

Summary of Consolidated Business Results for the Three Months Ended March 31, 2014

Tokyo, April 25, 2014 - Kao Corporation today announced its consolidated business results for the three months ended March 31, 2014, the first quarter of the fiscal year ending December 31, 2014. 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)

Jan. - Mar.	Three-month period				Fiscal year ended
	2014	2013	Growth	2014	Dec. 31, 2013
	Yen	Yen	%	U.S. dollars	Yen
Net sales	341,200	289,045	18.0	3,315.5	1,315,217
Operating income	39,642	18,336	116.2	385.2	124,656
Ordinary income	41,100	19,490	110.9	399.4	128,053
Net income	25,195	10,522	139.4	244.8	64,764
Comprehensive income	20,028	26,071	(23.2)	194.6	109,627
Total assets	1,099,535	1,022,973	7.5	10,684.4	1,133,276
Total net assets	645,568	579,000	11.5	6,273.1	642,640
Net worth ¹	632,059	565,505	11.8	6,141.9	628,709
Net worth ratio ²	57.5%	55.3%	-	57.5%	55.5%
Net worth per share (Yen/US\$) ³	1,233.74	1,101.81	12.0	11.99	1,227.54
Net income per share (Yen/US\$) ⁴	49.19	20.26	142.8	0.48	126.03
Net income per share, fully diluted (Yen/US\$)	49.13	20.25	142.6	0.48	125.89
Net cash provided by operating activities	9,758	29,719	-	94.8	178,745
Net cash used in investing activities	(13,856)	(13,346)	-	(134.6)	(57,778)
Net cash used in financing activities	(16,035)	(45,500)	-	(155.8)	(67,459)
Cash and cash equivalents, end of period	205,679	137,656	-	1,998.6	227,598

Notes:

1. Net worth is net assets, excluding minority interests and stock acquisition rights.
2. The net worth ratio is defined as net worth divided by total assets.
3. Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
4. Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
5. Number of shares outstanding at the end of the periods (common stock)

	March 31, 2014	December 31, 2013
Number of shares including treasury stock	516,000,000 shares	516,000,000 shares
Number of shares of treasury stock	3,687,480 shares	3,829,950 shares
6. Weighted average number of shares outstanding during the first quarter of each year

	Ended March 31, 2014	Ended March 31, 2013
	512,251,347 shares	519,250,992 shares

Consolidated Results by Segment

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2014	2013	Like-for-like *		2014	2013	Change
Beauty Care	144.4	129.0	11.9	8.7	9.8	(0.4)	10.2
Human Health Care	56.4	46.0	22.6	21.0	5.9	3.6	2.3
Fabric and Home Care	77.3	62.7	23.4	23.2	16.7	10.6	6.1
Consumer Products Total	278.1	237.7	17.0	14.9	32.4	13.9	18.5
Chemical	73.1	59.7	22.5	16.0	7.3	4.4	2.8
Total	351.2	297.3	18.1	15.1	39.6	18.3	21.3
Reconciliations	(10.0)	(8.3)	-	-	(0.0)	0.0	(0.0)
Consolidated	341.2	289.0	18.0	15.0	39.6	18.3	21.3

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2014	2013	Like-for-like *		2014	2013	Change
Beauty Care	1,403.0	1,253.6	11.9	8.7	95.0	(4.0)	99.0
Human Health Care	547.9	446.8	22.6	21.0	57.4	35.4	22.1
Fabric and Home Care	751.5	609.2	23.4	23.2	162.3	103.5	58.9
Consumer Products Total	2,702.4	2,309.6	17.0	14.9	314.7	134.8	179.9
Chemical	710.3	579.7	22.5	16.0	70.5	43.2	27.3
Total	3,412.6	2,889.3	18.1	15.1	385.2	178.0	207.2
Reconciliations	(97.1)	(80.6)	-	-	(0.0)	0.1	(0.2)
Consolidated	3,315.5	2,808.7	18.0	15.0	385.2	178.2	207.0

* Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.

Consolidated Net Sales Composition

Jan. - Mar.	Billions of yen		Growth %	Millions of U.S. dollars	
	2014	2013		2014	2013
Consumer Products					
Beauty Care	104.3	92.8	12.5	1,013.8	901.5
Human Health Care	47.5	39.5	20.3	461.6	383.7
Fabric and Home Care	68.5	54.0	26.9	665.8	524.7
Total Japan	220.4	186.3	18.3	2,141.3	1,810.0
Asia	31.4	26.9	16.9	305.1	261.1
Americas*	18.7	15.8	18.3	182.0	153.9
Europe*	19.7	16.0	23.0	191.1	155.3
Eliminations	(12.0)	(7.3)	-	(117.0)	(70.6)
Total	278.1	237.7	17.0	2,702.4	2,309.6
Chemical					
Japan	32.5	28.3	14.7	315.7	275.2
Asia	26.3	19.0	38.6	255.7	184.5
Americas	11.6	9.5	21.8	112.2	92.2
Europe	18.7	14.8	26.6	181.6	143.4
Eliminations	(16.0)	(11.9)	-	(155.1)	(115.6)
Total	73.1	59.7	22.5	710.3	579.7
Total before Reconciliations	351.2	297.3	18.1	3,412.6	2,889.3
Reconciliations	(10.0)	(8.3)	-	(97.1)	(80.6)
Consolidated	341.2	289.0	18.0	3,315.5	2,808.7

* As of January 2014, certain changes have been made in inter-company transactions among subsidiaries in the Consumer Products Business in the Americas and Europe. The rates of change based on the same transaction method that was used in the same period a year earlier would have increased 10.0% for the Americas and 15.2% for Europe.

Reference: Consolidated Results by Geographic Area¹

Jan. - Mar.	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2014	2013	Like-for-like ²		2014	2013	Change
Japan	244.2	207.6	17.6	17.6	31.5	14.6	16.9
Asia	56.8	45.0	26.3	19.3	4.5	3.9	0.7
Americas ³	30.2	25.3	19.7	9.2	1.3	0.2	1.1
Europe ³	38.3	30.7	24.8	8.4	1.6	(0.1)	1.6
Total	369.5	308.5	19.8	16.3	38.9	18.6	20.3
Reconciliations	(28.3)	(19.5)	-	-	0.7	(0.3)	1.0
Consolidated	341.2	289.0	18.0	15.0	39.6	18.3	21.3

Jan. - Mar.	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2014	2013	Like-for-like ²		2014	2013	Change
Japan	2,373.4	2,017.4	17.6	17.6	306.3	142.3	164.0
Asia	551.6	436.9	26.3	19.3	44.1	37.5	6.6
Americas ³	293.9	245.6	19.7	9.2	12.6	1.8	10.8
Europe ³	372.0	298.2	24.8	8.4	15.3	(0.6)	16.0
Total	3,590.9	2,998.1	19.8	16.3	378.4	181.0	197.4
Reconciliations	(275.4)	(189.3)	-	-	6.8	(2.9)	9.7
Consolidated	3,315.5	2,808.7	18.0	15.0	385.2	178.2	207.0

Notes:

- Information on consolidated results by geographic area is for reference.
- Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
- As of January 2014, certain changes have been made in inter-company transactions among subsidiaries in the Consumer Products Business in the Americas and Europe. The rates of change based on the same transaction method that was used in the same period a year earlier would have increased 14.5% for the Americas (an increase of 4.5% excluding the effect of currency translation) and 20.7% for Europe (5.0% excluding the effect of currency translation.)
- Net sales to foreign customers were 32.6% of net sales compared with 32.5% for the same period a year earlier.

Forecast of Consolidated Results for the Six Months Ending June 30, 2014 and the Year Ending December 31, 2014

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

	Six months ending June 30, 2014			Year ending December 31, 2014		
	Yen	Growth %	U.S. dollars	Yen	Growth %	U.S. dollars
Net sales	650.0	4.0	6,316.2	1,370.0	4.2	13,312.6
Operating income	43.0	0.1	417.8	130.0	4.3	1,263.2
Ordinary income	45.0	0.2	437.3	133.0	3.9	1,292.4
Net income	26.0	42.4	252.6	75.0	15.8	728.8
Net income per share (Yen/US\$)*	50.75	43.3	0.49	146.40	16.2	1.42
Cash dividends per share (Yen/US\$)	34.00	-	0.33	68.00	-	0.66

* 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 31, 2014 of 102.91 yen = 1 U.S. dollar, and are presented solely for the convenience of readers.

Forward-Looking Statements

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

For further information, please contact:

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

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1. Qualitative Information on Business Results for the Three Months Ended March 31, 2014

(1) Description of Results of Operations

(Billions of yen, except per share data)

	First quarter of FY2014	First quarter of FY2013	Growth
Net sales	341.2	289.0	18.0%
Operating income	39.6	18.3	116.2%
Ordinary income	41.1	19.5	110.9%
Net income	25.2	10.5	139.4%
Net income per share (Yen)	49.19	20.26	142.8%
Net income per share, fully diluted (Yen)	49.13	20.25	142.6%

During the three months ended March 31, 2014, the global economy recovered moderately, although weakness was apparent in some sectors. The Japanese economy also recovered moderately, underpinned by the effects of various government measures, and personal consumption increased, due in part to last-minute demand associated with the consumption tax rate increase in April. The household and personal care products market in Japan, a key market for the Kao Group, grew by 17% on a value basis compared with the same period a year earlier, and a sense has emerged that the decline in consumer purchase prices had bottomed out. In addition, the cosmetics market in Japan grew by 22%.

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 worked to the utmost to supply products responding to last-minute demand.

* *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."*

Regarding Kanebo Cosmetics brightening products containing the ingredient Rhododenol, for which a voluntary recall was announced on July 4, 2013, Kanebo Cosmetics continued to recall the relevant products and has been wholeheartedly supporting the recovery and compensation of people who have experienced vitiligo-like symptoms. Moreover, the Kao Group is working to ensure even higher level of safety and reliability in its products.

Net sales increased 18.0% compared with the same period a year earlier to 341.2 billion yen.

News Release

Excluding the effect of currency translation, net sales would have increased 15.0%. In the Consumer Products Business, sales of each business grew substantially in Japan due to significant market growth from the impact of last-minute demand. In the Chemical Business, sales increased as the Kao Group worked to adjust selling prices in connection with higher prices for natural fats and oils used as raw materials and to increase sales volume.

As for profits, mainly due to the effect of increased sales of the Consumer Products Business in Japan and a lower selling, general and administrative expenses ratio, operating income increased 21.3 billion yen compared with the same period a year earlier to 39.6 billion yen and ordinary income increased 21.6 billion yen compared with the same period a year earlier to 41.1 billion yen. Net income increased 14.7 billion yen compared with the same period a year earlier to 25.2 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 20.8 billion yen compared with the same period a year earlier to 46.4 billion yen, which is equivalent to 13.6% of net sales.

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

	First quarter (Jan.-Mar.)
Yen/U.S. dollar	102.87 (92.57)
Yen/Euro	140.94 (122.02)

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

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Summary of Segment Information

Consolidated Results by Segment

Consumer Products Business

Sales increased 17.0% compared with the same period a year earlier to 278.1 billion yen. Excluding the effect of currency translation, sales would have increased 14.9%.

In Japan, sales increased 18.3% to 220.4 billion yen. Due to market growth as a result of last-minute demand associated with the consumption tax rate increase, sales grew substantially as the Kao Group responded to changing consumer lifestyles and social issues such as the environment, health consciousness and the aging society, and enhanced proposal-based sales, among other measures. On the other hand, although sales of Kanebo Cosmetics increased compared with the same period a year earlier, they fell below the rate of market growth due to the voluntary recall in 2013 and its associated impact.

In Asia, sales increased 16.9% to 31.4 billion yen. Excluding the effect of currency translation, sales would have increased 11.5%. Sales grew steadily as the Kao Group carried out aggressive measures including collaboration with retailers, utilization of wholesale channels and nurturing of products targeting middle-class consumers.

In the Americas, sales increased 18.3% to 18.7 billion yen. Excluding the effect of currency translation, sales would have increased 7.9%. Sales based on the same inter-company transaction method used in the same period a year earlier would have increased 10.0% (an increase of 0.5% excluding the effect of currency translation). Sales of skin care products grew.

In Europe, sales increased 23.0% to 19.7 billion yen. Excluding the effect of currency translation, sales would have increased 7.3%. Sales based on the same inter-company transaction method used in the same period a year earlier would have increased 15.2% (an increase of 0.7% excluding the effect of currency translation). Sales of improved hair care products were steady.

Operating income increased 18.5 billion yen compared with the same period a year earlier to 32.4 billion yen, mainly due to the effect of increased sales in Japan.

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.

News Release

Beauty Care Business

Sales increased 11.9% compared with the same period a year earlier to 144.4 billion yen. Excluding the effect of currency translation, sales would have increased 8.7%.

Sales of cosmetics increased 11.4% compared with the same period a year earlier to 64.7 billion yen. Excluding the effect of currency translation, sales would have increased 9.9%. In Japan, sales increased compared with the same period a year earlier, due in part to market growth from the impact of last-minute demand. The Kao Group continued to work to reinforce focal brands, with growth in sales of counseling brands *SOFINA Primavista* base makeup and *AUBE couture* makeup, as well as self-selection brands *Allie* UV care and renewed *KATE* makeup. Outside Japan, sales increased from the same period a year earlier, excluding the effect of currency translation.

Sales of skin care products increased compared with the same period a year earlier. In Japan, sales increased with strong performance by *Bioré* UV care products and improved facial cleanser, *Bioré U* body cleanser and *Curél* derma care products. In Asia, *Bioré* performed steadily and sales grew. In the Americas, sales of *Jergens* hand and body lotions were steady.

Sales of hair care products increased compared with the same period a year earlier. In Japan, although hair coloring products were impacted by market contraction, sales increased with strong performance by shampoos, conditioners and hair styling products, including the contribution from new products. In Asia, sales decreased compared with the same period a year earlier excluding the effect of currency translation amid severe competitive conditions. Sales grew in the Americas and Europe, due in part to the launch of a new styling product from *John Frieda*.

Operating income increased 10.2 billion yen compared with the same period a year earlier to 9.8 billion yen, mainly due to the effect of increased sales and more efficient management of expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 9.7 billion yen compared with the same period a year earlier to 16.6 billion yen, which is equivalent to 11.5% of sales.

Human Health Care Business

Sales increased 22.6% compared with the same period a year earlier to 56.4 billion yen. Excluding the effect of currency translation, sales would have increased 21.0%.

Sales of food and beverage products were on par with the same period a year earlier. For the *Healthya* brand of functional drinks that promote body fat utilization, the Kao Group

News Release

strengthened its promotion of the function of tea catechins in increasing the fat-burning ability of its green tea, and launched an improved coffee drink.

Sales of sanitary products increased substantially compared with the same period a year earlier. The *Laurier* brand of sanitary napkins increased its market share in Japan due to growth in sales of high-value-added products such as *Laurier F*, which protects skin from dampness and chafing, and *Laurier* sales increased steadily in Asia.

Merries baby diapers continued to sell strongly in Japan, and sales also grew in China and Russia. In China, the Kao Group worked to expand sales of locally produced products launched last year targeting middle-class consumers.

Sales of personal health products increased compared with the same period a year earlier. Sales of oral care products increased compared with the same period a year earlier as the Kao Group nurtured high-value-added products. Bath additives sold steadily, due in part to impact of the cold weather, and sales of *Megurhythm* steam thermo power pads also increased substantially.

Operating income increased 2.3 billion yen compared with the same period a year earlier to 5.9 billion yen due to more efficient management of expenses in addition to the impact of increased sales.

Fabric and Home Care Business

Sales increased 23.4% compared with the same period a year earlier to 77.3 billion yen. Excluding the effect of currency translation, sales would have increased 23.2%.

Sales of fabric care products increased substantially compared with the same period a year earlier as the market grew from the impact of last-minute demand. 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 *Ultra Attack Neo* ultra-concentrated liquid laundry detergent, and stimulated the powder laundry detergent market with the launch of a refill product for *Attack Reset* powder laundry detergent that reduces environmental impact. Due in part to these activities, sales of both liquid and powder laundry detergent increased. *Flair Fragrance* fabric softener and *Wide Haiter EX Power*, a fabric bleach for color garments with a powerful deodorizing function, performed well. Sales grew in Asia, with increased sales of *Attack* laundry detergent in Indonesia and the contribution from a liquid laundry detergent with a strengthened antibacterial function that was launched last year in Taiwan and Hong Kong.

News Release

Sales of home care products increased compared with the same period a year earlier. In Japan, *CuCute* dishwashing detergent and *Kitchen Haiter* bleach performed well. Sales of household cleaners increased due to the contribution from *Bath Magiclean Antibacterial Deodorizer Plus* and *Toilet Magiclean Aroma Deodorizer Plus*. In addition, sales of *Quickle Wiper* household cleaning mop kits and 3D adsorbent dry sheets with more fibers grew.

Operating income increased 6.1 billion yen compared with the same period a year earlier to 16.7 billion yen due to the effect of increased sales and cost reduction activities.

Chemical Business

Sales increased 22.5% compared with the same period a year earlier to 73.1 billion yen. Excluding the effect of currency translation, sales would have increased 16.0%.

In Japan, demand increased in certain customer industries, including demand in export-related industries due to the depreciation of the yen, reconstruction-related demand following the Great East Japan Earthquake and last-minute demand associated with the consumption tax rate increase, while signs of an economic recovery emerged in customer industries in Europe.

In oleo chemicals, the Kao Group worked to increase sales volume of fatty alcohols, for which it expanded its facilities in 2013, and to adjust selling prices in connection with higher 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 structural changes in the personal computer market.

Operating income increased 2.8 billion yen compared with the same period a year earlier to 7.3 billion yen, despite the impact of higher prices for natural fats and oils used as raw materials, due to the effect of increased sales from growth in sales volume and cost reduction activities.

(2) Description of Financial Condition**Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	Q1/FY2014 Mar. 31, 2014	FY2013 Dec. 31, 2013	Incr./(Dcr.)	Q1/FY2014 Mar. 31, 2014
Total assets	1,099.5	1,133.3	(33.7)	1,0684.4
Total net assets	645.6	642.6	2.9	6,273.1
Net worth ratio	57.5%	55.5%	-	57.5%
Net worth per share (Yen/US\$)	1,233.74	1,227.54	6.20	11.99
Total debt	101.3	101.4	(0.1)	984.1

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	Q1/FY2014 Jan.-Mar.	Q1/FY2013 Jan.-Mar.	Incr./(Dcr.)	Q1/FY2014 Jan.-Mar.
Net cash provided by operating activities	9.8	29.7	(20.0)	94.8
Net cash used in investing activities	(13.9)	(13.3)	(0.5)	(134.6)
Free cash flow*	(4.1)	16.4	(20.5)	(39.8)
Net cash used in financing activities	(16.0)	(45.5)	29.5	(155.8)

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

Total assets decreased 33.7 billion yen from the end of fiscal 2013 to 1,099.5 billion yen. The principal increases in assets were a 3.8 billion yen increase in raw materials and supplies and a 3.9 billion yen increase in property, plant and equipment. The principal decreases in assets were a 19.1 billion yen decrease in cash and time deposits, a 9.0 billion yen decrease in notes and accounts receivable – trade, a 4.3 billion yen decrease in short-term investments and a 7.4 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 36.7 billion yen from the end of fiscal 2013 to 454.0 billion yen. The principal increase in liabilities was a 2.2 billion yen increase in notes and accounts payable – trade. The principal decreases in liabilities were a 19.3 billion decrease in income taxes payable and a 17.6 billion yen decrease in other current liabilities, which includes accrued expenses and others.

Total net assets increased 2.9 billion yen from the end of fiscal 2013 to 645.6 billion yen. The principal increase in net assets was net income for the first quarter totaling 25.2 billion yen. The principal decreases in net assets were foreign currency translation adjustments of 5.0

billion yen and payments of dividends from retained earnings totaling 16.4 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 57.5% compared with 55.5% at the end of fiscal 2013.

Net cash provided by operating activities totaled 9.8 billion yen. The principal increases in net cash were income before income taxes and minority interests of 40.6 billion yen, depreciation and amortization of 19.4 billion yen and change in trade receivables of 9.2 billion yen. The principal decreases in net cash were change in inventories of 6.5 billion yen, change in accounts payable – other and accrued expenses of 24.5 billion yen and income taxes paid of 27.0 billion yen.

Net cash used in investing activities totaled 13.9 billion yen. This primarily consisted of purchase of property, plant and equipment of 11.6 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was negative 4.1 billion yen.

Net cash used in financing activities totaled 16.0 billion yen. The principal decrease in net cash was 16.1 billion yen for payments of cash dividends, including to minority shareholders.

The balance of cash and cash equivalents at March 31, 2014 decreased 21.9 billion yen compared with the end of fiscal 2013 to 205.7 billion yen.

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(3) Description of Information on Outlook, Including Forecasts of Consolidated Results

A continuing moderate recovery is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the impact of the tapering of quantitative easing in the United States, the public debt problem in Europe and the economic outlook in emerging nations. In Japan, although economic recovery is expected to continue, underpinned by the effects of economic measures, the outlook for the operating environment remains unclear, with factors including a downturn as a repercussion of last-minute demand associated with the consumption tax rate increase.

Amid these circumstances, the Kao Group will promote “*Yoki-Monozukuri*,” which emphasizes research and development geared to customers and consumers, and work for both sustained “profitable growth” through the development of high-value-added products and “contribution to the sustainability of society” by helping to resolve social issues through its business activities and conducting social responsibility activities as it aims to become a company with a global presence.

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

In addition, during the fiscal year the Kao Group will proactively invest for global business development to achieve the Kao Group Mid-term Plan 2015 (K15).

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, 2014 and the fiscal year ending December 31, 2014 remain the same as announced on February 4, 2014.

The main exchange rates used in the forecast of consolidated results are 100 yen per U.S. dollar and 135 yen per euro.

2. Items Related to Summary Information (Notes)

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

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

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

Consolidated Balance Sheet*Millions of yen*

	Q1/FY2014 Mar. 31, 2014	FY2013 Dec. 31, 2013
Assets		
Current assets		
Cash and time deposits	107,206	126,314
Notes and accounts receivable - trade	172,844	181,882
Short-term investments	85,828	90,145
Merchandise and finished goods	99,972	99,453
Work in process	12,141	11,340
Raw materials and supplies	32,130	28,315
Other	56,701	58,185
Allowance for doubtful receivables	(1,653)	(1,669)
Total current assets	565,169	593,965
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,208,782	1,201,853
Accumulated depreciation	(927,593)	(924,569)
Total property, plant and equipment	281,189	277,284
Intangible assets		
Goodwill	148,509	152,286
Trademarks	25,159	28,498
Other	11,554	11,834
Total intangible assets	185,222	192,618
Investments and other assets		
Investments and other assets	68,631	70,143
Allowance for doubtful receivables	(676)	(734)
Total investments and other assets	67,955	69,409
Total fixed assets	534,366	539,311
Total assets	1,099,535	1,133,276

Consolidated Balance Sheet*Millions of yen*

	Q1/FY2014 Mar. 31, 2014	FY2013 Dec. 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable - trade	118,184	115,997
Short-term loans	1,172	1,278
Current portion of long-term loans	40,009	20,009
Income taxes payable	12,981	32,322
Other	151,098	168,708
Total current liabilities	323,444	338,314
Long-term liabilities		
Bonds	50,000	50,000
Long-term loans	10,091	30,094
Liability for employee retirement benefits	47,774	48,847
Other	22,658	23,381
Total long-term liabilities	130,523	152,322
Total liabilities	453,967	490,636
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	480,166	471,383
Treasury stock, at cost	(8,997)	(9,397)
Total shareholders' equity	666,154	656,971
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,405	4,733
Deferred gain (loss) on derivatives under hedge accounting	8	12
Foreign currency translation adjustments	(33,436)	(28,416)
Post retirement liability adjustments for foreign consolidated subsidiaries	(5,073)	(4,590)
Total accumulated other comprehensive income	(34,096)	(28,261)
Stock acquisition rights	1,042	1,120
Minority interests	12,468	12,810
Total net assets	645,568	642,640
Total liabilities and net assets	1,099,535	1,133,276

Consolidated Statement of Income*Millions of yen*

	Q1/FY2014	Q1/FY2013
	Jan. - Mar.	Jan. - Mar.
Net sales	341,200	289,045
Cost of sales	150,782	127,348
Gross profit	190,418	161,697
Selling, general and administrative expenses	150,776	143,361
Operating income	39,642	18,336
Non-operating income		
Interest income	207	233
Dividend income	3	2
Equity in earnings of nonconsolidated subsidiaries and affiliates	577	452
Foreign currency exchange gain	90	252
Other	955	772
Total non-operating income	1,832	1,711
Non-operating expenses		
Interest expense	281	376
Other	93	181
Total non-operating expenses	374	557
Ordinary income	41,100	19,490
Extraordinary gain		
Gain on sales of fixed assets	42	23
Gain on transfer of business	-	350
Other	16	17
Total extraordinary gain	58	390
Extraordinary loss		
Loss on sales/disposals of fixed assets	500	621
Other	80	0
Total extraordinary loss	580	621
Income before income taxes and minority interests	40,578	19,259
Income taxes		
Income taxes - current	8,196	11,129
Income taxes - deferred	6,590	(2,868)
Total income taxes	14,786	8,261
Income before minority interests	25,792	10,998
Minority interests	597	476
Net income	25,195	10,522

Consolidated Statement of Comprehensive Income*Millions of yen*

	Q1/FY2014	Q1/FY2013
	Jan. - Mar.	Jan. - Mar.
Income before minority interests	25,792	10,998
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	(320)	867
Foreign currency translation adjustments	(4,945)	17,005
Share in other comprehensive income of associates applied for equity method	(9)	114
Post retirement liability adjustments for foreign consolidated subsidiaries	(490)	(2,913)
Other comprehensive income	(5,764)	15,073
Comprehensive income	20,028	26,071
Attributable to:		
Shareholders of Kao Corporation	19,360	24,835
Minority interests	668	1,236

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

	Q1/FY2014	Q1/FY2013
	Jan. - Mar.	Jan. - Mar.
Freight/warehouse	19,339	16,956
Advertising	20,878	20,180
Sales promotion	15,968	15,188
Salaries and bonuses	32,189	31,530
Research and development	12,768	11,917

Consolidated Statement of Cash Flows*Millions of yen*

	Q1/FY2014	Q1/FY2013
	Jan. - Mar.	Jan. - Mar.
Operating activities:		
Income before income taxes and minority interests	40,578	19,259
Adjustments for:		
Depreciation and amortization	19,377	18,388
Interest and dividend income	(210)	(235)
Interest expense	281	376
Unrealized foreign currency exchange (gain) loss	(34)	(498)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(577)	(452)
(Gain) loss on sales and retirement of fixed assets	458	599
(Gain) loss on transfer of business	-	(350)
Change in trade receivables	9,204	17,181
Change in inventories	(6,466)	(5,640)
Change in trade payables	938	(1,800)
Change in accounts payable - other and accrued expenses	(24,545)	(2,419)
Other, net	(3,981)	(5,144)
Subtotal	35,023	39,265
Interest and cash dividends received	2,059	2,046
Interest paid	(335)	(230)
Income taxes paid	(26,989)	(11,362)
Net cash provided by operating activities	9,758	29,719
Investing activities:		
Purchase of property, plant and equipment	(11,603)	(10,433)
Purchase of intangible assets	(432)	(1,466)
Payments for long-term prepaid expenses	(779)	(675)
Change in short-term loans, net	22	544
Payments for long-term loans	(102)	(93)
Purchase of investments in subsidiaries resulting in change in scope of consolidatic	-	(891)
Other, net	(962)	(332)
Net cash used in investing activities	(13,856)	(13,346)
Financing activities:		
Change in short-term loans, net	(60)	(2,208)
Purchase of treasury stock	(6)	(26,052)
Payments of cash dividends	(15,142)	(16,164)
Payments of cash dividends to minority shareholders	(952)	(1,067)
Other, net	125	(9)
Net cash used in financing activities	(16,035)	(45,500)
Translation adjustments on cash and cash equivalents	(1,786)	5,725
Net increase (decrease) in cash and cash equivalents	(21,919)	(23,402)
Cash and cash equivalents, beginning of period	227,598	160,435
Cash and cash equivalents from newly consolidated subsidiaries, increase	-	623
Cash and cash equivalents, end of period	205,679	137,656

Consolidated Segment Information*Millions of yen*

Q1/FY2014 Jan. - Mar.	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	144,380	56,386	77,336	278,102	63,098	341,200	-	341,200
Intersegment sales	-	-	-	-	9,996	9,996	(9,996)	-
Total	144,380	56,386	77,336	278,102	73,094	351,196	(9,996)	341,200
Operating income	9,777	5,909	16,705	32,391	7,256	39,647	(5) *	39,642
% of net sales	6.8	10.5	21.6	11.6	9.9	11.3	-	11.6

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				
Net sales								
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)	-
Total	129,012	45,980	62,694	237,686	59,655	297,341	(8,296)	289,045
Operating income	(413)	3,638	10,648	13,873	4,448	18,321	15 *	18,336
% of net sales	(0.3)	7.9	17.0	5.8	7.5	6.2	-	6.3

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

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	