

## Summary of Consolidated Business Results for the Three Months Ended June 30, 2012

Tokyo, July 25, 2012 — Kao Corporation today announced its consolidated business results for the three months ended June 30, 2012, the first quarter of the fiscal year ending December 31, 2012. The following summary of the business results is unaudited and for reference only.

Ticker code: 4452

### Consolidated Financial Highlights

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

	Three months ended June 30			Fiscal 2011, ended	
	2012	2011	Growth	2012	March 31, 2012
	Yen		%	U.S. dollars	Yen
Net sales	<b>294,530</b>	294,939	(0.1)	<b>3,713.7</b>	1,216,096
Operating income	<b>20,730</b>	29,246	(29.1)	<b>261.4</b>	108,590
Ordinary income	<b>21,814</b>	30,020	(27.3)	<b>275.0</b>	110,027
Net income	<b>15,676</b>	15,183	3.2	<b>197.7</b>	52,435
Comprehensive income	<b>31,198</b>	24,160	29.1	<b>393.4</b>	41,395
Total assets	<b>985,922</b>	994,700	(0.9)	<b>12,431.2</b>	991,272
Total net assets	<b>562,941</b>	548,538	2.6	<b>7,098.0</b>	549,704
Net worth	<b>551,918</b>	537,073	2.8	<b>6,959.0</b>	538,030
Net worth ratio	<b>56.0%</b>	54.0%	-	-	54.3%
Net worth per share (Yen/US\$)	<b>1,057.69</b>	1,028.72	2.8	<b>13.34</b>	1,031.08
Net income per share (Yen/US\$)	<b>30.04</b>	29.08	3.3	<b>0.38</b>	100.46
Net income per share, fully diluted (Yen/US\$)	<b>30.03</b>	29.07	3.3	<b>0.38</b>	100.43
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	<b>2,778</b>	1,583	-	<b>35.0</b>	125,032
Net cash used in investing activities	<b>(15,175)</b>	(16,883)	-	<b>(191.3)</b>	(48,952)
Net cash used in financing activities	<b>(16,256)</b>	(43,366)	-	<b>(205.0)</b>	(86,163)
Cash and cash equivalents, end of period	<b>106,166</b>	86,516	-	<b>1,338.6</b>	129,737

#### Notes:

1. Net worth is net assets, excluding minority interests and stock acquisition rights.
2. The net worth ratio is defined as net worth divided by total assets.
3. Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
4. Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
5. Number of shares outstanding at the end of the periods (common stock):
  - Number of shares including treasury stock:  
526,212,501 shares as of June 30, 2012; 526,212,501 shares as of March 31, 2012.
  - Number of shares of treasury stock:  
4,400,256 shares as of June 30, 2012; 4,402,474 shares as of March 31, 2012.
6. Weighted average number of shares outstanding during the three months ended June 30 of each year:  
521,811,333 shares for 2012; 522,079,804 shares for 2011.

## Consolidated Results by Segment

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2012	2011	Like-for-like <sup>1</sup>		2012	2011	Change
Beauty Care	128.6	130.7	(1.7)	(0.6)	1.4	5.2	(3.8)
Human Health Care	46.2	43.0	7.4	7.8	2.1	4.4	(2.4)
Fabric and Home Care	67.1	65.5	2.4	2.8	12.5	12.7	(0.2)
Consumer Products Total	241.9	239.3	1.1	1.8	16.0	22.3	(6.4)
Chemical	61.5	64.8	(5.2)	(2.7)	4.7	7.0	(2.2)
Total	303.4	304.1	(0.3)	0.9	20.7	29.3	(8.6)
Reconciliations	(8.8)	(9.2)	-	-	0.0	(0.0)	0.1
Consolidated	294.5	294.9	(0.1)	1.0	20.7	29.2	(8.5)

Three months ended June 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2012	2011	Like-for-like <sup>1</sup>		2012	2011	Change
Beauty Care	1,620.9	1,648.6	(1.7)	(0.6)	17.1	65.1	(48.0)
Human Health Care	582.4	542.4	7.4	7.8	26.3	56.1	(29.8)
Fabric and Home Care	846.5	826.5	2.4	2.8	158.1	160.5	(2.4)
Consumer Products Total	3,049.8	3,017.5	1.1	1.8	201.4	281.7	(80.3)
Chemical	775.2	817.4	(5.2)	(2.7)	59.8	87.7	(27.9)
Total	3,824.9	3,834.8	(0.3)	0.9	261.2	369.4	(108.2)
Reconciliations	(111.3)	(116.0)	-	-	0.2	(0.6)	0.8
Consolidated	3,713.7	3,718.8	(0.1)	1.0	261.4	368.8	(107.4)

## Reference: Consolidated Results by Geographic Area

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2012	2011	Like-for-like <sup>1</sup>		2012	2011	Change
Japan	222.7	218.0	2.1	2.1	17.6	20.6	(3.0)
Asia <sup>2</sup>	39.0	41.7	(6.6)	(3.9)	1.9	3.4	(1.5)
North America <sup>2</sup>	22.6	24.5	(7.6)	(4.1)	0.4	2.6	(2.2)
Europe	27.9	30.9	(9.7)	(3.8)	1.1	2.5	(1.4)
Total	312.1	315.1	(0.9)	0.3	21.0	29.0	(8.0)
Reconciliations	(17.6)	(20.1)	-	-	(0.3)	0.2	(0.5)
Consolidated	294.5	294.9	(0.1)	1.0	20.7	29.2	(8.5)

Three months ended June 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2012	2011	Like-for-like <sup>1</sup>		2012	2011	Change
Japan	2,807.5	2,748.5	2.1	2.1	222.1	259.9	(37.8)
Asia <sup>2</sup>	491.6	526.3	(6.6)	(3.9)	24.0	42.9	(18.8)
North America <sup>2</sup>	284.9	308.4	(7.6)	(4.1)	5.2	32.5	(27.3)
Europe	351.5	389.4	(9.7)	(3.8)	13.8	31.0	(17.1)
Total	3,935.4	3,972.6	(0.9)	0.3	265.1	366.2	(101.1)
Reconciliations	(221.7)	(253.8)	-	-	(3.7)	2.5	(6.3)
Consolidated	3,713.7	3,718.8	(0.1)	1.0	261.4	368.8	(107.4)

## Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under North America from the fiscal year ending December 31, 2012. Amounts and percentage of growth for the previous fiscal year have been restated for the purpose of comparison.
3. Information on consolidated results by geographic area is for reference.
4. Net sales to foreign customers were 27.9% of consolidated net sales compared with 29.3% for the same period a year earlier.

**Forecast of Consolidated Results for the Six Months Ending September 30, 2012 and the Year Ending December 31, 2012**

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

	Six months ending September 30, 2012			Year ending December 31, 2012		
	Yen	% Growth	U.S. dollars	Yen	Adjusted % Growth	U.S. dollars
Net sales	615.0	0.0	7,754.4	1,020.0	1.2	12,860.9
Operating income	53.0	(7.8)	668.3	100.0	1.6	1,260.9
Ordinary income	53.0	(10.0)	668.3	101.0	0.9	1,273.5
Net income	33.0	7.3	416.1	60.0	16.1	756.5
Net income per share (Yen/US\$)	63.24	-	0.80	114.98	-	1.45
Cash dividends per share (Yen/US\$)	31.00	-	0.39	62.00	-	0.78

*Notes:*

1. Following approval of the partial amendments to the Articles of Incorporation at the Annual General Meeting of Shareholders held on June 28, 2012, the fiscal year end of Kao Corporation was changed from March 31 to December 31 as of FY2012. Accordingly, the term of consolidation for FY2012 as a transitional period for consolidated subsidiaries previously with a fiscal year end of March 31 is now the 9-month period from April 1, 2012 to December 31, 2012. For consolidated subsidiaries previously with a fiscal year end of December 31, as in the past the term of consolidation for FY2012 is the 12-month period from January 1, 2012 to December 31, 2012.
2. Adjusted % growth is 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. 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 ending 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 June 30, 2012 of 79.31 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. Qualitative Information on Business Results for the Three Months Ended June 30, 2012**

### **(1) Qualitative Information on Consolidated Business Results**

During the three months ended June 30, 2012, uncertainty about the outlook for the global economy increased amid a weak recovery, with the problem of the sovereign debt crisis in Europe. The Japanese economy recovered moderately, but economic conditions remained severe. The household and personal care products market in Japan, a key market for the Kao Group, was flat on a value basis compared with the same period of the previous fiscal year, although consumer purchase prices fell, partly due to the effects of deflation. The cosmetics market in Japan grew by about 2%, due to factors including a rebound from the same quarter of the previous fiscal year.

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 decreased 0.1% compared with the same quarter a year earlier to 294.5 billion yen. Excluding the effect of currency translation, net sales would have increased 1.0%. In the Consumer Products Business, sales were firm, reflecting the contribution from the Human Health Care Business, which includes sanitary and other products. In the Chemical Business, on the other hand, sales decreased compared with the same quarter a year earlier due to adjustment of selling prices in connection with lower raw material prices.

Operating income decreased 8.5 billion yen compared with the same quarter a year earlier to 20.7 billion yen, and ordinary income decreased 8.2 billion yen to 21.8 billion yen. During the period, the Kao Group proactively invested in sales promotion to nurture new and improved products. On the other hand, the profit level temporarily increased in the same quarter a year earlier due to restraints on investment in sales promotion for new and improved products after the March 11 Great East Japan Earthquake and adjustments to selling prices in the Chemical Business outside Japan in response to higher raw material prices. Consequently, income decreased compared with the same quarter a year earlier, although it was in line with the initial forecast. Net income increased 0.5 billion yen to 15.7 billion yen, partly due to recognition of deferred tax assets at a consolidated subsidiary in connection with a resolution

during the period to change the fiscal year end.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 8.6 billion yen compared with the same quarter a year earlier to 29.1 billion yen, which is equivalent to 9.9 percent of net sales.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and affiliates were as shown below. For foreign subsidiaries and affiliates, the period of consolidation for the first quarter is from January to March.

	First quarter
Yen/U.S. dollar	79.75 (82.33)
Yen/Euro	106.31 (113.77)

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

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## **Summary of Segment Information**

### ***Consolidated Results by Segment***

#### **Consumer Products Business**

Sales increased 1.1% compared with the same quarter a year earlier to 241.9 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%.

In Japan, sales increased 2.7% to 199.9 billion yen. The Kao Group dealt with the impact of intensified market competition and deflation by taking measures including proposing environmentally conscious products, launching new products in response to changing consumer lifestyles and enhancing proposal-based sales and in-store merchandising activities.

In Asia, sales increased 3.1% to 20.6 billion yen. Excluding the effect of currency translation, sales would have increased 6.3%. Intense market competition continued, but the Kao Group carried out aggressive measures, including collaborations with retailers and introduction of new products amid continued market growth.

In North America, sales decreased 11.9% to 13.6 billion yen. Excluding the effect of currency translation, sales would have decreased 9.4%. While the market was firm, sales were impacted by the launch of a new product in the same quarter a year earlier and other factors, as well as the effect of currency translation due to the appreciation of the yen.

In Europe, sales decreased 11.4% to 13.7 billion yen. Excluding the effect of currency translation, sales would have decreased 5.9%. While the market was flat, sales were impacted by intensified market competition and other factors, as well as the effect of currency translation due to the appreciation of the yen.

Operating income decreased 6.4 billion yen to 16.0 billion yen, partly due to the temporary increase in the profit level in Japan in the same quarter a year earlier, although the Kao Group worked proactively to nurture new and improved products.

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 decreased 1.7% compared with the same quarter a year earlier to 128.6 billion yen. Excluding the effect of currency translation, sales would have decreased 0.6%.

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Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, increased 0.3% to 61.0 billion yen amid a continuing shift toward self-selection products in Japan's cosmetics market. In Japan, sales of self-selection brands *KATE* makeup and *ururi* skin care increased, as did sales of counseling brands *SOFINA Primavista* base makeup, *AUBE couture* makeup and *COFFRET D'OR* makeup. Sales outside Japan decreased compared with the same quarter a year earlier with the impact of concerns about an economic slowdown.

In premium skin care products, sales in Japan increased, reflecting the steady performance of *Bioré* skin care products and *Curél* sensitive skin care products. Sales in Asia increased, with strong performance by *Bioré* in Taiwan, Hong Kong and Indonesia. In North America, sales of *Jergens* hand and body lotions increased.

Sales of premium hair care products decreased in Japan as intensified competition weakened sales of shampoos, conditioners and hair coloring products. In Asia, sales of *Liese* foam hair color were steady in Hong Kong and sales of *Essential* hair care products increased in Taiwan and Hong Kong. In North America and Europe, sales decreased in the absence of the effect of the launch of *John Frieda* foam hair color in North America in the same quarter a year earlier. However, the product steadily continued to gain consumer support.

Operating income decreased 3.8 billion yen to 1.4 billion yen due to investment in advertising and sales promotion for premium skin care and hair care products, although the Kao Group made ongoing efforts to rebuild the prestige cosmetics business in Japan. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 3.9 billion yen to 9.7 billion yen, which is equivalent to 7.5% of sales.

*Human Health Care Business*

Sales increased 7.4% compared with the same quarter a year earlier to 46.2 billion yen. Excluding the effect of currency translation, sales would have increased 7.8%.

In food and beverage products, sales of the *Healthya* brand of functional drinks that promote body fat utilization increased with the contribution of new products.

Sales of sanitary products increased compared with the same quarter a year earlier. Sales of *Laurier* sanitary napkins increased in Japan and Indonesia, while sales of baby diapers increased in Japan and were strong in China and Russia.

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In personal health products, the Kao Group launched *Clear Clean EX* tartar control toothpaste, but sales decreased from the same quarter a year earlier due to intensifying competition.

Operating income decreased 2.4 billion yen to 2.1 billion yen, partly due to increased expenses for new product launches, despite efforts to curtail expenses and cost reduction activities.

*Fabric and Home Care Business*

Sales increased 2.4% compared with the same quarter a year earlier to 67.1 billion yen. Excluding the effect of currency translation, sales would have increased 2.8%.

Sales of fabric care products were firm. 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 expanded the number of users of *Attack Neo Antibacterial EX Power*, which has strong deodorizing properties. *Wide Haiter EX Power* fabric bleach for color garments performed well, and *Flair Fragrance* fabric softener, which releases fragrance upon exposure to perspiration or other moisture, was well received by consumers. In Asia, *Attack Easy* laundry detergent received strong consumer support in Indonesia, and *Attack 3D Clean Action*, a new concentrated laundry detergent, was launched in Thailand.

Sales of home care products increased due to the strong performance of *CuCute* dishwashing detergent in Japan.

Operating income decreased 0.2 billion yen to 12.5 billion yen, although the Kao Group conducted cost reduction activities.

**Chemical Business**

Sales decreased 5.2% compared with the same quarter a year earlier to 61.5 billion yen, partly because of selling price adjustments made in connection with lower raw material prices. Excluding the effect of currency translation, sales would have decreased 2.7%.

In oleo chemicals, the Kao Group adjusted selling prices in connection with lower raw material prices. In performance chemicals, the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact, but sales were impacted by a delayed recovery in certain industries that use these products. In specialty chemicals, sales of toner and toner binder for copiers and printers were firm.



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Operating income decreased 2.2 billion yen to 4.7 billion yen with the impact of decreased demand in customer industries, despite cost reduction activities.

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**(2) Qualitative Information on Consolidated Financial Condition****Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	<b>Q1/FY2012 Jun. 30, 2012</b>	FY2011 Mar. 31, 2012	Incr./ (Dcr.)	<b>Q1/FY2012 Jun. 30, 2012</b>
Total assets	<b>985.9</b>	991.3	(5.4)	<b>12,431.2</b>
Total net assets	<b>562.9</b>	549.7	13.2	<b>7,098.0</b>
Net worth ratio	<b>56.0%</b>	54.3%	-	-
Net worth per share (Yen/US\$)	<b>1,057.69</b>	1,031.08	26.61	<b>13.34</b>
Total debt	<b>103.0</b>	102.1	0.9	<b>1,298.5</b>

**Summary of Consolidated Cash Flows**

Three months ended June 30	Billions of yen			Millions of U.S. dollars
	<b>2012</b>	2011	Incr./ (Dcr.)	<b>2012</b>
Net cash provided by operating activities	<b>2.8</b>	1.6	1.2	<b>35.0</b>
Net cash used in investing activities	<b>(15.2)</b>	(16.9)	1.7	<b>(191.3)</b>
Free cash flow *	<b>(12.4)</b>	(15.3)	2.9	<b>(156.3)</b>
Net cash used in financing activities	<b>(16.3)</b>	(43.4)	27.1	<b>(205.0)</b>

\* Free cash flow is the sum of net cash provided by operating activities and net cash used in investing activities.

Total assets decreased 5.4 billion yen from the previous fiscal year-end to 985.9 billion yen. The principal increases in assets were a 5.5 billion yen increase in notes and accounts receivable – trade and a 9.9 billion yen increase in merchandise and finished goods. The principal decreases in assets were a 13.5 billion yen decrease in cash and time deposits, a 7.3 billion yen decrease in short-term investments and a 6.9 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 18.6 billion yen from the previous fiscal year-end to 423.0 billion yen. The principal decrease in liabilities was a 13.6 billion yen decrease in income taxes payable due to payment of income taxes.

Total net assets increased 13.2 billion yen from the previous fiscal year-end to 562.9 billion yen. The principal increases in net assets were net income for the first quarter totaling 15.7 billion yen and foreign currency translation adjustments of 14.3 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 16.2 billion

yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 56.0% compared with 54.3% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 2.8 billion yen. The principal increases in net cash were income before income taxes and minority interests of 21.8 billion yen and depreciation and amortization of 19.1 billion yen. The principal decreases in net cash were income taxes paid of 18.9 billion yen, change in inventories of 7.0 billion yen and change in trade payables of 2.2 billion yen.

Net cash used in investing activities totaled 15.2 billion yen. This primarily consisted of purchase of property, plant and equipment of 7.3 billion yen and payments for investment in capital of nonconsolidated subsidiaries of 4.4 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was negative 12.4 billion yen. This was an increase of 2.9 billion yen compared with the same quarter a year earlier, mainly due to a decrease in trade receivables.

Net cash used in financing activities totaled 16.3 billion yen. The principal decrease in net cash was 16.8 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at June 30, 2012 increased 19.6 billion yen compared with the end of the first quarter of the previous fiscal year to 106.2 billion yen. The balance was a decrease of 23.6 billion yen compared with the end of the previous fiscal year.

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### **(3) Qualitative Information on Forecast of Consolidated Results**

There are concerns about the risk of a downturn in the global economy, with the problem of the sovereign debt crisis in Europe. In Japan, where deflation is continuing, the outlook for the operating environment remains unclear, with employment conditions remaining severe. Moreover, the direction of market prices of natural oils and fats and crude oil, as well as of foreign exchange rates, has become fluid.

Amid these circumstances, the Kao Group is accurately responding to various changes in the operating environment of the Consumer Products Business as it aims to achieve profitable growth with consumer-driven, high-value-added products. In Japan, the Kao Group is accelerating rebuilding the prestige cosmetics business. In Asia, the Kao Group is aiming to raise the level of sales with aggressive launches of new products. In North America and Europe, the Kao Group is promoting integrated management of the Beauty Care Business through the unification of management structures of a range of beauty care products in each country. In the Chemical Business, the Kao Group is working to strengthen global operations and carry out measures such as developing products with a reduced environmental impact.

Through these measures, the Kao Group achieved results for the three months ended June 30, 2012 in line with its initial forecast. The forecasts of consolidated results for the six months ending September 30, 2012 and the fiscal year ending December 31, 2012 remain the same as announced on April 24, 2012.

The main exchange rates used in the forecast of consolidated results are 80 yen per U.S. dollar and 102 yen per euro.

## **2. Other**

**(1) Changes in material subsidiaries during this quarterly period:** None

**(2) Accounting procedures specific to the preparation of quarterly consolidated financial statements:** None

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

**Consolidated Balance Sheets**

Millions of yen

	Q1/FY2012 Jun 30, 2012	FY2011 Mar 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	71,975	85,483
Notes and accounts receivable - trade	148,350	142,882
Short-term investments	39,542	46,798
Merchandise and finished goods	92,333	82,393
Work in process	12,243	11,670
Raw materials and supplies	27,135	26,643
Other	35,951	38,195
Allowance for doubtful receivables	(1,311)	(1,115)
<b>Total current assets</b>	<b>426,218</b>	<b>432,949</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Property, plant and equipment	1,119,334	1,103,734
Accumulated depreciation	(876,458)	(863,156)
<b>Total property, plant and equipment</b>	<b>242,876</b>	<b>240,578</b>
Intangible assets		
Goodwill	164,398	165,614
Trademarks	49,213	53,583
Other	16,993	18,266
<b>Total intangible assets</b>	<b>230,604</b>	<b>237,463</b>
Investments and other assets		
Investments and other assets	86,445	80,501
Allowance for doubtful receivables	(221)	(219)
<b>Total investments and other assets</b>	<b>86,224</b>	<b>80,282</b>
<b>Total fixed assets</b>	<b>559,704</b>	<b>558,323</b>
<b>Total assets</b>	<b>985,922</b>	<b>991,272</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	111,134	110,659
Short-term debt	2,923	2,060
Current portion of bonds	49,999	-
Current portion of long-term debt	7	5
Income taxes payable	4,676	18,306
Other	137,594	143,880
<b>Total current liabilities</b>	<b>306,333</b>	<b>274,910</b>
<b>Long-term liabilities</b>		
Bonds	-	49,999
Long-term debt	50,054	50,049
Liability for employee retirement benefits	44,701	45,026
Other	21,893	21,584
<b>Total long-term liabilities</b>	<b>116,648</b>	<b>166,658</b>
<b>Total liabilities</b>	<b>422,981</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	447,120	447,619
Treasury stock, at cost	(9,059)	(9,064)
<b>Total shareholders' equity</b>	<b>633,046</b>	<b>633,540</b>
<b>Adjustments for valuation, foreign currency translation and others</b>		
Unrealized gain on available-for-sale securities	2,240	2,283
Deferred gain (loss) on derivatives under hedge accounting	1	(3)
Foreign currency translation adjustments	(81,789)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries	(1,579)	(1,697)
<b>Total adjustments for valuation, foreign currency translation and others</b>	<b>(81,127)</b>	<b>(95,511)</b>
<b>Stock acquisition rights</b>	<b>1,209</b>	<b>1,238</b>
<b>Minority interests</b>	<b>9,813</b>	<b>10,437</b>
<b>Total net assets</b>	<b>562,941</b>	<b>549,704</b>
<b>Total liabilities and net assets</b>	<b>985,922</b>	<b>991,272</b>

**Consolidated Statements of Income**

Millions of yen

	Q1/FY2012 Apr '12 - Jun '12	Q1/FY2011 Apr '11 - Jun '11
<b>Net sales</b>	<b>294,530</b>	<b>294,939</b>
Cost of sales	128,545	124,527
<b>Gross profit</b>	<b>165,985</b>	<b>170,412</b>
Selling, general and administrative expenses	145,255	141,166
<b>Operating income</b>	<b>20,730</b>	<b>29,246</b>
Non-operating income		
Interest income	235	208
Dividend income	99	94
Equity in earnings of nonconsolidated subsidiaries and affiliates	419	796
Foreign currency exchange gain	182	-
Other	661	697
Total non-operating income	1,596	1,795
Non-operating expenses		
Interest expense	378	703
Foreign currency exchange loss	-	121
Other	134	197
Total non-operating expenses	512	1,021
<b>Ordinary income</b>	<b>21,814</b>	<b>30,020</b>
Extraordinary gain		
Gain on sales of fixed assets	43	21
Gain on sales of investment securities	270	-
Other	79	70
Total extraordinary gain	392	91
Extraordinary loss		
Loss on sales/disposals of fixed assets	355	545
Other	17	1,210
Total extraordinary loss	372	1,755
<b>Income before income taxes and minority interests</b>	<b>21,834</b>	<b>28,356</b>
Income taxes		
Income taxes - current	5,007	6,719
Income taxes - deferred	784	5,986
Total income taxes	5,791	12,705
<b>Income before minority interests</b>	<b>16,043</b>	<b>15,651</b>
Minority interests	367	468
<b>Net income</b>	<b>15,676</b>	<b>15,183</b>

**Consolidated Statements of Comprehensive Income**

*Millions of yen*

	<u>Q1/FY2012</u> <u>Apr '12 - Jun '12</u>	<u>Q1/FY2011</u> <u>Apr '11 - Jun '11</u>
Income before minority interests	16,043	15,651
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	(96)	(4)
Foreign currency translation adjustments	15,007	8,454
Share in other comprehensive income of associates applied for equity method	126	13
Post retirement liability adjustments for foreign consolidated subsidiaries	118	46
Other comprehensive income	15,155	8,509
Comprehensive income	31,198	24,160
Attributable to:		
Shareholders of Kao Corporation	30,059	23,320
Minority interests	1,139	840

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

*Millions of yen*

	<u>Q1/FY2012</u> <u>Apr '12 - Jun '12</u>	<u>Q1/FY2011</u> <u>Apr '11 - Jun '11</u>
Freight/warehouse	16,752	16,531
Advertising	22,027	19,869
Sales promotion	14,612	13,581
Salaries and bonuses	30,556	30,637
Research and development	11,954	11,645

**Consolidated Statements of Cash Flows**

Millions of yen

	Q1/FY2012 Apr '12 - Jun '12	Q1/FY2011 Apr '11 - Jun '11
<b>Operating activities:</b>		
Income before income taxes and minority interests	21,834	28,356
Adjustments for:		
Depreciation and amortization	19,110	19,409
Interest and dividend income	(334)	(302)
Interest expense	378	703
Unrealized foreign currency exchange (gain) loss	149	323
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(419)	(796)
Loss on sales or disposals of property, plant and equipment, net	311	524
Change in trade receivables	34	(11,149)
Change in inventories	(6,954)	(15,507)
Change in trade payables	(2,242)	7,040
Change in liability for retirement benefits	(756)	648
Other, net	(10,531)	(9,429)
Subtotal	20,580	19,820
Interest and cash dividends received	1,608	921
Interest paid	(545)	(969)
Income taxes paid	(18,865)	(18,189)
<b>Net cash provided by operating activities</b>	<b>2,778</b>	<b>1,583</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	4,357	20
Purchase of marketable securities and investment securities	(5,002)	-
Purchase of property, plant and equipment	(7,273)	(7,900)
Purchase of intangible assets	(630)	(910)
Payments for long-term prepaid expenses	(2,433)	(1,308)
Change in short-term loans, net	(147)	(179)
Payments for long-term loans	(116)	(507)
Payments for investment in capital of nonconsolidated subsidiaries	(4,403)	(5,826)
Other, net	472	(273)
<b>Net cash used in investing activities</b>	<b>(15,175)</b>	<b>(16,883)</b>
<b>Financing activities:</b>		
Change in short-term debt, net	724	(4,205)
Change in commercial paper, net	-	24,993
Repayments of long-term loans	-	(0)
Redemption of bonds	-	(50,000)
Purchase of treasury stock	(2)	(2)
Payments of cash dividends	(14,919)	(13,927)
Payments of cash dividends to minority shareholders	(1,859)	(31)
Other, net	(200)	(194)
<b>Net cash used in financing activities</b>	<b>(16,256)</b>	<b>(43,366)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>4,774</b>	<b>2,039</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(23,879)</b>	<b>(56,627)</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>106,166</b>	<b>86,516</b>



**Consolidated Segment Information**

Millions of yen

Q1/FY2012 Apr '12 - Jun '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	128,551	46,192	67,135	241,878	52,652	294,530	-	294,530
Intersegment sales	-	-	-	-	8,825	8,825	(8,825)	-
<b>Total</b>	<b>128,551</b>	<b>46,192</b>	<b>67,135</b>	<b>241,878</b>	<b>61,477</b>	<b>303,355</b>	<b>(8,825)</b>	<b>294,530</b>
<b>Operating income</b>	<b>1,356</b>	<b>2,082</b>	<b>12,538</b>	<b>15,976</b>	<b>4,741</b>	<b>20,717</b>	<b>13</b>	<b>20,730</b>
% of net sales	1.1	4.5	18.7	6.6	7.7	6.8	-	7.0

Q1/FY2011 Apr '11 - Jun '11	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	130,747	43,021	65,549	239,317	55,622	294,939	-	294,939
Intersegment sales	-	-	-	-	9,201	9,201	(9,201)	-
<b>Total</b>	<b>130,747</b>	<b>43,021</b>	<b>65,549</b>	<b>239,317</b>	<b>64,823</b>	<b>304,140</b>	<b>(9,201)</b>	<b>294,939</b>
<b>Operating income</b>	<b>5,164</b>	<b>4,449</b>	<b>12,727</b>	<b>22,340</b>	<b>6,955</b>	<b>29,295</b>	<b>(49)</b>	<b>29,246</b>
% of net sales	3.9	10.3	19.4	9.3	10.7	9.6	-	9.9

Note: Reconciliation of operating income includes elimination of intersegment inventory transactions.

**Consolidated Net Sales Composition**

<i>Millions of yen</i>	Q1/FY2012 <u>Apr '12 - Jun '12</u>	Q1/FY2011 <u>Apr '11 - Jun '11</u>	Growth <u>%</u>
<b>Consumer Products Business</b>			
Beauty Care Business	97,680	96,932	0.8
Human Health Care Business	41,883	38,546	8.7
Fabric and Home Care Business	60,348	59,220	1.9
<b>Total Japan</b>	<b>199,911</b>	<b>194,698</b>	<b>2.7</b>
Asia	20,635	20,011	3.1
North America	13,629	15,474	(11.9)
Europe	13,713	15,472	(11.4)
Eliminations	(6,010)	(6,338)	-
<b>Total</b>	<b>241,878</b>	<b>239,317</b>	<b>1.1</b>
<b>Chemical Business</b>			
Japan	30,599	31,468	(2.8)
Asia	18,981	22,402	(15.3)
North America	8,995	9,025	(0.3)
Europe	14,202	15,463	(8.2)
Eliminations	(11,300)	(13,535)	-
<b>Total</b>	<b>61,477</b>	<b>64,823</b>	<b>(5.2)</b>
<b>Total before Eliminations</b>	<b>303,355</b>	<b>304,140</b>	<b>(0.3)</b>
Eliminations	(8,825)	(9,201)	-
<b>Consolidated</b>	<b>294,530</b>	<b>294,939</b>	<b>(0.1)</b>

Note: Australia and New Zealand, which had been included in Asia until the fiscal year ended March 31, 2012, have been reclassified under North America from the fiscal year ending 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	