

**Revision of “Summary of Consolidated Business Results for the Six Months Ended June 30, 2013”**

December 5, 2013

Kao Corporation (Ticker Code: 4452) has revised “Summary of Consolidated Business Results for the Six Months Ended June 30, 2013” and presentation materials which were released on July 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 Six Months Ended June 30, 2013**

Tokyo, July 30, 2013 - Kao Corporation today announced its consolidated business results for the six months ended June 30, 2013, the interim period 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. - Jun.	Apr. - Sep.	growth <sup>1</sup>	Jan. - Jun.	
	Yen	Yen	%	U.S. dollars	Yen
Net sales	<b>624,953</b>	608,976	8.0	<b>6,338.9</b>	1,012,595
Operating income	<b>42,944</b>	53,377	23.2	<b>435.6</b>	101,567
Ordinary income	<b>44,894</b>	55,353	24.4	<b>455.4</b>	104,214
Net income	<b>18,262</b>	35,861	(5.1)	<b>185.2</b>	<u>52,765</u>
Comprehensive income	<b>44,503</b>	37,808	104.4	<b>451.4</b>	<u>79,524</u>
Total assets	<b>1,060,283</b>	1,001,649	-	<b>10,754.5</b>	<u>1,030,347</u>
Total net assets	<b>593,723</b>	570,540	-	<b>6,022.1</b>	<u>596,083</u>
Net worth <sup>2</sup>	<b>579,808</b>	558,994	-	<b>5,881.0</b>	<u>582,699</u>
Net worth ratio <sup>3</sup>	<b>54.7%</b>	55.8%	-	-	<u>56.6%</u>
Net worth per share (Yen/US\$) <sup>4</sup>	<b>1,132.28</b>	1,071.22	-	<b>11.48</b>	<u>1,116.61</u>
Net income per share (Yen/US\$) <sup>5</sup>	<b>35.41</b>	68.72	(4.0)	<b>0.36</b>	<u>101.12</u>
Net income per share, fully diluted (Yen/US\$)	<b>35.38</b>	68.70	(4.0)	<b>0.36</b>	<u>101.08</u>
Net cash provided by operating activities	<b>78,866</b>	63,902	-	<b>799.9</b>	97,357
Net cash used in investing activities	<b>(41,946)</b>	(30,563)	-	<b>(425.5)</b>	(44,641)
Net cash used in financing activities	<b>(50,703)</b>	(16,191)	-	<b>(514.3)</b>	(32,028)
Cash and cash equivalents, end of period	<b>158,523</b>	147,224	-	<b>1,607.9</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 interim period of FY2013 (January 1 to June 30, 2013) is a comparison with the restated business results for the six-month period from January 1 to June 30, 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):

	June 30, 2013	December 31, 2012
Number of shares including treasury stock	516,000,000 shares	526,212,501 shares
Number of shares of treasury stock	3,927,492 shares	4,368,145 shares
	Ended June 30, 2013	Ended September 30, 2012
Weighted average number of shares outstanding during the six months	515,662,577 shares	521,816,550 shares

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Consolidated Results by Segment

Jan. - Jun.	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>	Adjusted change
Beauty Care	278.6	256.7	8.5	3.1	3.1	0.0	3.1
Human Health Care	99.6	89.7	11.1	7.8	6.7	4.2	2.5
Fabric and Home Care	138.5	129.2	7.2	4.8	23.7	20.8	2.8
Consumer Products Total	516.7	475.6	8.6	4.4	33.4	25.0	8.4
Chemical	125.9	119.9	5.0	(5.1)	9.4	9.7	(0.2)
Total	642.6	595.5	7.9	2.5	42.8	34.7	8.1
Reconciliations	(17.6)	(16.8)	-	-	0.1	0.2	(0.0)
Consolidated	625.0	578.7	8.0	2.5	42.9	34.8	8.1

  

Jan. - Jun.	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>	Adjusted change
Beauty Care	2,825.7	2,604.0	8.5	3.1	31.3	0.1	31.1
Human Health Care	1,010.4	909.6	11.1	7.8	67.5	42.4	25.1
Fabric and Home Care	1,404.7	1,310.8	7.2	4.8	240.1	211.4	28.6
Consumer Products Total	5,240.8	4,824.5	8.6	4.4	338.8	254.0	84.8
Chemical	1,277.0	1,215.8	5.0	(5.1)	95.5	98.0	(2.4)
Total	6,517.8	6,040.3	7.9	2.5	434.4	352.0	82.4
Reconciliations	(178.9)	(170.6)	-	-	1.2	1.5	(0.3)
Consolidated	6,338.9	5,869.8	8.0	2.5	435.6	353.5	82.1

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

Jan. - Jun.	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>	Adjusted change
Japan	452.0	435.8	3.7	3.7	34.2	28.7	5.5
Asia	95.6	80.5	18.7	(1.6)	5.8	3.3	2.5
Americas	54.0	45.4	19.0	(1.4)	1.8	0.9	0.9
Europe	64.4	54.4	18.5	(1.9)	1.9	2.2	(0.3)
Total	666.1	616.1	8.1	2.2	43.7	35.1	8.6
Reconciliations	(41.2)	(37.4)	-	-	(0.8)	(0.2)	(0.5)
Consolidated	625.0	578.7	8.0	2.5	42.9	34.8	8.1

  

Jan. - Jun.	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>	Adjusted change
Japan	4,585.0	4,420.1	3.7	3.7	347.0	290.8	56.2
Asia	970.0	817.0	18.7	(1.6)	59.0	33.7	25.3
Americas	548.1	460.6	19.0	(1.4)	18.1	9.1	9.0
Europe	653.3	551.4	18.5	(1.9)	19.2	22.2	(3.0)
Total	6,756.5	6,249.1	8.1	2.2	443.4	355.7	87.6
Reconciliations	(417.6)	(379.3)	-	-	(7.8)	(2.3)	(5.5)
Consolidated	6,338.9	5,869.8	8.0	2.5	435.6	353.5	82.1

Notes:

1. Due to the change in the fiscal year end in 2012, "Restated 2012" presents the period from January 1 to June 30, 2012 for the purpose of comparison with the interim period of FY2013 (January 1 to June 30, 2013). Adjusted growth for the interim period of FY2013 (January 1 to June 30, 2013) is a comparison with "Restated 2012." ("Restated 2012" is January 1, 2012 to June 30, 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 interim period of FY2012 was April 1, 2012 to September 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to June 30, 2012 for subsidiaries whose fiscal year end was December 31.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen
3. Information on consolidated results by geographic area is for reference.
4. Net sales to foreign customers were 31.7% of consolidated net sales compared with 28.3% for the same period a year earlier.

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

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

	Year ending December 31, 2013		
	Yen	Adjusted growth % <sup>1</sup>	U.S. dollars
Net sales	1,300.0	6.5	13,185.9
Operating income	116.0	3.8	1,176.6
Ordinary income	118.0	3.4	1,196.9
Net income	67.0	<u>26.2</u>	679.6
Net income per share (Yen/US\$) <sup>2</sup>	130.84	-	1.33
Cash dividends per share (Yen/US\$)	64.00	-	0.65

*Notes:*

1. 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.
2. 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 June 28, 2013 of 98.59 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 Six Months Ended June 30, 2013

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

(Billions of yen, except per share data)

	First half of FY2013	(For reference) First half of restated FY2012 <sup>1</sup>	Adjusted growth <sup>1</sup>	First half of FY2012 <sup>2</sup>
Net sales	625.0	578.7	8.0%	609.0
Operating income	42.9	34.8	23.2%	53.4
Ordinary income	44.9	36.1	24.4%	55.4
Net income	18.3	19.2	(5.1)%	35.9
Net income per share (Yen)	35.41	36.87	(4.0)%	68.72
Net income per share, fully diluted (Yen)	35.38	36.86	(4.0)%	68.70

*Notes:*

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

*The following rates of increase or decrease are comparisons with the first half of restated FY2012.*

During the six months ended June 30, 2013, amid an ongoing weak recovery of the overall global economy, the tempo of economic expansion moderated in China and other emerging nations, while some underlying strengths became apparent in certain countries such as the United States. In the Japanese economy, there were early signs of recovery, including in personal consumption, 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 2% on a value basis compared with the period from January to June 2012, and consumer purchase prices were flat. The cosmetics market in Japan was flat, with a recovery trend from 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."*

Kanebo Cosmetics Inc., Lissage Ltd. and E'quipe Ltd. of the Kao Group announced a voluntary recall on July 4 due to the confirmation of cases of white blotches appearing on the skin of consumers who have used brightening products containing the ingredient Rhododenol that are manufactured and sold by the three companies because of the possibility of a connection between the symptoms and the products. Expenses related to the voluntary recall had an impact on net income for the period of 8.4 billion yen, consisting of 2.8 billion yen in estimated expenses related to returned goods from retailers under cost of sales and other estimated outlays of 5.6 billion yen under extraordinary loss.

Based on the above, net sales increased 8.0% compared with the first six months of restated FY2012 to 625.0 billion yen. Excluding the effect of currency translation, net sales would have increased 2.5%. In the Consumer Products Business, sales of each business were steady with the contribution of factors such as market growth, further strengthening of sales promotion activities and new products in Japan. In Asia, sales were strong in the Human Health Care Business, which includes sanitary products, and the Fabric and Home Care Business, which includes laundry detergents. In the Chemical Business, excluding the effect of currency translation, sales decreased compared with the first half 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 8.1 billion yen compared with the first half of restated FY2012 to 42.9 billion yen, despite recording expenses related to the voluntary recall, due to the effect of increased sales of the Consumer Products Business in Japan and Asia in addition to factors including cost reduction activities and a decrease in depreciation and amortization expenses. Ordinary income increased 8.8 billion yen compared with the first half of restated FY2012 to 44.9 billion yen, and net income decreased 1.0 billion yen compared with the first half of restated FY2012 to 18.3 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 5.9 billion yen compared with the first half of restated FY2012 to 57.5 billion yen, which is equivalent to 9.2% 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 June 30, 2013 were as shown below. 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	92.57 (79.75)	99.23 (79.81)
Yen/Euro	122.02 (106.31)	129.56 (101.20)

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

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## **Summary of Segment Information**

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

#### **Consumer Products Business**

Sales increased 8.6% compared with the first half of restated FY2012 to 516.7 billion yen. Excluding the effect of currency translation, sales would have increased 4.4%.

In Japan, sales increased 4.4% to 407.2 billion yen. The Kao Group launched new and improved products in response to changing consumer lifestyles and social issues such as health consciousness, the aging society and the environment, and enhanced proposal-based sales, among other measures.

In Asia, sales increased 33.8% to 56.7 billion yen. Excluding the effect of currency translation, sales would have increased 11.1%. 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, expansion of sales of laundry detergents and the launch of baby diapers targeting middle-class consumers in China.

In the Americas, sales increased 22.2% to 34.3 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%. Sales of improved skin care products grew, but some hair care products were impacted by intensified market competition.

In Europe, sales increased 24.1% to 34.0 billion yen. Excluding the effect of currency translation, sales would have increased 3.1%. Professional hair care products contributed to sales growth.

Operating income increased 8.4 billion yen compared with the first half of restated FY2012 to 33.4 billion yen due to the effect of increased sales as a result of strong performance in Japan and Asia in addition to factors including a decrease in depreciation and amortization expenses and more efficient management 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 8.5% compared with the first half of restated FY2012 to 278.6 billion yen. Excluding the effect of currency translation, sales would have increased 3.1%.



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Sales of cosmetics increased 3.7% compared with the first half of restated FY2012 to 126.3 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%.

In Japan, in a market environment that entered a recovery track from March, the Kao Group continued to work to reinforce focal brands. Sales increased compared with the first half of restated FY2012, with growth in sales of counseling brands *COFFRET D'OR* makeup, *SOFINA Primavista* base makeup and the renewed *GRACE SOFINA* skin care line, as well as self-selection brands *KATE* makeup, *Allie* UV care and *Fréshel* skin care. Outside Japan, sales increased compared with the first half of restated FY2012, excluding the effect of currency translation.

Sales of skin care products increased compared with the first half of restated FY2012. In Japan, sales increased with growth in sales of *Bioré* facial cleansers and UV care products and strong performance by *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* facial and body cleansers performed strongly and sales grew. In the Americas, sales of *Jergens* hand and body lotions increased, partly due to the effect of product improvements to *Natural Glow*, which gradually changes skin color to a healthy bronze.

Sales of hair care products were flat compared with the first half of restated FY2012. Sales in Japan were impacted by intensified competition for shampoos and conditioners and the contraction of the hair coloring products market, but new products, including hair styling products, performed strongly. In Asia, sales of *Liese* foam hair color increased. In the Americas and Europe, sales of the *Goldwell* professional hair care brand increased.

Operating income was impacted by the voluntary recall but increased 3.1 billion yen compared with the first half of restated FY2012 to 3.1 billion yen, due in part to the effect of increased sales and a decrease in depreciation and amortization expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 0.9 billion yen compared with the first half of restated FY2012 to 17.6 billion yen, which is equivalent to 6.3% of sales.

*Human Health Care Business*

Sales increased 11.1% compared with the first half of restated FY2012 to 99.6 billion yen. Excluding the effect of currency translation, sales would have increased 7.8%.

Sales of food and beverage products increased compared with the first half of restated FY2012, due in part to strong sales of *Healthya Coffee*, launched in Japan in April from the *Healthya* series of functional drinks that promote body fat utilization.

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Sales of sanitary products increased compared with the first half of restated FY2012. In the *Laurier* brand of sanitary napkins, sales of high-value-added products such as *Laurier F*, which protects 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 strong in Japan, and also grew in China and Russia. In China, the Kao Group began sales of locally manufactured products targeting middle-class consumers.

Sales of personal health products increased compared with the first half of restated FY2012. Although sales of oral care products were flat compared with the first half of restated FY2012, bath additives sold steadily and sales of *Megurhythm* steam thermo power pads increased substantially.

Operating income increased 2.5 billion yen compared with the first half of restated FY2012 to 6.7 billion yen due to more efficient management of expenses in addition to the effect of increased sales.

*Fabric and Home Care Business*

Sales increased 7.2% compared with the first half of restated FY2012 to 138.5 billion yen. Excluding the effect of currency translation, sales would have increased 4.8%.

Sales of fabric care products increased compared with the first half of restated FY2012. 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. In addition, in April the Kao Group launched a refill product for *Attack* powder laundry detergent that reduces environmental impact, stimulating the powder laundry detergent market. *Flair Fragrance* fabric softener, which releases additional fresh fragrance upon sensing perspiration, other moisture or motion, and *Wide Haiter EX Power*, a fabric bleach for color garments with a powerful deodorizing function, 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 strong 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 scent while cleaning the bath.

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Operating income increased 2.8 billion yen compared with the first half of restated FY2012 to 23.7 billion yen due to the effect of increased sales and more efficient management of expenses.

**Chemical Business**

Although signs of a recovery became apparent in some customer industries in Japan, sales were impacted by selling price adjustments in connection with lower prices for natural fats and oils used as raw materials, the economic slump in Europe and the economic slowdown in China. As a result of these factors, sales were 125.9 billion yen, an increase of 5.0% compared with the first half of restated FY2012, including the impact of the depreciation of the yen on currency translation. However, excluding the effect of currency translation, sales would have decreased 5.1%.

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 half of restated FY2012 despite the impact of lower demand from customer industries, decreasing 0.2 billion yen to 9.4 billion yen due to efforts to expand sales volume and reduce costs.

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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>1H/FY2013 Jun. 30, 2013</b>	FY2012 Dec. 31, 2012	Incr./(Dcr.)	<b>1H/FY2013 Jun. 30, 2013</b>
Total assets	<b><u>1,060.3</u></b>	<u>1,030.3</u>	29.9	<b><u>10,754.5</u></b>
Total net assets	<b><u>593.7</u></b>	<u>596.1</u>	(2.4)	<b><u>6,022.1</u></b>
Net worth ratio	<b><u>54.7%</u></b>	<u>56.6%</u>	-	-
Net worth per share (Yen/US\$)	<b><u>1,132.28</u></b>	<u>1,116.61</u>	<u>15.67</u>	<b><u>11.48</u></b>
Total debt	<b>101.4</b>	103.2	(1.8)	<b>1,028.0</b>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	<b>1H/FY2013 Jan.-Jun.</b>	1H/FY2012 Apr.-Sep.	<b>1H/FY2013 Jan.-Jun.</b>
Net cash provided by operating activities	<b>78.9</b>	63.9	<b>799.9</b>
Net cash used in investing activities	<b>(41.9)</b>	(30.6)	<b>(425.5)</b>
Free cash flow*	<b>36.9</b>	33.3	<b>374.5</b>
Net cash used in financing activities	<b>(50.7)</b>	(16.2)	<b>(514.3)</b>

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

Total assets increased 29.9 billion yen from the end of fiscal 2012 to 1,060.3 billion yen. The principal increases in assets were a 10.9 billion yen increase in short-term investments, an 8.4 billion yen increase in merchandise and finished goods and a 16.9 billion yen increase in property, plant and equipment. The principal decreases in assets were a 4.8 billion yen decrease in cash and time deposits and a 10.4 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities increased 32.3 billion yen from the end of fiscal 2012 to 466.6 billion yen. The principal increases in liabilities were a 6.1 billion yen increase in notes and accounts payable – trade, a 4.8 billion yen increase in income taxes payable, a 17.1 billion yen increase in other current liabilities including accrued expenses and a 4.8 billion yen increase in liability for employee retirement benefits. The principal decrease in liabilities was a 1.8 billion yen decrease in short-term loans.

Total net assets decreased 2.4 billion yen from the end of fiscal 2012 to 593.7 billion yen. The principal increases in net assets were net income for the first half totaling 18.3 billion yen and

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foreign currency translation adjustments of 25.7 billion yen. The principal decreases in net assets were a 30.0 billion yen decrease due to the repurchase of Kao Corporation stock from the market and payments of dividends from retained earnings totaling 16.2 billion yen. In June 2013, Kao Corporation retired treasury stock.

As a result, the net worth ratio (defined as net worth divided by total assets) was 54.7% compared with 56.6% at the end of fiscal 2012.

Net cash provided by operating activities totaled 78.9 billion yen. The principal increases in net cash were income before income taxes and minority interests of 38.4 billion yen, depreciation and amortization of 37.2 billion yen and change in trade receivables of 10.5 billion yen. The principal decreases in net cash were income taxes paid of 14.1 billion yen and change in inventories of 2.5 billion yen.

Net cash used in investing activities totaled 41.9 billion yen. This primarily consisted of 24.0 billion yen for purchase of property, plant and equipment and 8.0 billion yen for purchase of short-term investments.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 36.9 billion yen.

Net cash used in financing activities totaled 50.7 billion yen. The principal decreases in net cash were 30.0 billion yen for purchase of treasury stock and 18.6 billion yen for payments of cash dividends, including to minority shareholders. In June 2013, Kao Corporation redeemed 50.0 billion yen in bonds and issued bonds in the same amount in the same month to maintain an appropriate capital cost ratio and to enhance its financial base for investment in growth.

The balance of cash and cash equivalents at June 30, 2013 decreased 1.9 billion yen compared with the end of fiscal 2012 to 158.5 billion yen.

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### **(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 the response to 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 amid persistently severe employment conditions.

Under 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.

Please note that the forecast of consolidated results for the fiscal year is unchanged from “Notice of Revision of Business Results Forecast” announced on July 29, 2013.

The main exchange rates used in the forecast of consolidated results are 95 yen per U.S. dollar and 125 yen per euro.

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## 2. Other

**(1) Changes in material subsidiaries during the six-month 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 six months ended June 30, 2013 is immaterial.

**(4) Explanatory notes regarding the going concern assumption:** None

**(5) Significant change in shareholders' equity**

### *Increase of treasury stock*

Kao Corporation purchased its own stock pursuant to a resolution of its Board of Directors at a meeting held on February 5, 2013. Consequently, treasury stock increased by 30,017 million yen.

### *Decrease of treasury stock*

Kao Corporation retired treasury stock pursuant to a resolution of its Board of Directors at a meeting held on May 30, 2013. Consequently, treasury stock decreased by 29,332 million yen.

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As a result of the above, treasury stock increased by 684 million yen during the six months ended June 30, 2013 and totaled 9,669 million yen as of June 30, 2013.

**(6) Information regarding voluntary recall**

A total of 8.4 billion yen in expenses has been recorded on the consolidated statements of income for the six months ended June 30, 2013 in connection with the voluntary recall by Kanebo Cosmetics Inc., Lissage Ltd. and E'quipe Ltd., consisting of 2.8 billion yen in estimated expenses related to returned goods from retailers under cost of sales and other estimated outlays of 5.6 billion yen as loss related to cosmetics under extraordinary loss.

The abovementioned estimated expenses relating to returned goods from retailers are included in operating income of the "Beauty Care Business" segment in consolidated segment information.

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

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	94,563	99,334
Notes and accounts receivable - trade	163,155	164,250
Short-term investments	68,383	57,443
Merchandise and finished goods	93,068	84,712
Work in process	11,333	10,789
Raw materials and supplies	27,576	26,706
Other	58,788	51,522
Allowance for doubtful receivables	(1,546)	(1,349)
<b>Total current assets</b>	<b>515,320</b>	<b>493,407</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Property, plant and equipment	1,178,452	1,141,257
Accumulated depreciation	(909,259)	(888,913)
<b>Total property, plant and equipment</b>	<b>269,193</b>	<b>252,344</b>
Intangible assets		
Goodwill	155,995	159,165
Trademarks	35,164	41,851
Other	14,408	14,907
<b>Total intangible assets</b>	<b>205,567</b>	<b>215,923</b>
Investments and other assets		
Investments and other assets	70,659	69,101
Allowance for doubtful receivables	(456)	(428)
<b>Total investments and other assets</b>	<b>70,203</b>	<b>68,673</b>
<b>Total fixed assets</b>	<b>544,963</b>	<b>536,940</b>
<b>Total assets</b>	<b>1,060,283</b>	<b>1,030,347</b>

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

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	111,611	105,472
Short-term loans	1,271	3,115
Current portion of bonds	-	50,000
Current portion of long-term loans	8	7
Income taxes payable	16,506	11,658
Other	162,727	145,622
<b>Total current liabilities</b>	<b>292,123</b>	<b>315,874</b>
<b>Long-term liabilities</b>		
Bonds	50,000	-
Long-term loans	50,072	50,066
Liability for employee retirement benefits	50,529	45,717
Other	23,836	22,607
<b>Total long-term liabilities</b>	<b>174,437</b>	<b>118,390</b>
<b>Total liabilities</b>	<b>466,560</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	441,315	468,019
Treasury stock, at cost	(9,669)	(8,985)
<b>Total shareholders' equity</b>	<b>626,631</b>	<b>654,019</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,957	2,447
Deferred gain (loss) on derivatives under hedge accounting	7	6
Foreign currency translation adjustments	(46,129)	(71,872)
Post retirement liability adjustments for foreign consolidated subsidiaries	(4,658)	(1,901)
<b>Total accumulated other comprehensive income</b>	<b>(46,823)</b>	<b>(71,320)</b>
<b>Stock acquisition rights</b>	<b>1,215</b>	<b>1,294</b>
<b>Minority interests</b>	<b>12,700</b>	<b>12,090</b>
<b>Total net assets</b>	<b>593,723</b>	<b>596,083</b>
<b>Total liabilities and net assets</b>	<b>1,060,283</b>	<b>1,030,347</b>

**Consolidated Statements of Income***Millions of yen*

	<b>1H/FY2013</b>	<b>1H/FY2012</b>
	<b>Jan. - Jun.</b>	<b>Apr. - Sep.</b>
<b>Net sales</b>	<b>624,953</b>	<b>608,976</b>
Cost of sales	275,988	262,942
<b>Gross profit</b>	<b>348,965</b>	<b>346,034</b>
Selling, general and administrative expenses	306,021	292,657
<b>Operating income</b>	<b>42,944</b>	<b>53,377</b>
Non-operating income		
Interest income	456	486
Dividend income	96	101
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,135	1,166
Foreign currency exchange gain	339	140
Other	1,511	1,270
Total non-operating income	3,537	3,163
Non-operating expenses		
Interest expense	735	772
Other	852	415
Total non-operating expenses	1,587	1,187
<b>Ordinary income</b>	<b>44,894</b>	<b>55,353</b>
Extraordinary gain		
Gain on sales of fixed assets	33	53
Gain on sales of stock of subsidiary	-	270
Gain on transfer of business	350	-
Other	412	127
Total extraordinary gain	795	450
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,376	1,062
Loss related to cosmetics	5,600	-
Other	358	42
Total extraordinary loss	7,334	1,104
<b>Income before income taxes and minority interests</b>	<b>38,355</b>	<b>54,699</b>
Income taxes		
Income taxes - current	18,879	20,066
Income taxes - deferred	423	(1,851)
Total income taxes	19,302	18,215
<b>Income before minority interests</b>	<b>19,053</b>	<b>36,484</b>
Minority interests	791	623
<b>Net income</b>	<b>18,262</b>	<b>35,861</b>

**Consolidated Statements of Comprehensive Income***Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
<b>Income before minority interests</b>	<b>19,053</b>	<b>36,484</b>
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	1,372	(6)
Foreign currency translation adjustments	26,924	1,351
Share in other comprehensive income of associates applied for equity method	201	21
Post retirement liability adjustments for foreign consolidated subsidiaries	(3,047)	(42)
Other comprehensive income	25,450	1,324
<b>Comprehensive income</b>	<b>44,503</b>	<b>37,808</b>
Attributable to:		
Shareholders of Kao Corporation	42,759	37,108
Minority interests	1,744	700

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

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
Freight/warehouse	36,009	34,882
Advertising	44,814	43,210
Sales promotion	34,089	31,260
Salaries and bonuses	66,087	60,696
Research and development	24,542	24,007

**Consolidated Statements of Cash Flows***Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
<b>Operating activities:</b>		
Income before income taxes and minority interests	38,355	54,699
Adjustments for:		
Depreciation and amortization	37,177	38,253
Interest and dividend income	(552)	(587)
Interest expense	735	772
Unrealized foreign currency exchange (gain) loss	(3,083)	745
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,135)	(1,166)
(Gain) loss on sales and retirement of fixed assets	1,343	1,009
(Gain) loss on transfer of business	(350)	-
Change in trade receivables	10,467	1,323
Change in inventories	(2,493)	(1,400)
Change in trade payables	1,493	(5,448)
Change in accounts payable - other and accrued expenses	3,918	(859)
Other, net	5,337	(4,082)
<b>Subtotal</b>	<b>91,212</b>	<b>83,259</b>
Interest and cash dividends received	2,506	1,843
Interest paid	(775)	(765)
Income taxes paid	(14,077)	(20,435)
<b>Net cash provided by operating activities</b>	<b>78,866</b>	<b>63,902</b>
<b>Investing activities:</b>		
Payments into time deposits	(4,802)	(28)
Proceeds from withdrawal of time deposits	-	4,390
Purchase of short-term investments	(7,998)	(5,002)
Purchase of property, plant and equipment	(23,964)	(21,146)
Purchase of intangible assets	(3,050)	(1,283)
Payments for long-term prepaid expenses	(2,558)	(3,681)
Change in short-term loans, net	674	5
Payments for long-term loans	(204)	(236)
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	847	821
<b>Net cash used in investing activities</b>	<b>(41,946)</b>	<b>(30,563)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	(2,222)	1,412
Proceeds from issuance of bonds	50,000	-
Redemption of bonds	(50,000)	-
Purchase of treasury stock	(30,017)	(5)
Payments of cash dividends	(17,391)	(16,196)
Payments of cash dividends to minority shareholders	(1,161)	(2,350)
Other, net	88	948
<b>Net cash used in financing activities</b>	<b>(50,703)</b>	<b>(16,191)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>11,248</b>	<b>31</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,535)</b>	<b>17,179</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>158,523</b>	<b>147,224</b>

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**Consolidated Segment Information**

Millions of yen

1H/FY2013 Jan. - 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	278,584	99,616	138,494	516,694	108,259	624,953	-	624,953
Intersegment sales	-	-	-	-	17,638	17,638	(17,638)	-
<b>Total</b>	<b>278,584</b>	<b>99,616</b>	<b>138,494</b>	<b>516,694</b>	<b>125,897</b>	<b>642,591</b>	<b>(17,638)</b>	<b>624,953</b>
<b>Operating income</b>	<b>3,081</b>	<b>6,658</b>	<b>23,668</b>	<b>33,407</b>	<b>9,418</b>	<b>42,825</b>	<b>119<sup>1</sup></b>	<b>42,944</b>
% of net sales	1.1	6.7	17.1	6.5	7.5	6.7	-	6.9

1H/FY2012 Apr. - Sep.	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	267,170	93,846	146,015	507,031	101,945	608,976	-	608,976
Intersegment sales	-	-	-	-	17,928	17,928	(17,928)	-
<b>Total</b>	<b>267,170</b>	<b>93,846</b>	<b>146,015</b>	<b>507,031</b>	<b>119,873</b>	<b>626,904</b>	<b>(17,928)</b>	<b>608,976</b>
<b>Operating income</b>	<b>7,337</b>	<b>5,845</b>	<b>30,984</b>	<b>44,166</b>	<b>9,181</b>	<b>53,347</b>	<b>30<sup>1</sup></b>	<b>53,377</b>
% of net sales	2.7	6.2	21.2	8.7	7.7	8.5	-	8.8

Note:

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

**Consolidated Net Sales Composition***Millions of yen*

	1H/FY2013 Jan. - Jun.	Restated 2012 <sup>1</sup> Jan. - Jun.	Adjusted growth % <sup>1</sup>
<b>Consumer Products Business</b>			
Beauty Care Business	200,273	193,528	3.5
Human Health Care Business	85,994	80,608	6.7
Fabric and Home Care Business	120,961	115,848	4.4
Total Japan	407,228	389,984	4.4
Asia	56,696	42,374	33.8
Americas	34,329	28,094	22.2
Europe	34,028	27,418	24.1
Eliminations	(15,587)	(12,222)	-
<b>Total</b>	<b>516,694</b>	<b>475,648</b>	<b>8.6</b>
<b>Chemical Business</b>			
Japan	59,759	60,437	(1.1)
Asia	40,753	39,616	2.9
Americas	19,818	17,387	14.0
Europe	30,506	27,024	12.9
Eliminations	(24,939)	(24,596)	-
<b>Total</b>	<b>125,897</b>	<b>119,868</b>	<b>5.0</b>
<b>Total before Reconciliations</b>	<b>642,591</b>	<b>595,516</b>	<b>7.9</b>
Reconciliations	(17,638)	(16,816)	-
<b>Consolidated</b>	<b>624,953</b>	<b>578,700</b>	<b>8.0</b>

Note:

1 Due to the change in the fiscal year end in 2012, "Restated 2012" presents the period from January 1 to June 30, 2012 for the purpose of comparison with the interim period of FY2013 (January 1 to June 30, 2013). Adjusted growth for the interim period of FY2013 (January 1 to June 30, 2013) is a comparison with "Restated 2012."

The interim period of FY2012 was April 1, 2012 to September 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to June 30, 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 Six Months Ended June 30, 2013**

Tokyo, July 30, 2013 - Kao Corporation today announced its consolidated business results for the six months ended June 30, 2013, the interim period 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. - Jun. U.S. dollars	Fiscal 2012 ended
	2013	2012	Adjusted		Dec. 31, 2012 <sup>1</sup>
	Jan. - Jun. Yen	Apr. - Sep. Yen	growth <sup>1</sup> %		Yen
Net sales	<b>624,953</b>	608,976	8.0	<b>6,338.9</b>	1,012,595
Operating income	<b>42,944</b>	53,377	23.2	<b>435.6</b>	101,567
Ordinary income	<b>44,894</b>	55,353	24.4	<b>455.4</b>	104,214
Net income	<b>18,262</b>	35,861	(5.1)	<b>185.2</b>	<u>62,386</u>
Comprehensive income	<b>44,503</b>	37,808	104.4	<b>451.4</b>	<u>89,145</u>
Total assets	<b>1,069,904</b>	1,001,649	-	<b>10,852.1</b>	<u>1,039,968</u>
Total net assets	<b>603,344</b>	570,540	-	<b>6,119.7</b>	<u>605,704</u>
Net worth <sup>2</sup>	<b>589,429</b>	558,994	-	<b>5,978.6</b>	<u>592,320</u>
Net worth ratio <sup>3</sup>	<b>55.1%</b>	55.8%	-	-	<u>57.0%</u>
Net worth per share (Yen/US\$) <sup>4</sup>	<b>1,151.06</b>	1,071.22	-	<b>11.68</b>	<u>1,135.05</u>
Net income per share (Yen/US\$) <sup>5</sup>	<b>35.41</b>	68.72	(4.0)	<b>0.36</b>	<u>119.55</u>
Net income per share, fully diluted (Yen/US\$)	<b>35.38</b>	68.70	(4.0)	<b>0.36</b>	<u>119.50</u>
Net cash provided by operating activities	<b>78,866</b>	63,902	-	<b>799.9</b>	97,357
Net cash used in investing activities	<b>(41,946)</b>	(30,563)	-	<b>(425.5)</b>	(44,641)
Net cash used in financing activities	<b>(50,703)</b>	(16,191)	-	<b>(514.3)</b>	(32,028)
Cash and cash equivalents, end of period	<b>158,523</b>	147,224	-	<b>1,607.9</b>	160,435

*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 starting from 2012. Adjusted growth for the interim period of FY2013 (January 1 to June 30, 2013) is a comparison with the restated business results for the six-month period from January 1 to June 30, 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):

	June 30, 2013	December 31, 2012
Number of shares including treasury stock	516,000,000 shares	526,212,501 shares
Number of shares of treasury stock	3,927,492 shares	4,368,145 shares
	Ended June 30, 2013	Ended September 30, 2012
Weighted average number of shares outstanding during the six months	515,662,577 shares	521,816,550 shares

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Consolidated Results by Segment

Jan. - Jun.	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>	Adjusted change
Beauty Care	278.6	256.7	8.5	3.1	3.1	0.0	3.1
Human Health Care	99.6	89.7	11.1	7.8	6.7	4.2	2.5
Fabric and Home Care	138.5	129.2	7.2	4.8	23.7	20.8	2.8
Consumer Products Total	516.7	475.6	8.6	4.4	33.4	25.0	8.4
Chemical	125.9	119.9	5.0	(5.1)	9.4	9.7	(0.2)
Total	642.6	595.5	7.9	2.5	42.8	34.7	8.1
Reconciliations	(17.6)	(16.8)	-	-	0.1	0.2	(0.0)
Consolidated	625.0	578.7	8.0	2.5	42.9	34.8	8.1

  

Jan. - Jun.	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>	Adjusted change
Beauty Care	2,825.7	2,604.0	8.5	3.1	31.3	0.1	31.1
Human Health Care	1,010.4	909.6	11.1	7.8	67.5	42.4	25.1
Fabric and Home Care	1,404.7	1,310.8	7.2	4.8	240.1	211.4	28.6
Consumer Products Total	5,240.8	4,824.5	8.6	4.4	338.8	254.0	84.8
Chemical	1,277.0	1,215.8	5.0	(5.1)	95.5	98.0	(2.4)
Total	6,517.8	6,040.3	7.9	2.5	434.4	352.0	82.4
Reconciliations	(178.9)	(170.6)	-	-	1.2	1.5	(0.3)
Consolidated	6,338.9	5,869.8	8.0	2.5	435.6	353.5	82.1

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

Jan. - Jun.	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>	Adjusted change
Japan	452.0	435.8	3.7	3.7	34.2	28.7	5.5
Asia	95.6	80.5	18.7	(1.6)	5.8	3.3	2.5
Americas	54.0	45.4	19.0	(1.4)	1.8	0.9	0.9
Europe	64.4	54.4	18.5	(1.9)	1.9	2.2	(0.3)
Total	666.1	616.1	8.1	2.2	43.7	35.1	8.6
Reconciliations	(41.2)	(37.4)	-	-	(0.8)	(0.2)	(0.5)
Consolidated	625.0	578.7	8.0	2.5	42.9	34.8	8.1

  

Jan. - Jun.	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>	Adjusted change
Japan	4,585.0	4,420.1	3.7	3.7	347.0	290.8	56.2
Asia	970.0	817.0	18.7	(1.6)	59.0	33.7	25.3
Americas	548.1	460.6	19.0	(1.4)	18.1	9.1	9.0
Europe	653.3	551.4	18.5	(1.9)	19.2	22.2	(3.0)
Total	6,756.5	6,249.1	8.1	2.2	443.4	355.7	87.6
Reconciliations	(417.6)	(379.3)	-	-	(7.8)	(2.3)	(5.5)
Consolidated	6,338.9	5,869.8	8.0	2.5	435.6	353.5	82.1

Notes:

- Due to the change in the fiscal year end in 2012, "Restated 2012" presents the period from January 1 to June 30, 2012 for the purpose of comparison with the interim period of FY2013 (January 1 to June 30, 2013). Adjusted growth for the interim period of FY2013 (January 1 to June 30, 2013) is a comparison with "Restated 2012." ("Restated 2012" is January 1, 2012 to June 30, 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 interim period of FY2012 was April 1, 2012 to September 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to June 30, 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 31.7% of consolidated net sales compared with 28.3% for the same period a year earlier.

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

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

	Year ending December 31, 2013		
	Yen	Adjusted growth % <sup>1</sup>	U.S. dollars
Net sales	1,300.0	6.5	13,185.9
Operating income	116.0	3.8	1,176.6
Ordinary income	118.0	3.4	1,196.9
Net income	67.0	<u>6.8</u>	679.6
Net income per share (Yen/US\$) <sup>2</sup>	130.84	-	1.33
Cash dividends per share (Yen/US\$)	64.00	-	0.65

*Notes:*

1. 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.
2. 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 June 28, 2013 of 98.59 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 Six Months Ended June 30, 2013

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

(Billions of yen, except per share data)

	First half of FY2013	(For reference) First half of restated FY2012 <sup>1</sup>	Adjusted growth <sup>1</sup>	First half of FY2012 <sup>2</sup>
Net sales	625.0	578.7	8.0%	609.0
Operating income	42.9	34.8	23.2%	53.4
Ordinary income	44.9	36.1	24.4%	55.4
Net income	18.3	19.2	(5.1)%	35.9
Net income per share (Yen)	35.41	36.87	(4.0)%	68.72
Net income per share, fully diluted (Yen)	35.38	36.86	(4.0)%	68.70

*Notes:*

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

*The following rates of increase or decrease are comparisons with the first half of restated FY2012.*

During the six months ended June 30, 2013, amid an ongoing weak recovery of the overall global economy, the tempo of economic expansion moderated in China and other emerging nations, while some underlying strengths became apparent in certain countries such as the United States. In the Japanese economy, there were early signs of recovery, including in personal consumption, 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 2% on a value basis compared with the period from January to June 2012, and consumer purchase prices were flat. The cosmetics market in Japan was flat, with a recovery trend from 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."*

Kanebo Cosmetics Inc., Lissage Ltd. and E'quipe Ltd. of the Kao Group announced a voluntary recall on July 4 due to the confirmation of cases of white blotches appearing on the skin of consumers who have used brightening products containing the ingredient Rhododenol that are manufactured and sold by the three companies because of the possibility of a connection between the symptoms and the products. Expenses related to the voluntary recall had an impact on net income for the period of 8.4 billion yen, consisting of 2.8 billion yen in estimated expenses related to returned goods from retailers under cost of sales and other estimated outlays of 5.6 billion yen under extraordinary loss.

Based on the above, net sales increased 8.0% compared with the first six months of restated FY2012 to 625.0 billion yen. Excluding the effect of currency translation, net sales would have increased 2.5%. In the Consumer Products Business, sales of each business were steady with the contribution of factors such as market growth, further strengthening of sales promotion activities and new products in Japan. In Asia, sales were strong in the Human Health Care Business, which includes sanitary products, and the Fabric and Home Care Business, which includes laundry detergents. In the Chemical Business, excluding the effect of currency translation, sales decreased compared with the first half 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 8.1 billion yen compared with the first half of restated FY2012 to 42.9 billion yen, despite recording expenses related to the voluntary recall, due to the effect of increased sales of the Consumer Products Business in Japan and Asia in addition to factors including cost reduction activities and a decrease in depreciation and amortization expenses. Ordinary income increased 8.8 billion yen compared with the first half of restated FY2012 to 44.9 billion yen, and net income decreased 1.0 billion yen compared with the first half of restated FY2012 to 18.3 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 5.9 billion yen compared with the first half of restated FY2012 to 57.5 billion yen, which is equivalent to 9.2% 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 June 30, 2013 were as shown below. 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	92.57 (79.75)	99.23 (79.81)
Yen/Euro	122.02 (106.31)	129.56 (101.20)

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

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## **Summary of Segment Information**

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

#### **Consumer Products Business**

Sales increased 8.6% compared with the first half of restated FY2012 to 516.7 billion yen. Excluding the effect of currency translation, sales would have increased 4.4%.

In Japan, sales increased 4.4% to 407.2 billion yen. The Kao Group launched new and improved products in response to changing consumer lifestyles and social issues such as health consciousness, the aging society and the environment, and enhanced proposal-based sales, among other measures.

In Asia, sales increased 33.8% to 56.7 billion yen. Excluding the effect of currency translation, sales would have increased 11.1%. 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, expansion of sales of laundry detergents and the launch of baby diapers targeting middle-class consumers in China.

In the Americas, sales increased 22.2% to 34.3 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%. Sales of improved skin care products grew, but some hair care products were impacted by intensified market competition.

In Europe, sales increased 24.1% to 34.0 billion yen. Excluding the effect of currency translation, sales would have increased 3.1%. Professional hair care products contributed to sales growth.

Operating income increased 8.4 billion yen compared with the first half of restated FY2012 to 33.4 billion yen due to the effect of increased sales as a result of strong performance in Japan and Asia in addition to factors including a decrease in depreciation and amortization expenses and more efficient management 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 8.5% compared with the first half of restated FY2012 to 278.6 billion yen. Excluding the effect of currency translation, sales would have increased 3.1%.

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Sales of cosmetics increased 3.7% compared with the first half of restated FY2012 to 126.3 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%.

In Japan, in a market environment that entered a recovery track from March, the Kao Group continued to work to reinforce focal brands. Sales increased compared with the first half of restated FY2012, with growth in sales of counseling brands *COFFRET D'OR* makeup, *SOFINA Primavista* base makeup and the renewed *GRACE SOFINA* skin care line, as well as self-selection brands *KATE* makeup, *Allie* UV care and *Fréshel* skin care. Outside Japan, sales increased compared with the first half of restated FY2012, excluding the effect of currency translation.

Sales of skin care products increased compared with the first half of restated FY2012. In Japan, sales increased with growth in sales of *Bioré* facial cleansers and UV care products and strong performance by *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* facial and body cleansers performed strongly and sales grew. In the Americas, sales of *Jergens* hand and body lotions increased, partly due to the effect of product improvements to *Natural Glow*, which gradually changes skin color to a healthy bronze.

Sales of hair care products were flat compared with the first half of restated FY2012. Sales in Japan were impacted by intensified competition for shampoos and conditioners and the contraction of the hair coloring products market, but new products, including hair styling products, performed strongly. In Asia, sales of *Liese* foam hair color increased. In the Americas and Europe, sales of the *Goldwell* professional hair care brand increased.

Operating income was impacted by the voluntary recall but increased 3.1 billion yen compared with the first half of restated FY2012 to 3.1 billion yen, due in part to the effect of increased sales and a decrease in depreciation and amortization expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 0.9 billion yen compared with the first half of restated FY2012 to 17.6 billion yen, which is equivalent to 6.3% of sales.

*Human Health Care Business*

Sales increased 11.1% compared with the first half of restated FY2012 to 99.6 billion yen. Excluding the effect of currency translation, sales would have increased 7.8%.

Sales of food and beverage products increased compared with the first half of restated FY2012, due in part to strong sales of *Healthya Coffee*, launched in Japan in April from the *Healthya* series of functional drinks that promote body fat utilization.



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Sales of sanitary products increased compared with the first half of restated FY2012. In the *Laurier* brand of sanitary napkins, sales of high-value-added products such as *Laurier F*, which protects 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 strong in Japan, and also grew in China and Russia. In China, the Kao Group began sales of locally manufactured products targeting middle-class consumers.

Sales of personal health products increased compared with the first half of restated FY2012. Although sales of oral care products were flat compared with the first half of restated FY2012, bath additives sold steadily and sales of *Megurhythm* steam thermo power pads increased substantially.

Operating income increased 2.5 billion yen compared with the first half of restated FY2012 to 6.7 billion yen due to more efficient management of expenses in addition to the effect of increased sales.

*Fabric and Home Care Business*

Sales increased 7.2% compared with the first half of restated FY2012 to 138.5 billion yen. Excluding the effect of currency translation, sales would have increased 4.8%.

Sales of fabric care products increased compared with the first half of restated FY2012. 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. In addition, in April the Kao Group launched a refill product for *Attack* powder laundry detergent that reduces environmental impact, stimulating the powder laundry detergent market. *Flair Fragrance* fabric softener, which releases additional fresh fragrance upon sensing perspiration, other moisture or motion, and *Wide Haiter EX Power*, a fabric bleach for color garments with a powerful deodorizing function, 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 strong 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 scent while cleaning the bath.

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Operating income increased 2.8 billion yen compared with the first half of restated FY2012 to 23.7 billion yen due to the effect of increased sales and more efficient management of expenses.

**Chemical Business**

Although signs of a recovery became apparent in some customer industries in Japan, sales were impacted by selling price adjustments in connection with lower prices for natural fats and oils used as raw materials, the economic slump in Europe and the economic slowdown in China. As a result of these factors, sales were 125.9 billion yen, an increase of 5.0% compared with the first half of restated FY2012, including the impact of the depreciation of the yen on currency translation. However, excluding the effect of currency translation, sales would have decreased 5.1%.

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 half of restated FY2012 despite the impact of lower demand from customer industries, decreasing 0.2 billion yen to 9.4 billion yen due to efforts to expand sales volume and reduce costs.

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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>1H/FY2013 Jun. 30, 2013</b>	FY2012 Dec. 31, 2012	Incr./(Dcr.)	<b>1H/FY2013 Jun. 30, 2013</b>
Total assets	<b><u>1,069.9</u></b>	<u>1,040.0</u>	29.9	<b><u>10,852.1</u></b>
Total net assets	<b><u>603.3</u></b>	<u>605.7</u>	(2.4)	<b><u>6,119.7</u></b>
Net worth ratio	<b><u>55.1%</u></b>	<u>57.0%</u>	-	-
Net worth per share (Yen/US\$)	<b><u>1,151.06</u></b>	<u>1,135.05</u>	<u>16.01</u>	<b><u>11.68</u></b>
Total debt	<b><u>101.4</u></b>	<u>103.2</u>	(1.8)	<b><u>1,028.0</u></b>

**Summary of Consolidated Cash Flows**

	Billions of yen		Millions of U.S. dollars
	<b>1H/FY2013 Jan.-Jun.</b>	1H/FY2012 Apr.-Sep.	<b>1H/FY2013 Jan.-Jun.</b>
Net cash provided by operating activities	<b><u>78.9</u></b>	63.9	<b><u>799.9</u></b>
Net cash used in investing activities	<b><u>(41.9)</u></b>	(30.6)	<b><u>(425.5)</u></b>
Free cash flow*	<b><u>36.9</u></b>	33.3	<b><u>374.5</u></b>
Net cash used in financing activities	<b><u>(50.7)</u></b>	(16.2)	<b><u>(514.3)</u></b>

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

Total assets increased 29.9 billion yen from the end of fiscal 2012 to 1,069.9 billion yen. The principal increases in assets were a 10.9 billion yen increase in short-term investments, an 8.4 billion yen increase in merchandise and finished goods and a 16.9 billion yen increase in property, plant and equipment. The principal decreases in assets were a 4.8 billion yen decrease in cash and time deposits and a 10.4 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities increased 32.3 billion yen from the end of fiscal 2012 to 466.6 billion yen. The principal increases in liabilities were a 6.1 billion yen increase in notes and accounts payable – trade, a 4.8 billion yen increase in income taxes payable, a 17.1 billion yen increase in other current liabilities including accrued expenses and a 4.8 billion yen increase in liability for employee retirement benefits. The principal decrease in liabilities was a 1.8 billion yen decrease in short-term loans.

Total net assets decreased 2.4 billion yen from the end of fiscal 2012 to 603.3 billion yen. The principal increases in net assets were net income for the first half totaling 18.3 billion yen and

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foreign currency translation adjustments of 25.7 billion yen. The principal decreases in net assets were a 30.0 billion yen decrease due to the repurchase of Kao Corporation stock from the market and payments of dividends from retained earnings totaling 16.2 billion yen. In June 2013, Kao Corporation retired treasury stock.

As a result, the net worth ratio (defined as net worth divided by total assets) was 55.1% compared with 57.0% at the end of fiscal 2012.

Net cash provided by operating activities totaled 78.9 billion yen. The principal increases in net cash were income before income taxes and minority interests of 38.4 billion yen, depreciation and amortization of 37.2 billion yen and change in trade receivables of 10.5 billion yen. The principal decreases in net cash were income taxes paid of 14.1 billion yen and change in inventories of 2.5 billion yen.

Net cash used in investing activities totaled 41.9 billion yen. This primarily consisted of 24.0 billion yen for purchase of property, plant and equipment and 8.0 billion yen for purchase of short-term investments.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 36.9 billion yen.

Net cash used in financing activities totaled 50.7 billion yen. The principal decreases in net cash were 30.0 billion yen for purchase of treasury stock and 18.6 billion yen for payments of cash dividends, including to minority shareholders. In June 2013, Kao Corporation redeemed 50.0 billion yen in bonds and issued bonds in the same amount in the same month to maintain an appropriate capital cost ratio and to enhance its financial base for investment in growth.

The balance of cash and cash equivalents at June 30, 2013 decreased 1.9 billion yen compared with the end of fiscal 2012 to 158.5 billion yen.

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### **(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 the response to 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 amid persistently severe employment conditions.

Under 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.

Please note that the forecast of consolidated results for the fiscal year is unchanged from “Notice of Revision of Business Results Forecast” announced on July 29, 2013.

The main exchange rates used in the forecast of consolidated results are 95 yen per U.S. dollar and 125 yen per euro.

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## 2. Other

**(1) Changes in material subsidiaries during the six-month 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 six months ended June 30, 2013 is immaterial.

**(4) Explanatory notes regarding the going concern assumption:** None

**(5) Significant change in shareholders' equity**

### *Increase of treasury stock*

Kao Corporation purchased its own stock pursuant to a resolution of its Board of Directors at a meeting held on February 5, 2013. Consequently, treasury stock increased by 30,017 million yen.

### *Decrease of treasury stock*

Kao Corporation retired treasury stock pursuant to a resolution of its Board of Directors at a meeting held on May 30, 2013. Consequently, treasury stock decreased by 29,332 million yen.

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As a result of the above, treasury stock increased by 684 million yen during the six months ended June 30, 2013 and totaled 9,669 million yen as of June 30, 2013.

**(6) Information regarding voluntary recall**

A total of 8.4 billion yen in expenses has been recorded on the consolidated statements of income for the six months ended June 30, 2013 in connection with the voluntary recall by Kanebo Cosmetics Inc., Lissage Ltd. and E'quipe Ltd., consisting of 2.8 billion yen in estimated expenses related to returned goods from retailers under cost of sales and other estimated outlays of 5.6 billion yen as loss related to cosmetics under extraordinary loss.

The abovementioned estimated expenses relating to returned goods from retailers are included in operating income of the "Beauty Care Business" segment in consolidated segment information.

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

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	94,563	99,334
Notes and accounts receivable - trade	163,155	164,250
Short-term investments	68,383	57,443
Merchandise and finished goods	93,068	84,712
Work in process	11,333	10,789
Raw materials and supplies	27,576	26,706
Other	58,788	51,522
Allowance for doubtful receivables	(1,546)	(1,349)
<b>Total current assets</b>	<b>515,320</b>	<b>493,407</b>
<b>Fixed assets</b>		
Property, plant and equipment		
Property, plant and equipment	1,178,452	1,141,257
Accumulated depreciation	(909,259)	(888,913)
<b>Total property, plant and equipment</b>	<b>269,193</b>	<b>252,344</b>
Intangible assets		
Goodwill	155,995	159,165
Trademarks	35,164	41,851
Other	14,408	14,907
<b>Total intangible assets</b>	<b>205,567</b>	<b>215,923</b>
Investments and other assets		
Investments and other assets	80,280	78,722
Allowance for doubtful receivables	(456)	(428)
<b>Total investments and other assets</b>	<b>79,824</b>	<b>78,294</b>
<b>Total fixed assets</b>	<b>554,584</b>	<b>546,561</b>
<b>Total assets</b>	<b>1,069,904</b>	<b>1,039,968</b>



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

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	111,611	105,472
Short-term loans	1,271	3,115
Current portion of bonds	-	50,000
Current portion of long-term loans	8	7
Income taxes payable	16,506	11,658
Other	162,727	145,622
<b>Total current liabilities</b>	<b>292,123</b>	<b>315,874</b>
<b>Long-term liabilities</b>		
Bonds	50,000	-
Long-term loans	50,072	50,066
Liability for employee retirement benefits	50,529	45,717
Other	23,836	22,607
<b>Total long-term liabilities</b>	<b>174,437</b>	<b>118,390</b>
<b>Total liabilities</b>	<b>466,560</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	450,936	477,640
Treasury stock, at cost	(9,669)	(8,985)
<b>Total shareholders' equity</b>	<b>636,252</b>	<b>663,640</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	3,957	2,447
Deferred gain (loss) on derivatives under hedge accounting	7	6
Foreign currency translation adjustments	(46,129)	(71,872)
Post retirement liability adjustments for foreign consolidated subsidiaries	(4,658)	(1,901)
<b>Total accumulated other comprehensive income</b>	<b>(46,823)</b>	<b>(71,320)</b>
<b>Stock acquisition rights</b>	<b>1,215</b>	<b>1,294</b>
<b>Minority interests</b>	<b>12,700</b>	<b>12,090</b>
<b>Total net assets</b>	<b>603,344</b>	<b>605,704</b>
<b>Total liabilities and net assets</b>	<b>1,069,904</b>	<b>1,039,968</b>

**Consolidated Statements of Income***Millions of yen*

	<b>1H/FY2013</b>	<b>1H/FY2012</b>
	<b>Jan. - Jun.</b>	<b>Apr. - Sep.</b>
<b>Net sales</b>	<b>624,953</b>	<b>608,976</b>
Cost of sales	275,988	262,942
<b>Gross profit</b>	<b>348,965</b>	<b>346,034</b>
Selling, general and administrative expenses	306,021	292,657
<b>Operating income</b>	<b>42,944</b>	<b>53,377</b>
Non-operating income		
Interest income	456	486
Dividend income	96	101
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,135	1,166
Foreign currency exchange gain	339	140
Other	1,511	1,270
Total non-operating income	3,537	3,163
Non-operating expenses		
Interest expense	735	772
Other	852	415
Total non-operating expenses	1,587	1,187
<b>Ordinary income</b>	<b>44,894</b>	<b>55,353</b>
Extraordinary gain		
Gain on sales of fixed assets	33	53
Gain on sales of stock of subsidiary	-	270
Gain on transfer of business	350	-
Other	412	127
Total extraordinary gain	795	450
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,376	1,062
Loss related to cosmetics	5,600	-
Other	358	42
Total extraordinary loss	7,334	1,104
<b>Income before income taxes and minority interests</b>	<b>38,355</b>	<b>54,699</b>
Income taxes		
Income taxes - current	18,879	20,066
Income taxes - deferred	423	(1,851)
Total income taxes	19,302	18,215
<b>Income before minority interests</b>	<b>19,053</b>	<b>36,484</b>
Minority interests	791	623
<b>Net income</b>	<b>18,262</b>	<b>35,861</b>

**Consolidated Statements of Comprehensive Income***Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
<b>Income before minority interests</b>	<b>19,053</b>	<b>36,484</b>
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	1,372	(6)
Foreign currency translation adjustments	26,924	1,351
Share in other comprehensive income of associates applied for equity method	201	21
Post retirement liability adjustments for foreign consolidated subsidiaries	(3,047)	(42)
Other comprehensive income	25,450	1,324
<b>Comprehensive income</b>	<b>44,503</b>	<b>37,808</b>
Attributable to:		
Shareholders of Kao Corporation	42,759	37,108
Minority interests	1,744	700

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

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
Freight/warehouse	36,009	34,882
Advertising	44,814	43,210
Sales promotion	34,089	31,260
Salaries and bonuses	66,087	60,696
Research and development	24,542	24,007

**Consolidated Statements of Cash Flows***Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
<b>Operating activities:</b>		
Income before income taxes and minority interests	38,355	54,699
Adjustments for:		
Depreciation and amortization	37,177	38,253
Interest and dividend income	(552)	(587)
Interest expense	735	772
Unrealized foreign currency exchange (gain) loss	(3,083)	745
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,135)	(1,166)
(Gain) loss on sales and retirement of fixed assets	1,343	1,009
(Gain) loss on transfer of business	(350)	-
Change in trade receivables	10,467	1,323
Change in inventories	(2,493)	(1,400)
Change in trade payables	1,493	(5,448)
Change in accounts payable - other and accrued expenses	3,918	(859)
Other, net	5,337	(4,082)
<b>Subtotal</b>	<b>91,212</b>	<b>83,259</b>
Interest and cash dividends received	2,506	1,843
Interest paid	(775)	(765)
Income taxes paid	(14,077)	(20,435)
<b>Net cash provided by operating activities</b>	<b>78,866</b>	<b>63,902</b>
<b>Investing activities:</b>		
Payments into time deposits	(4,802)	(28)
Proceeds from withdrawal of time deposits	-	4,390
Purchase of short-term investments	(7,998)	(5,002)
Purchase of property, plant and equipment	(23,964)	(21,146)
Purchase of intangible assets	(3,050)	(1,283)
Payments for long-term prepaid expenses	(2,558)	(3,681)
Change in short-term loans, net	674	5
Payments for long-term loans	(204)	(236)
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	847	821
<b>Net cash used in investing activities</b>	<b>(41,946)</b>	<b>(30,563)</b>
<b>Financing activities:</b>		
Change in short-term loans, net	(2,222)	1,412
Proceeds from issuance of bonds	50,000	-
Redemption of bonds	(50,000)	-
Purchase of treasury stock	(30,017)	(5)
Payments of cash dividends	(17,391)	(16,196)
Payments of cash dividends to minority shareholders	(1,161)	(2,350)
Other, net	88	948
<b>Net cash used in financing activities</b>	<b>(50,703)</b>	<b>(16,191)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>11,248</b>	<b>31</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,535)</b>	<b>17,179</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>158,523</b>	<b>147,224</b>

News Release

**Consolidated Segment Information**

Millions of yen

1H/FY2013 Jan. - 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	278,584	99,616	138,494	516,694	108,259	624,953	-	624,953
Intersegment sales	-	-	-	-	17,638	17,638	(17,638)	-
<b>Total</b>	<b>278,584</b>	<b>99,616</b>	<b>138,494</b>	<b>516,694</b>	<b>125,897</b>	<b>642,591</b>	<b>(17,638)</b>	<b>624,953</b>
<b>Operating income</b>	<b>3,081</b>	<b>6,658</b>	<b>23,668</b>	<b>33,407</b>	<b>9,418</b>	<b>42,825</b>	<b>119<sup>1</sup></b>	<b>42,944</b>
% of net sales	1.1	6.7	17.1	6.5	7.5	6.7	-	6.9

1H/FY2012 Apr. - Sep.	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	267,170	93,846	146,015	507,031	101,945	608,976	-	608,976
Intersegment sales	-	-	-	-	17,928	17,928	(17,928)	-
<b>Total</b>	<b>267,170</b>	<b>93,846</b>	<b>146,015</b>	<b>507,031</b>	<b>119,873</b>	<b>626,904</b>	<b>(17,928)</b>	<b>608,976</b>
<b>Operating income</b>	<b>7,337</b>	<b>5,845</b>	<b>30,984</b>	<b>44,166</b>	<b>9,181</b>	<b>53,347</b>	<b>30<sup>1</sup></b>	<b>53,377</b>
% of net sales	2.7	6.2	21.2	8.7	7.7	8.5	-	8.8

Note:

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

**Consolidated Net Sales Composition***Millions of yen*

	1H/FY2013 Jan. - Jun.	Restated 2012 <sup>1</sup> Jan. - Jun.	Adjusted growth % <sup>1</sup>
<b>Consumer Products Business</b>			
Beauty Care Business	200,273	193,528	3.5
Human Health Care Business	85,994	80,608	6.7
Fabric and Home Care Business	120,961	115,848	4.4
Total Japan	407,228	389,984	4.4
Asia	56,696	42,374	33.8
Americas	34,329	28,094	22.2
Europe	34,028	27,418	24.1
Eliminations	(15,587)	(12,222)	-
<b>Total</b>	<b>516,694</b>	<b>475,648</b>	<b>8.6</b>
<b>Chemical Business</b>			
Japan	59,759	60,437	(1.1)
Asia	40,753	39,616	2.9
Americas	19,818	17,387	14.0
Europe	30,506	27,024	12.9
Eliminations	(24,939)	(24,596)	-
<b>Total</b>	<b>125,897</b>	<b>119,868</b>	<b>5.0</b>
<b>Total before Reconciliations</b>	<b>642,591</b>	<b>595,516</b>	<b>7.9</b>
Reconciliations	(17,638)	(16,816)	-
<b>Consolidated</b>	<b>624,953</b>	<b>578,700</b>	<b>8.0</b>

Note:

1 Due to the change in the fiscal year end in 2012, "Restated 2012" presents the period from January 1 to June 30, 2012 for the purpose of comparison with the interim period of FY2013 (January 1 to June 30, 2013). Adjusted growth for the interim period of FY2013 (January 1 to June 30, 2013) is a comparison with "Restated 2012."

The interim period of FY2012 was April 1, 2012 to September 30, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31 and January 1, 2012 to June 30, 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	