News Release

Kao Corporation
April 23, 2015

Summary of Consolidated Business Results for the Three Months Ended March 31, 2015

Tokyo, April 23, 2015 - Kao Corporation today announced its consolidated business results for the three months ended March 31, 2015, the first quarter of the fiscal year ending December 31, 2015. 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 2015	2014	Growth	2015	Fiscal year ended Dec. 31, 2014
	Yen	Yen	%	U.S. dollars	Yen
Net sales	**328,777**	341,200	(3.6)	**2,737.1**	1,401,707
Operating income	**23,409**	39,642	(40.9)	**194.9**	133,270
Ordinary income	**24,991**	41,100	(39.2)	**208.1**	138,784
Net income	**12,016**	25,195	(52.3)	**100.0**	79,590
Comprehensive income	**6,933**	20,028	(65.4)	**57.7**	102,267
Total assets	**1,145,689**	1,099,535	4.2	**9,537.9**	1,198,233
Total net assets	**631,703**	645,568	(2.1)	**5,258.9**	672,393
Net worth[1]	**619,347**	632,059	(2.0)	**5,156.1**	658,232
Net worth ratio[2]	**54.1%**	57.5%	-	**54.1%**	54.9%
Net worth per share (Yen/US$)[3]	**1,235.54**	1,233.74	0.1	**10.29**	1,313.63
Net income per share (Yen/US$)[4]	**23.97**	49.19	(51.3)	**0.20**	156.46
Net income per share, fully diluted (Yen/US$)	**23.94**	49.13	(51.3)	**0.20**	156.24
Cash flows from operating activities	**(223)**	9,758	-	**(1.9)**	145,118
Cash flows from investing activities	**(14,803)**	(13,856)	-	**(123.2)**	(63,808)
Cash flows from financing activities	**1,670**	(16,035)	-	**13.9**	(85,022)
Cash and cash equivalents, end of period	**213,232**	205,679	-	**1,775.2**	228,662

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 issued shares outstanding at the end of the periods (common stock)*

	March 31, 2015	*December 31, 2014*
Number of issued shares including treasury stock	*504,000,000 shares*	*504,000,000 shares*
Number of shares of treasury stock	*2,723,337 shares*	*2,921,992 shares*

6. *Weighted average number of shares outstanding during the first quarter of each year*

	Ended March 31, 2015	*Ended March 31, 2014*
	501,198,858 shares	*512,251,347 shares*

Consolidated Results by Segment

	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
Jan. - Mar.	**2015**	2014		Like-for-like *	**2015**	2014	Change
Beauty Care	**134.0**	144.4	(7.2)	(10.0)	**(2.8)**	9.8	(12.5)
Human Health Care	**65.1**	56.4	15.4	11.8	**7.8**	5.9	1.9
Fabric and Home Care	**67.7**	77.3	(12.5)	(14.0)	**11.2**	16.7	(5.5)
Consumer Products Total	**266.8**	278.1	(4.1)	(6.7)	**16.3**	32.4	(16.1)
Chemical	**70.8**	73.1	(3.1)	(6.2)	**7.1**	7.3	(0.2)
Total	**337.6**	351.2	(3.9)	(6.6)	**23.4**	39.6	(16.3)
Reconciliations	**(8.8)**	(10.0)	-	-	**0.0**	(0.0)	0.0
Consolidated	**328.8**	341.2	(3.6)	(6.5)	**23.4**	39.6	(16.2)

	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
Jan. - Mar.	**2015**	2014		Like-for-like *	**2015**	2014	Change
Beauty Care	**1,115.4**	1,202.0	(7.2)	(10.0)	**(23.1)**	81.4	(104.5)
Human Health Care	**541.8**	469.4	15.4	11.8	**65.3**	49.2	16.1
Fabric and Home Care	**563.6**	643.8	(12.5)	(14.0)	**93.5**	139.1	(45.6)
Consumer Products Total	**2,220.9**	2,315.2	(4.1)	(6.7)	**135.7**	269.6	(134.0)
Chemical	**589.7**	608.5	(3.1)	(6.2)	**58.8**	60.4	(1.6)
Total	**2,810.5**	2,923.7	(3.9)	(6.6)	**194.5**	330.1	(135.5)
Reconciliations	**(73.4)**	(83.2)	-	-	**0.4**	(0.0)	0.4
Consolidated	**2,737.1**	2,840.5	(3.6)	(6.5)	**194.9**	330.0	(135.1)

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

Consolidated Net Sales Composition

	Billions of yen		Growth	Millions of U.S. dollars	
Jan. - Mar.	**2015**	2014	%	**2015**	2014
Consumer Products					
Beauty Care	**88.3**	104.3	(15.3)	**735.4**	868.6
Human Health Care	**50.5**	47.5	6.3	**420.4**	395.4
Fabric and Home Care	**56.6**	68.5	(17.5)	**470.9**	570.5
Total Japan	**195.4**	220.4	(11.3)	**1,626.7**	1,834.5
Asia	**43.4**	31.4	38.4	**361.6**	261.3
Americas	**21.6**	18.7	15.3	**179.8**	155.9
Europe	**20.1**	19.7	2.3	**167.4**	163.7
Eliminations	**(13.8)**	(12.0)	-	**(114.7)**	(100.3)
Total	**266.8**	278.1	(4.1)	**2,220.9**	2,315.2
Chemical					
Japan	**31.0**	32.5	(4.7)	**257.8**	270.5
Asia	**27.2**	26.3	3.5	**226.7**	219.1
Americas	**12.4**	11.6	7.0	**102.9**	96.2
Europe	**16.6**	18.7	(11.3)	**138.0**	155.6
Eliminations	**(16.3)**	(16.0)	-	**(135.8)**	(132.9)
Total	**70.8**	73.1	(3.1)	**589.7**	608.5
Total before Reconciliations	**337.6**	351.2	(3.9)	**2,810.5**	2,923.7
Reconciliations	**(8.8)**	(10.0)	-	**(73.4)**	(83.2)
Consolidated	**328.8**	341.2	(3.6)	**2,737.1**	2,840.5

Reference: Consolidated Results by Geographic Area[1]

	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
Jan. - Mar.	**2015**	2014		Like-for-like [2]	**2015**	2014	Change
Japan	**219.0**	244.2	(10.3)	(10.3)	**14.9**	31.5	(16.7)
Asia	**69.7**	56.8	22.8	9.5	**7.0**	4.5	2.4
Americas	**33.9**	30.2	12.2	(1.2)	**0.2**	1.3	(1.1)
Europe	**36.6**	38.3	(4.4)	(2.7)	**1.3**	1.6	(0.3)
Total	**359.3**	369.5	(2.8)	(5.7)	**23.4**	38.9	(15.6)
Reconciliations	**(30.5)**	(28.3)	-	-	**0.0**	0.7	(0.7)
Consolidated	**328.8**	341.2	(3.6)	(6.5)	**23.4**	39.6	(16.2)

	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
Jan. - Mar.	**2015**	2014		Like-for-like [2]	**2015**	2014	Change
Japan	**1,823.5**	2,033.4	(10.3)	(10.3)	**123.8**	262.4	(138.6)
Asia	**580.5**	472.6	22.8	9.5	**58.1**	37.8	20.4
Americas	**282.6**	251.8	12.2	(1.2)	**1.7**	10.8	(9.1)
Europe	**304.8**	318.7	(4.4)	(2.7)	**11.0**	13.1	(2.1)
Total	**2,991.3**	3,076.4	(2.8)	(5.7)	**194.7**	324.2	(129.5)
Reconciliations	**(254.2)**	(235.9)	-	-	**0.2**	5.8	(5.6)
Consolidated	**2,737.1**	2,840.5	(3.6)	(6.5)	**194.9**	330.0	(135.1)

Notes:

1. Information on consolidated results by geographic area is for reference.

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

3. Net sales to foreign customers were 38.1% of net sales compared with 32.6% for the same period a year earlier.

Forecast of Consolidated Results for the Six Months Ending June 30, 2015 and the Fiscal Year Ending December 31, 2015

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

	Six months ending June 30, 2015			Fiscal Year ending December 31, 2015		
	Yen	Growth %	U.S. dollars	Yen	Growth %	U.S. dollars
Net sales	700.0	5.1	5,827.5	1,470.0	4.9	12,237.8
Operating income	50.0	1.3	416.3	150.0	12.6	1,248.8
Ordinary income	52.0	1.0	432.9	153.0	10.2	1,273.7
Net income	26.0	(17.8)	216.5	87.0	9.3	724.3
Net income per share (Yen/US$)*	51.87	(16.0)	0.43	173.56	10.9	1.44
Cash dividends per share (Yen/US$)	38.00	-	0.32	76.00	-	0.63

** 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, 2015 of 120.12 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.

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1. Qualitative Information on Business Results for the Three Months Ended March 31, 2015

(1) Description of Results of Operations

(Billions of yen, except per share data)

	First quarter of FY2015	First quarter of FY2014	Growth
Net sales	**328.8**	341.2	(3.6%)
Operating income	**23.4**	39.6	(40.9%)
Ordinary income	**25.0**	41.1	(39.2%)
Net income	**12.0**	25.2	(52.3%)
Net income per share (Yen)	**23.97**	49.19	(51.3%)
Net income per share, fully diluted (Yen)	**23.94**	49.13	(51.3%)

During the three months ended March 31, 2015, the global economy recovered moderately, although weakness was apparent in some sectors. The Japanese economy continued on a moderate recovery track. In Japan, a key market for the Kao Group, there was a last-minute surge in demand a year earlier associated with an increase in the consumption tax rate on April 1, 2014. On a value basis, the household and personal care products market contracted by 11% and the cosmetics market contracted by 21% compared with the same period a year earlier. Consumer purchase prices in the household and personal care products market increased compared with the same period a year earlier.

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 conducted cost reduction activities and other measures.

* *The Kao Group defines* Yoki-Monozukuri *as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. In Japanese,* Yoki *literally means "good/excellent," and* Monozukuri *means "development/manufacturing of products."*

Net sales decreased 3.6% compared with the same period a year earlier to 328.8 billion yen. Excluding the effect of currency translation, net sales would have decreased 6.5%. Compared with the three months ended March 31, 2013, before the consumption tax rate increase, net sales increased 13.7%. In the Consumer Products Business, sales decreased in Japan due to a tough year-on-year comparison given the significant growth in sales in the same period a year earlier resulting from the last-minute surge in demand associated with the consumption tax rate increase. Sales increased in Asia. In the Chemical Business, sales decreased with the impact of a decline in demand in some customer industries.

Profits declined, mainly due to the decrease in sales of the Consumer Products Business in Japan, although the Kao Group conducted cost reduction activities. Operating income was 23.4 billion yen, a decrease of 16.2 billion yen compared with the same period a year earlier but an increase of 5.1 billion yen compared with the three months ended March 31, 2013. Ordinary income decreased 16.1 billion yen compared with the same period a year earlier to 25.0 billion yen. Net income decreased 13.2 billion yen compared with the same period a year earlier to 12.0 billion yen, due in part to the effect of the reversal of deferred tax assets and liabilities in connection with a revision of the tax system in Japan.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 16.4 billion yen compared with the same period a year earlier to 30.0 billion yen, which is equivalent to 9.1% 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	119.15 (102.87)
Yen/Euro	134.43 (140.94)

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 decreased 4.1% compared with the same period a year earlier to 266.8 billion yen. Excluding the effect of currency translation, sales would have decreased 6.7%.

In Japan, sales decreased 11.3% to 195.4 billion yen. Excluding the effect of the change in the sales system for Kao Sofina, sales would have decreased 10.7%. The decrease was due to the significant growth in sales in the same period a year earlier resulting from the last-minute surge in demand associated with the consumption tax rate increase, although the Kao Group made efforts that included responding to changing consumer lifestyles and social issues such as the environment, health, the aging society and hygiene, launching numerous high-value-added products and strengthening proposal-oriented sales activities.

In Asia, sales increased 38.4% to 43.4 billion yen. Excluding the effect of currency translation, sales would have increased 23.6%. Growth continued as the Kao Group worked in areas such as launching and nurturing products targeting the middle-class consumer segment, collaborating with retailers, utilizing wholesale channels and expanding sales regions.

In the Americas, sales increased 15.3% to 21.6 billion yen. Excluding the effect of currency translation, sales would have increased 0.8%. Sales of hair care products grew.

In Europe, sales increased 2.3% to 20.1 billion yen. Excluding the effect of currency translation, sales would have increased 1.5%. Sales of professional hair care products grew.

Operating income decreased 16.1 billion yen compared with the same period a year earlier to 16.3 billion yen, mainly due to the decrease in sales in Japan reflecting the high base period comparison, despite the effect of increased sales in Asia.

Note: The Kao Group's Consumer Products Business consists of the Beauty Care Business, the Human Health Care Business, and the Fabric and Home Care Business.

Beauty Care Business

Sales decreased 7.2% compared with the same period a year earlier to 134.0 billion yen. Excluding the effect of currency translation, sales would have decreased 10.0%.

Sales of cosmetics decreased 18.3% compared with the same period a year earlier to 52.9 billion yen. Excluding the effect of currency translation, sales would have decreased 19.1%. In Japan, sales decreased compared with the same period a year earlier, due in part to the tough year-on-year comparison given the last-minute surge in demand in the same period a year earlier as well as the impact of market competition. The Kao Group continued to work to reinforce focal brands. Among counseling brands, *SOFINA Primavista* base makeup maintained its market share and the *suisai* skin care brand performed well, due in part to inbound demand (demand from visitors to Japan), while sales of self-selection brand *KATE TOKYO* makeup were firm. Outside Japan, sales increased from the same period a year earlier excluding the effect of currency translation, due in part to the completion of structural reforms in China.

Sales of skin care products decreased compared with the same period a year earlier excluding the effect of currency translation. In Japan, sales decreased compared with the same period a year earlier despite growth in sales of *Bioré* facial cleanser and *Curél* derma care products. In Asia, *Bioré* performed steadily and sales grew. In the Americas, sales of *Bioré* were steady with the addition of new items.

Sales of hair care products decreased compared with the same period a year earlier excluding the effect of currency translation. In Japan, sales decreased compared with the same period a year earlier, although new shampoo and conditioner products steadily increased market share. In Asia, sales excluding the effect of currency translation were basically unchanged because the Kao Group narrowed down its brands. In the Americas, sales of *John Frieda* including new products were steady, and in Europe, sales of professional hair care products increased compared with the same period a year earlier.

Operating income decreased 12.5 billion yen compared with the same period a year earlier to negative 2.8 billion yen, mainly due to the decrease in sales in Japan reflecting the high base period comparison, despite efforts for more efficient management of expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 12.7 billion yen compared with the same period a year earlier to 3.8 billion yen, which is equivalent to 2.8% of sales.

Human Health Care Business
Sales increased 15.4% compared with the same period a year earlier to 65.1 billion yen. Excluding the effect of currency translation, sales would have increased 11.8%.

Sales of food and beverage products decreased compared with the same period a year earlier. For the *Healthya* brand of functional drinks that promote body fat utilization, the Kao Group strengthened its promotion of the function of tea catechins in increasing the fat-burning ability of its green tea. However, *Healthya* products, which include coffee drinks as well as green tea, were impacted by changes in market conditions for beverages approved as foods for specified health uses (FOSHU).

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 wicks moisture away to be gentle on the skin, and *Laurier Slim Guard*, which offers both high absorbency and comfort. *Laurier* sales increased steadily in Asia.

Merries baby diapers continued to sell strongly in Japan, where the Kao Group is expanding production capacity, and in China sales of both imports from Japan and locally produced products targeting the middle-class consumer segment grew. In Indonesia, the Kao Group also launched locally produced products targeting the middle-class consumer segment, sales of which were steady.

Sales of personal health products were flat. In a changing market with successive launches of new products, sales of oral care products decreased compared with the same period a year earlier, although the Kao Group also launched new high-value-added products. Sales of bath additives decreased compared with the same period a year earlier, due to market contraction from the effects of the last-minute surge in demand in the same period a year earlier. Sales of *MegRhythm* thermo products increased substantially, including inbound demand, mainly for *MegRhythm Steam Eye Masks*.

Operating income increased 1.9 billion yen compared with the same period a year earlier to 7.8 billion yen due to the effect of the increase in sales and cost reduction activities.

Fabric and Home Care Business
Sales decreased 12.5% compared with the same period a year earlier to 67.7 billion yen, due in part to the tough year-on-year comparison given the market growth that resulted from the effects of the last-minute surge in demand in the same period a year earlier. Excluding the effect of currency translation, sales would have decreased 14.0%.

Sales of fabric care products decreased compared with the same period a year earlier. Sales in Japan decreased compared with the same period a year earlier as laundry detergents were impacted by the contraction of the powder market, although 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. Moreover, fabric softeners were impacted by market competition and sales decreased compared with the same period a year earlier. In Asia, sales increased compared with the same period a year earlier. Sales of *Attack* laundry detergent grew, due in part to the contribution of *Attack Jaz1*, a powder detergent for hand washing targeting the middle-class consumer segment, which was launched in Indonesia in 2014.

Sales of home care products decreased compared with the same period a year earlier. In Japan, sales decreased compared with the same period a year earlier but market share grew. In addition to an improved version of *CuCute* dishwashing detergent launched in 2014 with an innovative washing formulation for significantly higher cleaning power as well as both long-lasting suds and easy rinsing, products that contributed to market share growth included *Magiclean* household cleaners and *Quickle Wiper* household cleaning mop kits. Sales of *Resesh* fabric refresher, which was completely renewed, increased compared with the same period a year earlier as the Kao Group worked to stimulate the market.

Operating income decreased 5.5 billion yen compared with the same period a year earlier to 11.2 billion yen mainly due to the decrease in sales in Japan reflecting the high base period comparison, despite efforts for more efficient management of expenses.

Chemical Business

Sales decreased 3.1% compared with the same period a year earlier to 70.8 billion yen. Excluding the effect of currency translation, sales would have decreased 6.2%.

Among customer industries in Japan, a trend toward a decrease in demand was apparent in some industries. Outside Japan, although sales were firm, mainly in the Americas, the Kao Group was impacted by a decrease in demand in some customer industries due to a decline in public works investment.

In oleo chemicals, the Kao Group worked to increase sales volume of fatty alcohols, but was impacted by adjustments in selling prices in connection with fluctuations in raw material prices and a decrease in demand in some customer industries. 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, but sales grew as the Kao Group provided products that meet customer needs.

Operating income decreased 0.2 billion yen compared with the same period a year earlier to 7.1 billion yen due to the decrease in sales, despite cost reduction activities.

(2) Description of Financial Condition

Summary of Consolidated Financial Condition

	Billions of yen			Millions of U.S. dollars
	Q1/FY2015 Mar. 31, 2015	FY2014 Dec. 31, 2014	Incr./(Dcr.)	**Q1/FY2015 Mar. 31, 2015**
Total assets	**1,145.7**	1,198.2	(52.5)	**9,537.9**
Total net assets	**631.7**	672.4	(40.7)	**5,258.9**
Net worth ratio	**54.1%**	54.9%	-	**54.1%**
Net worth per share (Yen/US$)	**1,235.54**	1,313. 63	(78.09)	**10.29**
Total debt	**121.5**	101.2	20.3	**1,011.5**

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	Q1/FY2015 Jan.-Mar.	Q1/FY2014 Jan.-Mar.	Incr./(Dcr.)	**Q1/FY2015 Jan.-Mar.**
Cash flows from operating activities	**(0.2)**	9.8	(10.0)	**(1.9)**
Cash flows from investing activities	**(14.8)**	(13.9)	(0.9)	**(123.2)**
Free cash flow*	**(15.0)**	(4.1)	(10.9)	**(125.1)**
Cash flows from financing activities	**1.7**	(16.0)	17.7	**13.9**

* *Free cash flow is the sum of cash flows from operating activities and cash flows from investing activities.*

Total assets decreased 52.5 billion yen from the end of fiscal 2014 to 1,145.7 billion yen. The principal increases in assets were a 2.6 billion yen increase in merchandise and finished goods and a 2.8 billion yen increase in property, plant and equipment. The principal decreases in assets were a 7.9 billion yen decrease in cash and time deposits, a 37.8 billion yen decrease in notes and accounts receivable – trade, an 8.0 billion yen decrease in short-term investments and a 6.3 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 11.9 billion yen from the end of fiscal 2014 to 514.0 billion yen. The principal increases in liabilities were a 40.0 billion yen increase in long-term loans and a 31.0 billion yen increase in liability for retirement benefits, which includes an increase due to the adoption of an accounting standard for retirement benefits. The principal decreases in liabilities were a 3.2 billion yen decrease in notes and accounts payable – trade, a 20.0 billion yen decrease in current portion of long-term loans, a 23.0 billion yen decrease in income taxes payable and a 35.2 billion yen decrease in other current liabilities, which includes accrued expenses and others.

Total net assets decreased 40.7 billion yen from the end of fiscal 2014 to 631.7 billion yen. The principal increase in net assets was net income totaling 12.0 billion yen. The principal decreases in net assets were foreign currency translation adjustments of 6.8 billion yen and payments of dividends from retained earnings totaling 18.0 billion yen.

Due to the adoption of an accounting standard for retirement benefits, the balance of retained earnings at the beginning of the period decreased by 27.9 billion yen.

As a result of the above factors, the net worth ratio (defined as net worth divided by total assets) was 54.1% compared with 54.9% at the end of fiscal 2014.

Cash flows from operating activities totaled negative 0.2 billion yen. The principal increases in net cash were income before income taxes and minority interests of 24.5 billion yen, depreciation and amortization of 17.7 billion yen and change in trade receivables of 34.9 billion yen. The principal decreases in net cash were change in inventories of 6.2 billion yen, change in accounts payable – other and accrued expenses of 29.7 billion yen and income taxes paid of 28.8 billion yen.

Cash flows from investing activities totaled negative 14.8 billion yen. This primarily consisted of purchase of property, plant and equipment of 12.9 billion yen.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was negative 15.0 billion yen.

Cash flows from financing activities totaled 1.7 billion yen. This primarily consisted of 17.7 billion yen for payments of cash dividends, including to minority shareholders. In March, the Kao Group repaid loans totaling 20.0 billion yen but borrowed 40.0 billion yen with the objective of reinforcing its financial base to maintain an appropriate capital cost ratio and to invest for growth.

The balance of cash and cash equivalents at March 31, 2015 decreased 15.4 billion yen compared with the end of fiscal 2014 to 213.2 billion yen.

(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, the economy is expected to recover moderately, underpinned by the effects of economic measures, but there is a possibility of impact from an economic downturn overseas. Moreover, the outlook for the operating environment remains unclear, including market conditions for raw materials and trends in exchange rates.

Amid these circumstances, the Kao Group will promote "*Yoki-Monozukuri*," which emphasizes research and development geared to customers and consumers, and aim for sustained "profitable growth" through the development of high-value-added products.

With regard to operating structure, through the global management integration of the Consumer Products Business, the Kao Group will enhance its matrix management of business units and functional divisions, and promote reformation of its profitable 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, 2015 and the fiscal year ending December 31, 2015 remain the same as announced on February 4, 2015.

The main exchange rates used in the forecast of consolidated results are 120 yen per U.S. dollar and 130 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:

Changes in accounting principles

Adoption of Accounting Standard for Retirement Benefits

The Company has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter “Retirement Benefits Guidance”) as of the three months ended March 31, 2015, as provided in the main clause of Article 35 of the Retirement Benefits Accounting Standard and the main clause of Article 67 of the Retirement Benefits Guidance, and revised the methods for calculating retirement benefit obligations and service costs as follows. The method for attributing projected benefits to periods changed from the straight-line basis to the benefit formula basis. In addition, determination of the discount rate changed from a method based on the number of years for the underlying obligations approximating the average remaining years of service of the eligible employees to a method that uses several discount rates that are set for each expected retirement benefit payment period.

In accordance with the transitional handling set forth in Article 37 of the Retirement Benefits Accounting Standard, the effect associated with the change in the method of calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the three months ended March 31, 2015.

As a result, liability for retirement benefits increased by 32,906 million yen, asset for retirement benefits decreased by 9,692 million yen and retained earnings decreased by 27,931 million yen at the beginning of the three months ended March 31, 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the three months ended March 31, 2015 was immaterial.

Adoption of Accounting Standard for Business Combinations

The "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013, hereinafter "Business Combinations Accounting Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013, hereinafter "Consolidated Accounting Standard") and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013, hereinafter "Business Divestitures Accounting Standard") could be adopted as of the beginning of fiscal years starting on or after April 1, 2014. Accordingly, the Company has conducted the early adoption of these accounting standards (except as provided in Article 39 of the Consolidated Accounting Standard) as of the three months ended March 31, 2015. Under these accounting standards, the Company records the difference caused by changes in the Company's equity shares in subsidiaries that it continues to control as capital surplus and records acquisition-related expenses as expenses during the fiscal year in which the expenses were incurred. With regard to business combinations conducted on or after the beginning of the three months ended March 31, 2015, the Company has changed its accounting method to reflect the revised allocation of acquisition costs arising from settlement of tentative accounting treatment in the quarterly consolidated financial statement in which the business combination occurs.

The Company has adopted these accounting standards as of the beginning of the three months ended March 31, 2015 and will apply them thereafter in accordance with the transitional handling set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

The impact of these changes on the consolidated quarterly financial statements was immaterial.

Consolidated Balance Sheet

Millions of yen

	Q1/FY2015 Mar. 31, 2015	FY2014 Dec. 31, 2014
Assets		
Current assets		
Cash and time deposits	99,523	107,412
Notes and accounts receivable - trade	166,268	204,060
Short-term investments	102,641	110,639
Merchandise and finished goods	114,429	111,831
Work in process	13,446	12,833
Raw materials and supplies	33,832	33,123
Other	64,118	63,484
Allowance for doubtful receivables	(1,548)	(1,648)
Total current assets	**592,709**	**641,734**
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,253,543	1,252,104
Accumulated depreciation	(943,134)	(944,489)
Total property, plant and equipment	310,409	307,615
Intangible assets		
Goodwill	136,705	139,941
Trademarks	11,807	15,145
Other	13,113	12,844
Total intangible assets	161,625	167,930
Investments and other assets		
Investments and other assets	81,551	81,631
Allowance for doubtful receivables	(605)	(677)
Total investments and other assets	80,946	80,954
Total fixed assets	**552,980**	**556,499**
Total assets	**1,145,689**	**1,198,233**

Consolidated Balance Sheet

Millions of yen

	Q1/FY2015 Mar. 31, 2015	FY2014 Dec. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	126,502	129,711
Short-term loans	1,413	1,137
Current portion of long-term loans	15	20,013
Income taxes payable	5,090	28,108
Liability for loss related to cosmetics	7,629	8,220
Other	158,124	193,347
Total current liabilities	**298,773**	**380,536**
Long-term liabilities		
Bonds	50,000	50,000
Long-term loans	70,069	30,083
Liability for retirement benefits	73,453	42,414
Other	21,691	22,807
Total long-term liabilities	**215,213**	**145,304**
Total liabilities	**513,986**	**525,840**
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	108,659	109,561
Retained earnings	434,557	468,684
Treasury stock, at cost	(8,921)	(9,719)
Total shareholders' equity	**619,719**	**653,950**
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	6,716	5,507
Deferred gain (loss) on derivatives under hedge accounting	(6)	8
Foreign currency translation adjustments	(11,633)	(4,853)
Remeasurements of defined benefit plans	4,551	3,619
Total accumulated other comprehensive income	**(372)**	**4,281**
Stock acquisition rights	**853**	**944**
Minority interests	**11,503**	**13,218**
Total net assets	**631,703**	**672,393**
Total liabilities and net assets	**1,145,689**	**1,198,233**

Consolidated Statement of Income

Millions of yen

	Q1/FY2015 Jan. - Mar.	Q1/FY2014 Jan. - Mar.
Net sales	**328,777**	**341,200**
Cost of sales	154,804	150,782
Gross profit	**173,973**	**190,418**
Selling, general and administrative expenses	150,564	150,776
Operating income	**23,409**	**39,642**
Non-operating income		
Interest income	231	207
Dividend income	9	3
Equity in earnings of nonconsolidated subsidiaries and affiliates	461	577
Foreign currency exchange gain	512	90
Other	953	955
Total non-operating income	2,166	1,832
Non-operating expenses		
Interest expense	339	281
Other	245	93
Total non-operating expenses	584	374
Ordinary income	**24,991**	**41,100**
Extraordinary gain		
Gain on sales of fixed assets	25	42
Other	119	16
Total extraordinary gain	144	58
Extraordinary loss		
Loss on sales/disposals of fixed assets	589	500
Other	4	80
Total extraordinary loss	593	580
Income before income taxes and minority interests	**24,542**	**40,578**
Income taxes		
Income taxes - current	4,284	8,196
Income taxes - deferred	8,234	6,590
Total income taxes	12,518	14,786
Income before minority interests	**12,024**	**25,792**
Minority interests	8	597
Net income	**12,016**	**25,195**

Consolidated Statement of Comprehensive Income

Millions of yen

	Q1/FY2015 Jan. - Mar.	Q1/FY2014 Jan. - Mar.
Income before minority interests	**12,024**	**25,792**
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	1,133	(320)
Foreign currency translation adjustments	(7,216)	(4,945)
Share in other comprehensive income of associates applied for equity method	46	(9)
Remeasurements of defined benefit plans	946	(490)
Other comprehensive income	(5,091)	(5,764)
Comprehensive income	**6,933**	**20,028**
Attributable to:		
Shareholders of Kao Corporation	7,363	19,360
Minority interests	(430)	668

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen

	Q1/FY2015 Jan. - Mar.	Q1/FY2014 Jan. - Mar.
Freight/warehouse	19,166	19,339
Advertising	21,014	20,878
Sales promotion	17,768	15,968
Salaries and bonuses	33,013	32,189
Research and development	12,762	12,768

Consolidated Statement of Cash Flows

Millions of yen

	Q1/FY2015 Jan. - Mar.	Q1/FY2014 Jan. - Mar.
Operating activities:		
Income before income taxes and minority interests	24,542	40,578
Adjustments for:		
Depreciation and amortization	17,734	19,377
Interest and dividend income	(241)	(210)
Interest expense	339	281
Unrealized foreign currency exchange (gain) loss	879	(34)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(461)	(577)
(Gain) loss on sales and retirement of fixed assets	564	458
Change in trade receivables	34,887	9,204
Change in inventories	(6,233)	(6,466)
Change in trade payables	(2,010)	938
Change in accounts payable - other and accrued expenses	(29,686)	(24,545)
Other, net	(13,404)	(3,981)
Subtotal	26,910	35,023
Interest and cash dividends received	1,986	2,059
Interest paid	(362)	(335)
Income taxes paid	(28,757)	(26,989)
Cash flows from operating activities	**(223)**	**9,758**
Investing activities:		
Purchase of property, plant and equipment	(12,873)	(11,603)
Purchase of intangible assets	(1,339)	(432)
Payments for long-term prepaid expenses	(1,331)	(779)
Change in short-term loans, net	138	22
Payments for long-term loans	(69)	(102)
Other, net	671	(962)
Cash flows from investing activities	**(14,803)**	**(13,856)**
Financing activities:		
Change in short-term loans, net	266	(60)
Proceeds from long-term loans	40,000	0
Repayments of long-term loans	(20,001)	(1)
Payments of cash dividends	(16,818)	(15,142)
Payments of cash dividends to minority shareholders	(889)	(952)
Other, net	(888)	120
Cash flows from financing activities	**1,670**	**(16,035)**
Translation adjustments on cash and cash equivalents	**(2,074)**	**(1,786)**
Net increase (decrease) in cash and cash equivalents	**(15,430)**	**(21,919)**
Cash and cash equivalents, beginning of period	**228,662**	**227,598**
Cash and cash equivalents, end of period	**213,232**	**205,679**

Consolidated Segment Information

Major Products by Reportable Segment

<table>
<tr><th colspan="2">Reportable Segments</th><th colspan="2">Major Products</th></tr>
<tr><td rowspan="8">Consumer Products Business</td><td rowspan="3">Beauty Care Business</td><td>Cosmetics</td><td>Counseling cosmetics
Self-selection cosmetics</td></tr>
<tr><td>Skin care products</td><td>Soaps
Facial cleansers
Body cleansers</td></tr>
<tr><td>Hair care products</td><td>Shampoos
Conditioners
Hair styling agents
Hair coloring agents</td></tr>
<tr><td rowspan="3">Human Health Care Business</td><td>Food and beverage products</td><td>Beverages</td></tr>
<tr><td>Sanitary products</td><td>Sanitary napkins
Baby diapers</td></tr>
<tr><td>Personal health products</td><td>Bath additives
Oral care products
Men's products</td></tr>
<tr><td rowspan="2">Fabric and Home Care Business</td><td>Fabric care products</td><td>Laundry detergents
Fabric treatments</td></tr>
<tr><td>Home care products</td><td>Kitchen cleaning products
House cleaning products
Paper cleaning products
Commercial-use products</td></tr>
<tr><td colspan="2" rowspan="3">Chemical Business</td><td>Oleo chemicals</td><td>Fatty alcohols
Fatty amines
Fatty acids
Glycerin
Commercial-use edible fats and oils</td></tr>
<tr><td>Performance chemicals</td><td>Surfactants
Plastics additives
Superplasticizers for concrete admixtures</td></tr>
<tr><td>Specialty chemicals</td><td>Toner and toner binder for copiers and printers
Ink and colorants for inkjet printers
Fragrances and aroma chemicals</td></tr>
</table>

Consolidated Segment Information (Continued)

Millions of yen

Q1/FY2015 Jan. - Mar.	Consumer Products Business: Beauty Care Business	Consumer Products Business: Human Health Care Business	Consumer Products Business: Fabric and Home Care Business	Consumer Products Business: Total	Chemical Business	Total	Reconciliations	Consolidated
Net sales								
Sales to customers	133,986	65,078	67,705	**266,769**	**62,008**	**328,777**	-	**328,777**
Intersegment sales	-	-	-	-	**8,822**	**8,822**	(8,822)	**-**
Total	133,986	65,078	67,705	**266,769**	**70,830**	**337,599**	(8,822)	**328,777**
Operating income	(2,772)	7,843	11,226	**16,297**	**7,068**	**23,365**	44 *	**23,409**
% of net sales	(2.1)	12.1	16.6	6.1	10.0	6.9	-	7.1

Q1/FY2014 Jan. - Mar.	Consumer Products Business: Beauty Care Business	Consumer Products Business: Human Health Care Business	Consumer Products Business: Fabric and Home Care Business	Consumer Products Business: Total	Chemical Business	Total	Reconciliations	Consolidated
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

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

Additional Information

Revision of Deferred Tax Assets and Liabilities due to Changes, etc. in Rates of Corporate and Other Taxes

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, resulting in a reduction in the rates of corporate taxes from fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities will change from the former 35.64% to 33.10% for temporary differences expected to be reversed in the fiscal year beginning January 1, 2016, and to 32.34% for temporary differences expected to be reversed in fiscal years beginning on or after January 1, 2017.

As a result of these changes, deferred tax assets net of deferred tax liabilities have decreased by 3,390 million yen, deferred income taxes have increased by 4,253 million yen, unrealized gain on available-for-sale securities has increased by 294 million yen, and remeasurements of defined benefit plans have increased by 569 million yen.