	10,404
Cash and cash equivalents at the end of the period	239,978	298,967

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 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, 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	18,948	27,248	24	3,417	49,637	26,795	76,432	485	76,917
% of net sales	5.1	10.1	0.1	1.9	5.8	8.8	-	-	6.8
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 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.

Nine months ended September 30, 2021	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	357,171	261,177	38,115	165,895	822,358	198,601	1,020,959	-	1,020,959
Intersegment sales and transfers ²	-	-	-	-	-	29,357	29,357	(29,357)	-
Total net sales	357,171	261,177	38,115	165,895	822,358	227,958	1,050,316	(29,357)	1,020,959
Operating income	41,136	41,318	2,471	97	85,022	23,304	108,326	668	108,994
% of net sales	11.5	15.8	6.5	0.1	10.3	10.2	-	-	10.7
Financial income									4,496
Financial expenses									(1,953)
Share of profit in investments accounted for using the equity method									1,972
Income before income taxes									113,509

Notes:

- The operating income reconciliation of 668 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, 2022	Nine months ended September 30, 2021
Advertising	56,760	52,458
Sales promotion	32,410	31,009
Employee benefits	120,072	114,963
Depreciation	13,006	13,923
Amortization	6,657	6,290
Research and development	45,158	43,768
Other	53,086	47,574
Total	327,149	309,985

Note regarding Assumption of Going Concern

None applicable.