

**Revision of “Summary of Consolidated Business Results for the Fiscal Year Ended December 31, 2012”**

December 5, 2013

Kao Corporation (Ticker Code: 4452) has revised “Summary of Consolidated Business Results for the Fiscal Year Ended December 31, 2012” and presentation materials, which were released on February 5, 2013, as follows.

1. Reason for and Content of the Revision

Please refer to “Revision of Securities Report, Business Results and Other Reports,” which was released on November 21, 2013.

2. Corrections

Because the corrections are numerous, the full pre-revision and post-revision texts are both attached with the corrections underlined.

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## Kao Corporation Reports Business Results

Tokyo, February 5, 2013 — Kao Corporation today announced its consolidated business results for the fiscal year ended December 31, 2012. The following summary of the business results is unaudited and for reference only.

Due to a change in the fiscal year end, the term of consolidation for the fiscal year ended December 31, 2012 is the nine-month period from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve-month period from January to December for subsidiaries whose year end was December 31.

Ticker code: 4452

### Consolidated Financial Highlights

(Millions of yen, millions of U.S. dollars, except per share data)

Fiscal year	2012	2011	Adjusted growth	2012
	Yen	Yen	%	U.S. dollars
Net sales	<b>1,012,595</b>	1,216,096	0.4	<b>11,695.5</b>
Operating income	<b>101,567</b>	108,590	3.2	<b>1,173.1</b>
Ordinary income	<b>104,214</b>	110,027	4.0	<b>1,203.7</b>
Net income	<b>52,765</b>	52,435	<u>1.9</u>	<b>609.4</b>
Comprehensive income	<b>79,524</b>	41,395	<u>97.9</u>	<b>918.5</b>
ROE (Net income / Net worth)	<b>9.4%</b>	9.8%	-	<b>9.4%</b>
ROA (Ordinary income / Total assets)	<b>10.3%</b>	10.9%	-	<b>10.3%</b>
Operating income / Net sales	<b>10.0%</b>	8.9%	-	<b>10.0%</b>
			Growth	
			%	
Total assets	<b>1,030,347</b>	991,272	<u>3.9</u>	<b>11,900.5</b>
Total net assets	<b>596,083</b>	549,704	<u>8.4</u>	<b>6,884.8</b>
Net worth	<b>582,699</b>	538,030	<u>8.3</u>	<b>6,730.2</b>
Net worth ratio	<b>56.6%</b>	54.3%	-	<b>56.6%</b>
Fiscal year	2012	2011	Adjusted growth	2012
	Yen	Yen	%	U.S. dollars
Net worth per share (Yen/US\$)	<b>1,116.61</b>	1,031.08	<u>8.5</u>	<b>12.90</b>
Net income per share (Yen/US\$)	<b>101.12</b>	100.46	<u>2.0</u>	<b>1.17</b>
Net income per share, fully diluted (Yen/US\$)	<b>101.08</b>	100.43	<u>2.0</u>	<b>1.17</b>
	Yen	Yen		U.S. dollars
Net cash provided by operating activities	<b>97,357</b>	125,032	-	<b>1,124.5</b>
Net cash used in investing activities	<b>(44,641)</b>	(48,952)	-	<b>(515.6)</b>
Net cash used in financing activities	<b>(32,028)</b>	(86,163)	-	<b>(369.9)</b>
Cash and cash equivalents, end of period	<b>160,435</b>	129,737	-	<b>1,853.0</b>

Notes:

- Adjusted growth is a comparison with a FY2011 business results adjusted to nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
- Net worth is net assets, excluding minority interests and stock acquisition rights.
- The net worth ratio is defined as net worth divided by total assets.
- Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
- Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
- Number of shares outstanding at the end of the periods (common stock):
  - Number of shares including treasury stock: 526,212,501 shares as of December 31, 2012; 526,212,501 shares as of March 31, 2012.
  - Number of shares of treasury stock: 4,368,145 shares as of December 31, 2012; 4,402,474 shares as of March 31, 2012.
- Weighted average number of shares outstanding during the fiscal year: 521,824,203 shares ended December 31, 2012; 521,936,275 shares ended March 31, 2012.

## Consolidated Results by Segment

Fiscal year	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Beauty Care	444.4	444.5	(0.0)	0.5	21.8	17.0	4.8
Human Health Care	152.0	144.1	5.5	5.5	11.5	12.6	(1.0)
Fabric and Home Care	236.7	230.4	2.8	2.9	51.4	47.2	4.1
Consumer Products Total	833.2	819.0	1.7	2.1	84.7	76.9	7.9
Chemical	208.1	219.2	(5.1)	(3.1)	16.8	21.7	(4.9)
Total	1,041.2	1,038.3	0.3	1.0	101.6	98.6	3.0
Reconciliations	(28.6)	(30.0)	-	-	0.0	(0.1)	0.1
Consolidated	1,012.6	1,008.3	0.4	1.1	101.6	98.5	3.1

Fiscal year	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Beauty Care	5,133.1	5,134.1	(0.0)	0.5	252.0	196.9	55.1
Human Health Care	1,755.3	1,664.6	5.5	5.5	133.4	145.5	(12.1)
Fabric and Home Care	2,734.4	2,661.2	2.8	2.9	593.3	545.6	47.7
Consumer Products Total	9,622.9	9,459.9	1.7	2.1	978.7	888.0	90.7
Chemical	2,403.2	2,532.2	(5.1)	(3.1)	194.2	250.8	(56.6)
Total	12,026.1	11,992.1	0.3	1.0	1,172.9	1,138.7	34.2
Reconciliations	(330.6)	(346.2)	-	-	0.2	(1.5)	1.7
Consolidated	11,695.5	11,645.8	0.4	1.1	1,173.1	1,137.2	35.9

## Reference: Consolidated Results by Geographic Area

Fiscal year	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Japan	720.8	712.3	1.2	1.2	86.5	77.6	9.0
Asia <sup>3</sup>	159.9	167.6	(4.6)	(4.2)	6.3	9.4	(3.2)
Americas <sup>3</sup>	90.0	90.9	(1.0)	(0.8)	2.7	3.7	(0.9)
Europe	110.5	117.0	(5.5)	0.7	6.1	8.0	(1.9)
Total	1,081.2	1,087.9	(0.6)	0.1	101.7	98.7	2.9
Reconciliations	(68.6)	(79.6)	-	-	(0.1)	(0.3)	0.2
Consolidated	1,012.6	1,008.3	0.4	1.1	101.6	98.5	3.1

Fiscal year	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Japan	8,325.1	8,227.6	1.2	1.2	999.5	896.0	103.5
Asia <sup>3</sup>	1,846.4	1,935.9	(4.6)	(4.2)	72.3	109.0	(36.7)
Americas <sup>3</sup>	1,039.5	1,049.8	(1.0)	(0.8)	31.6	42.3	(10.7)
Europe	1,276.5	1,351.4	(5.5)	0.7	70.8	92.9	(22.0)
Total	12,487.4	12,564.7	(0.6)	0.1	1,174.2	1,140.1	34.1
Reconciliations	(792.0)	(918.9)	-	-	(1.1)	(2.9)	1.8
Consolidated	11,695.5	11,645.8	0.4	1.1	1,173.1	1,137.2	35.9

## Notes:

1. Restated FY2011 and adjusted growth present figures for the nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen and a comparison with FY2011 business results adjusted to a nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
3. Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under Americas from the fiscal year ended December 31, 2012. Amounts and percentage of growth for the previous fiscal year have been restated for the purpose of comparison.
4. Information on consolidated results by geographic area is for reference.
5. Consolidated net sales of fiscal year were 1,012.6 billion yen and net sales to foreign customers were as follows; Asia 130.2 billion yen, Americas 93.4 billion yen and Europe 98.5 billion yen.

**Dividend**

(Millions of yen, millions of U.S. dollars, except per share data)

	Dec. 31, 2012	Mar. 31, 2012	Dec. 31, 2012
	Yen		U.S. dollars
Annual cash dividends per share (Yen/US\$)	<b>62.00</b>	60.00	<b>0.72</b>
Total dividend payment amount	<b>32,388</b>	31,342	<b>374.08</b>
Payout ratio (consolidated)	<b>61.3%</b>	59.7%	<b>61.3%</b>
Cash dividends / Total net assets (consolidated)	<b>5.8%</b>	5.9%	<b>5.8%</b>

**Forecast of Consolidated Results for the Year Ending December 31, 2013**

(Billions of yen, millions of U.S. dollars, except per share data)

	Six months ending June 30, 2013			Year ending December 31, 2013		
	Yen	Adjusted growth (%)	U.S. dollars	Yen	Adjusted growth (%)	U.S. dollars
Net sales	600.0	3.7	6,930.0	1,270.0	4.1	14,668.5
Operating income	32.0	(8.2)	369.6	116.0	3.8	1,339.8
Ordinary income	33.0	(8.5)	381.2	117.0	2.5	1,351.4
Net income	19.0	(1.2)	219.5	73.0	<u>37.5</u>	843.2
Net income per share (Yen/US\$)	37.11	-	0.43	142.60	-	1.65
Cash dividends per share (Yen/US\$)	32.00	-	0.37	64.00	-	0.74

*Notes:*

- Adjusted growth is a comparison with FY2012 business results adjusted to a twelve-month period from January 1 to December 31, 2012.
- Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

**Notes for This News Release:**

- Figures in the Company's consolidated financial statements and other items, which were previously truncated to their respective units for presentation, are rounded to the nearest unit from the fiscal year ended December 31, 2012. Figures for the previous fiscal year have been restated for ease of comparison.
- U.S. dollar amounts represent translations using the approximate exchange rate on December 31, 2012 of 86.58 yen=US\$1, and are presented solely for the convenience of readers.

**Forward-Looking Statements**

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

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**1. Consolidated Business Results****1.1. Analysis of Business Results and Financial Condition**

Due to a change in the fiscal year end, the term of consolidation for the fiscal year ended December 31, 2012 is the nine-month period from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve-month period from January to December for subsidiaries whose fiscal year end was December 31.

	(Billions of yen, except per share data)			
	FY2012	(For reference) Restated FY2011*	Adjusted growth*	FY2011
Net sales	1,012.6	1,008.3	0.4%	1,216.1
Operating income	101.6	98.5	3.2%	108.6
Ordinary income	104.2	100.2	4.0%	110.0
Net income	<u>52.8</u>	51.8	<u>1.9%</u>	52.4
Net income per share (Yen)	<u>101.12</u>	99.16	<u>2.0%</u>	100.46

\* "(For reference) Restated FY2011" and "Adjusted growth" present figures for the nine-month period from April 1 to December 31, 2011 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31.

The following rates of increase or decrease are comparisons with restated FY2011.

**1.1.1. Business Results for the Fiscal Year****1.1.1.1. Overall Business Trends during the Fiscal Year**

During the fiscal year ended December 31, 2012 (April 1, 2012 to December 31, 2012), recovery of the global economy remained weak, with the problem of the sovereign debt crisis in Europe. In the Japanese economy, although there were some signs of bottoming out amid weak activity, conditions remained severe. The household and personal care products market in Japan, a key market for the Kao Group, grew by about 1% on a value basis compared with restated FY2011, although consumer purchase prices fell, partly due to the effects of deflation. The cosmetics market in Japan was flat compared with restated FY2011.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value in response to changes in consumer needs based on its concept of "Yoki-Monozukuri,"\* and promoted cost reduction activities.

\* The Kao Group defines "Yoki-Monozukuri" as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, "Yoki" literally means "good/excellent," and "Monozukuri" means "development/manufacturing of products."

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Net sales increased 0.4% compared with restated FY2011 to 1,012.6 billion yen. Excluding the effect of currency translation, net sales would have increased 1.1%. In the Consumer Products Business, sales rose compared with restated FY2011, reflecting the contribution from the Human Health Care Business, which includes sanitary and other products, and the Fabric and Home Care Business. In the Chemical Business, sales decreased compared with restated FY2011 due to the impact of decreased demand in customer industries and adjustment of selling prices in connection with lower raw material prices.

In addition to the impact of increased sales on profits, raw material prices decreased, mainly for natural oils and fats and petrochemicals, and the Kao Group worked to promote cost reduction activities and make more efficient use of expenses. As a result, operating income increased 3.1 billion yen compared with restated FY2011 to 101.6 billion yen. Ordinary income increased 4.0 billion yen compared with restated FY2011 to 104.2 billion yen, and net income increased 1.0 billion yen compared with restated FY2011 to 52.8 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 1.6 billion yen compared with restated FY2011 to 125.7 billion yen, which is equivalent to 12.4% of net sales.

Net income per share was 101.12 yen, an increase of 1.96 yen, or adjusted growth of 2.0%, from 99.16 yen in restated FY2011.

Economic value added (EVA\*), which the Kao Group uses as a management indicator, was higher for the twelve-month period from January to December than the previous year, reflecting an increase in net operating profit after tax (NOPAT).

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

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

	January-March	April-June	July-September	October-December
Yen/U.S. dollar	79.75 (82.33)	79.81 (81.23)	78.12 (77.08)	82.79 (77.87)
Yen/Euro	106.31 (113.77)	101.20 (118.29)	98.15 (108.74)	108.18 (104.86)

*Note: Figures in parentheses represent the exchange rates for the same period of the previous fiscal year.*

### **1.1.1.2. Trends by Segment for the Fiscal Year**

#### *Summary of Results by Business Segment*

##### **Consumer Products Business**

Sales increased 1.7% compared with restated FY2011 to 833.2 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In Japan, sales increased 1.7% to 653.1 billion yen. The Kao Group dealt with intensified market competition by taking measures including launching new products in response to changing consumer lifestyles and enhancing proposal-based sales and in-store merchandising activities.

In Asia, sales increased 7.0% to 87.2 billion yen. Excluding the effect of currency translation, sales would have increased 7.8%. In the *Bioré* skin care, *Attack* laundry detergent, *Laurier* sanitary napkins and *Merries* baby diapers lines, the Kao Group carried out aggressive measures including introduction of new products and collaboration with retailers.

In the Americas, sales increased 2.7% to 56.6 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%. Sales grew as the market remained firm.

In Europe, sales decreased 6.9% to 57.3 billion yen. Excluding the effect of currency translation, sales would have decreased 1.8%. Sales were firm within Europe amid severe economic conditions, but performance was impacted by lower export sales and the effect of currency translation due to the appreciation of the yen.

Operating income increased 7.9 billion yen compared with restated FY2011 to 84.7 billion yen as the Kao Group worked proactively to nurture new and improved products, made more efficient use of expenses and conducted cost reduction activities.

Note: The Kao Group's Consumer Products Business consists of the Beauty Care Business, the Human Health Care Business, and the Fabric and Home Care Business.

##### *Beauty Care Business*

Sales were on par with restated FY2011 at 444.4 billion yen. Excluding the effect of currency translation, sales would have increased 0.5%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, increased 0.1% compared with restated FY2011 to 205.4 billion yen (an increase of 0.2%

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excluding the effect of currency translation). In Japan, amid a continuing shift toward lower-priced products in the cosmetics market, the Kao Group worked to reinforce focal brands, and increased sales of counseling brands *SOFINA Primavista* base makeup, *AUBE couture* makeup and *COFFRET D'OR* makeup, as well as self-selection brand *KATE* makeup. Sales outside Japan decreased compared with restated FY2011 with the impact of concerns about an economic slowdown.

In premium skin care products, sales in Japan increased, reflecting the steady performance of *Bioré* facial cleanser, *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* performed strongly with the effect of product improvements. In the Americas, sales of *Jergens* hand and body lotions increased.

Sales of premium hair care products in Japan decreased compared with restated FY2011 due to intensified competition for shampoos and conditioners and contraction of the market for styling and hair coloring products. In Asia, there were increased sales of *Liese* foam hair color in Taiwan, Hong Kong and Malaysia, and *Essential* hair care products in Taiwan and Hong Kong. In the Americas and Europe, sales of *John Frieda* foam hair color increased.

Operating income increased 4.8 billion yen compared with restated FY2011 to 21.8 billion yen due to ongoing efforts to rebuild the prestige cosmetics business in Japan and other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 3.2 billion yen compared with restated FY2011 to 45.9 billion yen, which is equivalent to 10.3% of sales.

*Human Health Care Business*

Sales increased 5.5% compared with restated FY2011 to 152.0 billion yen. Even excluding the effect of currency translation, sales would have increased by the same percentage.

In food and beverage products, the Kao Group added new products to the *Healthya* brand of functional drinks that promote body fat utilization, but sales decreased compared with restated FY2011 due to intensifying market competition.

Sales of sanitary products increased compared with restated FY2011. Sales of *Laurier F* sanitary napkins, which protect skin from dampness and chafing, increased in Japan, and sales of the *Laurier* brand increased in Indonesia. *Merries* baby diapers performed strongly in Japan, increasing market share, and sales grew in China and Russia.

Sales of personal health products were on par with restated FY2011. Although sales of toothpaste decreased compared with restated FY2011 due in part to intensifying competition,



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sales of *Success* men's products and *Megurhythm* steam thermo power pads increased.

Operating income decreased 1.0 billion yen compared with restated FY2011 to 11.5 billion yen with the increase in expenses for new product launches and the impact of market competition, despite the Kao Group's cost reduction activities in addition to the impact of increased sales.

*Fabric and Home Care Business*

Sales increased 2.8% compared with restated FY2011 to 236.7 billion yen. Excluding the effect of currency translation, sales would have increased 2.9%.

Sales of fabric care products increased. In Japan, the Kao Group worked to highlight the reduced laundry time and environmental appeal of conserving water, electricity and resources with the *Neo* series, which includes *Attack Neo* ultra-concentrated liquid laundry detergent, and also expanded the number of users of *Attack Neo Antibacterial EX Power*, which has strong deodorizing and antibacterial properties. *Flair Fragrance* fabric softener, which releases fragrance upon exposure to perspiration or other moisture, was well received by consumers and increased sales. *Wide Hailer EX Power* fabric bleach for color garments performed well. Sales grew in Asia with the strong performance of *Attack Easy* laundry detergent in Indonesia and Thailand, and the launch of new concentrated laundry detergent *Attack 3D Clean Action* in Thailand.

Sales of home care products increased in Japan due to the strong performance of *CuCute* dishwashing detergent and *Kitchen Hailer* kitchen bleach, as well as new products such as *Quickle Wiper 3D Wet Sheets Rose Fragrance* cleaning sheets.

Operating income increased 4.1 billion yen compared with restated FY2011 to 51.4 billion yen as the Kao Group conducted cost reduction activities and other measures, in addition to the effect of the increase in sales.

**Chemical Business**

Sales decreased 5.1% compared with restated FY2011 to 208.1 billion yen, partly because of decreased demand in customer industries and selling price adjustments made in connection with lower raw material prices. Excluding the effect of currency translation, sales would have decreased 3.1%.

In oleo chemicals, the Kao Group adjusted selling prices in connection with lower raw material prices. In performance chemicals, sales were firm as the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact.

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Specialty chemicals were impacted by the economic downturn and structural changes in the personal computer market.

Operating income decreased 4.9 billion yen compared with restated FY2011 to 16.8 billion yen due to the impact of lower demand from customer industries, despite cost reduction activities.

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**1.1.2 Forecast for the Fiscal Year Ending December 31, 2013****Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2013**

(Billions of yen, except per share data)

	FY2013	(For reference) FY2012(adjusted)*	Adjusted growth*	FY2012
Net sales	1,270.0	1,220.4	4.1%	1,012.6
Operating income	116.0	111.8	3.8%	101.6
Ordinary income	117.0	114.1	2.5%	104.2
Net income	73.0	<u>53.1</u>	<u>37.5%</u>	<u>52.8</u>
Net income per share (Yen)	142.60	<u>101.77</u>	<u>40.1%</u>	<u>101.12</u>

\* "(For reference) FY2012 (adjusted)" and "Adjusted growth" present figures for the twelve-month period from January 1 to December 31, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31.

The following rates of increase or decrease are comparisons with the fiscal year ended December 31, 2012 (adjusted).

**1.1.2.1. Forecast of Overall Business Results for the Fiscal Year Ending December 31, 2013**

Continued recovery, albeit weak, is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the public debt problem in Europe and financial issues in the United States. In Japan, although there are expectations of an economic recovery against the backdrop of factors including improved export conditions and the effect of economic measures, the outlook for the operating environment remains unclear, with severe employment conditions and the impact of deflation.

Amid these circumstances, the Kao Group will accurately respond to various changes in the operating environment of the Consumer Products Business as it aims to achieve sustained profitable growth globally with consumer-driven, high-value-added products. In the Chemical Business, the Kao Group will work to strengthen global operations and carry out measures such as developing products with a reduced environmental impact. The Kao Group forecasts net sales of 1,270.0 billion yen (adjusted growth of 4.1%). The Kao Group will work to stimulate the market with new product launches and other measures in Japan and overseas, and expects an increase in sales volume.

As for raw material prices, natural oils and fats are forecast to stabilize, although petrochemical prices are rising. In addition, the Kao Group will work to continue price adjustments and cost reduction activities, while at the same time it will accelerate activities to strengthen global business development. Based on these assumptions, the Kao Group forecasts operating income of 116.0 billion yen (adjusted growth of 3.8%), ordinary income of 117.0 billion yen (adjusted growth of 2.5%), and net income of 73.0 billion yen (adjusted

growth of 37.5%).

EVA is forecast to increase due to an increase in net operating profit after tax (NOPAT).

#### **1.1.2.2. Forecast by Business Segment for the Fiscal Year Ending December 31, 2013**

In the Consumer Products Business in Japan, the market for household and personal care products is projected to grow slightly on a value basis. The cosmetics market is expected to remain flat. In overseas markets, growth is expected to continue in Asia, and a moderate recovery is projected in North America and Europe. In this situation, the Kao Group will take the following actions.

In the Beauty Care Business, the Kao Group will work to revitalize the market by adding greater value to products and proposing the Group's own originality and appeal, while assessing changes in consumer attitudes toward beauty and lifestyle habits. In Japan, the Kao Group will promote the creation of strong brands through initiatives including launches and cultivation of distinctive new products tailored to changes in consumer needs and reform of marketing activities and sales methods to meet changes in consumer purchasing behavior. Overseas, the Kao Group will work to develop high-value-added products that incorporate its original technologies and cultivate and strengthen core brands.

The Kao Group forecasts sales in this business of 560.0 billion yen (adjusted growth of 4.1%).

The Human Health Care Business will promote product development focused on health care for both body and spirit. In sales of food and beverage products, the Kao Group will use products approved as Foods for Specified Health Uses that are differentiated by their high level of functional health value in order to further expand its base of loyal users, including the development of coffee drinks. At the same time, it will offer a health support solutions program in response to rising health consciousness as a result of mandatory special health examinations and specified health guidance. The Kao Group aims to create sanitary products that are gentle on skin and that offer greater comfort and a sense of reassurance. In China, the Kao Group will expand its rollout of baby diapers produced locally targeting the middle-class consumer segment. The Kao Group will work to further raise the brand value of its personal health products by continuing to make original new proposals with products that can become healthy daily lifestyle habits.

The Kao Group forecasts sales in this business of 197.0 billion yen (adjusted growth of 3.9%).

In the Fabric and Home Care Business, the Kao Group will strengthen its brands and offer

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proposals for improvements in daily life based on insights into changing consumer lifestyles, developing high-value-added products that offer cleanliness, comfort and enjoyment in various everyday situations. In collaboration with retailers, the Kao Group will further promote its “eco together” environmental statement with instructional activities that aim to reduce environmental impact throughout the entire lifecycle of products such as the *Neo* series, which includes *Attack Neo* ultra-concentrated liquid laundry detergent. In China and other countries in Asia, the Kao Group will work to develop and nurture products that incorporate its technologies to meet local consumer needs.

The Kao Group forecasts sales in this business of 305.0 billion yen (adjusted growth of 4.5%).

In the Chemical Business, the Kao Group will promote global supply of distinctive chemical products that meet the diverse needs of a wide range of industries.

In oleo chemicals, the Kao Group will stably supply high-quality products by promoting timely capacity expansion to meet increasing demand for fatty alcohols and their derivatives made from natural oils and fats, mainly in Asia.

In performance chemicals, growth is forecast in Asia, while the forecast for Japan includes an improved export environment for customer industries and recovery in demand.

In specialty chemicals, where growth is forecast in the market for products related to information materials, the Kao Group will work to offer products that anticipate customer trends.

In addition, the Kao Group will work to expand sales by opening up growth markets such as the BRICs countries while developing new materials using unique, environmentally conscious technologies, mainly at the Eco-Technology Research Center, in response to rising concern about the environment worldwide.

As a result of the above, including adjustments in selling prices in response to fluctuations in raw material prices, the Kao Group forecasts sales in this business of 242.0 billion yen (adjusted growth of 2.3%).

**1.1.2.3. Underlying Assumptions of the Forecast for the Fiscal Year Ending December 31, 2013**

The above forecast was made assuming translation rates of one U.S. dollar to 90 yen and one euro to 115 yen.

Please note that although petrochemical prices are highly likely to rise, assumptions for raw material prices, including for natural oils and fats, are based on information currently available to the Kao Group.

**1.2. Analysis of Financial Condition****Analysis of Assets, Liabilities, Net Assets and Cash Flow****1.2.1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ended December 31, 2012****Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	As of December 31, 2012	As of March 31, 2012	Incr./(Decr.)	As of December 31, 2012
Total assets	<u>1,030.3</u>	991.3	<u>39.1</u>	<u>11,900.5</u>
Total net assets	<u>596.1</u>	549.7	<u>46.4</u>	<u>6,884.8</u>
Net worth ratio	<u>56.6%</u>	54.3%	-	<u>56.6%</u>
Net worth per share (Yen/US\$)	<u>1,116.61</u>	1,031.08	<u>85.53</u>	<u>12.90</u>
Total debt	<u>103.2</u>	102.1	1.1	<u>1,191.8</u>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	FY2012	FY2011	FY2012
Net cash provided by operating activities	<u>97.4</u>	125.0	<u>1,124.5</u>
Net cash used in investing activities	<u>(44.6)</u>	(49.0)	<u>(515.6)</u>
Free cash flow	<u>52.7</u>	76.1	<u>608.9</u>
Net cash used in financing activities	<u>(32.0)</u>	(86.2)	<u>(369.9)</u>

*Note: Due to a change in the fiscal year end, FY2012 is April to December 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January to December 2012 for subsidiaries whose fiscal year end was December 31.*

Total assets increased 39.1 billion yen from the previous fiscal year-end to 1,030.3 billion yen. The principal increases in assets were a 13.9 billion yen increase in cash and time deposits, a 21.4 billion yen increase in notes and accounts receivable – trade, a 10.6 billion yen increase in short-term investments and a 2.3 billion yen increase in merchandise and finished goods. The principal decrease in assets was a 21.5 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 7.3 billion yen from the previous fiscal year-end to 434.3 billion yen. The principal decreases in liabilities were a 5.2 billion yen decrease in notes and accounts payable – trade and a 6.6 billion yen decrease in income taxes payable.

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Total net assets increased 46.4 billion yen from the previous fiscal year-end to 596.1 billion yen. The principal increases in net assets were net income totaling 52.8 billion yen and foreign currency translation adjustments of 24.2 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 32.4 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 56.6% compared with 54.3% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 97.4 billion yen. The principal increases in net cash were income before income taxes and minority interests of 102.3 billion yen, depreciation and amortization of 59.8 billion yen and change in inventories of 5.1 billion yen. The principal decreases in net cash were income taxes paid of 40.1 billion yen, change in trade receivables of 12.4 billion yen and change in trade payables of 9.6 billion yen.

Net cash used in investing activities totaled 44.6 billion yen. This primarily consisted of purchase of property, plant and equipment of 34.6 billion yen and purchase of short-term investments of 10.0 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 52.7 billion yen.

Net cash used in financing activities totaled 32.0 billion yen. The principal decrease in net cash was 33.5 billion yen for payments of cash dividends, including to minority shareholders.

The balance of cash and cash equivalents at December 31, 2012 increased 30.7 billion yen compared with the end of the previous fiscal year to 160.4 billion yen.

**1.2.2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ending December 31, 2013**

Net cash provided by operating activities is forecast to be approximately 150.0 billion yen, due in part to an increase in income before income taxes and minority interests.

In net cash used in investing activities, the Kao Group plans capital expenditures of approximately 60.0 billion yen, including aggressive investment for global expansion and capital investment for purposes including increasing production capacity, promoting streamlining and improving distribution efficiency.

In net cash used in financing activities, the Kao Group plans a share repurchase announced as

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of this date, payment of cash dividends and other expenditures.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2013 is forecast to decrease approximately 30.0 billion yen from the previous fiscal year end to approximately 130.0 billion yen.

**Cash Flow Indices**

	<b>FY2012</b>	FY2011	FY2010	FY2009	FY2008
Net worth / Total assets (%)	<b><u>56.6</u></b>	54.3	51.7	53.0	48.7
Market capitalization / Total assets (%)	<b><u>113.9</u></b>	114.3	105.9	119.2	91.9
Interest-bearing debt / Operating cash flow (years)	<b>1.2</b>	0.9	1.1	1.1	2.4
Operating cash flow / Interest paid (times)	<b>73.1</b>	51.1	45.4	40.3	20.8

*Notes:.*

1. *Due to a change in the fiscal year end, FY2012 is April to December 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January to December 2012 for subsidiaries whose fiscal year end was December 31.*
2. *All indices are computed based on consolidated data.*
3. *Net worth is net assets, excluding minority interests and stock acquisition rights.*
4. *Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).*
5. *Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which interest is paid.*

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### **1.3. Basic Policies Regarding Distribution of Profits and Dividends for the Period**

In order to achieve profitable growth, Kao Corporation secures an internal reserve for capital investment and acquisitions from a medium-to-long-term management perspective and places priority on providing shareholders with steady and continuous dividends. In addition, the Company flexibly considers the repurchase and retirement of shares from the standpoint of improving capital efficiency.

In accordance with these policies, the Company plans to pay its scheduled year-end dividend for the fiscal year ended December 31, 2012 of 31.00 yen per share, the same as the previous fiscal year. Consequently, cash dividends for the fiscal year will increase 2.00 yen per share compared with the previous fiscal year, resulting in a total of 62.00 yen per share. The consolidated payout ratio will be 61.3%.

For the fiscal year ending December 31, 2013, the Company plans to pay total cash dividends of 64.00 yen per share, an increase of 2.00 yen per share compared with the fiscal year ended December 31, 2012. Although the operating environment is challenging, this plan is in accordance with the Company's basic policies regarding distribution of profits, and free cash flow and other factors have also been taken into consideration. As a result, the projected consolidated payout ratio will be 44.9%.

#### ***Significant Subsequent Event***

At a meeting held on February 5, 2013, the Board of Directors resolved to purchase the Company's stock, up to a maximum of 12.5 million shares or 30.0 billion yen, from February 6 to April 26, 2013, in accordance with Article 156 of the Corporation Law applicable pursuant to Article 165, paragraph 3 of the said Law.

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**1.4. Other**

**(1) Changes in material subsidiaries during this fiscal year: None**

**(2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements: None**

**(3) Consolidated taxation:**

The Company and certain subsidiaries in Japan have received authorization from the Director General of the National Tax Administration Agency to apply the consolidated taxation system from the fiscal year ending December 31, 2013. Consequently, from the fiscal year ended December 31, 2012, accounting treatment assumes the application of the consolidated taxation system based on “Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (Practical Issues Task Force No. 5, March 18, 2011) and “Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (Practical Issues Task Force No. 7, June 30, 2010).

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## **2. Management Policies**

### **2.1. Management Policies of the Kao Group**

The Kao Group's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective. This commitment is embraced by all members of the Kao Group as we work together with passion to share joy with consumers and customers in our core domains of cleanliness, beauty, health and chemicals.

The Kao Group aims to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of its shareholders and all other stakeholders, as it continually raises its corporate value on the basis of "profitable growth."

The corporate philosophy that forms the basis of these activities is "The Kao Way," which clearly expresses the Kao Group's unique corporate culture and the essence of its corporate spirit, and is shared and practiced by all employees.

### **2.2. Management Metric Used as a Target**

EVA, which is used to measure true profit by factoring in the cost of invested capital, is the Kao Group's principal management metric. Continuous growth in EVA is linked to increased corporate value, which means long-term profits not only for shareholders, but for all Kao Group stakeholders as well. While working to expand its business scale, the Kao Group views EVA growth as a primary focus of operating activity. The Kao Group also uses this metric to determine the direction of long-term management strategies, to assess specific businesses, to evaluate acquisitions and capital investment, and to develop performance targets for each fiscal year.

### **2.3. Medium-to-long-term Management Strategies**

Structural changes are occurring worldwide in the Kao Group's operating environment over the medium to long term, including 1) a shift in the center of the economy as emerging nations create enormous markets, 2) the emergence of new consumers including people who are increasingly dependent on digital media, as well as segments such as the growing elderly population, and 3) rising interest in environmental issues. The Kao Group sees opportunities for significant progress from these changes, and will work to achieve global growth by promoting ecology-centered management and establishing its corporate identity in line with

its corporate message of “Enriching lives, in harmony with nature.”

Regarding business activities, in the Consumer Products Business area, which consists of the three businesses of Beauty Care, Human Health Care, and Fabric and Home Care, and the Chemical Business area, the Kao Group will emphasize research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group as “*Yoki-Monozukuri*,” and aim to become a company with a global presence as it works for both sustained “profitable growth” by increasing the added value of its products and “contributions to society” by resolving social issues and conducting social contribution activities through its business activities.

To realize this vision and increase corporate value, the Kao Group is now implementing Kao Group Mid-term Plan 2015 (K15), with 2013 as the first year.

**Kao Group Mid-term Plan 2015 (K15)**

Target 1: Break previous records for consolidated net sales and profits

Target 2: Achieve numerical management targets for FY2015

Consolidated net sales	¥1,400.0 billion
Consolidated operating income	¥150.0 billion
Overseas sales ratio	30% or more

The growth strategies for achieving the plan’s goals are as follows.

1) Expand the Consumer Products Business globally

Continued substantial expansion is forecast for the growth markets of Asia and other emerging nations. The Kao Group will work to expand its business with product development that incorporates its original technologies, centered on products in the domain of “cleanliness” including laundry detergents, baby diapers and sanitary napkins targeting the growing middle-class consumer segment.

In North America, Europe and other mature markets, the Kao Group will work on high-value-added products that incorporate its original technologies in the fields of prestige cosmetics, premium mass skin care and hair care, and professional hair care.

2) Further Reinforce the Fabric and Home Care Business, and accelerate profitable growth in the Beauty Care and Human Health Care Businesses

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In the Fabric and Home Care Business, its core profit base, the Kao Group will work to maintain or capture the top share in each product category.

In addition to strengthening the prestige cosmetics business in the Beauty Care Business, the Kao Group will aim for greater growth and expansion with high-value-added products and services focused on health and the aging society in the Human Health Care Business.

3) Reinforce the Chemical Business

In the Chemical Business, the Kao Group will aim for rapid progress toward an eco-chemical business through innovations led by the Eco-Technology Research Center.

In addition, the Kao Group will strengthen synergy with the Consumer Products Business.

With regard to operating structure, through the global management integration of the Consumer Products Business, the Kao Group will strengthen its matrix management of business units and functional divisions, and promote reformation of its profit structure from a perspective of what is best for the Group as a whole.

**2.4. Issues for Management**

With intensifying market competition, changing market structure and volatility in raw material market conditions and exchange rates, the operating environment remains severe and uncertain.

In addition, changes in consumer attitudes in everyday life and associated changes in their purchasing attitudes are occurring and social issues are on the rise, such as increasing environmental awareness and health consciousness, and the aging society.

By steadily carrying out the growth strategies of Kao Group Mid-term Plan 2015 (K15), which was formulated with this operating environment in mind, the Kao Group will deal with these various issues, and work for both sustained “profitable growth” through the development of high-value-added products and “contributions to society” as it aims to become a company with a global presence.

**Consolidated Balance Sheets**

Millions of yen

	<u>FY2012</u> <u>Dec 31, 2012</u>	<u>FY2011</u> <u>Mar 31, 2012</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	99,334	85,483
Notes and accounts receivable - trade	164,250	142,882
Short-term investments	57,443	46,798
Merchandise and finished goods	84,712	82,393
Work in process	10,789	11,670
Raw materials and supplies	26,706	26,643
Prepaid expenses	6,123	5,678
Deferred tax assets	17,002	17,736
Other	28,397	14,781
Allowance for doubtful receivables	(1,349)	(1,115)
<b>Total current assets</b>	<b>493,407</b>	<b>432,949</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Buildings and structures	332,690	323,138
Accumulated depreciation	(254,505)	(246,074)
Buildings and structures, net	78,185	77,064
Machinery, equipment and vehicles	631,347	612,446
Accumulated depreciation	(558,596)	(544,171)
Machinery, equipment and vehicles, net	72,751	68,275
Tools, furniture and fixtures	83,747	81,311
Accumulated depreciation	(71,377)	(68,992)
Tools, furniture and fixtures, net	12,370	12,319
Land	64,807	64,796
Lease assets	11,889	11,934
Accumulated depreciation	(4,435)	(3,919)
Lease assets, net	7,454	8,015
Construction in progress	16,777	10,109
<b>Total property, plant and equipment</b>	<b>252,344</b>	<b>240,578</b>
Intangible assets		
Goodwill	159,165	165,614
Trademarks	41,851	53,583
Other	14,907	18,266
<b>Total intangible assets</b>	<b>215,923</b>	<b>237,463</b>
Investments and other assets		
Investment securities	14,822	13,344
Long-term loans	1,567	1,742
Long-term prepaid expenses	14,254	12,441
Deferred tax assets	28,282	42,554
Other	10,176	10,420
Allowance for doubtful receivables	(428)	(219)
<b>Total investments and other assets</b>	<b>68,673</b>	<b>80,282</b>
<b>Total fixed assets</b>	<b>536,940</b>	<b>558,323</b>
<b>Total assets</b>	<b>1,030,347</b>	<b>991,272</b>

**Consolidated Balance Sheets**

Millions of yen

	<u>FY2012</u> <u>Dec 31, 2012</u>	<u>FY2011</u> <u>Mar 31, 2012</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	105,472	110,659
Short-term loans	3,115	2,060
Current portion of bonds	50,000	-
Current portion of long-term loans	7	5
Accounts payable - other	52,485	48,499
Accrued expenses	74,449	73,538
Income taxes payable	11,658	18,306
Liabilities for loss related to the Great East Japan Earthquake	-	33
Other	18,688	21,810
<b>Total current liabilities</b>	<b>315,874</b>	<b>274,910</b>
<b>Long-term liabilities</b>		
Bonds	-	49,999
Long-term loans	50,066	50,049
Liability for employee retirement benefits	45,717	45,026
Other	22,607	21,584
<b>Total long-term liabilities</b>	<b>118,390</b>	<b>166,658</b>
<b>Total liabilities</b>	<b>434,264</b>	<b>441,568</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	468,019	447,619
Treasury stock, at cost	(8,985)	(9,064)
<b>Total shareholders' equity</b>	<b>654,019</b>	<b>633,540</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	2,447	2,283
Deferred gain (loss) on derivatives under hedge accounting	6	(3)
Foreign currency translation adjustments	(71,872)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries	(1,901)	(1,697)
<b>Total accumulated other comprehensive income</b>	<b>(71,320)</b>	<b>(95,511)</b>
<b>Stock acquisition rights</b>	<b>1,294</b>	<b>1,238</b>
<b>Minority interests</b>	<b>12,090</b>	<b>10,437</b>
<b>Total net assets</b>	<b>596,083</b>	<b>549,704</b>
<b>Total liabilities and net assets</b>	<b>1,030,347</b>	<b>991,272</b>

**Consolidated Statements of Income**

*Millions of yen*

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
<b>Net sales</b>	<b>1,012,595</b>	<b>1,216,096</b>
Cost of sales	442,522	525,012
<b>Gross profit</b>	<b>570,073</b>	<b>691,084</b>
Selling, general and administrative expenses	468,506	582,494
<b>Operating income</b>	<b>101,567</b>	<b>108,590</b>
Non-operating income		
Interest income	838	908
Dividend income	173	160
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,710	1,658
Other	2,256	2,589
Total non-operating income	4,977	5,315
Non-operating expenses		
Interest expense	1,181	2,204
Foreign currency exchange loss	280	621
Other	869	1,053
Total non-operating expenses	2,330	3,878
<b>Ordinary income</b>	<b>104,214</b>	<b>110,027</b>
Extraordinary gain		
Gain on sales of fixed assets	133	178
Gain on sales of stock of subsidiary	270	-
Other	245	96
Total extraordinary gain	648	274
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,215	2,381
Loss related to the Great East Japan Earthquake	-	2,028
Other	343	634
Total extraordinary loss	2,558	5,043
<b>Income before income taxes and minority interests</b>	<b>102,304</b>	<b>105,258</b>
Income taxes		
Income taxes - current	32,550	38,653
Income taxes - deferred	15,619	12,120
Total income taxes	48,169	50,773
<b>Income before minority interests</b>	<b>54,135</b>	<b>54,485</b>
Minority interests	1,370	2,050
<b>Net income</b>	<b>52,765</b>	<b>52,435</b>



**Consolidated Statements of Comprehensive Income**

*Millions of yen*

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
Income before minority interests	54,135	54,485
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	141	487
Foreign currency translation adjustments	25,315	(12,169)
Share in other comprehensive income of associates applied for equity method	137	(172)
Post retirement liability adjustments for foreign consolidated subsidiaries	(204)	(1,236)
Other comprehensive income	25,389	(13,090)
Comprehensive income	<u>79,524</u>	41,395
Attributable to:		
Shareholders of Kao Corporation	<u>76,956</u>	39,956
Minority interests	<u>2,568</u>	1,439

**Major Items of Consolidated Selling, General and Administrative Expenses**

*Millions of yen*

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
Freight/warehouse	56,792	68,388
Advertising	67,045	82,209
Sales promotion	52,101	62,980
Salaries and bonuses	97,738	121,787
Research and development	<u>37,493</u>	48,171

**Consolidated Statements of Changes in Equity**

Millions of yen

	<b>FY2012</b> <b>Apr '12 - Dec '12</b>	<b>FY2011</b> <b>Apr '11 - Mar '12</b>
<b>Shareholders' equity</b>		
Common stock		
Balance at beginning of current period	85,424	85,424
Changes of items during the period		
Total changes of items during the period	-	-
Balance at end of period	85,424	85,424
Capital surplus		
Balance at beginning of current period	109,561	109,561
Changes of items during the period		
Total changes of items during the period	-	-
Balance at end of period	109,561	109,561
Retained earnings		
Balance at beginning of current period	447,619	457,918
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	<u>52,765</u>	52,435
Disposal of treasury stock	(12)	(1)
Retirement of treasury stock	-	(32,460)
Total changes of items during the period	<u>20,400</u>	(10,299)
Balance at end of period	<u>468,019</u>	447,619
Treasury stock		
Balance at beginning of current period	(9,064)	(40,977)
Changes of items during the period		
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	85	81
Retirement of treasury stock	-	32,460
Total changes of items during the period	79	31,913
Balance at end of period	(8,985)	(9,064)
Total shareholders' equity		
Balance at beginning of current period	633,540	611,926
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	<u>52,765</u>	52,435
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	73	80
Retirement of treasury stock	-	-
Total changes of items during the period	<u>20,479</u>	21,614
Balance at end of period	<u>654,019</u>	633,540

**Consolidated Statements of Changes in Equity**

Millions of yen

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities		
Balance at beginning of current period	2,283	1,861
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	164	422
Total changes of items during the period	164	422
Balance at end of period	2,447	2,283
Deferred gain (loss) on derivatives under hedge accounting		
Balance at beginning of current period	(3)	(2)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	9	(1)
Total changes of items during the period	9	(1)
Balance at end of period	6	(3)
Foreign currency translation adjustments		
Balance at beginning of current period	(96,094)	(84,430)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	24,222	(11,664)
Total changes of items during the period	24,222	(11,664)
Balance at end of period	(71,872)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries		
Balance at beginning of current period	(1,697)	(461)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(204)	(1,236)
Total changes of items during the period	(204)	(1,236)
Balance at end of period	(1,901)	(1,697)
Total accumulated other comprehensive income		
Balance at beginning of current period	(95,511)	(83,032)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	24,191	(12,479)
Total changes of items during the period	24,191	(12,479)
Balance at end of period	(71,320)	(95,511)
<b>Stock acquisition rights</b>		
Balance at beginning of current period	1,238	1,143
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	56	95
Total changes of items during the period	56	95
Balance at end of period	1,294	1,238
<b>Minority interests</b>		
Balance at beginning of current period	10,437	9,527
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	1,653	910
Total changes of items during the period	1,653	910
Balance at end of period	12,090	10,437
<b>Total net assets</b>		
Balance at beginning of current period	549,704	539,564
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	52,765	52,435
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	73	80
Retirement of treasury stock	-	-
Net changes of items other than shareholders' equity during the period	25,900	(11,474)
Total changes of items during the period	46,379	10,140
Balance at end of period	596,083	549,704

**Consolidated Statements of Cash Flows**

Millions of yen

	FY2012 Apr '12 - Dec '12	FY2011 Apr '11 - Mar '12
<b>Operating activities:</b>		
Income before income taxes and minority interests	102,304	105,258
Adjustments for:		
Depreciation and amortization	59,788	79,798
(Gain) loss on sales and retirement of fixed assets	2,082	2,202
Interest and dividend income	(1,011)	(1,068)
Interest expense	1,181	2,204
Unrealized foreign currency exchange (gain) loss	(1,389)	159
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,710)	(1,658)
Change in trade receivables	(12,395)	(26,513)
Change in inventories	5,083	(14,936)
Change in prepaid pension cost	75	906
Change in trade payables	(9,637)	8,997
Change in liability for retirement benefits	(56)	3,056
Other, net	(8,021)	4,935
Subtotal	136,294	163,340
Interest and cash dividends received	2,499	2,479
Interest paid	(1,331)	(2,448)
Income taxes paid	(40,105)	(38,339)
<b>Net cash provided by operating activities</b>	<b>97,357</b>	<b>125,032</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	4,400	3,583
Purchase of short-term investments	(10,000)	(381)
Proceeds from the redemption and sales of short-term investments	5,078	1,441
Purchase of property, plant and equipment	(34,555)	(41,684)
Purchase of intangible assets	(2,595)	(3,375)
Payments for long-term prepaid expenses	(5,091)	(5,030)
Change in short-term loans, net	(293)	537
Payments for long-term loans	(470)	(1,498)
Other, net	(1,115)	(2,545)
<b>Net cash used in investing activities</b>	<b>(44,641)</b>	<b>(48,952)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	717	(4,610)
Proceeds from long-term loans	217	50,013
Repayments of long-term loans	(205)	(50,012)
Redemption of bonds	-	(50,000)
Purchase of treasury stock	(7)	(10)
Payments of cash dividends	(31,163)	(30,307)
Payments of cash dividends to minority shareholders	(2,350)	(469)
Other, net	763	(768)
<b>Net cash used in financing activities</b>	<b>(32,028)</b>	<b>(86,163)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>9,702</b>	<b>(3,323)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,390</b>	<b>(13,406)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>129,737</b>	<b>143,143</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries, increase</b>	<b>308</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>160,435</b>	<b>129,737</b>

**Consolidated Segment Information**

Millions of yen

FY2012 Apr '12 - Dec '12	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
<b>Net sales</b>								
Sales to customers	444,425	151,977	236,748	833,150	179,445	1,012,595	-	1,012,595
Intersegment sales	-	-	-	-	28,626	28,626	(28,626)	-
<b>Total</b>	<b>444,425</b>	<b>151,977</b>	<b>236,748</b>	<b>833,150</b>	<b>208,071</b>	<b>1,041,221</b>	<b>(28,626)</b>	<b>1,012,595</b>
<b>Operating income</b>	<b>21,821</b>	<b>11,548</b>	<b>51,368</b>	<b>84,737</b>	<b>16,813</b>	<b>101,550</b>	<b>17</b> <sup>1</sup>	<b>101,567</b>
% of net sales	4.9	7.6	21.7	10.2	8.1	9.8	-	10.0
<b>Total assets</b>	<b>466,279</b>	<b>112,751</b>	<b>143,177</b>	<b>722,207</b>	<b>217,046</b>	<b>939,253</b>	<b>91,094</b> <sup>2</sup>	<b>1,030,347</b>
<b>Depreciation and amortization</b> <sup>3</sup>	<b>26,365</b>	<b>6,410</b>	<b>6,669</b>	<b>39,444</b>	<b>10,626</b>	<b>50,070</b>	-	<b>50,070</b>
<b>Amortization of goodwill</b>	<b>9,718</b>	-	-	<b>9,718</b>	-	<b>9,718</b>	-	<b>9,718</b>
<b>Investment for affiliates applied for equity methods</b>	<b>2,660</b>	<b>1,010</b>	<b>1,194</b>	<b>4,864</b>	<b>1,736</b>	<b>6,600</b>	-	<b>6,600</b>
<b>Capital expenditure</b> <sup>5</sup>	<b>11,693</b>	<b>8,830</b>	<b>8,701</b>	<b>29,224</b>	<b>12,705</b>	<b>41,929</b>	-	<b>41,929</b>
<b>FY2011 Apr '11 - Mar '12</b>	<b>Consumer Products Business</b>				<b>Chemical Business</b>	<b>Total</b>	<b>Reconciliations</b>	<b>Consolidated</b>
	<b>Beauty Care Business</b>	<b>Human Health Care Business</b>	<b>Fabric and Home Care Business</b>	<b>Total</b>				
<b>Net sales</b>								
Sales to customers	537,938	181,758	285,645	1,005,341	210,755	1,216,096	-	1,216,096
Intersegment sales	-	-	-	-	36,880	36,880	(36,880)	-
<b>Total</b>	<b>537,938</b>	<b>181,758</b>	<b>285,645</b>	<b>1,005,341</b>	<b>247,635</b>	<b>1,252,976</b>	<b>(36,880)</b>	<b>1,216,096</b>
<b>Operating income</b>	<b>15,412</b>	<b>14,630</b>	<b>55,544</b>	<b>85,586</b>	<b>23,001</b>	<b>108,587</b>	<b>3</b> <sup>1</sup>	<b>108,590</b>
% of net sales	2.9	8.0	19.4	8.5	9.3	8.7	-	8.9
<b>Total assets</b>	<b>496,177</b>	<b>99,535</b>	<b>128,858</b>	<b>724,570</b>	<b>194,583</b>	<b>919,153</b>	<b>72,119</b> <sup>4</sup>	<b>991,272</b>
<b>Depreciation and amortization</b> <sup>3</sup>	<b>37,766</b>	<b>7,926</b>	<b>9,794</b>	<b>55,486</b>	<b>11,648</b>	<b>67,134</b>	-	<b>67,134</b>
<b>Amortization of goodwill</b>	<b>12,664</b>	-	-	<b>12,664</b>	-	<b>12,664</b>	-	<b>12,664</b>
<b>Investment for affiliates applied for equity methods</b>	<b>1,780</b>	<b>1,083</b>	<b>1,239</b>	<b>4,102</b>	<b>1,661</b>	<b>5,763</b>	-	<b>5,763</b>
<b>Capital expenditure</b> <sup>5</sup>	<b>13,106</b>	<b>11,520</b>	<b>12,219</b>	<b>36,845</b>	<b>10,333</b>	<b>47,178</b>	-	<b>47,178</b>

Notes:

- 1 Reconciliation of operating income includes elimination of intersegment inventory transactions.
- 2 Includes 111,393 million yen of Kao's financial assets and negative 20,299 million yen elimination of receivables among reportable segments
- 3 Excludes amortization of goodwill
- 4 Includes 78,742 million yen of Kao's financial assets and negative 6,623 million yen elimination of receivables among reportable segments
- 5 Includes long-term prepaid expenses

### Consolidated Net Sales Composition

Millions of yen

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>	Adjusted growth' <u>%</u>
<b>Consumer Products Business</b>			
Beauty Care Business	312,590	407,659	0.2
Human Health Care Business	131,577	164,575	4.6
Fabric and Home Care Business	208,922	260,041	2.1
Total Japan	653,089	832,275	1.7
Asia <sup>2</sup>	87,184	81,610	7.0
Americas <sup>2</sup>	56,644	55,130	2.7
Europe	57,252	61,512	(6.9)
Eliminations	(21,019)	(25,186)	-
<b>Total</b>	<b>833,150</b>	<b>1,005,341</b>	<b>1.7</b>
<b>Chemical Business</b>			
Japan	91,994	125,477	(3.8)
Asia	75,556	89,154	(15.3)
Americas	33,558	35,908	(6.5)
Europe	53,465	55,691	(4.0)
Eliminations	(46,502)	(58,595)	-
<b>Total</b>	<b>208,071</b>	<b>247,635</b>	<b>(5.1)</b>
<b>Total before Eliminations</b>	<b>1,041,221</b>	<b>1,252,976</b>	<b>0.3</b>
Eliminations	(28,626)	(36,880)	-
<b>Consolidated</b>	<b>1,012,595</b>	<b>1,216,096</b>	<b>0.4</b>

Notes:

- Adjusted growth is a comparison with a FY2011 business results adjusted to nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
- Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under Americas from the fiscal year ended December 31, 2012. Amounts and percentage of growth for the previous fiscal year have been restated for the purpose of comparison.

**Appendix**

**Major Products by Reportable Segment**

Reportable Segments		Major Products	
Consumer Products Business	Beauty Care Business	Prestige cosmetics	Counseling cosmetics, self-selection cosmetics
		Premium skin care products	Soaps, facial cleansers, body cleansers
		Premium hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents
	Human Health Care Business	Food and beverage products	Beverages
		Sanitary products	Sanitary napkins, baby diapers
		Personal health products	Bath additives, oral care products, men's products
	Fabric and Home Care Business	Fabric care products	Laundry detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products, commercial-use products
	Chemical Business		Oleo chemicals
Performance chemicals			Surfactants, plastics additives, superplasticizers for concrete admixtures
Specialty chemicals			Toner and toner binder for copiers and printers, ink and colorants for inkjet printers, fragrances and aroma chemicals

## Kao Corporation Reports Business Results

Tokyo, February 5, 2013 — Kao Corporation today announced its consolidated business results for the fiscal year ended December 31, 2012. The following summary of the business results is unaudited and for reference only.

Due to a change in the fiscal year end, the term of consolidation for the fiscal year ended December 31, 2012 is the nine-month period from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve-month period from January to December for subsidiaries whose year end was December 31.

Ticker code: 4452

### Consolidated Financial Highlights

(Millions of yen, millions of U.S. dollars, except per share data)

Fiscal year	2012	2011	Adjusted growth	2012
	Yen	Yen	%	U.S. dollars
Net sales	<b>1,012,595</b>	1,216,096	0.4	<b>11,695.5</b>
Operating income	<b>101,567</b>	108,590	3.2	<b>1,173.1</b>
Ordinary income	<b>104,214</b>	110,027	4.0	<b>1,203.7</b>
Net income	<b><u>62,386</u></b>	52,435	<u>20.5</u>	<b><u>720.6</u></b>
Comprehensive income	<b><u>89,145</u></b>	41,395	<u>121.8</u>	<b><u>1,029.6</u></b>
ROE (Net income / Net worth)	<b><u>11.0%</u></b>	9.8%	-	<b><u>11.0%</u></b>
ROA (Ordinary income / Total assets)	<b><u>10.3%</u></b>	10.9%	-	<b><u>10.3%</u></b>
Operating income / Net sales	<b><u>10.0%</u></b>	8.9%	-	<b><u>10.0%</u></b>
			Growth	
			%	
Total assets	<b><u>1,039,968</u></b>	991,272	<u>4.9</u>	<b><u>12,011.6</u></b>
Total net assets	<b><u>605,704</u></b>	549,704	<u>10.2</u>	<b><u>6,995.9</u></b>
Net worth	<b><u>592,320</u></b>	538,030	<u>10.1</u>	<b><u>6,841.3</u></b>
Net worth ratio	<b><u>57.0%</u></b>	54.3%	-	<b><u>57.0%</u></b>
Fiscal year	2012	2011	Adjusted growth	2012
	Yen	Yen	%	U.S. dollars
Net worth per share (Yen/US\$)	<b><u>1,135.05</u></b>	1,031.08	<u>10.3</u>	<b><u>13.11</u></b>
Net income per share (Yen/US\$)	<b><u>119.55</u></b>	100.46	<u>20.6</u>	<b><u>1.38</u></b>
Net income per share, fully diluted (Yen/US\$)	<b><u>119.50</u></b>	100.43	<u>20.6</u>	<b><u>1.38</u></b>
	Yen	Yen		U.S. dollars
Net cash provided by operating activities	<b>97,357</b>	125,032	-	<b>1,124.5</b>
Net cash used in investing activities	<b>(44,641)</b>	(48,952)	-	<b>(515.6)</b>
Net cash used in financing activities	<b>(32,028)</b>	(86,163)	-	<b>(369.9)</b>
Cash and cash equivalents, end of period	<b>160,435</b>	129,737	-	<b>1,853.0</b>

#### Notes:

- Adjusted growth is a comparison with a FY2011 business results adjusted to nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
- Net worth is net assets, excluding minority interests and stock acquisition rights.
- The net worth ratio is defined as net worth divided by total assets.
- Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
- Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
- Number of shares outstanding at the end of the periods (common stock):
  - Number of shares including treasury stock:  
526,212,501 shares as of December 31, 2012; 526,212,501 shares as of March 31, 2012.
  - Number of shares of treasury stock:  
4,368,145 shares as of December 31, 2012; 4,402,474 shares as of March 31, 2012.
- Weighted average number of shares outstanding during the fiscal year:  
521,824,203 shares ended December 31, 2012; 521,936,275 shares ended March 31, 2012.



## Consolidated Results by Segment

Fiscal year	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Beauty Care	444.4	444.5	(0.0)	0.5	21.8	17.0	4.8
Human Health Care	152.0	144.1	5.5	5.5	11.5	12.6	(1.0)
Fabric and Home Care	236.7	230.4	2.8	2.9	51.4	47.2	4.1
Consumer Products Total	833.2	819.0	1.7	2.1	84.7	76.9	7.9
Chemical	208.1	219.2	(5.1)	(3.1)	16.8	21.7	(4.9)
Total	1,041.2	1,038.3	0.3	1.0	101.6	98.6	3.0
Reconciliations	(28.6)	(30.0)	-	-	0.0	(0.1)	0.1
Consolidated	1,012.6	1,008.3	0.4	1.1	101.6	98.5	3.1

Fiscal year	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Beauty Care	5,133.1	5,134.1	(0.0)	0.5	252.0	196.9	55.1
Human Health Care	1,755.3	1,664.6	5.5	5.5	133.4	145.5	(12.1)
Fabric and Home Care	2,734.4	2,661.2	2.8	2.9	593.3	545.6	47.7
Consumer Products Total	9,622.9	9,459.9	1.7	2.1	978.7	888.0	90.7
Chemical	2,403.2	2,532.2	(5.1)	(3.1)	194.2	250.8	(56.6)
Total	12,026.1	11,992.1	0.3	1.0	1,172.9	1,138.7	34.2
Reconciliations	(330.6)	(346.2)	-	-	0.2	(1.5)	1.7
Consolidated	11,695.5	11,645.8	0.4	1.1	1,173.1	1,137.2	35.9

## Reference: Consolidated Results by Geographic Area

Fiscal year	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Japan	720.8	712.3	1.2	1.2	86.5	77.6	9.0
Asia <sup>3</sup>	159.9	167.6	(4.6)	(4.2)	6.3	9.4	(3.2)
Americas <sup>3</sup>	90.0	90.9	(1.0)	(0.8)	2.7	3.7	(0.9)
Europe	110.5	117.0	(5.5)	0.7	6.1	8.0	(1.9)
Total	1,081.2	1,087.9	(0.6)	0.1	101.7	98.7	2.9
Reconciliations	(68.6)	(79.6)	-	-	(0.1)	(0.3)	0.2
Consolidated	1,012.6	1,008.3	0.4	1.1	101.6	98.5	3.1

Fiscal year	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2012	Restated 2011 <sup>1</sup>	Adjusted <sup>1</sup>	Like-for-like <sup>2</sup>	2012	Restated 2011 <sup>1</sup>	Change
Japan	8,325.1	8,227.6	1.2	1.2	999.5	896.0	103.5
Asia <sup>3</sup>	1,846.4	1,935.9	(4.6)	(4.2)	72.3	109.0	(36.7)
Americas <sup>3</sup>	1,039.5	1,049.8	(1.0)	(0.8)	31.6	42.3	(10.7)
Europe	1,276.5	1,351.4	(5.5)	0.7	70.8	92.9	(22.0)
Total	12,487.4	12,564.7	(0.6)	0.1	1,174.2	1,140.1	34.1
Reconciliations	(792.0)	(918.9)	-	-	(1.1)	(2.9)	1.8
Consolidated	11,695.5	11,645.8	0.4	1.1	1,173.1	1,137.2	35.9

## Notes:

1. Restated FY2011 and adjusted growth present figures for the nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen and a comparison with FY2011 business results adjusted to a nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
3. Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under Americas from the fiscal year ended December 31, 2012. Amounts and percentage of growth for the previous fiscal year have been restated for the purpose of comparison.
4. Information on consolidated results by geographic area is for reference.
5. Consolidated net sales of fiscal year were 1,012.6 billion yen and net sales to foreign customers were as follows; Asia 130.2 billion yen, Americas 93.4 billion yen and Europe 98.5 billion yen.

**Dividend**

(Millions of yen, millions of U.S. dollars, except per share data)

	Dec. 31, 2012	Mar. 31, 2012	Dec. 31, 2012
	Yen		U.S. dollars
Annual cash dividends per share (Yen/US\$)	<b>62.00</b>	60.00	<b>0.72</b>
Total dividend payment amount	<b>32,388</b>	31,342	<b>374.08</b>
Payout ratio (consolidated)	<b>51.9%</b>	59.7%	<b>51.9%</b>
Cash dividends / Total net assets (consolidated)	<b>5.7%</b>	5.9%	<b>5.7%</b>

**Forecast of Consolidated Results for the Year Ending December 31, 2013**

(Billions of yen, millions of U.S. dollars, except per share data)

	Six months ending June 30, 2013			Year ending December 31, 2013		
	Yen	Adjusted growth (%)	U.S. dollars	Yen	Adjusted growth (%)	U.S. dollars
Net sales	600.0	3.7	6,930.0	1,270.0	4.1	14,668.5
Operating income	32.0	(8.2)	369.6	116.0	3.8	1,339.8
Ordinary income	33.0	(8.5)	381.2	117.0	2.5	1,351.4
Net income	19.0	(1.2)	219.5	73.0	<u>16.4</u>	843.2
Net income per share (Yen/US\$)	37.11	-	0.43	142.60	-	1.65
Cash dividends per share (Yen/US\$)	32.00	-	0.37	64.00	-	0.74

*Notes:*

1. *Adjusted growth is a comparison with FY2012 business results adjusted to a twelve-month period from January 1 to December 31, 2012.*
2. *Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.*

**Notes for This News Release:**

1. *Figures in the Company's consolidated financial statements and other items, which were previously truncated to their respective units for presentation, are rounded to the nearest unit from the fiscal year ended December 31, 2012. Figures for the previous fiscal year have been restated for ease of comparison.*
2. *U.S. dollar amounts represent translations using the approximate exchange rate on December 31, 2012 of 86.58 yen=US\$1, and are presented solely for the convenience of readers.*

**Forward-Looking Statements**

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

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## 1. Consolidated Business Results

### 1.1. Analysis of Business Results and Financial Condition

Due to a change in the fiscal year end, the term of consolidation for the fiscal year ended December 31, 2012 is the nine-month period from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve-month period from January to December for subsidiaries whose fiscal year end was December 31.

	(Billions of yen, except per share data)			
	FY2012	(For reference) Restated FY2011*	Adjusted growth*	FY2011
Net sales	1,012.6	1,008.3	0.4%	1,216.1
Operating income	101.6	98.5	3.2%	108.6
Ordinary income	104.2	100.2	4.0%	110.0
Net income	<u>62.4</u>	51.8	<u>20.5%</u>	52.4
Net income per share (Yen)	<u>119.55</u>	99.16	<u>20.6%</u>	100.46

\* “(For reference) Restated FY2011” and “Adjusted growth” present figures for the nine-month period from April 1 to December 31, 2011 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31.

The following rates of increase or decrease are comparisons with restated FY2011.

#### 1.1.1. Business Results for the Fiscal Year

##### 1.1.1.1. Overall Business Trends during the Fiscal Year

During the fiscal year ended December 31, 2012 (April 1, 2012 to December 31, 2012), recovery of the global economy remained weak, with the problem of the sovereign debt crisis in Europe. In the Japanese economy, although there were some signs of bottoming out amid weak activity, conditions remained severe. The household and personal care products market in Japan, a key market for the Kao Group, grew by about 1% on a value basis compared with restated FY2011, although consumer purchase prices fell, partly due to the effects of deflation. The cosmetics market in Japan was flat compared with restated FY2011.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value in response to changes in consumer needs based on its concept of “Yoki-Monozukuri,”\* and promoted cost reduction activities.

\* The Kao Group defines “Yoki-Monozukuri” as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese, “Yoki” literally means “good/excellent,” and “Monozukuri” means “development/manufacturing of products.”

Net sales increased 0.4% compared with restated FY2011 to 1,012.6 billion yen. Excluding the effect of currency translation, net sales would have increased 1.1%. In the Consumer Products Business, sales rose compared with restated FY2011, reflecting the contribution from the Human Health Care Business, which includes sanitary and other products, and the Fabric and Home Care Business. In the Chemical Business, sales decreased compared with restated FY2011 due to the impact of decreased demand in customer industries and adjustment of selling prices in connection with lower raw material prices.

In addition to the impact of increased sales on profits, raw material prices decreased, mainly for natural oils and fats and petrochemicals, and the Kao Group worked to promote cost reduction activities and make more efficient use of expenses. As a result, operating income increased 3.1 billion yen compared with restated FY2011 to 101.6 billion yen. Ordinary income increased 4.0 billion yen compared with restated FY2011 to 104.2 billion yen, and net income increased 10.6 billion yen compared with restated FY2011 to 62.4 billion yen, partly due to recognition of deferred tax assets at a consolidated subsidiary in connection with the resolution in June 2012 to change the fiscal year end.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 1.6 billion yen compared with restated FY2011 to 125.7 billion yen, which is equivalent to 12.4% of net sales.

Net income per share was 119.55 yen, an increase of 20.39 yen, or adjusted growth of 20.6%, from 99.16 yen in restated FY2011.

Economic value added (EVA\*), which the Kao Group uses as a management indicator, was higher for the twelve-month period from January to December than the previous year, reflecting an increase in net operating profit after tax (NOPAT).

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

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

	January-March	April-June	July-September	October-December
Yen/U.S. dollar	79.75 (82.33)	79.81 (81.23)	78.12 (77.08)	82.79 (77.87)
Yen/Euro	106.31 (113.77)	101.20 (118.29)	98.15 (108.74)	108.18 (104.86)

*Note: Figures in parentheses represent the exchange rates for the same period of the previous fiscal year.*

### 1.1.1.2. Trends by Segment for the Fiscal Year

#### *Summary of Results by Business Segment*

##### **Consumer Products Business**

Sales increased 1.7% compared with restated FY2011 to 833.2 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In Japan, sales increased 1.7% to 653.1 billion yen. The Kao Group dealt with intensified market competition by taking measures including launching new products in response to changing consumer lifestyles and enhancing proposal-based sales and in-store merchandising activities.

In Asia, sales increased 7.0% to 87.2 billion yen. Excluding the effect of currency translation, sales would have increased 7.8%. In the *Bioré* skin care, *Attack* laundry detergent, *Laurier* sanitary napkins and *Merries* baby diapers lines, the Kao Group carried out aggressive measures including introduction of new products and collaboration with retailers.

In the Americas, sales increased 2.7% to 56.6 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%. Sales grew as the market remained firm.

In Europe, sales decreased 6.9% to 57.3 billion yen. Excluding the effect of currency translation, sales would have decreased 1.8%. Sales were firm within Europe amid severe economic conditions, but performance was impacted by lower export sales and the effect of currency translation due to the appreciation of the yen.

Operating income increased 7.9 billion yen compared with restated FY2011 to 84.7 billion yen as the Kao Group worked proactively to nurture new and improved products, made more efficient use of expenses and conducted cost reduction activities.

Note: The Kao Group's Consumer Products Business consists of the Beauty Care Business, the Human Health Care Business, and the Fabric and Home Care Business.

##### *Beauty Care Business*

Sales were on par with restated FY2011 at 444.4 billion yen. Excluding the effect of currency translation, sales would have increased 0.5%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, increased 0.1% compared with restated FY2011 to 205.4 billion yen (an increase of 0.2%

excluding the effect of currency translation). In Japan, amid a continuing shift toward lower-priced products in the cosmetics market, the Kao Group worked to reinforce focal brands, and increased sales of counseling brands *SOFINA Primavista* base makeup, *AUBE couture* makeup and *COFFRET D'OR* makeup, as well as self-selection brand *KATE* makeup. Sales outside Japan decreased compared with restated FY2011 with the impact of concerns about an economic slowdown.

In premium skin care products, sales in Japan increased, reflecting the steady performance of *Bioré* facial cleanser, *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* performed strongly with the effect of product improvements. In the Americas, sales of *Jergens* hand and body lotions increased.

Sales of premium hair care products in Japan decreased compared with restated FY2011 due to intensified competition for shampoos and conditioners and contraction of the market for styling and hair coloring products. In Asia, there were increased sales of *Liese* foam hair color in Taiwan, Hong Kong and Malaysia, and *Essential* hair care products in Taiwan and Hong Kong. In the Americas and Europe, sales of *John Frieda* foam hair color increased.

Operating income increased 4.8 billion yen compared with restated FY2011 to 21.8 billion yen due to ongoing efforts to rebuild the prestige cosmetics business in Japan and other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 3.2 billion yen compared with restated FY2011 to 45.9 billion yen, which is equivalent to 10.3% of sales.

#### *Human Health Care Business*

Sales increased 5.5% compared with restated FY2011 to 152.0 billion yen. Even excluding the effect of currency translation, sales would have increased by the same percentage.

In food and beverage products, the Kao Group added new products to the *Healthya* brand of functional drinks that promote body fat utilization, but sales decreased compared with restated FY2011 due to intensifying market competition.

Sales of sanitary products increased compared with restated FY2011. Sales of *Laurier F* sanitary napkins, which protect skin from dampness and chafing, increased in Japan, and sales of the *Laurier* brand increased in Indonesia. *Merries* baby diapers performed strongly in Japan, increasing market share, and sales grew in China and Russia.

Sales of personal health products were on par with restated FY2011. Although sales of toothpaste decreased compared with restated FY2011 due in part to intensifying competition,

sales of *Success* men's products and *Megurhythm* steam thermo power pads increased.

Operating income decreased 1.0 billion yen compared with restated FY2011 to 11.5 billion yen with the increase in expenses for new product launches and the impact of market competition, despite the Kao Group's cost reduction activities in addition to the impact of increased sales.

*Fabric and Home Care Business*

Sales increased 2.8% compared with restated FY2011 to 236.7 billion yen. Excluding the effect of currency translation, sales would have increased 2.9%.

Sales of fabric care products increased. In Japan, the Kao Group worked to highlight the reduced laundry time and environmental appeal of conserving water, electricity and resources with the *Neo* series, which includes *Attack Neo* ultra-concentrated liquid laundry detergent, and also expanded the number of users of *Attack Neo Antibacterial EX Power*, which has strong deodorizing and antibacterial properties. *Flair Fragrance* fabric softener, which releases fragrance upon exposure to perspiration or other moisture, was well received by consumers and increased sales. *Wide Hailer EX Power* fabric bleach for color garments performed well. Sales grew in Asia with the strong performance of *Attack Easy* laundry detergent in Indonesia and Thailand, and the launch of new concentrated laundry detergent *Attack 3D Clean Action* in Thailand.

Sales of home care products increased in Japan due to the strong performance of *CuCute* dishwashing detergent and *Kitchen Hailer* kitchen bleach, as well as new products such as *Quickle Wiper 3D Wet Sheets Rose Fragrance* cleaning sheets.

Operating income increased 4.1 billion yen compared with restated FY2011 to 51.4 billion yen as the Kao Group conducted cost reduction activities and other measures, in addition to the effect of the increase in sales.

**Chemical Business**

Sales decreased 5.1% compared with restated FY2011 to 208.1 billion yen, partly because of decreased demand in customer industries and selling price adjustments made in connection with lower raw material prices. Excluding the effect of currency translation, sales would have decreased 3.1%.

In oleo chemicals, the Kao Group adjusted selling prices in connection with lower raw material prices. In performance chemicals, sales were firm as the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact.

Specialty chemicals were impacted by the economic downturn and structural changes in the personal computer market.

Operating income decreased 4.9 billion yen compared with restated FY2011 to 16.8 billion yen due to the impact of lower demand from customer industries, despite cost reduction activities.

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**1.1.2 Forecast for the Fiscal Year Ending December 31, 2013****Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2013**

(Billions of yen, except per share data)

	FY2013	(For reference) FY2012(adjusted)*	Adjusted growth*	FY2012
Net sales	1,270.0	1,220.4	4.1%	1,012.6
Operating income	116.0	111.8	3.8%	101.6
Ordinary income	117.0	114.1	2.5%	104.2
Net income	73.0	<u>62.7</u>	<u>16.4%</u>	<u>62.4</u>
Net income per share (Yen)	142.60	<u>120.21</u>	<u>18.6%</u>	<u>119.55</u>

\* "(For reference) FY2012 (adjusted)" and "Adjusted growth" present figures for the twelve-month period from January 1 to December 31, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31.

The following rates of increase or decrease are comparisons with the fiscal year ended December 31, 2012 (adjusted).

**1.1.2.1. Forecast of Overall Business Results for the Fiscal Year Ending December 31, 2013**

Continued recovery, albeit weak, is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the public debt problem in Europe and financial issues in the United States. In Japan, although there are expectations of an economic recovery against the backdrop of factors including improved export conditions and the effect of economic measures, the outlook for the operating environment remains unclear, with severe employment conditions and the impact of deflation.

Amid these circumstances, the Kao Group will accurately respond to various changes in the operating environment of the Consumer Products Business as it aims to achieve sustained profitable growth globally with consumer-driven, high-value-added products. In the Chemical Business, the Kao Group will work to strengthen global operations and carry out measures such as developing products with a reduced environmental impact. The Kao Group forecasts net sales of 1,270.0 billion yen (adjusted growth of 4.1%). The Kao Group will work to stimulate the market with new product launches and other measures in Japan and overseas, and expects an increase in sales volume.

As for raw material prices, natural oils and fats are forecast to stabilize, although petrochemical prices are rising. In addition, the Kao Group will work to continue price adjustments and cost reduction activities, while at the same time it will accelerate activities to strengthen global business development. Based on these assumptions, the Kao Group forecasts operating income of 116.0 billion yen (adjusted growth of 3.8%), ordinary income of 117.0 billion yen (adjusted growth of 2.5%), and net income of 73.0 billion yen (adjusted

growth of 16.4%).

EVA is forecast to increase due to an increase in net operating profit after tax (NOPAT).

#### **1.1.2.2. Forecast by Business Segment for the Fiscal Year Ending December 31, 2013**

In the Consumer Products Business in Japan, the market for household and personal care products is projected to grow slightly on a value basis. The cosmetics market is expected to remain flat. In overseas markets, growth is expected to continue in Asia, and a moderate recovery is projected in North America and Europe. In this situation, the Kao Group will take the following actions.

In the Beauty Care Business, the Kao Group will work to revitalize the market by adding greater value to products and proposing the Group's own originality and appeal, while assessing changes in consumer attitudes toward beauty and lifestyle habits. In Japan, the Kao Group will promote the creation of strong brands through initiatives including launches and cultivation of distinctive new products tailored to changes in consumer needs and reform of marketing activities and sales methods to meet changes in consumer purchasing behavior. Overseas, the Kao Group will work to develop high-value-added products that incorporate its original technologies and cultivate and strengthen core brands.

The Kao Group forecasts sales in this business of 560.0 billion yen (adjusted growth of 4.1%).

The Human Health Care Business will promote product development focused on health care for both body and spirit. In sales of food and beverage products, the Kao Group will use products approved as Foods for Specified Health Uses that are differentiated by their high level of functional health value in order to further expand its base of loyal users, including the development of coffee drinks. At the same time, it will offer a health support solutions program in response to rising health consciousness as a result of mandatory special health examinations and specified health guidance. The Kao Group aims to create sanitary products that are gentle on skin and that offer greater comfort and a sense of reassurance. In China, the Kao Group will expand its rollout of baby diapers produced locally targeting the middle-class consumer segment. The Kao Group will work to further raise the brand value of its personal health products by continuing to make original new proposals with products that can become healthy daily lifestyle habits.

The Kao Group forecasts sales in this business of 197.0 billion yen (adjusted growth of 3.9%).

In the Fabric and Home Care Business, the Kao Group will strengthen its brands and offer

proposals for improvements in daily life based on insights into changing consumer lifestyles, developing high-value-added products that offer cleanliness, comfort and enjoyment in various everyday situations. In collaboration with retailers, the Kao Group will further promote its “eco together” environmental statement with instructional activities that aim to reduce environmental impact throughout the entire lifecycle of products such as the *Neo* series, which includes *Attack Neo* ultra-concentrated liquid laundry detergent. In China and other countries in Asia, the Kao Group will work to develop and nurture products that incorporate its technologies to meet local consumer needs.

The Kao Group forecasts sales in this business of 305.0 billion yen (adjusted growth of 4.5%).

In the Chemical Business, the Kao Group will promote global supply of distinctive chemical products that meet the diverse needs of a wide range of industries.

In oleo chemicals, the Kao Group will stably supply high-quality products by promoting timely capacity expansion to meet increasing demand for fatty alcohols and their derivatives made from natural oils and fats, mainly in Asia.

In performance chemicals, growth is forecast in Asia, while the forecast for Japan includes an improved export environment for customer industries and recovery in demand.

In specialty chemicals, where growth is forecast in the market for products related to information materials, the Kao Group will work to offer products that anticipate customer trends.

In addition, the Kao Group will work to expand sales by opening up growth markets such as the BRICs countries while developing new materials using unique, environmentally conscious technologies, mainly at the Eco-Technology Research Center, in response to rising concern about the environment worldwide.

As a result of the above, including adjustments in selling prices in response to fluctuations in raw material prices, the Kao Group forecasts sales in this business of 242.0 billion yen (adjusted growth of 2.3%).

### **1.1.2.3. Underlying Assumptions of the Forecast for the Fiscal Year Ending December 31, 2013**

The above forecast was made assuming translation rates of one U.S. dollar to 90 yen and one euro to 115 yen.

Please note that although petrochemical prices are highly likely to rise, assumptions for raw material prices, including for natural oils and fats, are based on information currently available to the Kao Group.

**1.2. Analysis of Financial Condition****Analysis of Assets, Liabilities, Net Assets and Cash Flow****1.2.1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ended December 31, 2012****Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	As of December 31, 2012	As of March 31, 2012	Incr./(Dcr.)	As of December 31, 2012
Total assets	<b><u>1,040.0</u></b>	991.3	<u>48.7</u>	<b><u>12,011.6</u></b>
Total net assets	<b><u>605.7</u></b>	549.7	<u>56.0</u>	<b><u>6,995.9</u></b>
Net worth ratio	<b><u>57.0%</u></b>	54.3%	-	<b><u>57.0%</u></b>
Net worth per share (Yen/US\$)	<b><u>1,135.05</u></b>	1,031.08	<u>103.97</u>	<b><u>13.11</u></b>
Total debt	<b><u>103.2</u></b>	102.1	1.1	<b><u>1,191.8</u></b>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	FY2012	FY2011	FY2012
Net cash provided by operating activities	<b>97.4</b>	125.0	<b>1,124.5</b>
Net cash used in investing activities	<b>(44.6)</b>	(49.0)	<b>(515.6)</b>
Free cash flow	<b>52.7</b>	76.1	<b>608.9</b>
Net cash used in financing activities	<b>(32.0)</b>	(86.2)	<b>(369.9)</b>

*Note: Due to a change in the fiscal year end, FY2012 is April to December 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January to December 2012 for subsidiaries whose fiscal year end was December 31.*

Total assets increased 48.7 billion yen from the previous fiscal year-end to 1,040.0 billion yen. The principal increases in assets were a 13.9 billion yen increase in cash and time deposits, a 21.4 billion yen increase in notes and accounts receivable – trade, a 10.6 billion yen increase in short-term investments and a 2.3 billion yen increase in merchandise and finished goods. The principal decrease in assets was a 21.5 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 7.3 billion yen from the previous fiscal year-end to 434.3 billion yen. The principal decreases in liabilities were a 5.2 billion yen decrease in notes and accounts payable – trade and a 6.6 billion yen decrease in income taxes payable.

Total net assets increased 56.0 billion yen from the previous fiscal year-end to 605.7 billion yen. The principal increases in net assets were net income totaling 62.4 billion yen and foreign currency translation adjustments of 24.2 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 32.4 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 57.0% compared with 54.3% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 97.4 billion yen. The principal increases in net cash were income before income taxes and minority interests of 102.3 billion yen, depreciation and amortization of 59.8 billion yen and change in inventories of 5.1 billion yen. The principal decreases in net cash were income taxes paid of 40.1 billion yen, change in trade receivables of 12.4 billion yen and change in trade payables of 9.6 billion yen.

Net cash used in investing activities totaled 44.6 billion yen. This primarily consisted of purchase of property, plant and equipment of 34.6 billion yen and purchase of short-term investments of 10.0 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 52.7 billion yen.

Net cash used in financing activities totaled 32.0 billion yen. The principal decrease in net cash was 33.5 billion yen for payments of cash dividends, including to minority shareholders.

The balance of cash and cash equivalents at December 31, 2012 increased 30.7 billion yen compared with the end of the previous fiscal year to 160.4 billion yen.

### **1.2.2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ending December 31, 2013**

Net cash provided by operating activities is forecast to be approximately 150.0 billion yen, due in part to an increase in income before income taxes and minority interests.

In net cash used in investing activities, the Kao Group plans capital expenditures of approximately 60.0 billion yen, including aggressive investment for global expansion and capital investment for purposes including increasing production capacity, promoting streamlining and improving distribution efficiency.

In net cash used in financing activities, the Kao Group plans a share repurchase announced as

of this date, payment of cash dividends and other expenditures.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2013 is forecast to decrease approximately 30.0 billion yen from the previous fiscal year end to approximately 130.0 billion yen.

### Cash Flow Indices

	<b>FY2012</b>	FY2011	FY2010	FY2009	FY2008
Net worth / Total assets (%)	<b><u>57.0</u></b>	54.3	51.7	53.0	48.7
Market capitalization / Total assets (%)	<b><u>112.9</u></b>	114.3	105.9	119.2	91.9
Interest-bearing debt / Operating cash flow (years)	<b>1.2</b>	0.9	1.1	1.1	2.4
Operating cash flow / Interest paid (times)	<b>73.1</b>	51.1	45.4	40.3	20.8

Notes:

1. Due to a change in the fiscal year end, FY2012 is April to December 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January to December 2012 for subsidiaries whose fiscal year end was December 31.
2. All indices are computed based on consolidated data.
3. Net worth is net assets, excluding minority interests and stock acquisition rights.
4. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
5. Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which interest is paid.

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### **1.3. Basic Policies Regarding Distribution of Profits and Dividends for the Period**

In order to achieve profitable growth, Kao Corporation secures an internal reserve for capital investment and acquisitions from a medium-to-long-term management perspective and places priority on providing shareholders with steady and continuous dividends. In addition, the Company flexibly considers the repurchase and retirement of shares from the standpoint of improving capital efficiency.

In accordance with these policies, the Company plans to pay its scheduled year-end dividend for the fiscal year ended December 31, 2012 of 31.00 yen per share, the same as the previous fiscal year. Consequently, cash dividends for the fiscal year will increase 2.00 yen per share compared with the previous fiscal year, resulting in a total of 62.00 yen per share. The consolidated payout ratio will be 51.9%.

For the fiscal year ending December 31, 2013, the Company plans to pay total cash dividends of 64.00 yen per share, an increase of 2.00 yen per share compared with the fiscal year ended December 31, 2012. Although the operating environment is challenging, this plan is in accordance with the Company's basic policies regarding distribution of profits, and free cash flow and other factors have also been taken into consideration. As a result, the projected consolidated payout ratio will be 44.9%.

#### ***Significant Subsequent Event***

At a meeting held on February 5, 2013, the Board of Directors resolved to purchase the Company's stock, up to a maximum of 12.5 million shares or 30.0 billion yen, from February 6 to April 26, 2013, in accordance with Article 156 of the Corporation Law applicable pursuant to Article 165, paragraph 3 of the said Law.

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**1.4. Other**

**(1) Changes in material subsidiaries during this fiscal year: None**

**(2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements: None**

**(3) Consolidated taxation:**

The Company and certain subsidiaries in Japan have received authorization from the Director General of the National Tax Administration Agency to apply the consolidated taxation system from the fiscal year ending December 31, 2013. Consequently, from the fiscal year ended December 31, 2012, accounting treatment assumes the application of the consolidated taxation system based on “Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (Practical Issues Task Force No. 5, March 18, 2011) and “Revised Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (Practical Issues Task Force No. 7, June 30, 2010).

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## **2. Management Policies**

### **2.1. Management Policies of the Kao Group**

The Kao Group's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective. This commitment is embraced by all members of the Kao Group as we work together with passion to share joy with consumers and customers in our core domains of cleanliness, beauty, health and chemicals.

The Kao Group aims to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of its shareholders and all other stakeholders, as it continually raises its corporate value on the basis of "profitable growth."

The corporate philosophy that forms the basis of these activities is "The Kao Way," which clearly expresses the Kao Group's unique corporate culture and the essence of its corporate spirit, and is shared and practiced by all employees.

### **2.2. Management Metric Used as a Target**

EVA, which is used to measure true profit by factoring in the cost of invested capital, is the Kao Group's principal management metric. Continuous growth in EVA is linked to increased corporate value, which means long-term profits not only for shareholders, but for all Kao Group stakeholders as well. While working to expand its business scale, the Kao Group views EVA growth as a primary focus of operating activity. The Kao Group also uses this metric to determine the direction of long-term management strategies, to assess specific businesses, to evaluate acquisitions and capital investment, and to develop performance targets for each fiscal year.

### **2.3. Medium-to-long-term Management Strategies**

Structural changes are occurring worldwide in the Kao Group's operating environment over the medium to long term, including 1) a shift in the center of the economy as emerging nations create enormous markets, 2) the emergence of new consumers including people who are increasingly dependent on digital media, as well as segments such as the growing elderly population, and 3) rising interest in environmental issues. The Kao Group sees opportunities for significant progress from these changes, and will work to achieve global growth by promoting ecology-centered management and establishing its corporate identity in line with

its corporate message of “Enriching lives, in harmony with nature.”

Regarding business activities, in the Consumer Products Business area, which consists of the three businesses of Beauty Care, Human Health Care, and Fabric and Home Care, and the Chemical Business area, the Kao Group will emphasize research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group as “*Yoki-Monozukuri*,” and aim to become a company with a global presence as it works for both sustained “profitable growth” by increasing the added value of its products and “contributions to society” by resolving social issues and conducting social contribution activities through its business activities.

To realize this vision and increase corporate value, the Kao Group is now implementing Kao Group Mid-term Plan 2015 (K15), with 2013 as the first year.

### **Kao Group Mid-term Plan 2015 (K15)**

Target 1: Break previous records for consolidated net sales and profits

Target 2: Achieve numerical management targets for FY2015

Consolidated net sales	¥1,400.0 billion
Consolidated operating income	¥150.0 billion
Overseas sales ratio	30% or more

The growth strategies for achieving the plan’s goals are as follows.

#### 1) Expand the Consumer Products Business globally

Continued substantial expansion is forecast for the growth markets of Asia and other emerging nations. The Kao Group will work to expand its business with product development that incorporates its original technologies, centered on products in the domain of “cleanliness” including laundry detergents, baby diapers and sanitary napkins targeting the growing middle-class consumer segment.

In North America, Europe and other mature markets, the Kao Group will work on high-value-added products that incorporate its original technologies in the fields of prestige cosmetics, premium mass skin care and hair care, and professional hair care.

#### 2) Further Reinforce the Fabric and Home Care Business, and accelerate profitable growth in the Beauty Care and Human Health Care Businesses

In the Fabric and Home Care Business, its core profit base, the Kao Group will work to maintain or capture the top share in each product category.

In addition to strengthening the prestige cosmetics business in the Beauty Care Business, the Kao Group will aim for greater growth and expansion with high-value-added products and services focused on health and the aging society in the Human Health Care Business.

3) Reinforce the Chemical Business

In the Chemical Business, the Kao Group will aim for rapid progress toward an eco-chemical business through innovations led by the Eco-Technology Research Center.

In addition, the Kao Group will strengthen synergy with the Consumer Products Business.

With regard to operating structure, through the global management integration of the Consumer Products Business, the Kao Group will strengthen its matrix management of business units and functional divisions, and promote reformation of its profit structure from a perspective of what is best for the Group as a whole.

#### **2.4. Issues for Management**

With intensifying market competition, changing market structure and volatility in raw material market conditions and exchange rates, the operating environment remains severe and uncertain.

In addition, changes in consumer attitudes in everyday life and associated changes in their purchasing attitudes are occurring and social issues are on the rise, such as increasing environmental awareness and health consciousness, and the aging society.

By steadily carrying out the growth strategies of Kao Group Mid-term Plan 2015 (K15), which was formulated with this operating environment in mind, the Kao Group will deal with these various issues, and work for both sustained “profitable growth” through the development of high-value-added products and “contributions to society” as it aims to become a company with a global presence.

**Consolidated Balance Sheets**

Millions of yen

	<b>FY2012</b>	<b>FY2011</b>
	<b>Dec 31, 2012</b>	<b>Mar 31, 2012</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	99,334	85,483
Notes and accounts receivable - trade	164,250	142,882
Short-term investments	57,443	46,798
Merchandise and finished goods	84,712	82,393
Work in process	10,789	11,670
Raw materials and supplies	26,706	26,643
Prepaid expenses	6,123	5,678
Deferred tax assets	17,002	17,736
Other	28,397	14,781
Allowance for doubtful receivables	(1,349)	(1,115)
<b>Total current assets</b>	<b>493,407</b>	<b>432,949</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Buildings and structures	332,690	323,138
Accumulated depreciation	(254,505)	(246,074)
Buildings and structures, net	78,185	77,064
Machinery, equipment and vehicles	631,347	612,446
Accumulated depreciation	(558,596)	(544,171)
Machinery, equipment and vehicles, net	72,751	68,275
Tools, furniture and fixtures	83,747	81,311
Accumulated depreciation	(71,377)	(68,992)
Tools, furniture and fixtures, net	12,370	12,319
Land	64,807	64,796
Lease assets	11,889	11,934
Accumulated depreciation	(4,435)	(3,919)
Lease assets, net	7,454	8,015
Construction in progress	16,777	10,109
<b>Total property, plant and equipment</b>	<b>252,344</b>	<b>240,578</b>
Intangible assets		
Goodwill	159,165	165,614
Trademarks	41,851	53,583
Other	14,907	18,266
<b>Total intangible assets</b>	<b>215,923</b>	<b>237,463</b>
Investments and other assets		
Investment securities	14,822	13,344
Long-term loans	1,567	1,742
Long-term prepaid expenses	14,254	12,441
Deferred tax assets	37,903	42,554
Other	10,176	10,420
Allowance for doubtful receivables	(428)	(219)
<b>Total investments and other assets</b>	<b>78,294</b>	<b>80,282</b>
<b>Total fixed assets</b>	<b>546,561</b>	<b>558,323</b>
<b>Total assets</b>	<b>1,039,968</b>	<b>991,272</b>

**Consolidated Balance Sheets**

Millions of yen

	<b>FY2012</b> <b>Dec 31, 2012</b>	<b>FY2011</b> <b>Mar 31, 2012</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	105,472	110,659
Short-term loans	3,115	2,060
Current portion of bonds	50,000	-
Current portion of long-term loans	7	5
Accounts payable - other	52,485	48,499
Accrued expenses	74,449	73,538
Income taxes payable	11,658	18,306
Liabilities for loss related to the Great East Japan Earthquake	-	33
Other	18,688	21,810
<b>Total current liabilities</b>	<b>315,874</b>	<b>274,910</b>
<b>Long-term liabilities</b>		
Bonds	-	49,999
Long-term loans	50,066	50,049
Liability for employee retirement benefits	45,717	45,026
Other	22,607	21,584
<b>Total long-term liabilities</b>	<b>118,390</b>	<b>166,658</b>
<b>Total liabilities</b>	<b>434,264</b>	<b>441,568</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	477,640	447,619
Treasury stock, at cost	(8,985)	(9,064)
<b>Total shareholders' equity</b>	<b>663,640</b>	<b>633,540</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	2,447	2,283
Deferred gain (loss) on derivatives under hedge accounting	6	(3)
Foreign currency translation adjustments	(71,872)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries	(1,901)	(1,697)
<b>Total accumulated other comprehensive income</b>	<b>(71,320)</b>	<b>(95,511)</b>
<b>Stock acquisition rights</b>	<b>1,294</b>	<b>1,238</b>
<b>Minority interests</b>	<b>12,090</b>	<b>10,437</b>
<b>Total net assets</b>	<b>605,704</b>	<b>549,704</b>
<b>Total liabilities and net assets</b>	<b>1,039,968</b>	<b>991,272</b>

**Consolidated Statements of Income**

*Millions of yen*

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
<b>Net sales</b>	<b>1,012,595</b>	<b>1,216,096</b>
Cost of sales	442,522	525,012
<b>Gross profit</b>	<b>570,073</b>	<b>691,084</b>
Selling, general and administrative expenses	468,506	582,494
<b>Operating income</b>	<b>101,567</b>	<b>108,590</b>
Non-operating income		
Interest income	838	908
Dividend income	173	160
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,710	1,658
Other	2,256	2,589
Total non-operating income	4,977	5,315
Non-operating expenses		
Interest expense	1,181	2,204
Foreign currency exchange loss	280	621
Other	869	1,053
Total non-operating expenses	2,330	3,878
<b>Ordinary income</b>	<b>104,214</b>	<b>110,027</b>
Extraordinary gain		
Gain on sales of fixed assets	133	178
Gain on sales of stock of subsidiary	270	-
Other	245	96
Total extraordinary gain	648	274
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,215	2,381
Loss related to the Great East Japan Earthquake	-	2,028
Other	343	634
Total extraordinary loss	2,558	5,043
<b>Income before income taxes and minority interests</b>	<b>102,304</b>	<b>105,258</b>
Income taxes		
Income taxes - current	32,550	38,653
Income taxes - deferred	5,998	12,120
Total income taxes	38,548	50,773
<b>Income before minority interests</b>	<b>63,756</b>	<b>54,485</b>
Minority interests	1,370	2,050
<b>Net income</b>	<b>62,386</b>	<b>52,435</b>

**Consolidated Statements of Comprehensive Income**

<i>Millions of yen</i>	<b>FY2012</b> <b>Apr '12 - Dec '12</b>	<b>FY2011</b> <b>Apr '11 - Mar '12</b>
Income before minority interests	<u>63,756</u>	54,485
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	141	487
Foreign currency translation adjustments	25,315	(12,169)
Share in other comprehensive income of associates applied for equity method	137	(172)
Post retirement liability adjustments for foreign consolidated subsidiaries	(204)	(1,236)
Other comprehensive income	<u>25,389</u>	<u>(13,090)</u>
Comprehensive income	<u>89,145</u>	41,395
Attributable to:		
Shareholders of Kao Corporation	<u>86,577</u>	39,956
Minority interests	<u>2,568</u>	1,439

**Major Items of Consolidated Selling, General and Administrative Expenses**

<i>Millions of yen</i>	<b>FY2012</b> <b>Apr '12 - Dec '12</b>	<b>FY2011</b> <b>Apr '11 - Mar '12</b>
Freight/warehouse	56,792	68,388
Advertising	67,045	82,209
Sales promotion	52,101	62,980
Salaries and bonuses	97,738	121,787
Research and development	<u>37,493</u>	<u>48,171</u>

**Consolidated Statements of Changes in Equity**

Millions of yen

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
<b>Shareholders' equity</b>		
Common stock		
Balance at beginning of current period	85,424	85,424
Changes of items during the period		
Total changes of items during the period	-	-
Balance at end of period	85,424	85,424
Capital surplus		
Balance at beginning of current period	109,561	109,561
Changes of items during the period		
Total changes of items during the period	-	-
Balance at end of period	109,561	109,561
Retained earnings		
Balance at beginning of current period	447,619	457,918
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	<u>62,386</u>	52,435
Disposal of treasury stock	(12)	(1)
Retirement of treasury stock	-	(32,460)
Total changes of items during the period	<u>30,021</u>	(10,299)
Balance at end of period	<u>477,640</u>	447,619
Treasury stock		
Balance at beginning of current period	(9,064)	(40,977)
Changes of items during the period		
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	85	81
Retirement of treasury stock	-	32,460
Total changes of items during the period	79	31,913
Balance at end of period	(8,985)	(9,064)
Total shareholders' equity		
Balance at beginning of current period	633,540	611,926
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	<u>62,386</u>	52,435
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	73	80
Retirement of treasury stock	-	-
Total changes of items during the period	<u>30,100</u>	21,614
Balance at end of period	<u>663,640</u>	633,540



**Consolidated Statements of Changes in Equity**

Millions of yen

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities		
Balance at beginning of current period	2,283	1,861
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	164	422
Total changes of items during the period	164	422
Balance at end of period	2,447	2,283
Deferred gain (loss) on derivatives under hedge accounting		
Balance at beginning of current period	(3)	(2)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	9	(1)
Total changes of items during the period	9	(1)
Balance at end of period	6	(3)
Foreign currency translation adjustments		
Balance at beginning of current period	(96,094)	(84,430)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	24,222	(11,664)
Total changes of items during the period	24,222	(11,664)
Balance at end of period	(71,872)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries		
Balance at beginning of current period	(1,697)	(461)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(204)	(1,236)
Total changes of items during the period	(204)	(1,236)
Balance at end of period	(1,901)	(1,697)
Total accumulated other comprehensive income		
Balance at beginning of current period	(95,511)	(83,032)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	24,191	(12,479)
Total changes of items during the period	24,191	(12,479)
Balance at end of period	(71,320)	(95,511)
<b>Stock acquisition rights</b>		
Balance at beginning of current period	1,238	1,143
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	56	95
Total changes of items during the period	56	95
Balance at end of period	1,294	1,238
<b>Minority interests</b>		
Balance at beginning of current period	10,437	9,527
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	1,653	910
Total changes of items during the period	1,653	910
Balance at end of period	12,090	10,437
<b>Total net assets</b>		
Balance at beginning of current period	549,704	539,564
Changes of items during the period		
Cash dividends	(32,353)	(30,273)
Net income	62,386	52,435
Purchase of treasury stock	(6)	(628)
Disposal of treasury stock	73	80
Retirement of treasury stock	-	-
Net changes of items other than shareholders' equity during the period	25,900	(11,474)
Total changes of items during the period	56,000	10,140
Balance at end of period	605,704	549,704

**Consolidated Statements of Cash Flows**

Millions of yen

	FY2012 Apr '12 - Dec '12	FY2011 Apr '11 - Mar '12
<b>Operating activities:</b>		
Income before income taxes and minority interests	102,304	105,258
Adjustments for:		
Depreciation and amortization	59,788	79,798
(Gain) loss on sales and retirement of fixed assets	2,082	2,202
Interest and dividend income	(1,011)	(1,068)
Interest expense	1,181	2,204
Unrealized foreign currency exchange (gain) loss	(1,389)	159
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,710)	(1,658)
Change in trade receivables	(12,395)	(26,513)
Change in inventories	5,083	(14,936)
Change in prepaid pension cost	75	906
Change in trade payables	(9,637)	8,997
Change in liability for retirement benefits	(56)	3,056
Other, net	(8,021)	4,935
Subtotal	136,294	163,340
Interest and cash dividends received	2,499	2,479
Interest paid	(1,331)	(2,448)
Income taxes paid	(40,105)	(38,339)
<b>Net cash provided by operating activities</b>	<b>97,357</b>	<b>125,032</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	4,400	3,583
Purchase of short-term investments	(10,000)	(381)
Proceeds from the redemption and sales of short-term investments	5,078	1,441
Purchase of property, plant and equipment	(34,555)	(41,684)
Purchase of intangible assets	(2,595)	(3,375)
Payments for long-term prepaid expenses	(5,091)	(5,030)
Change in short-term loans, net	(293)	537
Payments for long-term loans	(470)	(1,498)
Other, net	(1,115)	(2,545)
<b>Net cash used in investing activities</b>	<b>(44,641)</b>	<b>(48,952)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	717	(4,610)
Proceeds from long-term loans	217	50,013
Repayments of long-term loans	(205)	(50,012)
Redemption of bonds	-	(50,000)
Purchase of treasury stock	(7)	(10)
Payments of cash dividends	(31,163)	(30,307)
Payments of cash dividends to minority shareholders	(2,350)	(469)
Other, net	763	(768)
<b>Net cash used in financing activities</b>	<b>(32,028)</b>	<b>(86,163)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>9,702</b>	<b>(3,323)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,390</b>	<b>(13,406)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>129,737</b>	<b>143,143</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries, increase</b>	<b>308</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>160,435</b>	<b>129,737</b>

**Consolidated Segment Information**

Millions of yen

FY2012 Apr '12 - Dec '12	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
<b>Net sales</b>								
Sales to customers	444,425	151,977	236,748	833,150	179,445	1,012,595	-	1,012,595
Intersegment sales	-	-	-	-	28,626	28,626	(28,626)	-
<b>Total</b>	<b>444,425</b>	<b>151,977</b>	<b>236,748</b>	<b>833,150</b>	<b>208,071</b>	<b>1,041,221</b>	<b>(28,626)</b>	<b>1,012,595</b>
<b>Operating income</b>	<b>21,821</b>	<b>11,548</b>	<b>51,368</b>	<b>84,737</b>	<b>16,813</b>	<b>101,550</b>	<b>17</b> <sup>1</sup>	<b>101,567</b>
% of net sales	4.9	7.6	21.7	10.2	8.1	9.8	-	10.0
<b>Total assets</b>	<b>475,900</b>	<b>112,751</b>	<b>143,177</b>	<b>731,828</b>	<b>217,046</b>	<b>948,874</b>	<b>91,094</b> <sup>2</sup>	<b>1,039,968</b>
<b>Depreciation and amortization</b> <sup>3</sup>	<b>26,365</b>	<b>6,410</b>	<b>6,669</b>	<b>39,444</b>	<b>10,626</b>	<b>50,070</b>	-	<b>50,070</b>
<b>Amortization of goodwill</b>	<b>9,718</b>	-	-	<b>9,718</b>	-	<b>9,718</b>	-	<b>9,718</b>
<b>Investment for affiliates applied for equity methods</b>	<b>2,660</b>	<b>1,010</b>	<b>1,194</b>	<b>4,864</b>	<b>1,736</b>	<b>6,600</b>	-	<b>6,600</b>
<b>Capital expenditure</b> <sup>5</sup>	<b>11,693</b>	<b>8,830</b>	<b>8,701</b>	<b>29,224</b>	<b>12,705</b>	<b>41,929</b>	-	<b>41,929</b>
<b>FY2011 Apr '11 - Mar '12</b>	<b>Consumer Products Business</b>				<b>Chemical Business</b>	<b>Total</b>	<b>Reconciliations</b>	<b>Consolidated</b>
	<b>Beauty Care Business</b>	<b>Human Health Care Business</b>	<b>Fabric and Home Care Business</b>	<b>Total</b>				
<b>Net sales</b>								
Sales to customers	537,938	181,758	285,645	1,005,341	210,755	1,216,096	-	1,216,096
Intersegment sales	-	-	-	-	36,880	36,880	(36,880)	-
<b>Total</b>	<b>537,938</b>	<b>181,758</b>	<b>285,645</b>	<b>1,005,341</b>	<b>247,635</b>	<b>1,252,976</b>	<b>(36,880)</b>	<b>1,216,096</b>
<b>Operating income</b>	<b>15,412</b>	<b>14,630</b>	<b>55,544</b>	<b>85,586</b>	<b>23,001</b>	<b>108,587</b>	<b>3</b> <sup>1</sup>	<b>108,590</b>
% of net sales	2.9	8.0	19.4	8.5	9.3	8.7	-	8.9
<b>Total assets</b>	<b>496,177</b>	<b>99,535</b>	<b>128,858</b>	<b>724,570</b>	<b>194,583</b>	<b>919,153</b>	<b>72,119</b> <sup>4</sup>	<b>991,272</b>
<b>Depreciation and amortization</b> <sup>3</sup>	<b>37,766</b>	<b>7,926</b>	<b>9,794</b>	<b>55,486</b>	<b>11,648</b>	<b>67,134</b>	-	<b>67,134</b>
<b>Amortization of goodwill</b>	<b>12,664</b>	-	-	<b>12,664</b>	-	<b>12,664</b>	-	<b>12,664</b>
<b>Investment for affiliates applied for equity methods</b>	<b>1,780</b>	<b>1,083</b>	<b>1,239</b>	<b>4,102</b>	<b>1,661</b>	<b>5,763</b>	-	<b>5,763</b>
<b>Capital expenditure</b> <sup>5</sup>	<b>13,106</b>	<b>11,520</b>	<b>12,219</b>	<b>36,845</b>	<b>10,333</b>	<b>47,178</b>	-	<b>47,178</b>

NOTES:

- 1 Reconciliation of operating income includes elimination of intersegment inventory transactions.
- 2 Includes 111,393 million yen of Kao's financial assets and negative 20,299 million yen elimination of receivables among reportable segments
- 3 Excludes amortization of goodwill
- 4 Includes 78,742 million yen of Kao's financial assets and negative 6,623 million yen elimination of receivables among reportable segments
- 5 Includes long-term prepaid expenses

**Consolidated Net Sales Composition**

*Millions of yen*

	FY2012 <u>Apr '12 - Dec '12</u>	FY2011 <u>Apr '11 - Mar '12</u>	Adjusted growth' <u>%</u>
<b>Consumer Products Business</b>			
Beauty Care Business	312,590	407,659	0.2
Human Health Care Business	131,577	164,575	4.6
Fabric and Home Care Business	208,922	260,041	2.1
Total Japan	653,089	832,275	1.7
Asia <sup>2</sup>	87,184	81,610	7.0
Americas <sup>2</sup>	56,644	55,130	2.7
Europe	57,252	61,512	(6.9)
Eliminations	(21,019)	(25,186)	-
<b>Total</b>	<b>833,150</b>	<b>1,005,341</b>	<b>1.7</b>
<b>Chemical Business</b>			
Japan	91,994	125,477	(3.8)
Asia	75,556	89,154	(15.3)
Americas	33,558	35,908	(6.5)
Europe	53,465	55,691	(4.0)
Eliminations	(46,502)	(58,595)	-
<b>Total</b>	<b>208,071</b>	<b>247,635</b>	<b>(5.1)</b>
<b>Total before Eliminations</b>	<b>1,041,221</b>	<b>1,252,976</b>	<b>0.3</b>
Eliminations	(28,626)	(36,880)	-
<b>Consolidated</b>	<b>1,012,595</b>	<b>1,216,096</b>	<b>0.4</b>

Notes:

- Adjusted growth is a comparison with a FY2011 business results adjusted to nine-month period from April 1 to December 31, 2011 for Kao Corporation and its consolidated subsidiaries with a fiscal year end in March.
- Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under Americas from the fiscal year ended December 31, 2012. Amounts and percentage of growth for the previous fiscal year have been restated for the purpose of comparison.

## Appendix

### Major Products by Reportable Segment

Reportable Segments		Major Products	
Consumer Products Business	Beauty Care Business	Prestige cosmetics	Counseling cosmetics, self-selection cosmetics
		Premium skin care products	Soaps, facial cleansers, body cleansers
		Premium hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents
	Human Health Care Business	Food and beverage products	Beverages
		Sanitary products	Sanitary napkins, baby diapers
		Personal health products	Bath additives, oral care products, men's products
	Fabric and Home Care Business	Fabric care products	Laundry detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products, commercial-use products
	Chemical Business	Oleo chemicals	Fatty alcohols, fatty amines, fatty acids, glycerin, commercial-use edible fats and oils
Performance chemicals		Surfactants, plastics additives, superplasticizers for concrete admixtures	
Specialty chemicals		Toner and toner binder for copiers and printers, ink and colorants for inkjet printers, fragrances and aroma chemicals	