

Summary of Consolidated Business Results for the Six Months Ended September 30, 2012

Tokyo, October 23, 2012 — Kao Corporation today announced its consolidated business results for the six months ended September 30, 2012, the interim period 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)

	Six months ended September 30			Fiscal 2011, ended	
	2012	2011	Growth	2012	March 31, 2012
	Yen		%	U.S. dollars	Yen
Net sales	608,976	614,885	(1.0)	7,847.6	1,216,096
Operating income	53,377	57,508	(7.2)	687.8	108,590
Ordinary income	55,353	58,896	(6.0)	713.3	110,027
Net income	35,861	30,743	16.6	462.1	52,435
Comprehensive income	37,808	36,595	3.3	487.2	41,395
Total assets	1,001,649	1,009,048	(0.7)	12,907.8	991,272
Total net assets	570,540	560,158	1.9	7,352.3	549,704
Net worth	558,994	548,692	1.9	7,203.5	538,030
Net worth ratio	55.8%	54.4%	-	-	54.3%
Net worth per share (Yen/US\$)	1,071.22	1,051.54	1.9	13.80	1,031.08
Net income per share (Yen/US\$)	68.72	58.89	16.7	0.89	100.46
Net income per share, fully diluted (Yen/US\$)	68.70	58.87	16.7	0.89	100.43
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	63,902	62,587	-	823.5	125,032
Net cash used in investing activities	(30,563)	(29,818)	-	(393.9)	(48,952)
Net cash used in financing activities	(16,191)	(69,117)	-	(208.6)	(86,163)
Cash and cash equivalents, end of period	147,224	108,871	-	1,897.2	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 September 30, 2012; 526,212,501 shares as of March 31, 2012.
 - Number of shares of treasury stock:
4,384,602 shares as of September 30, 2012; 4,402,474 shares as of March 31, 2012.
6. Weighted average number of shares outstanding during the six months ended September 30 of each year:
521,816,550 shares for 2012; 522,068,080 shares for 2011.

Consolidated Results by Segment

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2012	2011	Like-for-like ¹		2012	2011	Change
Beauty Care	267.2	271.8	(1.7)	(0.3)	7.3	7.0	0.3
Human Health Care	93.8	90.7	3.5	4.0	5.8	8.2	(2.4)
Fabric and Home Care	146.0	143.3	1.9	2.4	31.0	28.8	2.2
Consumer Products Total	507.0	505.8	0.2	1.2	44.2	44.1	0.1
Chemical	119.9	128.1	(6.4)	(2.9)	9.2	13.5	(4.3)
Total	626.9	633.9	(1.1)	0.4	53.3	57.5	(4.2)
Reconciliations	(17.9)	(19.0)	-	-	0.0	(0.0)	0.1
Consolidated	609.0	614.9	(1.0)	0.5	53.4	57.5	(4.1)

Six months ended September 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2012	2011	Like-for-like ¹		2012	2011	Change
Beauty Care	3,442.9	3,502.3	(1.7)	(0.3)	94.5	90.3	4.2
Human Health Care	1,209.4	1,168.7	3.5	4.0	75.3	105.9	(30.5)
Fabric and Home Care	1,881.6	1,846.7	1.9	2.4	399.3	371.5	27.7
Consumer Products Total	6,533.9	6,517.6	0.2	1.2	569.1	567.7	1.5
Chemical	1,544.8	1,651.1	(6.4)	(2.9)	118.3	173.9	(55.6)
Total	8,078.7	8,168.8	(1.1)	0.4	687.5	741.6	(54.1)
Reconciliations	(231.0)	(245.0)	-	-	0.4	(0.5)	0.9
Consolidated	7,847.6	7,923.8	(1.0)	0.5	687.8	741.1	(53.2)

Reference: Consolidated Results by Geographic Area

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2012	2011	Like-for-like ¹		2012	2011	Change
Japan	465.6	463.2	0.5	0.5	47.0	45.2	1.9
Asia ²	80.5	88.8	(9.3)	(6.0)	3.3	6.3	(3.0)
North America ²	45.4	48.3	(5.9)	(2.2)	0.8	2.9	(2.0)
Europe	54.4	61.1	(11.0)	(1.2)	2.2	4.2	(2.1)
Total	645.9	661.4	(2.3)	(0.7)	53.3	58.6	(5.2)
Reconciliations	(36.9)	(46.5)	-	-	0.0	(1.0)	1.1
Consolidated	609.0	614.9	(1.0)	0.5	53.4	57.5	(4.1)

Six months ended September 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2012	2011	Like-for-like ¹		2012	2011	Change
Japan	5,999.9	5,969.7	0.5	0.5	605.8	581.9	23.9
Asia ²	1,037.8	1,144.6	(9.3)	(6.0)	42.7	80.8	(38.1)
North America ²	585.1	621.9	(5.9)	(2.2)	10.8	37.1	(26.3)
Europe	700.6	787.1	(11.0)	(1.2)	28.2	54.7	(26.5)
Total	8,323.5	8,523.2	(2.3)	(0.7)	687.4	754.5	(67.1)
Reconciliations	(475.8)	(599.5)	-	-	0.4	(13.4)	13.8
Consolidated	7,847.6	7,923.8	(1.0)	0.5	687.8	741.1	(53.2)

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 26.9% of consolidated net sales compared with 27.7% for the same period a year earlier.

Forecast of Consolidated Results for the Year Ending December 31, 2012

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

	Year ending December 31, 2012		
	Yen	Adjusted % Growth	U.S. dollars
Net sales	1,020.0	1.2	13,144.3
Operating income	100.0	1.6	1,288.7
Ordinary income	101.0	0.9	1,301.5
Net income	60.0	16.1	773.2
Net income per share (Yen/US\$)	114.98	-	1.48
Cash dividends per share (Yen/US\$)	62.00	-	0.80

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.
4. Annual cash dividends per share: 62.00 yen
Interim dividend per share: 31.00 yen; year-end dividend per share: 31.00 yen

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 September 30, 2012 of 77.60 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.

For further information, please contact:

Sadanao Kawashima
Vice President
Investor Relations
Tel: +81-3-3660-7101
Fax: +81-3-3660-8978
E-mail: ir@kao.co.jp

1. Qualitative Information on Business Results for the Six Months Ended September 30, 2012

(1) Qualitative Information on Consolidated Business Results

During the six months ended September 30, 2012, uncertainty about the outlook for the global economy increased with the problem of the sovereign debt crisis in Europe. In the Japanese economy, conditions remained severe as the recovery stalled. 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 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 was flat compared with the same period 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 1.0% compared with the same period a year earlier to 609.0 billion yen. Excluding the effect of currency translation, net sales would have increased 0.5%. In the Consumer Products Business, sales were firm, 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, on the other hand, sales decreased compared with the same period a year earlier due to the impact of decreased demand in customer industries and adjustment of selling prices in connection with lower raw material prices.

Operating income decreased 4.1 billion yen compared with the same period a year earlier to 53.4 billion yen, and ordinary income decreased 3.5 billion yen to 55.4 billion yen. In the same period a year earlier, the profit level temporarily increased 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 for the period under review decreased year-on-year, although it was in line with the initial forecast. Net income increased 5.1 billion yen to 35.9 billion yen, partly due to recognition of deferred tax assets at a consolidated subsidiary in connection with a resolution in June 2012 to change the fiscal year end.

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Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 4.6 billion yen compared with the same period a year earlier to 69.7 billion yen, which is equivalent to 11.4% of net sales.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and affiliates during the six months ended September 30, 2012 were as shown below. For foreign subsidiaries and affiliates, the period of consolidation for the first quarter is from January to March, and the period of consolidation for the second quarter is from April to June.

	First quarter	Second quarter
Yen/U.S. dollar	79.75 (82.33)	79.81 (81.23)
Yen/Euro	106.31 (113.77)	101.20 (118.29)

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 0.2% compared with the same period a year earlier to 507.0 billion yen. Excluding the effect of currency translation, sales would have increased 1.2%.

In Japan, sales increased 1.0% to 421.1 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 3.7% to 42.4 billion yen. Excluding the effect of currency translation, sales would have increased 8.0%. Intense market competition continued, but the Kao Group carried out aggressive measures, including collaboration with retailers and introduction of new products amid continued market growth.

In North America, sales decreased 3.9% to 28.1 billion yen. Excluding the effect of currency translation, sales would have decreased 1.4%. While the market was firm, sales were impacted by the launch of a new product in the same period a year earlier.

In Europe, sales decreased 12.5% to 27.4 billion yen. Excluding the effect of currency translation, sales would have decreased 3.5%. The market was flat and sales were firm within Europe, but performance was impacted by lower export sales and the effect of currency translation due to the appreciation of the yen.

Operating income increased 0.1 billion yen to 44.2 billion yen as the Kao Group worked proactively to nurture new and improved products, pared down 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 decreased 1.7% compared with the same period a year earlier to 267.2 billion yen. Excluding the effect of currency translation, sales would have decreased 0.3%.

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Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, were essentially unchanged from the same period of the previous fiscal year (a 0.1% decrease to 125.2 billion yen; an increase of 0.5% excluding the effect of currency translation). In Japan, amid a continuing shift toward lower-priced products in the cosmetics market, sales of counseling brands *SOFINA Primavista* base makeup, *AUBE couture* makeup and *COFFRET D'OR* makeup increased, as did sales of self-selection brands *KATE* makeup and *ururi* skin care. Sales outside Japan decreased compared with the same period 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. In Asia, *Bioré* performed strongly with the effect of product improvements. 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 of *John Frieda* foam hair color increased.

Operating income increased 0.3 billion yen to 7.3 billion yen due to the Kao Group's ongoing efforts to rebuild the prestige cosmetics business in Japan, among other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 0.2 billion yen to 23.6 billion yen, which is equivalent to 8.8% of sales.

Human Health Care Business

Sales increased 3.5% compared with the same period a year earlier to 93.8 billion yen. Excluding the effect of currency translation, sales would have increased 4.0%.

In food and beverage products, the Kao Group added new products to the *Healthy* brand of functional drinks that promote body fat utilization, but sales decreased compared with the same period a year earlier due to intensifying market competition.

Sales of sanitary products increased compared with the same period a year earlier. Sales of *Laurier* sanitary napkins were flat in Japan, reflecting factors including a new product launch in the same period a year earlier, but increased in Indonesia. Sales of *Merries* baby diapers were strong in Japan and also increased 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 period a year earlier due to intensifying competition.

Operating income decreased 2.4 billion yen to 5.8 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 1.9% compared with the same period a year earlier to 146.0 billion yen. Excluding the effect of currency translation, sales would have increased 2.4%.

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 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 Haiter EX Power* fabric bleach for color garments performed well. In Asia, *Attack Easy* laundry detergent received strong consumer support in Indonesia, and sales grew in Thailand with the launch of *Attack 3D Clean Action*, a new concentrated laundry detergent.

Sales of home care products increased due to the strong performance of *CuCute* dishwashing detergent and *Kitchen Haiter* kitchen bleach in Japan.

Operating income increased 2.2 billion yen to 31.0 billion yen as the Kao Group conducted cost reduction activities, in addition to the effect of the increase in sales.

Chemical Business

Sales decreased 6.4% compared with the same period a year earlier to 119.9 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 2.9%.

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.

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Kao Corporation
October 23, 2012

Operating income decreased 4.3 billion yen to 9.2 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
	1H/FY2012 Sept. 30, 2012	FY2011 Mar. 31, 2012	Incr./ (Dcr.)	1H/FY2012 Sept. 30, 2012
Total assets	1,001.6	991.3	10.4	12,907.8
Total net assets	570.5	549.7	20.8	7,352.3
Net worth ratio	55.8%	54.3%	-	-
Net worth per share (Yen/US\$)	1,071.22	1,031.08	40.14	13.80
Total debt	103.6	102.1	1.4	1,334.5

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	2012	2011	Incr./ (Dcr.)	2012
Six months ended September 30	2012	2011	Incr./ (Dcr.)	2012
Net cash provided by operating activities	63.9	62.6	1.3	823.5
Net cash used in investing activities	(30.6)	(29.8)	(0.7)	(393.9)
Free cash flow *	33.3	32.8	0.6	429.6
Net cash used in financing activities	(16.2)	(69.1)	52.9	(208.6)

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

Total assets increased 10.4 billion yen from the previous fiscal year-end to 1,001.6 billion yen. The principal increases in assets were a 6.7 billion yen increase in cash and time deposits, a 5.5 billion yen increase in short-term investments and a 4.5 billion yen increase in merchandise and finished goods. The principal decrease in assets was a 16.8 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 10.5 billion yen from the previous fiscal year-end to 431.1 billion yen. The principal decrease in liabilities was a 5.1 billion yen decrease in notes and accounts payable – trade.

Total net assets increased 20.8 billion yen from the previous fiscal year-end to 570.5 billion yen. The principal increase in net assets was net income totaling 35.9 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 16.2 billion yen.

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As a result, the net worth ratio (defined as net worth divided by total assets) was 55.8% compared with 54.3% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 63.9 billion yen. The principal increases in net cash were income before income taxes and minority interests of 54.7 billion yen and depreciation and amortization of 38.3 billion yen. The principal decreases in net cash were income taxes paid of 20.4 billion yen, change in trade payables of 5.4 billion yen and change in inventories of 1.4 billion yen.

Net cash used in investing activities totaled 30.6 billion yen. This primarily consisted of purchase of property, plant and equipment of 21.1 billion yen, purchase of marketable securities of 5.0 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 33.3 billion yen. This was an increase of 0.6 billion yen compared with the same period a year earlier.

Net cash used in financing activities totaled 16.2 billion yen. The principal decrease in net cash was 18.5 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at September 30, 2012 increased 38.4 billion yen compared with the end of the second quarter of the previous fiscal year to 147.2 billion yen. The balance was an increase of 17.5 billion yen compared with the end of the previous fiscal year.

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(3) Qualitative Information on Forecast of Consolidated Results

In the global economy, there are concerns about the problem of the sovereign debt crisis in Europe and the risk of a general downturn. 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 unpredictable.

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 its rebuilding of 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.

Because results for the six months ended September 30, 2012 were in line with the Kao Group's initial forecast, the forecast of consolidated results for the fiscal year ending December 31, 2012 remains the same as announced with the first quarter results on July 25, 2012.

The main exchange rates used in the forecast of consolidated results are 79 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

	1H/FY2012 Sep 30, 2012	FY2011 Mar 31, 2012
Assets		
Current assets		
Cash and time deposits	92,190	85,483
Notes and accounts receivable - trade	142,144	142,882
Short-term investments	52,326	46,798
Merchandise and finished goods	86,898	82,393
Work in process	11,456	11,670
Raw materials and supplies	24,314	26,643
Other	47,105	38,195
Allowance for doubtful receivables	(1,222)	(1,115)
Total current assets	455,211	432,949
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,112,107	1,103,734
Accumulated depreciation	(871,650)	(863,156)
Total property, plant and equipment	240,457	240,578
Intangible assets		
Goodwill	159,990	165,614
Trademarks	45,180	53,583
Other	15,454	18,266
Total intangible assets	220,624	237,463
Investments and other assets		
Investments and other assets	85,556	80,501
Allowance for doubtful receivables	(199)	(219)
Total investments and other assets	85,357	80,282
Total fixed assets	546,438	558,323
Total assets	1,001,649	991,272
Liabilities		
Current liabilities		
Notes and accounts payable - trade	105,542	110,659
Short-term debt	3,504	2,060
Current portion of bonds	49,999	-
Current portion of long-term debt	6	5
Income taxes payable	18,123	18,306
Other	138,503	143,880
Total current liabilities	315,677	274,910
Long-term liabilities		
Bonds	-	49,999
Long-term debt	50,047	50,049
Liability for employee retirement benefits	44,211	45,026
Other	21,174	21,584
Total long-term liabilities	115,432	166,658
Total liabilities	431,109	441,568
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	467,297	447,619
Treasury stock, at cost	(9,023)	(9,064)
Total shareholders' equity	653,259	633,540
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	2,266	2,283
Deferred gain (loss) on derivatives under hedge accounting	(2)	(3)
Foreign currency translation adjustments	(94,789)	(96,094)
Post retirement liability adjustments for foreign consolidated subsidiaries	(1,739)	(1,697)
Total adjustments for valuation, foreign currency translation and others	(94,264)	(95,511)
Stock acquisition rights	1,330	1,238
Minority interests	10,215	10,437
Total net assets	570,540	549,704
Total liabilities and net assets	1,001,649	991,272

Consolidated Statements of Income

Millions of yen

	1H/FY2012	1H/FY2011
	Apr '12 - Sep '12	Apr '11 - Sep '11
Net sales	608,976	614,885
Cost of sales	262,942	263,501
Gross profit	346,034	351,384
Selling, general and administrative expenses	292,657	293,876
Operating income	53,377	57,508
Non-operating income		
Interest income	486	445
Dividend income	101	95
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,166	1,371
Foreign currency exchange gain	140	-
Other	1,270	1,395
Total non-operating income	3,163	3,306
Non-operating expenses		
Interest expense	772	1,227
Foreign currency exchange loss	-	260
Other	415	431
Total non-operating expenses	1,187	1,918
Ordinary income	55,353	58,896
Extraordinary gain		
Gain on sales of fixed assets	53	96
Gain on sales of stock of subsidiary	270	-
Other	127	79
Total extraordinary gain	450	175
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,062	1,160
Other	42	2,055
Total extraordinary loss	1,104	3,215
Income before income taxes and minority interests	54,699	55,856
Income taxes		
Income taxes - current	20,066	20,784
Income taxes - deferred	(1,851)	3,407
Total income taxes	18,215	24,191
Income before minority interests	36,484	31,665
Minority interests	623	922
Net income	35,861	30,743

Consolidated Statements of Comprehensive Income

Millions of yen

	1H/FY2012 Apr '12 - Sep '12	1H/FY2011 Apr '11 - Sep '11
Income before minority interests	36,484	31,665
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	(6)	(21)
Foreign currency translation adjustments	1,351	4,920
Share in other comprehensive income of associates applied for equity method	21	(60)
Post retirement liability adjustments for foreign consolidated subsidiaries	(42)	91
Other comprehensive income	<u>1,324</u>	<u>4,930</u>
Comprehensive income	37,808	36,595
Attributable to:		
Shareholders of Kao Corporation	37,108	35,508
Minority interests	<u>700</u>	<u>1,087</u>

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen

	1H/FY2012 Apr '12 - Sep '12	1H/FY2011 Apr '11 - Sep '11
Freight/warehouse	34,882	34,812
Advertising	43,210	43,718
Sales promotion	31,260	31,764
Salaries and bonuses	60,696	61,085
Research and development	<u>24,007</u>	<u>23,573</u>

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2012 Apr '12 - Sep '12	1H/FY2011 Apr '11 - Sep '11
Operating activities:		
Income before income taxes and minority interests	54,699	55,856
Adjustments for:		
Depreciation and amortization	38,253	39,305
Interest and dividend income	(587)	(540)
Interest expense	772	1,227
Unrealized foreign currency exchange (gain) loss	745	192
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,166)	(1,371)
Loss on sales or disposals of property, plant and equipment, net	1,009	1,064
Change in trade receivables	1,323	(9,307)
Change in inventories	(1,400)	(22,787)
Change in trade payables	(5,448)	14,230
Change in liability for retirement benefits	(819)	1,197
Other, net	(4,122)	3,930
Subtotal	83,259	82,996
Interest and cash dividends received	1,843	1,150
Interest paid	(765)	(1,477)
Income taxes paid	(20,435)	(20,082)
Net cash provided by operating activities	63,902	62,587
Investing activities:		
Proceeds from withdrawal of time deposits	4,390	637
Purchase of marketable securities and investment securities	(5,002)	-
Purchase of property, plant and equipment	(21,146)	(21,180)
Purchase of intangible assets	(1,283)	(1,479)
Payments for long-term prepaid expenses	(3,681)	(2,317)
Change in short-term loans, net	5	(152)
Payments for long-term loans	(236)	(684)
Payments for investment in capital of nonconsolidated subsidiaries	(4,403)	(6,082)
Other, net	793	1,439
Net cash used in investing activities	(30,563)	(29,818)
Financing activities:		
Change in short-term debt, net	1,412	(3,122)
Proceeds from long-term loans	1	20,000
Repayments of long-term loans	(1)	(20,012)
Redemption of bonds	-	(50,000)
Purchase of treasury stock	(5)	(5)
Payments of cash dividends	(16,196)	(15,149)
Payments of cash dividends to minority shareholders	(2,350)	(469)
Other, net	948	(360)
Net cash used in financing activities	(16,191)	(69,117)
Translation adjustments on cash and cash equivalents	31	2,076
Net increase (decrease) in cash and cash equivalents	17,179	(34,272)
Cash and cash equivalents, beginning of period	129,737	143,143
Cash and cash equivalents from newly consolidated subsidiaries, increase	308	-
Cash and cash equivalents, end of period	147,224	108,871

Consolidated Segment Information

Millions of yen

1H/FY2012 Apr '12 - Sep '12	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	267,170	93,846	146,015	507,031	101,945	608,976	-	608,976
Intersegment sales	-	-	-	-	17,928	17,928	(17,928)	-
Total	267,170	93,846	146,015	507,031	119,873	626,904	(17,928)	608,976
Operating income	7,337	5,845	30,984	44,166	9,181	53,347	30	53,377
% of net sales	2.7	6.2	21.2	8.7	7.7	8.5	-	8.8

1H/FY2011 Apr '11 - Sep '11	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	271,775	90,690	143,301	505,766	109,119	614,885	-	614,885
Intersegment sales	-	-	-	-	19,010	19,010	(19,010)	-
Total	271,775	90,690	143,301	505,766	128,129	633,895	(19,010)	614,885
Operating income	7,008	8,214	28,831	44,053	13,492	57,545	(37)	57,508
% of net sales	2.6	9.1	20.1	8.7	10.5	9.1	-	9.4

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

Consolidated Net Sales Composition

<i>Millions of yen</i>	1H/FY2012	1H/FY2011	Growth
	<u>Apr '12 - Sep '12</u>	<u>Apr '11 - Sep '11</u>	<u>%</u>
Consumer Products Business			
Beauty Care Business	203,647	204,393	(0.4)
Human Health Care Business	84,859	82,042	3.4
Fabric and Home Care Business	132,603	130,499	1.6
Total Japan	421,109	416,934	1.0
Asia*	42,365	40,846	3.7
North America*	28,094	29,248	(3.9)
Europe	27,418	31,342	(12.5)
Eliminations	(11,955)	(12,604)	-
Total	507,031	505,766	0.2
Chemical Business			
Japan	60,257	63,059	(4.4)
Asia	39,616	49,500	(20.0)
North America	17,387	19,085	(8.9)
Europe	27,024	29,855	(9.5)
Eliminations	(24,411)	(33,370)	-
Total	119,873	128,129	(6.4)
Total before Eliminations	626,904	633,895	(1.1)
Eliminations	(17,928)	(19,010)	-
Consolidated	608,976	614,885	(1.0)

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	