

**Revision of “Summary of Consolidated Business Results for the Three Months Ended March 31, 2013”**

December 5, 2013

Kao Corporation (Ticker Code: 4452) has revised “Summary of Consolidated Business Results for the Three Months Ended March 31, 2013,” which was released on April 30, 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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**Summary of Consolidated Business Results for the Three Months Ended March 31, 2013**

Tokyo, April 30, 2013 - Kao Corporation today announced its consolidated business results for the three months ended March 31, 2013, the first quarter of the fiscal year ending December 31, 2013. 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-month period			2013 Jan.-Mar. U.S. dollars	Fiscal 2012 ended Dec. 31, 2012 Yen
	2013 Jan.-Mar.	2012 Apr.-Jun.	Adjusted growth <sup>1</sup>		
	Yen	Yen	%		
Net sales	<b>289,045</b>	294,530	1.5	<b>3,073.3</b>	1,012,595
Operating income	<b>18,336</b>	20,730	27.1	<b>195.0</b>	101,567
Ordinary income	<b>19,490</b>	21,814	27.2	<b>207.2</b>	104,214
Net income	<b>10,522</b>	15,676	292.6	<b>111.9</b>	<u>52,765</u>
Comprehensive income	<b>26,071</b>	31,198	36.5	<b>277.2</b>	<u>79,524</u>
Total assets	<b>1,022,973</b>	985,922	-	<b>10,876.9</b>	<u>1,030,347</u>
Total net assets	<b>579,000</b>	562,941	-	<b>6,156.3</b>	<u>596,083</u>
Net worth <sup>2</sup>	<b>565,505</b>	551,918	-	<b>6,012.8</b>	<u>582,699</u>
Net worth ratio <sup>3</sup>	<b>55.3%</b>	56.0%	-	-	<u>56.6%</u>
Net worth per share (Yen/US\$) <sup>4</sup>	<b>1,101.81</b>	1,057.69	-	<b>11.72</b>	<u>1,116.61</u>
Net income per share (Yen/US\$) <sup>5</sup>	<b>20.26</b>	30.04	294.2	<b>0.22</b>	<u>101.12</u>
Net income per share, fully diluted (Yen/US\$)	<b>20.25</b>	30.03	294.7	<b>0.22</b>	<u>101.08</u>
Net cash provided by operating activities	<b>29,719</b>	2,778	-	<b>316.0</b>	97,357
Net cash used in investing activities	<b>(13,346)</b>	(15,175)	-	<b>(141.9)</b>	(44,641)
Net cash used in financing activities	<b>(45,500)</b>	(16,256)	-	<b>(483.8)</b>	(32,028)
Cash and cash equivalents, end of period	<b>137,656</b>	106,166	-	<b>1,463.6</b>	160,435

Notes:

- 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 starting from 2012. Adjusted growth for the first quarter of FY2013 (January 1 to March 31, 2013) is a comparison with the restated business results for the three-month period from January 1 to March 31, 2012. Due to a change in the fiscal year end, the term of consolidation for the fiscal period ended December 31, 2012 consists of the nine months from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve months from January to December for subsidiaries whose fiscal year end was December 31.
- 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):

	March 31, 2013	December 31, 2012
Number of shares including treasury stock	526,212,501 shares	526,212,501 shares
Number of shares of treasury stock	12,962,262 shares	4,368,145 shares
	Ended March 31, 2013	Ended June 30, 2012
Weighted average number of shares outstanding during the first quarter of each year	519,250,992 shares	521,811,333 shares

**Consolidated Results by Segment**

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Adjusted growth % <sup>1</sup>		Billions of yen		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Beauty Care	<b>129.0</b>	126.4	2.0	(2.0)	<b>(0.4)</b>	(1.0)	0.5
Human Health Care	<b>46.0</b>	43.1	6.6	4.0	<b>3.6</b>	2.1	1.5
Fabric and Home Care	<b>62.7</b>	62.2	0.7	(1.2)	<b>10.6</b>	8.5	2.2
Consumer Products Total	<b>237.7</b>	231.8	2.5	(0.7)	<b>13.9</b>	9.6	4.2
Chemical	<b>59.7</b>	60.7	(1.7)	(9.0)	<b>4.4</b>	4.6	(0.2)
Total	<b>297.3</b>	292.5	1.7	(2.4)	<b>18.3</b>	14.3	4.0
Reconciliations	<b>(8.3)</b>	(7.8)	-	-	<b>0.0</b>	0.1	(0.1)
Consolidated	<b>289.0</b>	284.7	1.5	(2.6)	<b>18.3</b>	14.4	3.9

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Adjusted growth % <sup>1</sup>		Millions of U.S. dollars		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Beauty Care	<b>1,371.7</b>	1,344.4	2.0	(2.0)	<b>(4.4)</b>	(10.2)	5.8
Human Health Care	<b>488.9</b>	458.7	6.6	4.0	<b>38.7</b>	22.4	16.2
Fabric and Home Care	<b>666.6</b>	661.7	0.7	(1.2)	<b>113.2</b>	90.3	22.9
Consumer Products Total	<b>2,527.2</b>	2,464.8	2.5	(0.7)	<b>147.5</b>	102.6	44.9
Chemical	<b>634.3</b>	645.0	(1.7)	(9.0)	<b>47.3</b>	49.3	(2.0)
Total	<b>3,161.5</b>	3,109.8	1.7	(2.4)	<b>194.8</b>	151.8	43.0
Reconciliations	<b>(88.2)</b>	(82.7)	-	-	<b>0.2</b>	1.5	(1.4)
Consolidated	<b>3,073.3</b>	3,027.1	1.5	(2.6)	<b>195.0</b>	153.4	41.6

**Reference: Consolidated Results by Geographic Area<sup>3</sup>**

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Adjusted growth % <sup>1</sup>		Billions of yen		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Japan	<b>207.6</b>	213.1	(2.6)	(2.6)	<b>14.6</b>	11.0	3.7
Asia	<b>45.0</b>	39.0	15.3	(0.3)	<b>3.9</b>	1.9	2.0
Americas	<b>25.3</b>	22.6	11.9	(3.7)	<b>0.2</b>	0.5	(0.3)
Europe	<b>30.7</b>	27.9	10.1	(3.9)	<b>(0.1)</b>	1.1	(1.2)
Total	<b>308.5</b>	302.6	2.0	(2.5)	<b>18.6</b>	14.4	4.2
Reconciliations	<b>(19.5)</b>	(17.9)	-	-	<b>(0.3)</b>	(0.0)	(0.3)
Consolidated	<b>289.0</b>	284.7	1.5	(2.6)	<b>18.3</b>	14.4	3.9

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Adjusted growth % <sup>1</sup>		Millions of U.S. dollars		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Japan	<b>2,207.5</b>	2,265.9	(2.6)	(2.6)	<b>155.7</b>	116.6	39.1
Asia	<b>478.0</b>	414.6	15.3	(0.3)	<b>41.0</b>	20.3	20.7
Americas	<b>268.7</b>	240.2	11.9	(3.7)	<b>2.0</b>	5.0	(3.0)
Europe	<b>326.3</b>	296.4	10.1	(3.9)	<b>(0.7)</b>	11.7	(12.3)
Total	<b>3,280.5</b>	3,217.1	2.0	(2.5)	<b>198.1</b>	153.6	44.5
Reconciliations	<b>(207.2)</b>	(190.0)	-	-	<b>(3.1)</b>	(0.2)	(2.9)
Consolidated	<b>3,073.3</b>	3,027.1	1.5	(2.6)	<b>195.0</b>	153.4	41.6

**Notes:**

- The first quarter of restated FY2012 is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).  
"Adjusted growth" presents comparisons with the first quarter of restated FY2012.  
(The first quarter of restated FY2012 is January 1, 2012 to March 31, 2012 both for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and for subsidiaries whose fiscal year end was December 31.)  
The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.
- Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen
- Information on consolidated results by geographic area is for reference.
- Net sales to foreign customers were 32.5% of consolidated net sales compared with 28.9% for the same period a year earlier.

**Forecast of Consolidated Results for the Six Months Ending June 30, 2013 and 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 % <sup>1</sup>	U.S. dollars	Yen	Adjusted growth % <sup>2</sup>	U.S. dollars
Net sales	600.0	3.7	6,379.6	1,270.0	4.1	13,503.5
Operating income	32.0	(8.2)	340.2	116.0	3.8	1,233.4
Ordinary income	33.0	(8.5)	350.9	117.0	2.5	1,244.0
Net income	19.0	(1.2)	202.0	73.0	<u>37.5</u>	776.2
Net income per share (Yen/US\$) <sup>3</sup>	36.85	-	0.39	142.09	-	1.51
Cash dividends per share (Yen/US\$)	32.00	-	0.34	64.00	-	0.68

*Notes:*

1. Due to the change in the fiscal year end in 2012, adjusted growth for the six months ending June 30 is a comparison with the restated business results for the six-month period from January 1 to June 30, 2012.
2. Due to the change in the fiscal year end in 2012, adjusted growth for the year ending December 31, 2013 is a comparison with the restated business results for the twelve-month period from January 1 to December 31, 2012.
3. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

**Note for This News Release:**

U.S. dollar amounts represent translations using the approximate exchange rate on March 29, 2013 of 94.05 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 March 31, 2013

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

(Billions of yen, except per share data)

	<b>First quarter of FY2013</b>	(For reference) First quarter of restated FY2012 <sup>1</sup>	Adjusted growth <sup>1</sup>	First quarter of FY2012 <sup>2</sup>
Net sales	<b>289.0</b>	284.7	1.5%	294.5
Operating income	<b>18.3</b>	14.4	27.1%	20.7
Ordinary income	<b>19.5</b>	15.3	27.2%	21.8
Net income	<b>10.5</b>	2.7	292.6%	15.7
Net income per share (Yen)	<b>20.26</b>	5.14	294.2%	30.04
Net income per share, fully diluted (Yen)	<b>20.25</b>	5.13	294.7%	30.03

*Notes:*

1. “(For reference) First quarter of restated FY2012” is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).  
“Adjusted growth” presents comparisons with the first quarter of restated FY2012.  
(The first quarter of restated FY2012 is January 1, 2012 to March 31, 2012 for both Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and for subsidiaries whose fiscal year end was December 31.)
2. The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.

*The following rates of increase or decrease are comparisons with the first quarter of restated FY 2012.*

During the three months ended March 31, 2013, the global economy was weak, with the problem of the sovereign debt crisis in Europe. In the Japanese economy, despite some remaining weakness, there were early signs of recovery due to a sense of expectation regarding government economic measures. The household and personal care products market in Japan, a key market for the Kao Group, grew by 1% on a value basis compared with the period from January to March 2012, although consumer purchase prices fell moderately. The cosmetics market in Japan contracted by 1%, but signs of recovery became apparent in March.

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*,\* which emphasizes research and development geared to customers and consumers. The Kao Group also promoted cost reduction activities.

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\* *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 1.5% compared with the first quarter of restated FY2012 to 289.0 billion yen. Excluding the effect of currency translation, net sales would have decreased 2.6%. In the Consumer Products Business, sales excluding the effect of currency translation decreased compared with the first quarter of restated FY2012, due in part to the effect of intensifying competition on sales of the Beauty Care Business and the Fabric and Home Care Business in Japan, although sales grew in the Human Health Care Business, which includes sanitary products. In the Chemical Business, sales decreased compared with the first quarter of restated FY2012 due to the impact of decreased demand from customer industries and fluctuations in selling prices in connection with lower prices for natural fats and oils used as raw materials.

Operating income increased 3.9 billion yen compared with the first quarter of restated FY2012 to 18.3 billion yen due to the effect of increased sales as a result of strong performance in the Consumer Products Business in Asia in addition to factors including lower raw material costs, mainly for natural fats and oils, a decrease in depreciation and amortization expenses and the timing of the outlay of expenses. Ordinary income increased 4.2 billion yen compared with the first quarter of restated FY2012 to 19.5 billion yen, and net income increased 7.8 billion yen compared with the first quarter of restated FY2012 to 10.5 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 2.9 billion yen compared with the first quarter of restated FY2012 to 25.6 billion yen, which is equivalent to 8.9% 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	92.57 (79.75)
Yen/Euro	122.02 (106.31)

*Note: Figures in parentheses represent the exchange rates for the first quarter of restated FY2012.*

## **Summary of Segment Information**

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

#### **Consumer Products Business**

Sales increased 2.5% compared with the first quarter of restated FY2012 to 237.7 billion yen. Excluding the effect of currency translation, sales would have decreased 0.7%.

In Japan, sales decreased 2.0% to 186.3 billion yen. Although the Kao Group took measures including launching new products in response to changing consumer lifestyles and enhancing proposal-based sales, some products were impacted by intensifying competition and market contraction.

In Asia, sales increased 30.2% to 26.9 billion yen. Excluding the effect of currency translation, sales would have increased 12.6%. Steady growth continued as a result of integrated management in Asia, including Japan, and the Kao Group carried out aggressive measures including collaboration with retailers, utilization of wholesale channels and sales of baby diapers in China targeting middle-class consumers.

In the Americas, sales increased 16.2% to 15.8 billion yen. Excluding the effect of currency translation, sales would have increased 0.4%. Sales of improved skin care products grew.

In Europe, sales increased 16.6% to 16.0 billion yen. Excluding the effect of currency translation, sales would have increased 2.0%. Professional hair care products contributed to sales growth.

Operating income increased 4.2 billion yen compared with the first quarter of restated FY2012 to 13.9 billion yen due to the effect of increased sales as a result of strong performance in Asia in addition to factors including a decrease in depreciation and amortization expenses, more efficient management of expenses and the timing of the outlay of expenses.

*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 increased 2.0% compared with the first quarter of restated FY2012 to 129.0 billion yen. Excluding the effect of currency translation, sales would have decreased 2.0%.

Sales of cosmetics decreased 3.4% compared with the first quarter of restated FY2012 to 58.1 billion yen. Excluding the effect of currency translation, sales would have decreased 4.9%.

In Japan, in a market environment where polarization into low-priced and high-priced segments is in progress, the Kao Group continued to work to reinforce focal brands. Sales increased of counseling brands *BLANCHIR SUPERIOR* whitening skin care, *SOFINA Primavista* base makeup and the renewed *GRACE SOFINA* skin care line, as well as self-selection brands *KATE* makeup and *Fréshel* skin care. However, sales in Japan decreased compared with the first quarter of restated FY2012 with the impact of weak market conditions in the mid-priced segment. Excluding the effect of currency translation, sales outside Japan increased compared with the first quarter of restated FY2012.

Sales of skin care products in Japan increased, with strong performance by *Bioré* facial cleanser, *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* performed strongly and sales grew. In the Americas, sales of *Jergens* hand and body lotions increased, partly due to the effect of product improvements.

Sales of hair care products in Japan decreased compared with the first quarter of restated FY2012 due to intensified competition for shampoos and conditioners and the impact of the contraction of the hair coloring products market. In Asia, sales of *Liese* foam hair color increased. In the Americas and Europe, sales of the *Goldwell* professional hair care brand increased.

Operating loss was 0.4 billion yen, an improvement of 0.5 billion yen compared with the first quarter of restated FY2012, although the Kao Group worked to reduce expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 0.5 billion yen compared with the first quarter of restated FY2012 to 6.9 billion yen, which is equivalent to 5.3% of sales.

#### *Human Health Care Business*

Sales increased 6.6% compared with the first quarter of restated FY2012 to 46.0 billion yen. Excluding the effect of currency translation, sales would have increased 4.0%.

Sales of food and beverage products increased compared with the first quarter of restated FY2012, with steady sales of a green tea product in the *Healthya* brand of functional drinks that promote body fat utilization.



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Sales of sanitary products increased compared with the first quarter of restated FY2012. Sales of *Laurier F* sanitary napkins, which protect skin from dampness and chafing, increased in Japan, and sales of the *Laurier* brand increased in Asia, mainly in Indonesia and Thailand.

Sales of *Merries* baby diapers were flat compared with the first quarter of restated FY2012 in Japan, but grew in China and Russia. In China, the Kao Group also began sales of locally produced products targeting middle-class consumers.

Sales of personal health products decreased compared with the first quarter of restated FY2012. Although sales of toothpaste decreased compared with the first quarter of restated FY2012 due in part to intensifying competition, sales of *Megurhythm* steam thermo power pads increased.

Operating income increased 1.5 billion yen compared with the first quarter of restated FY2012 to 3.6 billion yen due to more efficient management of expenses in addition to the impact of increased sales.

*Fabric and Home Care Business*

Sales increased 0.7% compared with the first quarter of restated FY2012 to 62.7 billion yen. Excluding the effect of currency translation, sales would have decreased 1.2%.

Sales of fabric care products decreased compared with the first quarter of restated FY2012, due in part to the effects of price competition. 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, including users of *Attack Neo Antibacterial EX Power*, which has strong deodorizing and antibacterial properties. *Flair Fragrance* fabric softener, with a long-lasting fresh fragrance, and *Wide Haitec EX Power* fabric bleach for color garments performed well. Sales grew in Asia with the strong performance of *Attack* laundry detergent in Indonesia and Thailand.

Sales of home care products increased in Japan due to the steady performance of *Kitchen Haitec* bleach, as well as new products such as *Bath Magiclean Aroma Deodorizer Plus* cleaner, which allows consumers to enjoy a rose fragrance while cleaning the bath.

Operating income increased 2.2 billion yen compared with the first quarter of restated FY2012 to 10.6 billion yen due to lower raw material costs and more efficient management of expenses.

**Chemical Business**

Sales were impacted by the economic downturn in Europe, despite the emergence of signs of a recovery in some customer industries in Japan. Sales decreased 1.7% compared with the first quarter of restated FY2012 to 59.7 billion yen. Excluding the effect of currency translation, sales would have decreased 9.0%.

In oleo chemicals, sales were impacted by a drop in demand from customer industries and fluctuations in selling prices due to lower prices for natural fats and oils used as raw materials. 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 was basically unchanged compared with the first quarter of restated FY2012, decreasing 0.2 billion yen to 4.4 billion yen due to the impact of lower demand from 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/FY2013 Mar. 31, 2013</b>	FY2012 Dec. 31, 2012	Incr./(Dcr.)	<b>Q1/FY2013 Mar. 31, 2013</b>
Total assets	<b><u>1,023.0</u></b>	<u>1,030.3</u>	(7.4)	<b><u>10,876.9</u></b>
Total net assets	<b><u>579.0</u></b>	<u>596.1</u>	(17.1)	<b><u>6,156.3</u></b>
Net worth ratio	<b><u>55.3%</u></b>	<u>56.6%</u>	-	-
Net worth per share (Yen/US\$)	<b><u>1,101.81</u></b>	<u>1,116.61</u>	(14.80)	<b><u>11.72</u></b>
Total debt	<b>101.3</b>	103.2	(1.9)	<b>1,077.2</b>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	<b>Q1/FY2013 Jan.-Mar.</b>	Q1/FY2012 Apr.-Jun.	<b>Q1/FY2013 Jan.-Mar.</b>
Net cash provided by operating activities	<b>29.7</b>	2.8	<b>316.0</b>
Net cash used in investing activities	<b>(13.3)</b>	(15.2)	<b>(141.9)</b>
Free cash flow *	<b>16.4</b>	(12.4)	<b>174.1</b>
Net cash used in financing activities	<b>(45.5)</b>	(16.3)	<b>(483.8)</b>

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

Total assets decreased 7.4 billion yen from the end of fiscal 2012 to 1,023.0 billion yen. The principal increases in assets were a 7.2 billion yen increase in merchandise and finished goods, a 2.4 billion yen increase in raw materials and supplies, an 8.9 billion yen increase in other current assets, which includes current deferred tax assets, a 9.2 billion yen increase in property, plant and equipment, and a 4.6 billion yen increase in other investments and other assets, which includes non-current deferred tax assets. The principal decreases in assets were an 11.1 billion yen decrease in cash and time deposits, a 10.9 billion yen decrease in notes and accounts receivable – trade, a 13.6 billion yen decrease in short-term investments and a 4.8 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill. The decreases in cash and time deposits and short-term investments were due to the repurchase of Kao Corporation stock from the market, among other reasons.

Total liabilities increased 9.7 billion yen from the end of fiscal 2012 to 444.0 billion yen. The principal increases in liabilities were a 1.5 billion yen increase in notes and accounts payable – trade, a 4.4 billion yen increase in liability for employee retirement benefits and a 5.4 billion

yen increase in other long-term liabilities, which includes deferred tax liabilities. The principal decrease in liabilities was a 1.9 billion yen decrease in short-term loans.

Total net assets decreased 17.1 billion yen from the end of fiscal 2012 to 579.0 billion yen. The principal increases in net assets were net income for the first quarter totaling 10.5 billion yen and foreign currency translation adjustments of 16.1 billion yen. The principal decreases in net assets were a 25.8 billion yen decrease in treasury stock and 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 55.3% compared with 56.6% at the end of fiscal 2012.

Net cash provided by operating activities totaled 29.7 billion yen. The principal increases in net cash were income before income taxes and minority interests of 19.3 billion yen, depreciation and amortization of 18.4 billion yen and change in trade receivables of 17.2 billion yen. The principal decreases in net cash were income taxes paid of 11.4 billion yen and change in inventories of 5.6 billion yen.

Net cash used in investing activities totaled 13.3 billion yen. This primarily consisted of purchase of property, plant and equipment of 10.4 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 16.4 billion yen.

Net cash used in financing activities totaled 45.5 billion yen. The principal decreases in net cash were 26.1 billion yen for purchase of treasury stock and 17.2 billion yen for payments of cash dividends, including to minority shareholders.

The balance of cash and cash equivalents at March 31, 2013 decreased 22.8 billion yen compared with the end of fiscal 2012 to 137.7 billion yen.

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

Recovery, albeit weak, is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the problem of the sovereign debt crisis in Europe and financial issues in the United States. In Japan, despite expectations of an economic recovery against the backdrop of factors including improved export conditions with the depreciation of the yen 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 aims 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. Moreover, the Kao Group emphasizes research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group as *Yoki-Monozukuri*.

Regarding its management structure, through global integrated management of the Consumer Products Business, the Kao Group is strengthening matrix management of its business units and functions and promoting profit structure reform from the perspective of what is best for the Kao Group as a whole.

Through these activities, the Kao Group intends to achieve its results forecast. Consequently, the forecasts of consolidated results for the six months ending June 30, 2013 and the fiscal year ending December 31, 2013 remain the same as announced on February 5, 2013.

The main exchange rates used in the forecast of consolidated results are 90 yen per U.S. dollar and 115 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:**

(Changes in accounting principles that are difficult to distinguish from changes in accounting estimates)

The method for depreciation of property, plant and equipment (excluding lease assets), which was previously mainly the declining balance method for Kao Corporation and its consolidated subsidiaries in Japan, has been changed to the straight-line method from the fiscal year ending December 31, 2013. The change is due to a reconsideration of factors including the actual conditions of use of the property, plant and equipment of the Kao Group on the occasion of a shift to global integrated management that began in the Beauty Care Business in the Americas and Europe in 2012 and includes the Consumer Products Business in Asia from 2013.

As a result, Kao Corporation has decided that the use of the straight-line method of depreciation is able to more appropriately reflect the corporate activities of the Kao Group because stable operation is expected throughout the period of use due to the extension of product life cycles to establish a global brand.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the three months ended March 31, 2013 is immaterial.

**Consolidated Balance Sheets***Millions of yen*

	Q1/FY2013 Mar. 31, 2013	FY2012 Dec. 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	88,226	99,334
Notes and accounts receivable - trade	153,394	164,250
Short-term investments	43,805	57,443
Merchandise and finished goods	91,921	84,712
Work in process	11,677	10,789
Raw materials and supplies	29,120	26,706
Other	60,422	51,522
Allowance for doubtful receivables	(1,418)	(1,349)
<b>Total current assets</b>	<b>477,147</b>	<b>493,407</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Property, plant and equipment	1,163,573	1,141,257
Accumulated depreciation	(902,060)	(888,913)
<b>Total property, plant and equipment</b>	<b>261,513</b>	<b>252,344</b>
Intangible assets		
Goodwill	157,833	159,165
Trademarks	38,507	41,851
Other	14,748	14,907
<b>Total intangible assets</b>	<b>211,088</b>	<b>215,923</b>
Investments and other assets		
Investments and other assets	<u>73,695</u>	<u>69,101</u>
Allowance for doubtful receivables	(470)	(428)
<b>Total investments and other assets</b>	<b><u>73,225</u></b>	<b><u>68,673</u></b>
<b>Total fixed assets</b>	<b>545,826</b>	<b>536,940</b>
<b>Total assets</b>	<b>1,022,973</b>	<b>1,030,347</b>

**Consolidated Balance Sheets***Millions of yen*

	Q1/FY2013 Mar. 31, 2013	FY2012 Dec. 31, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	106,943	105,472
Short-term loans	1,235	3,115
Current portion of bonds	50,000	50,000
Current portion of long-term loans	8	7
Income taxes payable	11,404	11,658
Other	146,200	145,622
<b>Total current liabilities</b>	<b>315,790</b>	<b>315,874</b>
<b>Long-term liabilities</b>		
Long-term loans	50,069	50,066
Liability for employee retirement benefits	50,136	45,717
Other	27,978	22,607
<b>Total long-term liabilities</b>	<b>128,183</b>	<b>118,390</b>
<b>Total liabilities</b>	<b>443,973</b>	<b>434,264</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	<u>462,340</u>	<u>468,019</u>
Treasury stock, at cost	(34,813)	(8,985)
<b>Total shareholders' equity</b>	<b><u>622,512</u></b>	<b><u>654,019</u></b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,371	2,447
Deferred gain (loss) on derivatives under hedge accounting	7	6
Foreign currency translation adjustments	(55,772)	(71,872)
Post retirement liability adjustments for foreign consolidated subsidiaries	(4,613)	(1,901)
<b>Total accumulated other comprehensive income</b>	<b><u>(57,007)</u></b>	<b><u>(71,320)</u></b>
<b>Stock acquisition rights</b>	<b>1,251</b>	<b>1,294</b>
<b>Minority interests</b>	<b>12,244</b>	<b>12,090</b>
<b>Total net assets</b>	<b><u>579,000</u></b>	<b><u>596,083</u></b>
<b>Total liabilities and net assets</b>	<b><u>1,022,973</u></b>	<b><u>1,030,347</u></b>



**Consolidated Statements of Income**

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
<b>Net sales</b>	<b>289,045</b>	<b>294,530</b>
Cost of sales	127,348	128,545
<b>Gross profit</b>	<b>161,697</b>	<b>165,985</b>
Selling, general and administrative expenses	143,361	145,255
<b>Operating income</b>	<b>18,336</b>	<b>20,730</b>
Non-operating income		
Interest income	233	235
Dividend income	2	99
Equity in earnings of nonconsolidated subsidiaries and affiliates	452	419
Foreign currency exchange gain	252	182
Other	772	661
Total non-operating income	1,711	1,596
Non-operating expenses		
Interest expense	376	378
Other	181	134
Total non-operating expenses	557	512
<b>Ordinary income</b>	<b>19,490</b>	<b>21,814</b>
Extraordinary gain		
Gain on sales of fixed assets	23	43
Gain on sales of stock of subsidiary	-	270
Gain on transfer of business	350	-
Other	17	79
Total extraordinary gain	390	392
Extraordinary loss		
Loss on sales/disposals of fixed assets	621	355
Other	0	17
Total extraordinary loss	621	372
<b>Income before income taxes and minority interests</b>	<b>19,259</b>	<b>21,834</b>
Income taxes		
Income taxes - current	11,129	5,007
Income taxes - deferred	(2,868)	784
Total income taxes	8,261	5,791
<b>Income before minority interests</b>	<b>10,998</b>	<b>16,043</b>
Minority interests	476	367
<b>Net income</b>	<b>10,522</b>	<b>15,676</b>

**Consolidated Statements of Comprehensive Income**

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
Income before minority interests	10,998	16,043
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	867	(96)
Foreign currency translation adjustments	17,005	15,007
Share in other comprehensive income of associates applied for equity method	114	126
Post retirement liability adjustments for foreign consolidated subsidiaries	(2,913)	118
Other comprehensive income	15,073	15,155
Comprehensive income	26,071	31,198
Attributable to:		
Shareholders of Kao Corporation	24,835	30,059
Minority interests	1,236	1,139

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

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
Freight/warehouse	16,956	16,752
Advertising	20,180	22,027
Sales promotion	15,188	14,612
Salaries and bonuses	31,530	30,556
Research and development	11,917	11,954

**Consolidated Statements of Cash Flows**

<i>Millions of yen</i>	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
<b>Operating activities:</b>		
Income before income taxes and minority interests	19,259	21,834
Adjustments for:		
Depreciation and amortization	18,388	19,110
Interest and dividend income	(235)	(334)
Interest expense	376	378
Unrealized foreign currency exchange (gain) loss	(498)	149
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(452)	(419)
(Gain) loss on sales and retirement of fixed assets	599	311
(Gain) loss on transfer of business	(350)	-
Change in trade receivables	17,181	34
Change in inventories	(5,640)	(6,954)
Change in trade payables	(1,800)	(2,242)
Change in accounts payable - other and accrued expenses	(2,419)	(5,892)
Other, net	(5,144)	(5,395)
Subtotal	39,265	20,580
Interest and cash dividends received	2,046	1,608
Interest paid	(230)	(545)
Income taxes paid	(11,362)	(18,865)
<b>Net cash provided by operating activities</b>	<b>29,719</b>	<b>2,778</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	-	4,357
Purchase of short-term investments	(1)	(5,002)
Purchase of property, plant and equipment	(10,433)	(7,273)
Purchase of intangible assets	(1,466)	(630)
Payments for long-term prepaid expenses	(675)	(2,433)
Change in short-term loans, net	544	(147)
Payments for long-term loans	(93)	(116)
Payments for investment in capital of nonconsolidated subsidiaries	-	(4,403)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(891)	-
Other, net	(331)	472
<b>Net cash used in investing activities</b>	<b>(13,346)</b>	<b>(15,175)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	(2,208)	724
Purchase of treasury stock	(26,052)	(2)
Payments of cash dividends	(16,164)	(14,919)
Payments of cash dividends to minority shareholders	(1,067)	(1,859)
Other, net	(9)	(200)
<b>Net cash used in financing activities</b>	<b>(45,500)</b>	<b>(16,256)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>5,725</b>	<b>4,774</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(23,402)</b>	<b>(23,879)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>160,435</b>	<b>129,737</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries, increase</b>	<b>623</b>	<b>308</b>
<b>Cash and cash equivalents, end of period</b>	<b>137,656</b>	<b>106,166</b>

News Release

Consolidated Segment Information

Millions of yen

Q1/FY2013 Jan. - Mar.	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	129,012	45,980	62,694	237,686	51,359	289,045	-	289,045
Intersegment sales	-	-	-	-	8,296	8,296	(8,296)	-
<b>Total</b>	<b>129,012</b>	<b>45,980</b>	<b>62,694</b>	<b>237,686</b>	<b>59,655</b>	<b>297,341</b>	<b>(8,296)</b>	<b>289,045</b>
<b>Operating income</b>	<b>(413)</b>	<b>3,638</b>	<b>10,648</b>	<b>13,873</b>	<b>4,448</b>	<b>18,321</b>	<b>15</b> <sup>1</sup>	<b>18,336</b>
% of net sales	(0.3)	7.9	17.0	5.8	7.5	6.2	-	6.3

Q1/FY2012 Apr. - Jun.	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> <sup>1</sup>	<b>20,730</b>
% of net sales	1.1	4.5	18.7	6.6	7.7	6.8	-	7.0

Note:

1 Reconciliation of operating income includes elimination of intersegment inventory transactions.

**Consolidated Net Sales Composition**

*Millions of yen*

	Q1/FY2013 Jan. - Mar.	Restated Q1/FY2012 <sup>1</sup> Jan. - Mar.	Adjusted growth % <sup>1</sup>
<b>Consumer Products Business</b>			
Beauty Care Business	92,776	95,839	(3.2)
Human Health Care Business	39,489	38,726	2.0
Fabric and Home Care Business	54,001	55,500	(2.7)
Total Japan	186,266	190,065	(2.0)
Asia	26,866	20,640	30.2
Americas	15,834	13,629	16.2
Europe	15,986	13,713	16.6
Eliminations	(7,266)	(6,230)	-
<b>Total</b>	<b>237,686</b>	<b>231,817</b>	<b>2.5</b>
<b>Chemical Business</b>			
Japan	28,321	29,837	(5.1)
Asia	18,982	18,981	0.0
Americas	9,488	8,995	5.5
Europe	14,762	14,202	3.9
Eliminations	(11,898)	(11,356)	-
<b>Total</b>	<b>59,655</b>	<b>60,659</b>	<b>(1.7)</b>
<b>Total before Eliminations</b>	<b>297,341</b>	<b>292,476</b>	<b>1.7</b>
Reconciliations	(8,296)	(7,778)	-
<b>Consolidated</b>	<b>289,045</b>	<b>284,698</b>	<b>1.5</b>

Note:

1 The first quarter of restated FY2012 is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).

"Adjusted growth" presents comparisons with the first quarter of restated FY2012.

The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.

Appendix

Major Products by Reportable Segment

Reportable Segments		Major Products	
Consumer Products Business	Beauty Care Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
		Skin care products	Soaps, facial cleansers, body cleansers
		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	

## Summary of Consolidated Business Results for the Three Months Ended March 31, 2013

Tokyo, April 30, 2013 - Kao Corporation today announced its consolidated business results for the three months ended March 31, 2013, the first quarter of the fiscal year ending December 31, 2013. 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-month period			Fiscal 2012 ended	
	2013	2012	Adjusted	2013	Dec. 31, 2012 <sup>1</sup>
	Jan.-Mar.	Apr.-Jun.	growth <sup>1</sup>	Jan.-Mar.	
	Yen	Yen	%	U.S. dollars	Yen
Net sales	<b>289,045</b>	294,530	1.5	<b>3,073.3</b>	1,012,595
Operating income	<b>18,336</b>	20,730	27.1	<b>195.0</b>	101,567
Ordinary income	<b>19,490</b>	21,814	27.2	<b>207.2</b>	104,214
Net income	<b>10,522</b>	15,676	292.6	<b>111.9</b>	<u>62,386</u>
Comprehensive income	<b>26,071</b>	31,198	36.5	<b>277.2</b>	<u>89,145</u>
Total assets	<b>1,032,594</b>	985,922	-	<b>10,979.2</b>	<u>1,039,968</u>
Total net assets	<b>588,621</b>	562,941	-	<b>6,258.6</b>	<u>605,704</u>
Net worth <sup>2</sup>	<b>575,126</b>	551,918	-	<b>6,115.1</b>	<u>592,320</u>
Net worth ratio <sup>3</sup>	<b>55.7%</b>	56.0%	-	-	<u>57.0%</u>
Net worth per share (Yen/US\$) <sup>4</sup>	<b>1,120.56</b>	1,057.69	-	<b>11.91</b>	<u>1,135.05</u>
Net income per share (Yen/US\$) <sup>5</sup>	<b>20.26</b>	30.04	294.2	<b>0.22</b>	<u>119.55</u>
Net income per share, fully diluted (Yen/US\$)	<b>20.25</b>	30.03	294.7	<b>0.22</b>	<u>119.50</u>
Net cash provided by operating activities	<b>29,719</b>	2,778	-	<b>316.0</b>	97,357
Net cash used in investing activities	<b>(13,346)</b>	(15,175)	-	<b>(141.9)</b>	(44,641)
Net cash used in financing activities	<b>(45,500)</b>	(16,256)	-	<b>(483.8)</b>	(32,028)
Cash and cash equivalents, end of period	<b>137,656</b>	106,166	-	<b>1,463.6</b>	160,435

#### Notes:

- 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 starting from 2012. Adjusted growth for the first quarter of FY2013 (January 1 to March 31, 2013) is a comparison with the restated business results for the three-month period from January 1 to March 31, 2012. Due to a change in the fiscal year end, the term of consolidation for the fiscal period ended December 31, 2012 consists of the nine months from April to December for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and the twelve months from January to December for subsidiaries whose fiscal year end was December 31.
- 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):

	March 31, 2013	December 31, 2012
Number of shares including treasury stock	526,212,501 shares	526,212,501 shares
Number of shares of treasury stock	12,962,262 shares	4,368,145 shares
	Ended March 31, 2013	Ended June 30, 2012
Weighted average number of shares outstanding during the first quarter of each year	519,250,992 shares	521,811,333 shares

## Consolidated Results by Segment

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Adjusted growth % <sup>1</sup>		Billions of yen		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Beauty Care	129.0	126.4	2.0	(2.0)	(0.4)	(1.0)	0.5
Human Health Care	46.0	43.1	6.6	4.0	3.6	2.1	1.5
Fabric and Home Care	62.7	62.2	0.7	(1.2)	10.6	8.5	2.2
Consumer Products Total	237.7	231.8	2.5	(0.7)	13.9	9.6	4.2
Chemical	59.7	60.7	(1.7)	(9.0)	4.4	4.6	(0.2)
Total	297.3	292.5	1.7	(2.4)	18.3	14.3	4.0
Reconciliations	(8.3)	(7.8)	-	-	0.0	0.1	(0.1)
Consolidated	289.0	284.7	1.5	(2.6)	18.3	14.4	3.9

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Adjusted growth % <sup>1</sup>		Millions of U.S. dollars		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Beauty Care	1,371.7	1,344.4	2.0	(2.0)	(4.4)	(10.2)	5.8
Human Health Care	488.9	458.7	6.6	4.0	38.7	22.4	16.2
Fabric and Home Care	666.6	661.7	0.7	(1.2)	113.2	90.3	22.9
Consumer Products Total	2,527.2	2,464.8	2.5	(0.7)	147.5	102.6	44.9
Chemical	634.3	645.0	(1.7)	(9.0)	47.3	49.3	(2.0)
Total	3,161.5	3,109.8	1.7	(2.4)	194.8	151.8	43.0
Reconciliations	(88.2)	(82.7)	-	-	0.2	1.5	(1.4)
Consolidated	3,073.3	3,027.1	1.5	(2.6)	195.0	153.4	41.6

Reference: Consolidated Results by Geographic Area<sup>3</sup>

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Adjusted growth % <sup>1</sup>		Billions of yen		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Japan	207.6	213.1	(2.6)	(2.6)	14.6	11.0	3.7
Asia	45.0	39.0	15.3	(0.3)	3.9	1.9	2.0
Americas	25.3	22.6	11.9	(3.7)	0.2	0.5	(0.3)
Europe	30.7	27.9	10.1	(3.9)	(0.1)	1.1	(1.2)
Total	308.5	302.6	2.0	(2.5)	18.6	14.4	4.2
Reconciliations	(19.5)	(17.9)	-	-	(0.3)	(0.0)	(0.3)
Consolidated	289.0	284.7	1.5	(2.6)	18.3	14.4	3.9

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Adjusted growth % <sup>1</sup>		Millions of U.S. dollars		
	2013	Restated 2012 <sup>1</sup>	Like-for-like <sup>2</sup>		2013	Restated 2012 <sup>1</sup>	Change
Japan	2,207.5	2,265.9	(2.6)	(2.6)	155.7	116.6	39.1
Asia	478.0	414.6	15.3	(0.3)	41.0	20.3	20.7
Americas	268.7	240.2	11.9	(3.7)	2.0	5.0	(3.0)
Europe	326.3	296.4	10.1	(3.9)	(0.7)	11.7	(12.3)
Total	3,280.5	3,217.1	2.0	(2.5)	198.1	153.6	44.5
Reconciliations	(207.2)	(190.0)	-	-	(3.1)	(0.2)	(2.9)
Consolidated	3,073.3	3,027.1	1.5	(2.6)	195.0	153.4	41.6

## Notes:

- The first quarter of restated FY2012 is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).  
"Adjusted growth" presents comparisons with the first quarter of restated FY2012.  
(The first quarter of restated FY2012 is January 1, 2012 to March 31, 2012 both for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and for subsidiaries whose fiscal year end was December 31.)  
The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.
- Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen
- Information on consolidated results by geographic area is for reference.
- Net sales to foreign customers were 32.5% of consolidated net sales compared with 28.9% for the same period a year earlier.



**Forecast of Consolidated Results for the Six Months Ending June 30, 2013 and 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 % <sup>1</sup>	U.S. dollars	Yen	Adjusted growth % <sup>2</sup>	U.S. dollars
Net sales	600.0	3.7	6,379.6	1,270.0	4.1	13,503.5
Operating income	32.0	(8.2)	340.2	116.0	3.8	1,233.4
Ordinary income	33.0	(8.5)	350.9	117.0	2.5	1,244.0
Net income	19.0	(1.2)	202.0	73.0	<u>16.4</u>	776.2
Net income per share (Yen/US\$) <sup>3</sup>	36.85	-	0.39	142.09	-	1.51
Cash dividends per share (Yen/US\$)	32.00	-	0.34	64.00	-	0.68

*Notes:*

1. Due to the change in the fiscal year end in 2012, adjusted growth for the six months ending June 30 is a comparison with the restated business results for the six-month period from January 1 to June 30, 2012.
2. Due to the change in the fiscal year end in 2012, adjusted growth for the year ending December 31, 2013 is a comparison with the restated business results for the twelve-month period from January 1 to December 31, 2012.
3. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

**Note for This News Release:**

U.S. dollar amounts represent translations using the approximate exchange rate on March 29, 2013 of 94.05 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 March 31, 2013

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

(Billions of yen, except per share data)

	<b>First quarter of FY2013</b>	(For reference) First quarter of restated FY2012 <sup>1</sup>	Adjusted growth <sup>1</sup>	First quarter of FY2012 <sup>2</sup>
Net sales	<b>289.0</b>	284.7	1.5%	294.5
Operating income	<b>18.3</b>	14.4	27.1%	20.7
Ordinary income	<b>19.5</b>	15.3	27.2%	21.8
Net income	<b>10.5</b>	2.7	292.6%	15.7
Net income per share (Yen)	<b>20.26</b>	5.14	294.2%	30.04
Net income per share, fully diluted (Yen)	<b>20.25</b>	5.13	294.7%	30.03

*Notes:*

1. “(For reference) First quarter of restated FY2012” is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).  
“Adjusted growth” presents comparisons with the first quarter of restated FY2012.  
(The first quarter of restated FY2012 is January 1, 2012 to March 31, 2012 for both Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and for subsidiaries whose fiscal year end was December 31.)
2. The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.

The following rates of increase or decrease are comparisons with the first quarter of restated FY 2012.

During the three months ended March 31, 2013, the global economy was weak, with the problem of the sovereign debt crisis in Europe. In the Japanese economy, despite some remaining weakness, there were early signs of recovery due to a sense of expectation regarding government economic measures. The household and personal care products market in Japan, a key market for the Kao Group, grew by 1% on a value basis compared with the period from January to March 2012, although consumer purchase prices fell moderately. The cosmetics market in Japan contracted by 1%, but signs of recovery became apparent in March.

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*,\* which emphasizes research and development geared to customers and consumers. The Kao Group also promoted cost reduction activities.

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\* *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 1.5% compared with the first quarter of restated FY2012 to 289.0 billion yen. Excluding the effect of currency translation, net sales would have decreased 2.6%. In the Consumer Products Business, sales excluding the effect of currency translation decreased compared with the first quarter of restated FY2012, due in part to the effect of intensifying competition on sales of the Beauty Care Business and the Fabric and Home Care Business in Japan, although sales grew in the Human Health Care Business, which includes sanitary products. In the Chemical Business, sales decreased compared with the first quarter of restated FY2012 due to the impact of decreased demand from customer industries and fluctuations in selling prices in connection with lower prices for natural fats and oils used as raw materials.

Operating income increased 3.9 billion yen compared with the first quarter of restated FY2012 to 18.3 billion yen due to the effect of increased sales as a result of strong performance in the Consumer Products Business in Asia in addition to factors including lower raw material costs, mainly for natural fats and oils, a decrease in depreciation and amortization expenses and the timing of the outlay of expenses. Ordinary income increased 4.2 billion yen compared with the first quarter of restated FY2012 to 19.5 billion yen, and net income increased 7.8 billion yen compared with the first quarter of restated FY2012 to 10.5 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 2.9 billion yen compared with the first quarter of restated FY2012 to 25.6 billion yen, which is equivalent to 8.9% 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	92.57 (79.75)
Yen/Euro	122.02 (106.31)

*Note: Figures in parentheses represent the exchange rates for the first quarter of restated FY2012.*

## **Summary of Segment Information**

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

#### **Consumer Products Business**

Sales increased 2.5% compared with the first quarter of restated FY2012 to 237.7 billion yen. Excluding the effect of currency translation, sales would have decreased 0.7%.

In Japan, sales decreased 2.0% to 186.3 billion yen. Although the Kao Group took measures including launching new products in response to changing consumer lifestyles and enhancing proposal-based sales, some products were impacted by intensifying competition and market contraction.

In Asia, sales increased 30.2% to 26.9 billion yen. Excluding the effect of currency translation, sales would have increased 12.6%. Steady growth continued as a result of integrated management in Asia, including Japan, and the Kao Group carried out aggressive measures including collaboration with retailers, utilization of wholesale channels and sales of baby diapers in China targeting middle-class consumers.

In the Americas, sales increased 16.2% to 15.8 billion yen. Excluding the effect of currency translation, sales would have increased 0.4%. Sales of improved skin care products grew.

In Europe, sales increased 16.6% to 16.0 billion yen. Excluding the effect of currency translation, sales would have increased 2.0%. Professional hair care products contributed to sales growth.

Operating income increased 4.2 billion yen compared with the first quarter of restated FY2012 to 13.9 billion yen due to the effect of increased sales as a result of strong performance in Asia in addition to factors including a decrease in depreciation and amortization expenses, more efficient management of expenses and the timing of the outlay of expenses.

*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 increased 2.0% compared with the first quarter of restated FY2012 to 129.0 billion yen. Excluding the effect of currency translation, sales would have decreased 2.0%.

Sales of cosmetics decreased 3.4% compared with the first quarter of restated FY2012 to 58.1 billion yen. Excluding the effect of currency translation, sales would have decreased 4.9%.

In Japan, in a market environment where polarization into low-priced and high-priced segments is in progress, the Kao Group continued to work to reinforce focal brands. Sales increased of counseling brands *BLANCHIR SUPERIOR* whitening skin care, *SOFINA Primavista* base makeup and the renewed *GRACE SOFINA* skin care line, as well as self-selection brands *KATE* makeup and *Fréshel* skin care. However, sales in Japan decreased compared with the first quarter of restated FY2012 with the impact of weak market conditions in the mid-priced segment. Excluding the effect of currency translation, sales outside Japan increased compared with the first quarter of restated FY2012.

Sales of skin care products in Japan increased, with strong performance by *Bioré* facial cleanser, *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* performed strongly and sales grew. In the Americas, sales of *Jergens* hand and body lotions increased, partly due to the effect of product improvements.

Sales of hair care products in Japan decreased compared with the first quarter of restated FY2012 due to intensified competition for shampoos and conditioners and the impact of the contraction of the hair coloring products market. In Asia, sales of *Liese* foam hair color increased. In the Americas and Europe, sales of the *Goldwell* professional hair care brand increased.

Operating loss was 0.4 billion yen, an improvement of 0.5 billion yen compared with the first quarter of restated FY2012, although the Kao Group worked to reduce expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 0.5 billion yen compared with the first quarter of restated FY2012 to 6.9 billion yen, which is equivalent to 5.3% of sales.

#### *Human Health Care Business*

Sales increased 6.6% compared with the first quarter of restated FY2012 to 46.0 billion yen. Excluding the effect of currency translation, sales would have increased 4.0%.

Sales of food and beverage products increased compared with the first quarter of restated FY2012, with steady sales of a green tea product in the *Healthya* brand of functional drinks that promote body fat utilization.

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Sales of sanitary products increased compared with the first quarter of restated FY2012. Sales of *Laurier F* sanitary napkins, which protect skin from dampness and chafing, increased in Japan, and sales of the *Laurier* brand increased in Asia, mainly in Indonesia and Thailand.

Sales of *Merries* baby diapers were flat compared with the first quarter of restated FY2012 in Japan, but grew in China and Russia. In China, the Kao Group also began sales of locally produced products targeting middle-class consumers.

Sales of personal health products decreased compared with the first quarter of restated FY2012. Although sales of toothpaste decreased compared with the first quarter of restated FY2012 due in part to intensifying competition, sales of *Megurhythm* steam thermo power pads increased.

Operating income increased 1.5 billion yen compared with the first quarter of restated FY2012 to 3.6 billion yen due to more efficient management of expenses in addition to the impact of increased sales.

*Fabric and Home Care Business*

Sales increased 0.7% compared with the first quarter of restated FY2012 to 62.7 billion yen. Excluding the effect of currency translation, sales would have decreased 1.2%.

Sales of fabric care products decreased compared with the first quarter of restated FY2012, due in part to the effects of price competition. 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, including users of *Attack Neo Antibacterial EX Power*, which has strong deodorizing and antibacterial properties. *Flair Fragrance* fabric softener, with a long-lasting fresh fragrance, and *Wide Haiter EX Power* fabric bleach for color garments performed well. Sales grew in Asia with the strong performance of *Attack* laundry detergent in Indonesia and Thailand.

Sales of home care products increased in Japan due to the steady performance of *Kitchen Haiter* bleach, as well as new products such as *Bath Magiclean Aroma Deodorizer Plus* cleaner, which allows consumers to enjoy a rose fragrance while cleaning the bath.

Operating income increased 2.2 billion yen compared with the first quarter of restated FY2012 to 10.6 billion yen due to lower raw material costs and more efficient management of expenses.

**Chemical Business**

Sales were impacted by the economic downturn in Europe, despite the emergence of signs of a recovery in some customer industries in Japan. Sales decreased 1.7% compared with the first quarter of restated FY2012 to 59.7 billion yen. Excluding the effect of currency translation, sales would have decreased 9.0%.

In oleo chemicals, sales were impacted by a drop in demand from customer industries and fluctuations in selling prices due to lower prices for natural fats and oils used as raw materials. 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 was basically unchanged compared with the first quarter of restated FY2012, decreasing 0.2 billion yen to 4.4 billion yen due to the impact of lower demand from 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/FY2013 Mar. 31, 2013</b>	FY2012 Dec. 31, 2012	Incr./(Dcr.)	<b>Q1/FY2013 Mar. 31, 2013</b>
Total assets	<b><u>1,032.6</u></b>	<u>1,040.0</u>	(7.4)	<b><u>10,979.2</u></b>
Total net assets	<b><u>588.6</u></b>	<u>605.7</u>	(17.1)	<b><u>6,258.6</u></b>
Net worth ratio	<b><u>55.7%</u></b>	<u>57.0%</u>	-	-
Net worth per share (Yen/US\$)	<b><u>1,120.56</u></b>	<u>1,135.05</u>	(14.49)	<b><u>11.91</u></b>
Total debt	<b><u>101.3</u></b>	<u>103.2</u>	(1.9)	<b><u>1,077.2</u></b>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	<b>Q1/FY2013 Jan.-Mar.</b>	Q1/FY2012 Apr.-Jun.	<b>Q1/FY2013 Jan.-Mar.</b>
Net cash provided by operating activities	<b><u>29.7</u></b>	2.8	<b><u>316.0</u></b>
Net cash used in investing activities	<b><u>(13.3)</u></b>	(15.2)	<b><u>(141.9)</u></b>
Free cash flow *	<b><u>16.4</u></b>	(12.4)	<b><u>174.1</u></b>
Net cash used in financing activities	<b><u>(45.5)</u></b>	(16.3)	<b><u>(483.8)</u></b>

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

Total assets decreased 7.4 billion yen from the end of fiscal 2012 to 1,032.6 billion yen. The principal increases in assets were a 7.2 billion yen increase in merchandise and finished goods, a 2.4 billion yen increase in raw materials and supplies, an 8.9 billion yen increase in other current assets, which includes current deferred tax assets, a 9.2 billion yen increase in property, plant and equipment, and a 4.6 billion yen increase in other investments and other assets, which includes non-current deferred tax assets. The principal decreases in assets were an 11.1 billion yen decrease in cash and time deposits, a 10.9 billion yen decrease in notes and accounts receivable – trade, a 13.6 billion yen decrease in short-term investments and a 4.8 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill. The decreases in cash and time deposits and short-term investments were due to the repurchase of Kao Corporation stock from the market, among other reasons.

Total liabilities increased 9.7 billion yen from the end of fiscal 2012 to 444.0 billion yen. The principal increases in liabilities were a 1.5 billion yen increase in notes and accounts payable – trade, a 4.4 billion yen increase in liability for employee retirement benefits and a 5.4 billion



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yen increase in other long-term liabilities, which includes deferred tax liabilities. The principal decrease in liabilities was a 1.9 billion yen decrease in short-term loans.

Total net assets decreased 17.1 billion yen from the end of fiscal 2012 to 588.6 billion yen. The principal increases in net assets were net income for the first quarter totaling 10.5 billion yen and foreign currency translation adjustments of 16.1 billion yen. The principal decreases in net assets were a 25.8 billion yen decrease in treasury stock and 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 55.7% compared with 57.0% at the end of fiscal 2012.

Net cash provided by operating activities totaled 29.7 billion yen. The principal increases in net cash were income before income taxes and minority interests of 19.3 billion yen, depreciation and amortization of 18.4 billion yen and change in trade receivables of 17.2 billion yen. The principal decreases in net cash were income taxes paid of 11.4 billion yen and change in inventories of 5.6 billion yen.

Net cash used in investing activities totaled 13.3 billion yen. This primarily consisted of purchase of property, plant and equipment of 10.4 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 16.4 billion yen.

Net cash used in financing activities totaled 45.5 billion yen. The principal decreases in net cash were 26.1 billion yen for purchase of treasury stock and 17.2 billion yen for payments of cash dividends, including to minority shareholders.

The balance of cash and cash equivalents at March 31, 2013 decreased 22.8 billion yen compared with the end of fiscal 2012 to 137.7 billion yen.

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

Recovery, albeit weak, is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the problem of the sovereign debt crisis in Europe and financial issues in the United States. In Japan, despite expectations of an economic recovery against the backdrop of factors including improved export conditions with the depreciation of the yen 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 aims 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. Moreover, the Kao Group emphasizes research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group as *Yoki-Monozukuri*.

Regarding its management structure, through global integrated management of the Consumer Products Business, the Kao Group is strengthening matrix management of its business units and functions and promoting profit structure reform from the perspective of what is best for the Kao Group as a whole.

Through these activities, the Kao Group intends to achieve its results forecast. Consequently, the forecasts of consolidated results for the six months ending June 30, 2013 and the fiscal year ending December 31, 2013 remain the same as announced on February 5, 2013.

The main exchange rates used in the forecast of consolidated results are 90 yen per U.S. dollar and 115 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:**

(Changes in accounting principles that are difficult to distinguish from changes in accounting estimates)

The method for depreciation of property, plant and equipment (excluding lease assets), which was previously mainly the declining balance method for Kao Corporation and its consolidated subsidiaries in Japan, has been changed to the straight-line method from the fiscal year ending December 31, 2013. The change is due to a reconsideration of factors including the actual conditions of use of the property, plant and equipment of the Kao Group on the occasion of a shift to global integrated management that began in the Beauty Care Business in the Americas and Europe in 2012 and includes the Consumer Products Business in Asia from 2013.

As a result, Kao Corporation has decided that the use of the straight-line method of depreciation is able to more appropriately reflect the corporate activities of the Kao Group because stable operation is expected throughout the period of use due to the extension of product life cycles to establish a global brand.

The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the three months ended March 31, 2013 is immaterial.

**Consolidated Balance Sheets***Millions of yen*

	Q1/FY2013 Mar. 31, 2013	FY2012 Dec. 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	88,226	99,334
Notes and accounts receivable - trade	153,394	164,250
Short-term investments	43,805	57,443
Merchandise and finished goods	91,921	84,712
Work in process	11,677	10,789
Raw materials and supplies	29,120	26,706
Other	60,422	51,522
Allowance for doubtful receivables	(1,418)	(1,349)
<b>Total current assets</b>	<b>477,147</b>	<b>493,407</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Property, plant and equipment	1,163,573	1,141,257
Accumulated depreciation	(902,060)	(888,913)
<b>Total property, plant and equipment</b>	<b>261,513</b>	<b>252,344</b>
Intangible assets		
Goodwill	157,833	159,165
Trademarks	38,507	41,851
Other	14,748	14,907
<b>Total intangible assets</b>	<b>211,088</b>	<b>215,923</b>
Investments and other assets		
Investments and other assets	<u>83,316</u>	<u>78,722</u>
Allowance for doubtful receivables	(470)	(428)
<b>Total investments and other assets</b>	<b><u>82,846</u></b>	<b><u>78,294</u></b>
<b>Total fixed assets</b>	<b>555,447</b>	<b>546,561</b>
<b>Total assets</b>	<b>1,032,594</b>	<b>1,039,968</b>

**Consolidated Balance Sheets***Millions of yen*

	Q1/FY2013 Mar. 31, 2013	FY2012 Dec. 31, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	106,943	105,472
Short-term loans	1,235	3,115
Current portion of bonds	50,000	50,000
Current portion of long-term loans	8	7
Income taxes payable	11,404	11,658
Other	146,200	145,622
<b>Total current liabilities</b>	<b>315,790</b>	<b>315,874</b>
<b>Long-term liabilities</b>		
Long-term loans	50,069	50,066
Liability for employee retirement benefits	50,136	45,717
Other	27,978	22,607
<b>Total long-term liabilities</b>	<b>128,183</b>	<b>118,390</b>
<b>Total liabilities</b>	<b>443,973</b>	<b>434,264</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	471,961	477,640
Treasury stock, at cost	(34,813)	(8,985)
<b>Total shareholders' equity</b>	<b>632,133</b>	<b>663,640</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,371	2,447
Deferred gain (loss) on derivatives under hedge accounting	7	6
Foreign currency translation adjustments	(55,772)	(71,872)
Post retirement liability adjustments for foreign consolidated subsidiaries	(4,613)	(1,901)
<b>Total accumulated other comprehensive income</b>	<b>(57,007)</b>	<b>(71,320)</b>
<b>Stock acquisition rights</b>	<b>1,251</b>	<b>1,294</b>
<b>Minority interests</b>	<b>12,244</b>	<b>12,090</b>
<b>Total net assets</b>	<b>588,621</b>	<b>605,704</b>
<b>Total liabilities and net assets</b>	<b>1,032,594</b>	<b>1,039,968</b>

**Consolidated Statements of Income**

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
<b>Net sales</b>	<b>289,045</b>	<b>294,530</b>
Cost of sales	127,348	128,545
<b>Gross profit</b>	<b>161,697</b>	<b>165,985</b>
Selling, general and administrative expenses	143,361	145,255
<b>Operating income</b>	<b>18,336</b>	<b>20,730</b>
Non-operating income		
Interest income	233	235
Dividend income	2	99
Equity in earnings of nonconsolidated subsidiaries and affiliates	452	419
Foreign currency exchange gain	252	182
Other	772	661
Total non-operating income	1,711	1,596
Non-operating expenses		
Interest expense	376	378
Other	181	134
Total non-operating expenses	557	512
<b>Ordinary income</b>	<b>19,490</b>	<b>21,814</b>
Extraordinary gain		
Gain on sales of fixed assets	23	43
Gain on sales of stock of subsidiary	-	270
Gain on transfer of business	350	-
Other	17	79
Total extraordinary gain	390	392
Extraordinary loss		
Loss on sales/disposals of fixed assets	621	355
Other	0	17
Total extraordinary loss	621	372
<b>Income before income taxes and minority interests</b>	<b>19,259</b>	<b>21,834</b>
Income taxes		
Income taxes - current	11,129	5,007
Income taxes - deferred	(2,868)	784
Total income taxes	8,261	5,791
<b>Income before minority interests</b>	<b>10,998</b>	<b>16,043</b>
Minority interests	476	367
<b>Net income</b>	<b>10,522</b>	<b>15,676</b>

**Consolidated Statements of Comprehensive Income**

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
Income before minority interests	10,998	16,043
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	867	(96)
Foreign currency translation adjustments	17,005	15,007
Share in other comprehensive income of associates applied for equity method	114	126
Post retirement liability adjustments for foreign consolidated subsidiaries	(2,913)	118
Other comprehensive income	15,073	15,155
Comprehensive income	26,071	31,198
Attributable to:		
Shareholders of Kao Corporation	24,835	30,059
Minority interests	1,236	1,139

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

<i>Millions of yen</i>		
	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
Freight/warehouse	16,956	16,752
Advertising	20,180	22,027
Sales promotion	15,188	14,612
Salaries and bonuses	31,530	30,556
Research and development	11,917	11,954

**Consolidated Statements of Cash Flows**

<i>Millions of yen</i>	<b>Q1/FY2013</b>	<b>Q1/FY2012</b>
	<b>Jan. - Mar.</b>	<b>Apr. - Jun.</b>
<b>Operating activities:</b>		
Income before income taxes and minority interests	19,259	21,834
Adjustments for:		
Depreciation and amortization	18,388	19,110
Interest and dividend income	(235)	(334)
Interest expense	376	378
Unrealized foreign currency exchange (gain) loss	(498)	149
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(452)	(419)
(Gain) loss on sales and retirement of fixed assets	599	311
(Gain) loss on transfer of business	(350)	-
Change in trade receivables	17,181	34
Change in inventories	(5,640)	(6,954)
Change in trade payables	(1,800)	(2,242)
Change in accounts payable - other and accrued expenses	(2,419)	(5,892)
Other, net	(5,144)	(5,395)
Subtotal	39,265	20,580
Interest and cash dividends received	2,046	1,608
Interest paid	(230)	(545)
Income taxes paid	(11,362)	(18,865)
<b>Net cash provided by operating activities</b>	<b>29,719</b>	<b>2,778</b>
<b>Investing activities:</b>		
Proceeds from withdrawal of time deposits	-	4,357
Purchase of short-term investments	(1)	(5,002)
Purchase of property, plant and equipment	(10,433)	(7,273)
Purchase of intangible assets	(1,466)	(630)
Payments for long-term prepaid expenses	(675)	(2,433)
Change in short-term loans, net	544	(147)
Payments for long-term loans	(93)	(116)
Payments for investment in capital of nonconsolidated subsidiaries	-	(4,403)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(891)	-
Other, net	(331)	472
<b>Net cash used in investing activities</b>	<b>(13,346)</b>	<b>(15,175)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	(2,208)	724
Purchase of treasury stock	(26,052)	(2)
Payments of cash dividends	(16,164)	(14,919)
Payments of cash dividends to minority shareholders	(1,067)	(1,859)
Other, net	(9)	(200)
<b>Net cash used in financing activities</b>	<b>(45,500)</b>	<b>(16,256)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>5,725</b>	<b>4,774</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(23,402)</b>	<b>(23,879)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>160,435</b>	<b>129,737</b>
<b>Cash and cash equivalents from newly consolidated subsidiaries, increase</b>	<b>623</b>	<b>308</b>
<b>Cash and cash equivalents, end of period</b>	<b>137,656</b>	<b>106,166</b>



News Release

Consolidated Segment Information

Millions of yen

Q1/FY2013 Jan. - Mar.	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	129,012	45,980	62,694	237,686	51,359	289,045	-	289,045
Intersegment sales	-	-	-	-	8,296	8,296	(8,296)	-
<b>Total</b>	<b>129,012</b>	<b>45,980</b>	<b>62,694</b>	<b>237,686</b>	<b>59,655</b>	<b>297,341</b>	<b>(8,296)</b>	<b>289,045</b>
<b>Operating income</b>	<b>(413)</b>	<b>3,638</b>	<b>10,648</b>	<b>13,873</b>	<b>4,448</b>	<b>18,321</b>	<b>15</b> <sup>1</sup>	<b>18,336</b>
% of net sales	(0.3)	7.9	17.0	5.8	7.5	6.2	-	6.3

Q1/FY2012 Apr. - Jun.	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> <sup>1</sup>	<b>20,730</b>
% of net sales	1.1	4.5	18.7	6.6	7.7	6.8	-	7.0

Note:

1 Reconciliation of operating income includes elimination of intersegment inventory transactions.

**Consolidated Net Sales Composition**

*Millions of yen*

	Q1/FY2013 Jan. - Mar.	Restated Q1/FY2012 <sup>1</sup> Jan. - Mar.	Adjusted growth % <sup>1</sup>
<b>Consumer Products Business</b>			
Beauty Care Business	92,776	95,839	(3.2)
Human Health Care Business	39,489	38,726	2.0
Fabric and Home Care Business	54,001	55,500	(2.7)
<b>Total Japan</b>	<b>186,266</b>	<b>190,065</b>	<b>(2.0)</b>
Asia	26,866	20,640	30.2
Americas	15,834	13,629	16.2
Europe	15,986	13,713	16.6
Eliminations	(7,266)	(6,230)	-
<b>Total</b>	<b>237,686</b>	<b>231,817</b>	<b>2.5</b>
<b>Chemical Business</b>			
Japan	28,321	29,837	(5.1)
Asia	18,982	18,981	0.0
Americas	9,488	8,995	5.5
Europe	14,762	14,202	3.9
Eliminations	(11,898)	(11,356)	-
<b>Total</b>	<b>59,655</b>	<b>60,659</b>	<b>(1.7)</b>
<b>Total before Eliminations</b>	<b>297,341</b>	<b>292,476</b>	<b>1.7</b>
Reconciliations	(8,296)	(7,778)	-
<b>Consolidated</b>	<b>289,045</b>	<b>284,698</b>	<b>1.5</b>

Note:

1 The first quarter of restated FY2012 is the same period of the previous year (January 1 to March 31, 2012) for the purpose of comparison with the first quarter of FY2013 (January 1 to March 31, 2013).

"Adjusted growth" presents comparisons with the first quarter of restated FY2012.

The first quarter of FY2012 was April 1, 2012 to June 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to March 31, 2012 for subsidiaries whose fiscal year end was December 31.

Appendix

Major Products by Reportable Segment

Reportable Segments		Major Products	
Consumer Products Business	Beauty Care Business	Cosmetics	Counseling cosmetics, self-selection cosmetics
		Skin care products	Soaps, facial cleansers, body cleansers
		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	