

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.

For further information, please contact:

Investor Relations

Kao Corporation

Phone: +81-3-3660-7101

E-mail: ir@kao.co.jp

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

Consolidated Results by Segment

Jan. - Jun.	Net sales				Operating income		
	Billions of yen		Adjusted growth % ¹		Billions of yen		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹		Millions of U.S. dollars		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 Area³

Jan. - Jun.	Net sales				Operating income		
	Billions of yen		Adjusted growth % ¹		Billions of yen		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹		Millions of U.S. dollars		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹	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\$) ²	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.

For further information, please contact:

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

1. Qualitative Information on Business Results for the Six Months Ended 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 ¹	Adjusted growth ¹	First half of FY2012 ²
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.

** 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%.

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.

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 Haite* 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 Haite* 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.

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

Summary of Consolidated Cash Flows

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

*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

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.

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
Assets		
Current assets		
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)
Total current assets	515,320	493,407
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,178,452	1,141,257
Accumulated depreciation	(909,259)	(888,913)
Total property, plant and equipment	269,193	252,344
Intangible assets		
Goodwill	155,995	159,165
Trademarks	35,164	41,851
Other	14,408	14,907
Total intangible assets	205,567	215,923
Investments and other assets		
Investments and other assets	70,659	69,101
Allowance for doubtful receivables	(456)	(428)
Total investments and other assets	70,203	68,673
Total fixed assets	544,963	536,940
Total assets	1,060,283	1,030,347

Consolidated Balance Sheets*Millions of yen*

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
Liabilities		
Current liabilities		
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
Total current liabilities	292,123	315,874
Long-term liabilities		
Bonds	50,000	-
Long-term loans	50,072	50,066
Liability for employee retirement benefits	50,529	45,717
Other	23,836	22,607
Total long-term liabilities	174,437	118,390
Total liabilities	466,560	434,264
Net assets		
Shareholders' equity		
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)
Total shareholders' equity	626,631	654,019
Accumulated other comprehensive income		
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)
Total accumulated other comprehensive income	(46,823)	(71,320)
Stock acquisition rights	1,215	1,294
Minority interests	12,700	12,090
Total net assets	593,723	596,083
Total liabilities and net assets	1,060,283	1,030,347

Consolidated Statements of Income*Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
Net sales	624,953	608,976
Cost of sales	275,988	262,942
Gross profit	348,965	346,034
Selling, general and administrative expenses	306,021	292,657
Operating income	42,944	53,377
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
Ordinary income	44,894	55,353
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
Income before income taxes and minority interests	38,355	54,699
Income taxes		
Income taxes - current	18,879	20,066
Income taxes - deferred	423	(1,851)
Total income taxes	19,302	18,215
Income before minority interests	19,053	36,484
Minority interests	791	623
Net income	18,262	35,861

Consolidated Statements of Comprehensive Income*Millions of yen*

	1H/FY2013 Jan. - Jun.	1H/FY2012 Apr. - Sep.
Income before minority interests	19,053	36,484
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
Comprehensive income	44,503	37,808
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 Jan. - Jun.	1H/FY2012 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 Jan. - Jun.	1H/FY2012 Apr. - Sep.
Operating activities:		
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)
Subtotal	91,212	83,259
Interest and cash dividends received	2,506	1,843
Interest paid	(775)	(765)
Income taxes paid	(14,077)	(20,435)
Net cash provided by operating activities	78,866	63,902
Investing activities:		
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
Net cash used in investing activities	(41,946)	(30,563)
Financing activities:		
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
Net cash used in financing activities	(50,703)	(16,191)
Translation adjustments on cash and cash equivalents	11,248	31
Net increase (decrease) in cash and cash equivalents	(2,535)	17,179
Cash and cash equivalents, beginning of period	160,435	129,737
Cash and cash equivalents from newly consolidated subsidiaries, increase	623	308
Cash and cash equivalents, end of period	158,523	147,224

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				
Net sales								
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)	-
Total	278,584	99,616	138,494	516,694	125,897	642,591	(17,638)	624,953
Operating income	3,081	6,658	23,668	33,407	9,418	42,825	119¹	42,944
% 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				
Net sales								
Sales to customers	267,170	93,846	146,015	507,031	101,945	608,976	-	608,976
Intersegment sales	-	-	-	-	17,928	17,928	(17,928)	-
Total	267,170	93,846	146,015	507,031	119,873	626,904	(17,928)	608,976
Operating income	7,337	5,845	30,984	44,166	9,181	53,347	30¹	53,377
% 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 ¹ Jan. - Jun.	Adjusted growth % ¹
Consumer Products Business			
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)	-
Total	516,694	475,648	8.6
Chemical Business			
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)	-
Total	125,897	119,868	5.0
Total before Reconciliations	642,591	595,516	7.9
Reconciliations	(17,638)	(16,816)	-
Consolidated	624,953	578,700	8.0

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

Consolidated Results by Segment

Jan. - Jun.	Net sales				Operating income		
	Billions of yen		Adjusted growth % ¹		Billions of yen		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹		Millions of U.S. dollars		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 Area³

Jan. - Jun.	Net sales				Operating income		
	Billions of yen		Adjusted growth % ¹		Billions of yen		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹		Millions of U.S. dollars		
	2013	Restated 2012 ¹	Like-for-like ²		2013	Restated 2012 ¹	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 % ¹	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\$) ²	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.

For further information, please contact:

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

1. Qualitative Information on Business Results for the Six Months Ended 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 ¹	Adjusted growth ¹	First half of FY2012 ²
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.

** 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%.

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.

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.

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

Summary of Consolidated Cash Flows

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

*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

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.

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
Assets		
Current assets		
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)
Total current assets	515,320	493,407
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,178,452	1,141,257
Accumulated depreciation	(909,259)	(888,913)
Total property, plant and equipment	269,193	252,344
Intangible assets		
Goodwill	155,995	159,165
Trademarks	35,164	41,851
Other	14,408	14,907
Total intangible assets	205,567	215,923
Investments and other assets		
Investments and other assets	80,280	78,722
Allowance for doubtful receivables	(456)	(428)
Total investments and other assets	79,824	78,294
Total fixed assets	554,584	546,561
Total assets	1,069,904	1,039,968

Consolidated Balance Sheets*Millions of yen*

	1H/FY2013 Jun. 30, 2013	FY2012 Dec. 31, 2012
Liabilities		
Current liabilities		
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
Total current liabilities	292,123	315,874
Long-term liabilities		
Bonds	50,000	-
Long-term loans	50,072	50,066
Liability for employee retirement benefits	50,529	45,717
Other	23,836	22,607
Total long-term liabilities	174,437	118,390
Total liabilities	466,560	434,264
Net assets		
Shareholders' equity		
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)
Total shareholders' equity	636,252	663,640
Accumulated other comprehensive income		
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)
Total accumulated other comprehensive income	(46,823)	(71,320)
Stock acquisition rights	1,215	1,294
Minority interests	12,700	12,090
Total net assets	603,344	605,704
Total liabilities and net assets	1,069,904	1,039,968

Consolidated Statements of Income*Millions of yen*

	1H/FY2013	1H/FY2012
	Jan. - Jun.	Apr. - Sep.
Net sales	624,953	608,976
Cost of sales	275,988	262,942
Gross profit	348,965	346,034
Selling, general and administrative expenses	306,021	292,657
Operating income	42,944	53,377
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
Ordinary income	44,894	55,353
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
Income before income taxes and minority interests	38,355	54,699
Income taxes		
Income taxes - current	18,879	20,066
Income taxes - deferred	423	(1,851)
Total income taxes	19,302	18,215
Income before minority interests	19,053	36,484
Minority interests	791	623
Net income	18,262	35,861

Consolidated Statements of Comprehensive Income*Millions of yen*

	1H/FY2013 Jan. - Jun.	1H/FY2012 Apr. - Sep.
Income before minority interests	19,053	36,484
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
Comprehensive income	44,503	37,808
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 Jan. - Jun.	1H/FY2012 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 Jan. - Jun.	1H/FY2012 Apr. - Sep.
Operating activities:		
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)
Subtotal	91,212	83,259
Interest and cash dividends received	2,506	1,843
Interest paid	(775)	(765)
Income taxes paid	(14,077)	(20,435)
Net cash provided by operating activities	78,866	63,902
Investing activities:		
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
Net cash used in investing activities	(41,946)	(30,563)
Financing activities:		
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
Net cash used in financing activities	(50,703)	(16,191)
Translation adjustments on cash and cash equivalents	11,248	31
Net increase (decrease) in cash and cash equivalents	(2,535)	17,179
Cash and cash equivalents, beginning of period	160,435	129,737
Cash and cash equivalents from newly consolidated subsidiaries, increase	623	308
Cash and cash equivalents, end of period	158,523	147,224

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				
Net sales								
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)	-
Total	278,584	99,616	138,494	516,694	125,897	642,591	(17,638)	624,953
Operating income	3,081	6,658	23,668	33,407	9,418	42,825	119¹	42,944
% 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				
Net sales								
Sales to customers	267,170	93,846	146,015	507,031	101,945	608,976	-	608,976
Intersegment sales	-	-	-	-	17,928	17,928	(17,928)	-
Total	267,170	93,846	146,015	507,031	119,873	626,904	(17,928)	608,976
Operating income	7,337	5,845	30,984	44,166	9,181	53,347	30¹	53,377
% 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 ¹ Jan. - Jun.	Adjusted growth % ¹
Consumer Products Business			
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)	-
Total	516,694	475,648	8.6
Chemical Business			
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)	-
Total	125,897	119,868	5.0
Total before Reconciliations	642,591	595,516	7.9
Reconciliations	(17,638)	(16,816)	-
Consolidated	624,953	578,700	8.0

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

Highlights for the 1st Half of FY2013

(Ended June 30, 2013)

The full pre-revision and post revision texts are both attached with the corrections underlined

Correction

Page

16 Summary of FY2013 Forecast

Post-revision

Highlights for the 1st Half of FY2013

(Ended June 30, 2013)

July 30, 2013

Kao Corporation

Michitaka Sawada

President and CEO



Kao

Enriching lives, in harmony with nature.

These presentation materials are available on our website in PDF format:
http://www.kao.com/jp/en/corp_ir/presentations.html

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.

Agenda

■ ■ **Summary of the 1st Half of FY2013**

■ ■ **Summary of FY2013 Forecast**

■ ■ **Mid-term Growth Strategies**

Summary of the 1st Half of FY2013

Fiscal year end is December 31 from FY2012

Term of consolidation for 1H/FY2012

- **Group companies whose fiscal year end was previously March 31*:
April-September 2012**
- **Group companies whose fiscal year end was already December 31:
January-June 2012**

Restated 1H/FY2012

Figures for the six-month period from January 1 to June 30, 2012 for the purpose of comparison with 1H/FY2013 (January 1 to June 30, 2013).

Adjusted growth

Comparison with the restated 1H/FY2012

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Voluntary Recall of Kanebo Cosmetics Products Containing Rhododenol*

On July 4, Kanebo Cosmetics Inc., Lissage Ltd. and e'quipe Ltd. announced a voluntary recall of brightening products containing the ingredient Rhododenol that are manufactured and sold by the three companies.

[Current actions and top priorities in dealing with this matter]

- Currently in the process of responding in a sincere manner to each customer, retailer and other related party, including answering inquiries
- Execute the recall (from customers, retailers, etc.)
- Personally visit each customer who reports symptoms
- Set up a Rhododenol Task Force (establish a support system and promote prompt medical treatment, investigate the cause and develop preventive measures)

Estimate at the time of this presentation

Impact on 1H/FY2013 business results:	-¥8.4 billion
--	----------------------

○ Cost of sales:	-¥2.8 billion
-------------------------	----------------------

○ Extraordinary loss:	-¥5.6 billion
------------------------------	----------------------

* Please refer to the following Kanebo Cosmetics press releases for details.

“Voluntary recall of products containing the quasi-drug ingredient Rhododenol,” dated July 4, 2013 (URL <http://www.kanebo.com/pressroom/pressrelease/20130704.pdf>)

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Financial Overview – 1st Half of FY2013

- Global economic recovery remained slow, with the United States showing a moderate recovery trend.
- In the Japanese economy, there were early signs of recovery, including in personal consumption, due to a sense of expectation regarding government economic measures.

		<u>Adjusted growth²</u>	<u>Forecast³</u>
Net sales	¥625.0 billion	+8.0%	¥600.0 billion
EBITA¹ [% of sales]	¥57.5 billion [9.2%]	+11.5%	-
Operating income [% of sales]	¥42.9 billion [6.9%]	+23.2%	¥32.0 billion
Net income [% of sales]	¥18.3 billion [2.9%]	-5.1%	¥19.0 billion
Net income per share	¥35.41	-4.0%	¥36.85
Shareholder returns			
Cash dividends per share	¥32	+¥1	¥32
Share repurchases	¥30.0 billion		

1. Operating income before amortization of goodwill and intellectual property rights related to M&A

2. Excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

3. Forecast announced on April 30, 2013

Executive Summary

■ Net sales and operating income exceeded the forecast announced on April 30, 2013.

- Net sales: Increased 8.0% with the strong results of the Consumer Products Business in Japan and Asia and the positive effect of currency translation of +5.5%.
- Operating income: Increased as sales growth in the Consumer Products Business offset estimated expenses related to the voluntary recall.
- Net income: Fell short of the forecast due to loss related to cosmetics in extraordinary loss.

■ Shareholder returns

- Cash dividends per share at the end of the 1st half of FY2013 are 32 yen, an increase of 1 yen.
- Share repurchases: 30 billion yen during the period from February 6 to April 5, 2013.
- Retirement of treasury stock: 10.2 million shares in June 2013.

■ Launch of unsecured straight bonds totaling 50 billion yen in June 2013

- Maintain an appropriate capital cost ratio and enhance Kao's financial base for investment in growth

Summary of Sales by Segment – 1st Half of FY2013

[Comments below are based on a like-for-like growth basis.]

■ Consumer Products Business:

Adjusted growth¹ +8.6% (like-for-like² +4.4%)

- **Beauty Care Business: Adjusted growth +8.5% (like-for-like +3.1%)**

Sales of skin care products increased, with strong sales of *Bioré* skin care products and UV care products in Japan and Asia, and *Jergens* hand and body lotions in the Americas. Sales of hair care products were flat year-on-year due to intensified competition in shampoos and conditioners and the contraction of the hair coloring market in Japan, although sales outside Japan grew. Cosmetics sales grew 1.8% on a like-for-like basis.

- **Human Health Care Business: Adjusted growth +11.1% (like-for-like +7.8%)**

Sales of food & beverage products, sanitary products and personal health products grew. *Healthya Coffee*, launched in April in Japan, delivered strong results and sales of baby diapers expanded in Japan, China and Russia. Locally manufactured baby diapers targeting the middle-class consumer segment were launched in China.

- **Fabric and Home Care Business: Adjusted growth +7.2% (like-for-like +4.8%)**

Sales of fabric care products grew due to the continued strong performance of fabric softeners and bleaches in Japan and the reinforcement of the *Attack* brand in Japan, Indonesia and Thailand. Sales of home care products grew, mainly in Japan.

■ Chemical Business:

Adjusted growth +5.0% (like-for-like -5.1%)

Sales decreased with the impact on oleo chemicals sales of fluctuations in selling prices due to lower prices for natural fats and oils used as raw materials, although sales volume is slowly recovering.

1. Excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

2. Adjusted growth excluding the effect of currency translation

Strongly Performing Products in the 1st Half of FY2013



Healthya Coffee

A coffee drink approved as a Food for Specified Health Uses that promotes body fat utilization (Japan)



Attack Powder Laundry Detergent

Powder laundry detergent and refill for the Attack brand, the market leader in Japan (Japan)



Merries manufactured in China

Merries

Baby diapers featuring superior breathability and gentleness on the skin in addition to their basic function of absorbency (Japan, China, Russia)



Bioré U Aroma Time

Body cleansers for an enjoyable bath time with high-quality aromatic scents (Japan)



Grace Sofina

Skin care targeting women in their 50s (Japan)



Jergens Natural Glow

Sunless self-tanning lotion that safely gives the skin a natural-looking color (North America)



Laurier Active Day Double Comfort

Innovative and easy-to-wash slim-type sanitary napkins that meet local needs (Indonesia)

Healthya Coffee*

Harness the forces of natural ingredients

Healthya promotes healthy living through drinks containing the two principal polyphenols consumed by Japanese people

Catechins in tea
(Healthya green tea, etc.)

Chlorogenic acids in coffee
(Healthya Coffee)

- **Launched in early April 2013 in Japan**
- **Delivering strong sales, mainly in convenience stores, supermarkets and drugstores**
- **Currently actively executing initiatives to promote regular intake in order to establish the new segment of FOSHU-approved canned coffee**



* A coffee drink for those concerned about body fat. It promotes body fat utilization through the action of polyphenol chlorogenic acids contained in coffee beans. (Approved as a Food for Specified Health Uses (FOSHU))

Attack Consistently Leads Innovation in Laundry Detergents

New proposals from *Attack*, which has built a market-leading position in Japan through continuous improvements since its launch in 1987

Refill for *Attack* Powder Laundry Detergents

- New proposal of a unique refill product for powder detergents that focuses on “the environment,” “convenience” and “ease of use”
- Reduction of environmental impact¹
 - CO₂ emissions from packaging: Approximately 60% reduction
 - Disposal of packaging: Approximately 90% reduction



Ultra Attack Neo ultra-concentrated liquid laundry detergent

- Deeper cleaning ability thanks to Kao's original next-generation cleaning ingredient Ultra-anion, which quickly penetrates and breaks down stains
- Removes stains and odors effectively, even in washing machines on a quick-wash setting², as a new proposal to meet the strong needs of homemakers for shorter laundering time

1. Comparison with the regular product, assuming the reuse of the box and the scoop
2. Wash cycle with short washing time



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Strengthening Global Development of Baby Diapers

Sales were strong in China and Russia as well as in Japan.

- **Construction of a third plant for sanitary products in Japan at the Sakata Plant Complex (Yamagata Prefecture)**
 - Strengthening the stable product supply system to meet the sharp increase in demand for *Merries* baby diapers in both the Japanese and global markets
 - Taking into consideration higher demand for products related to the aging society such as increasing cases of light urinary incontinence
 - Investment is approximately 5 billion yen and construction will start in September 2013, with the start of operation scheduled for spring 2014
- **Full-scale commercial production of *Merries* baby diapers targeting the middle-class consumer segment in China started at a facility in Hefei City, Anhui Province in October 2012 and sales began in January 2013**
- **A second consumer products plant in Indonesia, including a manufacturing facility for sanitary products such as baby diapers, is under construction**
 - Investment is approximately 10 billion yen and the start of operation is scheduled for the 2nd quarter of FY2014



Consumer Products Business in Asia

- Sales expansion of UV care products across Asia
- Strong performance of sanitary napkins and laundry detergents in Thailand and Indonesia
- China
 - Sales of *Merries* baby diapers imported from Japan continue to grow
 - Sales of products targeting the middle-class consumer segment start as planned
 - ◆ *Merries* baby diapers: From January 2013
 - ◆ *Attack Power Soaking* powder laundry detergent for hand washing: From July 2013 in the provinces of Jiangsu, Zhejiang and Guangdong



UV care products
in Asia



Merries baby diapers



*Laurier Active Day
Double Comfort*



Attack 3D Deep & Fast



Attack Power Soaking

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Summary of FY2013 Forecast

Fiscal year end is December 31 from FY2012

Term of consolidation for FY2012 as a transitional period

- **Group companies whose fiscal year end was previously March 31*:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Adjusted growth

Comparison with the twelve-month period from January 1 to December 31, 2012 for Group companies whose fiscal years ended in March before the fiscal year end change

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Summary of FY2013 Forecast

Forecast announced
on April 30, 2013

Forecast announced
on July 30, 2013

(Billion yen)

(Billion yen)

Net sales

1,270.0



1,300.0

- + Sales expansion of Consumer Products Business
- + Effect of currency translation
- Decline in sales related to the voluntary recall*

Operating income

116.0



116.0

- + Increased gross profit due to sales expansion
- Increased raw material costs due to the weak yen
- Expenses and the decline in sales related to the voluntary recall

Net income

73.0



67.0

- Extraordinary loss related to the voluntary recall

* Please refer to slide 5 for details

Summary of FY2013 Forecast

Adjusted growth²

Net sales	¥1,300.0 billion	+6.5%
EBITA¹ [% of sales]	¥145.0 billion [11.2%]	+0.8%
Operating income [% of sales]	¥116.0 billion [8.9%]	+3.8%
Net income [% of sales]	¥67.0 billion [5.2%]	<u>+26.2%</u>
Net income per share	¥130.84	<u>+28.6%</u>
ROE³	<u>11.2%</u>	-
Shareholder returns		
Cash dividends per share	¥64	+¥2
Consolidated payout ratio	48.9%	

1. Operating income before amortization of goodwill and intellectual property rights related to M&A
2. Excludes the impact of the change in financial term. (Please refer to slide 14 for details.)
3. Forecast is not comparable with ROE for FY2012, which was a transitional period due to the change in fiscal year end.

Mid-term Growth Strategies

Kao Group's Vision for the Future

A company with a global presence



“Continuous innovation”

- Maintain a spirit of challenge
- Provide attractive products and services that create markets
- Exert the comprehensive capabilities of the Kao Group

Achieve both sustained “profitable growth” and “contributions to society”

Corporate philosophy of the Kao Group (The Kao Way)

To strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the society

Kao Group Mid-term Plan 2015 (K15)

Target 1: Break previous records for net sales and profits

Target 2: Achieve numerical management targets for FY2015

Numerical Management Targets for FY2015

- **Net sales:
1.4 trillion yen**
- **Operating income:
150 billion yen**
- **Overseas sales ratio*:
30% or more**

* Ratio of net sales to foreign customers to consolidated net sales

Growth Strategies to Achieve K15

1. Expand the Consumer Products Business globally

- Growth markets: Expand the business significantly by proposing products in the domain of “cleanliness” including laundry detergents, baby diapers and sanitary napkins that target the growing middle-class consumer segment
- Mature markets: Accelerate growth with high-value-added products

2. Further reinforce the Fabric and Home Care Business, and accelerate profitable growth in the Beauty Care and Human Health Care Businesses

Fabric and Home Care Business

- Maintain or capture the top share in each product category

Beauty Care Business and Human Health Care Business

- Move the cosmetics business to a phase of profitable growth
- Propose products and services through new approaches focused on health and the aging society

3. Reinforce the Chemical Business

- Promote to generate higher value by leveraging eco-technology research
- Strengthen synergy with the Consumer Products Business

Four Projects to Achieve K15

1. Innovation Creation Project

- Global innovation and area innovation

2. Global Expansion Project

- FY2015 sales of the Consumer Products Business in China: 50 billion yen
- Triple the business in Vietnam
- Reinforce and expand businesses in the ASEAN region including the Mekong region
- Prepare to build foundation to tap into markets in Russia, Brazil, India, the Middle East, etc.
- Operating margin target for the Consumer Products Business in Asia: 5%

3. Transformation for Profitable Growth (TPG) Project

- Strengthen Kao's capacity to accelerate global growth and be competitive in the future by optimizing the assets that Kao has (top-down approach)
- Continued focus on ongoing bottom-up approach to cost reduction activities (TCR) since 1986

4. Visibility Project

Sustained Contributions to Society

Basic principle is to contribute to society through business activities

- **Contribute to the resolution of social issues through strategic CSR**

- *Environment, aging society, health, etc.*

- **Fulfill our role as a public entity of society, based on laws, regulations and ethical conduct**

- *Employment, tax payment, etc.*

- **Continue and reinforce social contribution activities as a corporate citizen**

- *Systematic activities to nurture the next generation in the areas of environment, education and community, disaster relief, etc.*

- **Action on global issues**

- *Participation in the United Nations' Global Compact*
- *RSPO* membership and sustainable palm oil procurement*

* RSPO: Roundtable on Sustainable Palm Oil, an international non-profit organization that pursues solutions to issues related to palm oil production, including the destruction of ecosystems by rainforest logging and poor labor conditions for workers on plantations.

Recent Topics of Sustained Contributions to Society

- **Kao Wakayama Plant receives supply chain certification from RSPO for sustainable palm oil and palm kernel oil¹**
- **Kao is named a “Nadeshiko Brand²” by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange as a listed enterprise that is exceptional in encouraging women’s success in the workplace, and is also selected as a winner of the “Diversity Management Selection 100³” by METI**
- **Kao and China’s Ministry of Environmental Protection jointly promote “Nationwide Cleanliness and Water-saving Initiatives” for the second year⁴**
- **Kao is named one of the “World's Most Ethical Companies” for seven consecutive years⁵**

1. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130625_001.html

2. URL of METI webpage: http://www.meti.go.jp/english/press/2013/0226_03.html

3. URL of METI webpage: http://www.meti.go.jp/english/press/2013/0322_01.html

4. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130328_001.html

5. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130307_001.html

Kao Sustainability Statement



Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the society. By developing innovative products and services, we work to conserve the environment and foster well-being in the communities we serve now and in the future.

To do this, in partnership with our stakeholders, we promote a culture of integrity in everything we do and we provide a workplace that maximizes the potential of each and every one of our employees.

To advance our business responsibly and sustainably, we are focusing our efforts on the three key areas of Conservation, Community and Culture.

(Announced on July 1, 2013)

URL: http://www.kao.com/jp/en/corp_csr/csr_action_00.html

Appendices

Use of Free Cash Flow* and Shareholder Returns

Use steadily generated free cash flow effectively in order of priority shown below from an EVA standpoint toward further growth.

1. Capital expenditures and M&A for future growth

2. Steady and continuous cash dividends

3. Share repurchases and repayment of interest-bearing debt including borrowings

* Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Business Segments and Main Product Categories

Consumer Products
Business

Beauty Care

1H/FY2013 sales: ¥278.6 billion

[Adjusted growth: +8.5% / Share of net sales: 44.6%]

Professional hair care products
Cosmetics
Skin care (mass products)
Hair care (mass products)



Consumer
driven

Human Health Care

1H/FY2013 sales: ¥99.6 billion

[Adjusted growth: +11.1% / Share of net sales: 15.9%]

Beverages
Oral care
Blood circulation enhancement products
(incl. bath additives and thermal pads)
Sanitary products



Consumer Products
Business

Consumer Products
Business

Fabric and Home Care

1H/FY2013 sales: ¥138.5 billion

[Adjusted growth: +7.2% / Share of net sales: 22.2%]

Laundry detergents and fabric treatments
Products for kitchen, bath, toilet and
living room care



Chemical

1H/FY2013 sales: ¥125.9 billion

[Adjusted growth: +5.0% / Share of net sales: 17.3%]

Oleo chemicals
Performance chemicals
Specialty chemicals



Chemical Business

Note: Sales include intersegment sales. Share of net sales is calculated based on sales to customers. Adjusted growth rate excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

1H/FY2013 Breakdown of Beauty Care Business

		Billion yen	Adjusted increase (decrease) ¹
Beauty Care	Net sales	278.6	8.5%
	Operating income ²	3.1	+3.1 billion yen
	Operating margin	1.1%	+110bps
Cosmetics	Net sales	126.3	3.7%
	Operating income ²	-13.9	-2.0 billion yen
	Operating margin	-11.0%	-120bps
Skin care/hair care (mass products) and professional hair care products	Net sales	152.3	12.9%
	Operating income ²	17.0	+5.1 billion yen
	Operating margin	11.2%	+240bps

Kanebo Cosmetics

- Net sales:
Approx. ¥90 billion
(Restated 1H/FY2012: Slightly less than ¥90 billion)
- Profit as a % of sales³:
Approx. 2%
(Restated 1H/FY2012: Approx. 4%)

3. Operating margin before deduction of royalties

1. Comparison with the restated 1H/FY2012, excluding the impact of the change in financial term. (Please refer to slide 4 for details.)
2. Includes amortization of goodwill and intellectual property rights related to M&A
 - Beauty Care: ¥14.5 billion
 - Cosmetics: ¥14.1 billion
 - Skin care/hair care (mass products) and professional hair care products: ¥0.5 billion

Cosmetics in Japan – 1st Half of FY2013

Cosmetics market in Japan

[Year-on-year growth on a value (yen) basis]

Jan. - Jun. 13

Jan. - Dec. 12

Total market

-0.9%

-0.6%

High-priced segment (over ¥5,000):

+0.3%

-1.3%

Mid-priced segment (¥2,000-¥5,000):

-2.8%

-1.0%

Low-priced segment (below ¥2,000):

+0.6%

+0.8%

Kao Group total (Kanebo Cosmetics + Kao Sofina)

+1.5%

+2.7%

Source: SLI survey by INTAGE Inc. (Data based on tracking service of 40,060 female consumers nationwide in Japan)

SRI Indexes and External CSR Evaluation

SRI indexes for which Kao has been selected



CSR-related evaluations from external organizations



CSR: Corporate Social Responsibility
SRI: Socially Responsible Investment

(As of July 30, 2013)

The Kao logo is rendered in a bold, dark blue, sans-serif typeface. The letters are closely spaced, with the 'K' and 'a' sharing a common vertical stroke on the left side. The 'O' is a simple, rounded shape.

Enriching lives, in harmony with nature.

Pre-revision

Highlights for the 1st Half of FY2013

(Ended June 30, 2013)

July 30, 2013

Kao Corporation

Michitaka Sawada

President and CEO



Kao

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■ ■ **Summary of FY2013 Forecast**

■ ■ **Mid-term Growth Strategies**

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- **Group companies whose fiscal year end was already December 31:
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Comparison with the restated 1H/FY2012

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[Current actions and top priorities in dealing with this matter]

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- Personally visit each customer who reports symptoms
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○ Cost of sales:	-¥2.8 billion
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○ Extraordinary loss:	-¥5.6 billion
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Financial Overview – 1st Half of FY2013

- Global economic recovery remained slow, with the United States showing a moderate recovery trend.
- In the Japanese economy, there were early signs of recovery, including in personal consumption, due to a sense of expectation regarding government economic measures.

		<u>Adjusted growth²</u>	<u>Forecast³</u>
Net sales	¥625.0 billion	+8.0%	¥600.0 billion
EBITA¹ [% of sales]	¥57.5 billion [9.2%]	+11.5%	-
Operating income [% of sales]	¥42.9 billion [6.9%]	+23.2%	¥32.0 billion
Net income [% of sales]	¥18.3 billion [2.9%]	-5.1%	¥19.0 billion
Net income per share	¥35.41	-4.0%	¥36.85
Shareholder returns			
Cash dividends per share	¥32	+¥1	¥32
Share repurchases	¥30.0 billion		

1. Operating income before amortization of goodwill and intellectual property rights related to M&A

2. Excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

3. Forecast announced on April 30, 2013

Executive Summary

■ Net sales and operating income exceeded the forecast announced on April 30, 2013.

- Net sales: Increased 8.0% with the strong results of the Consumer Products Business in Japan and Asia and the positive effect of currency translation of +5.5%.
- Operating income: Increased as sales growth in the Consumer Products Business offset estimated expenses related to the voluntary recall.
- Net income: Fell short of the forecast due to loss related to cosmetics in extraordinary loss.

■ Shareholder returns

- Cash dividends per share at the end of the 1st half of FY2013 are 32 yen, an increase of 1 yen.
- Share repurchases: 30 billion yen during the period from February 6 to April 5, 2013.
- Retirement of treasury stock: 10.2 million shares in June 2013.

■ Launch of unsecured straight bonds totaling 50 billion yen in June 2013

- Maintain an appropriate capital cost ratio and enhance Kao's financial base for investment in growth

Summary of Sales by Segment – 1st Half of FY2013

[Comments below are based on a like-for-like growth basis.]

■ Consumer Products Business:

Adjusted growth¹ +8.6% (like-for-like² +4.4%)

- **Beauty Care Business: Adjusted growth +8.5% (like-for-like +3.1%)**

Sales of skin care products increased, with strong sales of *Bioré* skin care products and UV care products in Japan and Asia, and *Jergens* hand and body lotions in the Americas. Sales of hair care products were flat year-on-year due to intensified competition in shampoos and conditioners and the contraction of the hair coloring market in Japan, although sales outside Japan grew. Cosmetics sales grew 1.8% on a like-for-like basis.

- **Human Health Care Business: Adjusted growth +11.1% (like-for-like +7.8%)**

Sales of food & beverage products, sanitary products and personal health products grew. *Healthya Coffee*, launched in April in Japan, delivered strong results and sales of baby diapers expanded in Japan, China and Russia. Locally manufactured baby diapers targeting the middle-class consumer segment were launched in China.

- **Fabric and Home Care Business: Adjusted growth +7.2% (like-for-like +4.8%)**

Sales of fabric care products grew due to the continued strong performance of fabric softeners and bleaches in Japan and the reinforcement of the *Attack* brand in Japan, Indonesia and Thailand. Sales of home care products grew, mainly in Japan.

■ Chemical Business:

Adjusted growth +5.0% (like-for-like -5.1%)

Sales decreased with the impact on oleo chemicals sales of fluctuations in selling prices due to lower prices for natural fats and oils used as raw materials, although sales volume is slowly recovering.

1. Excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

2. Adjusted growth excluding the effect of currency translation

Strongly Performing Products in the 1st Half of FY2013



Healthya Coffee

A coffee drink approved as a Food for Specified Health Uses that promotes body fat utilization (Japan)



Attack Powder Laundry Detergent

Powder laundry detergent and refill for the Attack brand, the market leader in Japan (Japan)



Merries manufactured in China

Merries

Baby diapers featuring superior breathability and gentleness on the skin in addition to their basic function of absorbency (Japan, China, Russia)



Bioré U Aroma Time

Body cleansers for an enjoyable bath time with high-quality aromatic scents (Japan)



Grace Sofina

Skin care targeting women in their 50s (Japan)



Jergens Natural Glow

Sunless self-tanning lotion that safely gives the skin a natural-looking color (North America)



Laurier Active Day Double Comfort

Innovative and easy-to-wash slim-type sanitary napkins that meet local needs (Indonesia)

Healthya Coffee*

Harness the forces of natural ingredients

Healthya promotes healthy living through drinks containing the two principal polyphenols consumed by Japanese people

Catechins in tea
(Healthya green tea, etc.)

Chlorogenic acids in coffee
(Healthya Coffee)

- **Launched in early April 2013 in Japan**
- **Delivering strong sales, mainly in convenience stores, supermarkets and drugstores**
- **Currently actively executing initiatives to promote regular intake in order to establish the new segment of FOSHU-approved canned coffee**



* A coffee drink for those concerned about body fat. It promotes body fat utilization through the action of polyphenol chlorogenic acids contained in coffee beans. (Approved as a Food for Specified Health Uses (FOSHU))

Attack Consistently Leads Innovation in Laundry Detergents

New proposals from *Attack*, which has built a market-leading position in Japan through continuous improvements since its launch in 1987

Refill for *Attack* Powder Laundry Detergents

- New proposal of a unique refill product for powder detergents that focuses on “the environment,” “convenience” and “ease of use”
- Reduction of environmental impact¹
 - CO₂ emissions from packaging: Approximately 60% reduction
 - Disposal of packaging: Approximately 90% reduction



Ultra Attack Neo ultra-concentrated liquid laundry detergent

- Deeper cleaning ability thanks to Kao's original next-generation cleaning ingredient Ultra-anion, which quickly penetrates and breaks down stains
- Removes stains and odors effectively, even in washing machines on a quick-wash setting², as a new proposal to meet the strong needs of homemakers for shorter laundering time

1. Comparison with the regular product, assuming the reuse of the box and the scoop
2. Wash cycle with short washing time



KaO

Enriching lives, in harmony with nature.

Strengthening Global Development of Baby Diapers

Sales were strong in China and Russia as well as in Japan.

- **Construction of a third plant for sanitary products in Japan at the Sakata Plant Complex (Yamagata Prefecture)**
 - Strengthening the stable product supply system to meet the sharp increase in demand for *Merries* baby diapers in both the Japanese and global markets
 - Taking into consideration higher demand for products related to the aging society such as increasing cases of light urinary incontinence
 - Investment is approximately 5 billion yen and construction will start in September 2013, with the start of operation scheduled for spring 2014
- **Full-scale commercial production of *Merries* baby diapers targeting the middle-class consumer segment in China started at a facility in Hefei City, Anhui Province in October 2012 and sales began in January 2013**
- **A second consumer products plant in Indonesia, including a manufacturing facility for sanitary products such as baby diapers, is under construction**
 - Investment is approximately 10 billion yen and the start of operation is scheduled for the 2nd quarter of FY2014



Consumer Products Business in Asia

- Sales expansion of UV care products across Asia
- Strong performance of sanitary napkins and laundry detergents in Thailand and Indonesia
- China
 - Sales of *Merries* baby diapers imported from Japan continue to grow
 - Sales of products targeting the middle-class consumer segment start as planned
 - ◆ *Merries* baby diapers: From January 2013
 - ◆ *Attack Power Soaking* powder laundry detergent for hand washing: From July 2013 in the provinces of Jiangsu, Zhejiang and Guangdong



UV care products
in Asia



Merries baby diapers



*Laurier Active Day
Double Comfort*



Attack 3D Deep & Fast



Attack Power Soaking

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Enriching lives, in harmony with nature.

Summary of FY2013 Forecast

Fiscal year end is December 31 from FY2012

Term of consolidation for FY2012 as a transitional period

- **Group companies whose fiscal year end was previously March 31*:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Adjusted growth

Comparison with the twelve-month period from January 1 to December 31, 2012 for Group companies whose fiscal years ended in March before the fiscal year end change

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Summary of FY2013 Forecast

Forecast announced
on April 30, 2013

Forecast announced
on July 30, 2013

(Billion yen)

(Billion yen)

Net sales

1,270.0



1,300.0

- + Sales expansion of Consumer Products Business
- + Effect of currency translation
- Decline in sales related to the voluntary recall*

Operating income

116.0



116.0

- + Increased gross profit due to sales expansion
- Increased raw material costs due to the weak yen
- Expenses and the decline in sales related to the voluntary recall

Net income

73.0



67.0

- Extraordinary loss related to the voluntary recall

* Please refer to slide 5 for details

Summary of FY2013 Forecast

Adjusted growth²

Net sales	¥1,300.0 billion	+6.5%
EBITA¹ [% of sales]	¥145.0 billion [11.2%]	+0.8%
Operating income [% of sales]	¥116.0 billion [8.9%]	+3.8%
Net income [% of sales]	¥67.0 billion [5.2%]	+6.8%
Net income per share	¥130.84	+8.8%
ROE³	<u>11.0%</u>	-
Shareholder returns		
Cash dividends per share	¥64	+¥2
Consolidated payout ratio	48.9%	

1. Operating income before amortization of goodwill and intellectual property rights related to M&A
2. Excludes the impact of the change in financial term. (Please refer to slide 14 for details.)
3. Forecast is not comparable with ROE for FY2012, which was a transitional period due to the change in fiscal year end.

Mid-term Growth Strategies

Kao Group's Vision for the Future

A company with a global presence



“Continuous innovation”

- Maintain a spirit of challenge
- Provide attractive products and services that create markets
- Exert the comprehensive capabilities of the Kao Group

Achieve both sustained “profitable growth” and “contributions to society”

Corporate philosophy of the Kao Group (The Kao Way)

To strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the society

Kao Group Mid-term Plan 2015 (K15)

Target 1: Break previous records for net sales and profits

Target 2: Achieve numerical management targets for FY2015

Numerical Management Targets for FY2015

- **Net sales:
1.4 trillion yen**
- **Operating income:
150 billion yen**
- **Overseas sales ratio*:
30% or more**

* Ratio of net sales to foreign customers to consolidated net sales

Growth Strategies to Achieve K15

1. Expand the Consumer Products Business globally

- Growth markets: Expand the business significantly by proposing products in the domain of “cleanliness” including laundry detergents, baby diapers and sanitary napkins that target the growing middle-class consumer segment
- Mature markets: Accelerate growth with high-value-added products

2. Further reinforce the Fabric and Home Care Business, and accelerate profitable growth in the Beauty Care and Human Health Care Businesses

Fabric and Home Care Business

- Maintain or capture the top share in each product category

Beauty Care Business and Human Health Care Business

- Move the cosmetics business to a phase of profitable growth
- Propose products and services through new approaches focused on health and the aging society

3. Reinforce the Chemical Business

- Promote to generate higher value by leveraging eco-technology research
- Strengthen synergy with the Consumer Products Business

Four Projects to Achieve K15

1. Innovation Creation Project

- Global innovation and area innovation

2. Global Expansion Project

- FY2015 sales of the Consumer Products Business in China: 50 billion yen
- Triple the business in Vietnam
- Reinforce and expand businesses in the ASEAN region including the Mekong region
- Prepare to build foundation to tap into markets in Russia, Brazil, India, the Middle East, etc.
- Operating margin target for the Consumer Products Business in Asia: 5%

3. Transformation for Profitable Growth (TPG) Project

- Strengthen Kao's capacity to accelerate global growth and be competitive in the future by optimizing the assets that Kao has (top-down approach)
- Continued focus on ongoing bottom-up approach to cost reduction activities (TCR) since 1986

4. Visibility Project

Sustained Contributions to Society

Basic principle is to contribute to society through business activities

- **Contribute to the resolution of social issues through strategic CSR**

- *Environment, aging society, health, etc.*

- **Fulfill our role as a public entity of society, based on laws, regulations and ethical conduct**

- *Employment, tax payment, etc.*

- **Continue and reinforce social contribution activities as a corporate citizen**

- *Systematic activities to nurture the next generation in the areas of environment, education and community, disaster relief, etc.*

- **Action on global issues**

- *Participation in the United Nations' Global Compact*
- *RSPO* membership and sustainable palm oil procurement*

* RSPO: Roundtable on Sustainable Palm Oil, an international non-profit organization that pursues solutions to issues related to palm oil production, including the destruction of ecosystems by rainforest logging and poor labor conditions for workers on plantations.

Recent Topics of Sustained Contributions to Society

- **Kao Wakayama Plant receives supply chain certification from RSPO for sustainable palm oil and palm kernel oil¹**
- **Kao is named a “Nadeshiko Brand²” by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange as a listed enterprise that is exceptional in encouraging women’s success in the workplace, and is also selected as a winner of the “Diversity Management Selection 100³” by METI**
- **Kao and China’s Ministry of Environmental Protection jointly promote “Nationwide Cleanliness and Water-saving Initiatives” for the second year⁴**
- **Kao is named one of the “World's Most Ethical Companies” for seven consecutive years⁵**

1. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130625_001.html

2. URL of METI webpage: http://www.meti.go.jp/english/press/2013/0226_03.html

3. URL of METI webpage: http://www.meti.go.jp/english/press/2013/0322_01.html

4. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130328_001.html

5. URL of news release: http://www.kao.com/jp/en/corp_news/2013/20130307_001.html

Kao Sustainability Statement



Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the society. By developing innovative products and services, we work to conserve the environment and foster well-being in the communities we serve now and in the future.

To do this, in partnership with our stakeholders, we promote a culture of integrity in everything we do and we provide a workplace that maximizes the potential of each and every one of our employees.

To advance our business responsibly and sustainably, we are focusing our efforts on the three key areas of Conservation, Community and Culture.

(Announced on July 1, 2013)

URL: http://www.kao.com/jp/en/corp_csr/csr_action_00.html

Appendices

Use of Free Cash Flow* and Shareholder Returns

Use steadily generated free cash flow effectively in order of priority shown below from an EVA standpoint toward further growth.

1. Capital expenditures and M&A for future growth

2. Steady and continuous cash dividends

3. Share repurchases and repayment of interest-bearing debt including borrowings

* Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Business Segments and Main Product Categories

Consumer Products
Business

Beauty Care

1H/FY2013 sales: ¥278.6 billion

[Adjusted growth: +8.5% / Share of net sales: 44.6%]

Professional hair care products
Cosmetics
Skin care (mass products)
Hair care (mass products)



Consumer
driven

Human Health Care

1H/FY2013 sales: ¥99.6 billion

[Adjusted growth: +11.1% / Share of net sales: 15.9%]

Beverages
Oral care
Blood circulation enhancement products
(incl. bath additives and thermal pads)
Sanitary products



Consumer Products
Business

Consumer Products
Business

Fabric and Home Care

1H/FY2013 sales: ¥138.5 billion

[Adjusted growth: +7.2% / Share of net sales: 22.2%]

Laundry detergents and fabric treatments
Products for kitchen, bath, toilet and
living room care



Chemical

1H/FY2013 sales: ¥125.9 billion

[Adjusted growth: +5.0% / Share of net sales: 17.3%]

Oleo chemicals
Performance chemicals
Specialty chemicals



Chemical Business

Note: Sales include intersegment sales. Share of net sales is calculated based on sales to customers. Adjusted growth rate excludes the impact of the change in financial term. (Please refer to slide 4 for details.)

1H/FY2013 Breakdown of Beauty Care Business

		Billion yen	Adjusted increase (decrease) ¹
Beauty Care	Net sales	278.6	8.5%
	Operating income ²	3.1	+3.1 billion yen
	Operating margin	1.1%	+110bps
Cosmetics	Net sales	126.3	3.7%
	Operating income ²	-13.9	-2.0 billion yen
	Operating margin	-11.0%	-120bps
Skin care/hair care (mass products) and professional hair care products	Net sales	152.3	12.9%
	Operating income ²	17.0	+5.1 billion yen
	Operating margin	11.2%	+240bps

Kanebo Cosmetics

- Net sales:
Approx. ¥90 billion
(Restated 1H/FY2012: Slightly less than ¥90 billion)
- Profit as a % of sales³:
Approx. 2%
(Restated 1H/FY2012: Approx. 4%)

3. Operating margin before deduction of royalties

1. Comparison with the restated 1H/FY2012, excluding the impact of the change in financial term. (Please refer to slide 4 for details.)
2. Includes amortization of goodwill and intellectual property rights related to M&A
 - Beauty Care: ¥14.5 billion
 - Cosmetics: ¥14.1 billion
 - Skin care/hair care (mass products) and professional hair care products: ¥0.5 billion

Cosmetics in Japan – 1st Half of FY2013

Cosmetics market in Japan

[Year-on-year growth on a value (yen) basis]

Jan. - Jun. 13

Jan. - Dec. 12

Total market

-0.9%

-0.6%

High-priced segment (over ¥5,000):

+0.3%

-1.3%

Mid-priced segment (¥2,000-¥5,000):

-2.8%

-1.0%

Low-priced segment (below ¥2,000):

+0.6%

+0.8%

Kao Group total (Kanebo Cosmetics + Kao Sofina)

+1.5%

+2.7%

Source: SLI survey by INTAGE Inc. (Data based on tracking service of 40,060 female consumers nationwide in Japan)

SRI Indexes and External CSR Evaluation

SRI indexes for which Kao has been selected



CSR-related evaluations from external organizations



CSR: Corporate Social Responsibility
SRI: Socially Responsible Investment

(As of July 30, 2013)

The logo for Kao, featuring the word "Kao" in a bold, sans-serif font. The letter "K" is a dark blue, while the letters "a" and "o" are a lighter, teal blue. The "a" and "o" are connected, with the "a" having a small loop at the bottom.

Enriching lives, in harmony with nature.

Semi-Annual Financial Review

From January 1 to June 30, 2013

The full pre-revision and post revision texts are both attached with the corrections underlined

Corrections

Page

- 20 Consolidated Balance Sheets
- 25 Consolidated Sales and Profit Forecast
- 31 ROE & ROA
- 32 Net Income per Share

Semi-Annual Financial Review

From January 1 to June 30, 2013

Kao Corporation

July 30, 2013

This is a translation of materials used for the analyst meeting held in Japan on July 30, 2013.



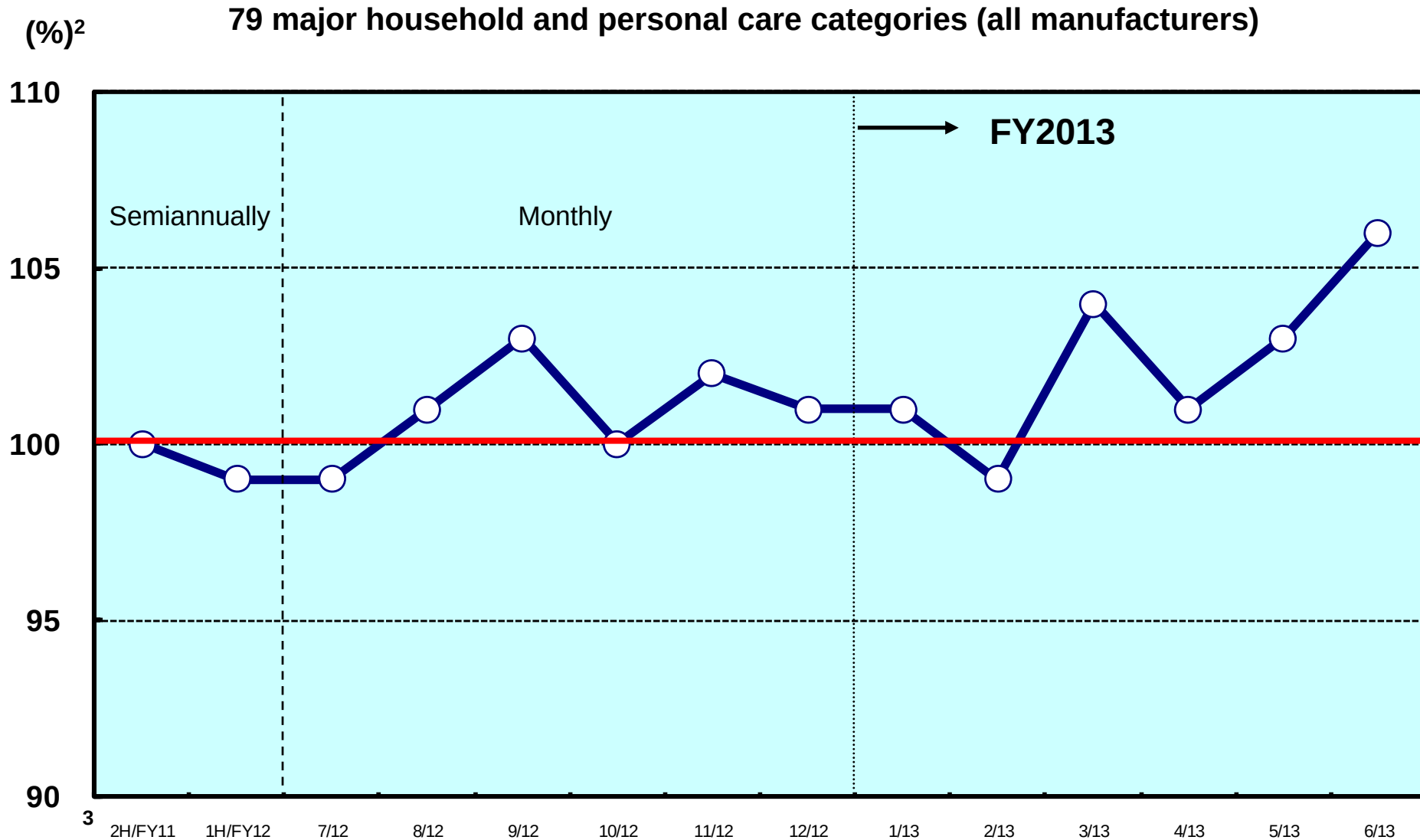
These presentation materials are available on our website in PDF format:
http://www.kao.com/jp/en/corp_ir/presentations.html

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.

1. Business Environment

January 1 – June 30, 2013

Consumer Products¹ Market in Japan



1 Consumer products do not include cosmetics.

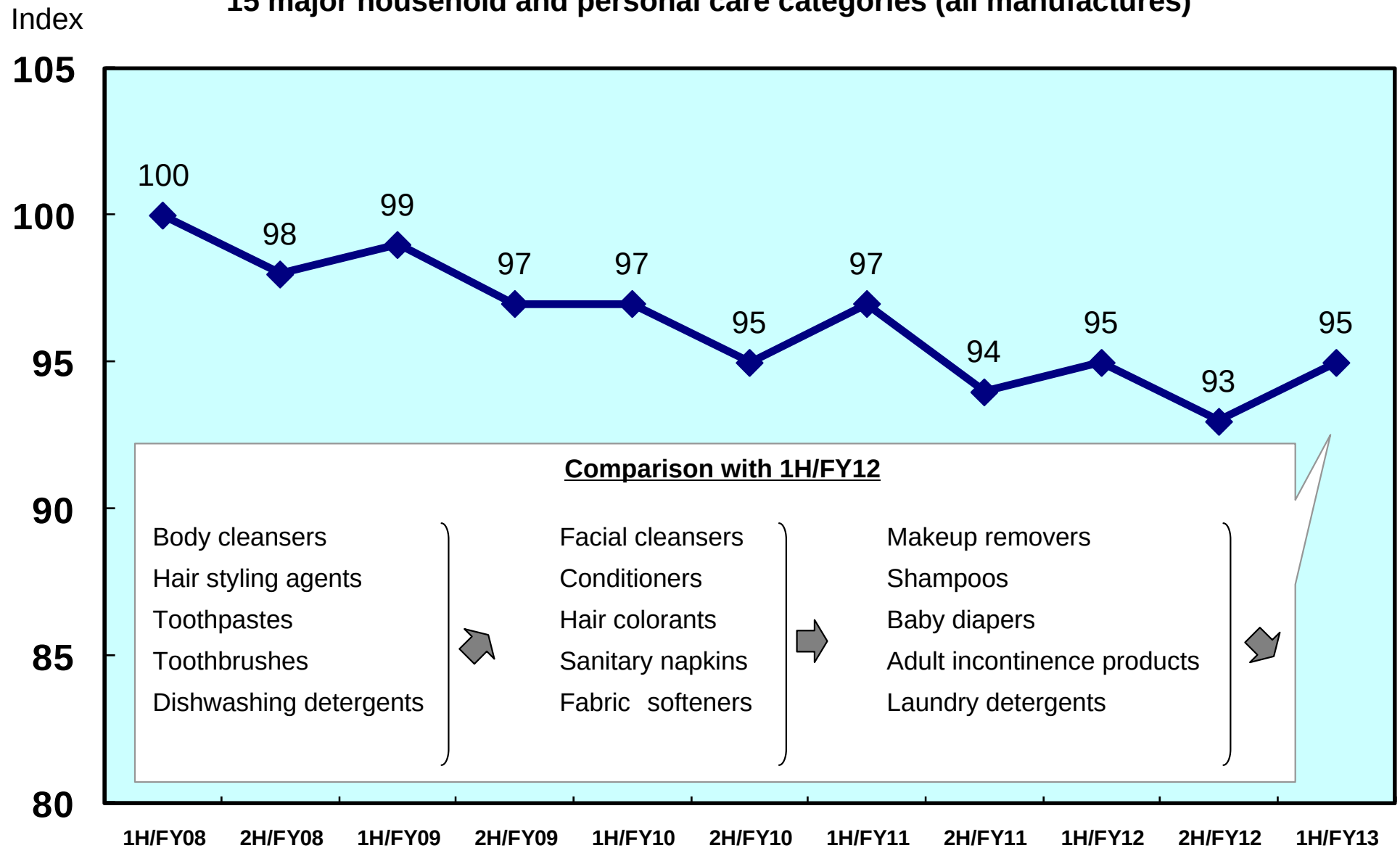
2 Year-on-year growth rate of market size in value (yen)

3. 1H: From January 1 to June 30, 2H: From July 1 to December 31

(Source: SRI POS data by INTAGE Inc.)

Consumer Purchase Prices in Japan

15 major household and personal care categories (all manufactures)



*1H: From January 1 to June 30, 2H: From July 1 to December 31

(Source: SRI POS data by INTAGE Inc.)

2. Consolidated Business Results

January 1 – June 30, 2013

Fiscal year end is December 31 from FY2012

Term of consolidation for 1H/FY2012

- **Group companies whose fiscal year end was previously March 31 *:
April-September 2012**
- **Group companies whose fiscal year end was already December 31:
January-June 2012**

Term of consolidation for FY2012

- **Group companies whose fiscal year end was previously March 31 *:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Restated 1H/FY2012

Figures for the six-month period from January 1 to June 30, 2012 for the purpose of comparison with 1H/ FY2013 (January 1 to June 30, 2013).

**Adjusted growth / Adjusted change
Comparison with the restated 1H/FY2012**

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Key Points in 1H/FY2013

Japan sales related

1. Consumer purchase price of 15 major household and personal care categories market in Japan¹: Flat year-on-year
2. Growth of household and personal care market in Japan²: +2% year-on-year
3. Growth of the cosmetics market in Japan³: -0.9% year-on-year

Income statements related

		<u>Adjusted growth⁴</u>
1. Net sales:	¥625.0 billion	+8.0%
• Effect of currency translation:	+¥31.9 billion	+5.5%
• Sales growth excluding effect of currency translation:	+¥14.4 billion	+2.5%
2. Increase/decrease in operating income ⁵ :	+¥8.1 billion	

Cash flow related

1. Free cash flow⁶: ¥36.9 billion
2. Payments of cash dividends⁷: ¥18.6 billion
3. Share repurchase⁸: ¥30.0 billion
4. Bonds : Redemption ¥50.0 billion / Issuance ¥50.0 billion
5. Retirement of treasury stock: 10.2 million shares

1 Index with the 1st half of FY2008 as 100 (Source: SRI POS data by INTAGE Inc.)

2 Source: SRI POS data by INTAGE Inc.

3 Source: SLI data by INTAGE Inc.

4 Please refer to slide 6 for details.

5 Please refer to slide 12 for details.

6 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

7 Includes payments of cash dividends to minority shareholders.

8 Excludes repurchase of shares less than one unit

1H/FY2013 Consolidated Results

Billion yen	1H/FY12 ¹	Restated 1H/FY12 ¹	1H/FY13	Adjusted growth ¹
Net Sales	609.0	578.7	625.0	+8.0%
EBITA ²	69.7	51.5	57.5	+11.5%
<i>EBITA Margin</i>	11.4%	8.9%	9.2%	
Operating Income	53.4	34.8	42.9	+23.2%
<i>Operating Margin</i>	8.8%	6.0%	6.9%	
Ordinary Income	55.4	36.1	44.9	+24.4%
Net Income	35.9	19.2	18.3	-5.1%
EBITDA	91.6	74.3	80.1	+7.9%
EPS (yen)	68.72	36.87	35.41	-4.0%

1 Please refer to slide 6 for details.

2 Operating income before amortization of goodwill and intellectual property rights related to M&A.

Consolidated Net Sales [1]

	Restated 1H/FY2012 ¹	1H/FY2013		
	Billion yen	Billion yen	% Growth	
			Adjusted ¹	Like-for-like ²
Beauty Care Business	193.5	200.3	+3.5	+3.5
Human Health Care Business	80.6	86.0	+6.7	+6.7
Fabric and Home Care Business	115.8	121.0	+4.4	+4.4
Japan total	390.0	407.2	+4.4	+4.4
Asia	42.4	56.7	+33.8	+11.1
Americas	28.1	34.3	+22.2	+1.8
Europe	27.4	34.0	+24.1	+3.1
Eliminations	-12.2	-15.6	-	-
Consumer Products Business	475.6	516.7	+8.6	+4.4

1: Please refer to slide 6 for details.

2: Adjusted growth excluding the effect of currency translation

Consolidated Net Sales [2]

	Restated 1H/FY2012 ¹	1H/FY2013		
	Billion yen	Billion yen	% Growth	
			Adjusted ¹	Like-for-like ²
Japan	60.4	59.8	-1.1	-1.1
Asia	39.6	40.8	+2.9	-14.7
Americas	17.4	19.8	+14.0	-6.6
Europe	27.0	30.5	+12.9	-6.9
Eliminations	-24.6	-24.9	-	-
Chemical Business	119.9	125.9	+5.0	-5.1
Reconciliations	-16.8	-17.6	-	-
Consolidated net sales	578.7	625.0	+8.0	+2.5

1: Please refer to slide 6 for details.

2: Adjusted growth excluding the effect of currency translation

Consolidated Income Statements

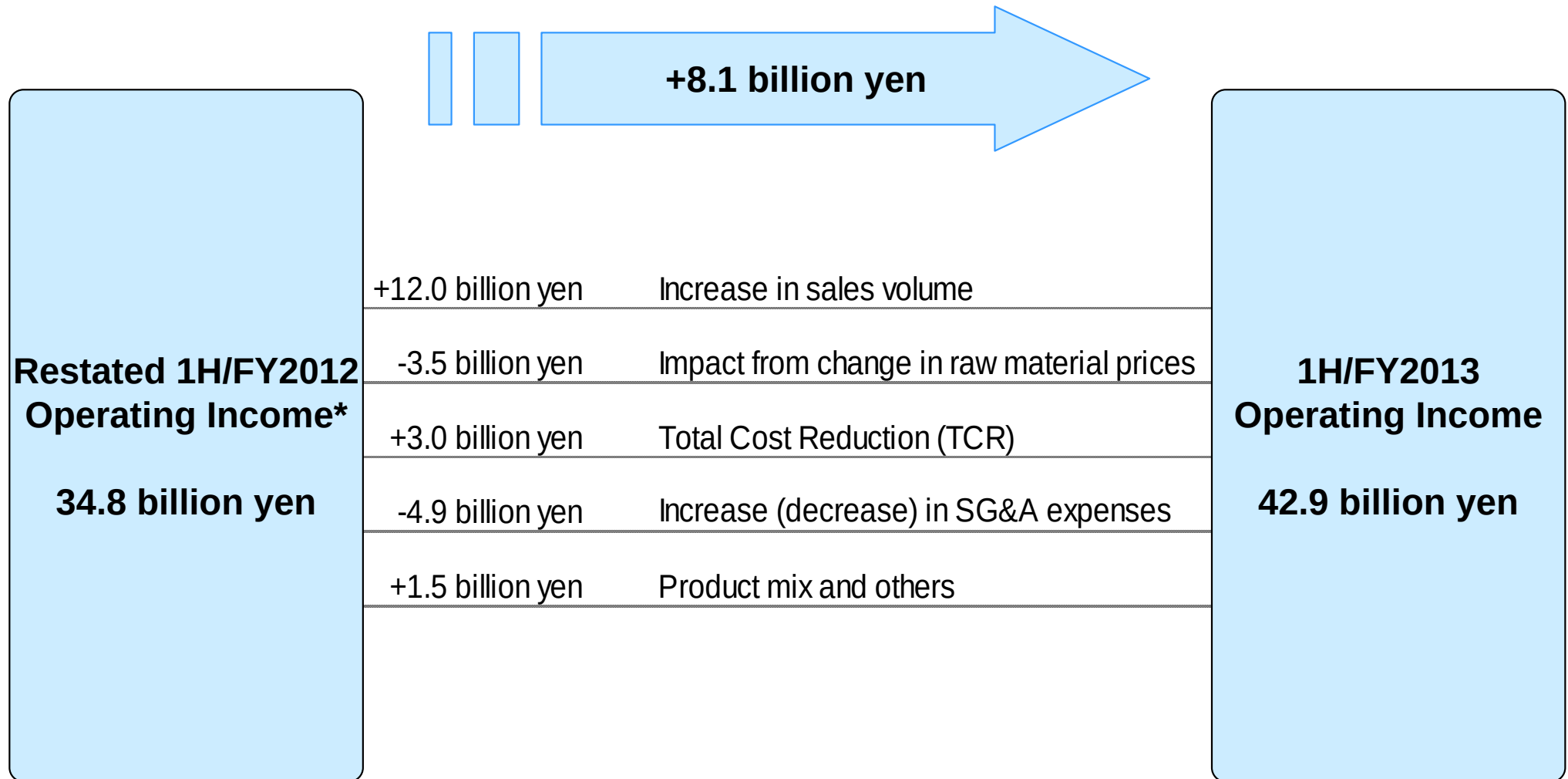
	1H/FY2012 ¹		1H/FY2013		Adjusted % growth ¹
	Billion yen	%	Billion yen	%	
Net Sales	609.0	100.0	625.0	100.0	+8.0
Cost of Sales	262.9	43.2	276.0	44.2	
Gross Profit	346.0	56.8	349.0	55.8	
SG&A Expenses ²	292.7	48.1	306.0	49.0	
Operating Income	53.4	8.8	42.9	6.9	+23.2
Non-operating Income/Expenses	2.0	0.3	2.0	0.3	
Ordinary Income	55.4	9.1	44.9	7.2	+24.4
Extraordinary Gain/Loss	-0.7	-0.1	-6.5	-1.0	
Income Before Income Taxes and Minority Interests	54.7	9.0	38.4	6.1	
Income Taxes	18.2	3.0	19.3	3.1	
Income Before Minority Interests	36.5	6.0	19.1	3.0	
Minority Interests	0.6	0.1	0.8	0.1	
Net Income	35.9	5.9	18.3	2.9	-5.1

1 Please refer to slide 6 for details.

2 Amortization related to Kanebo Cosmetics

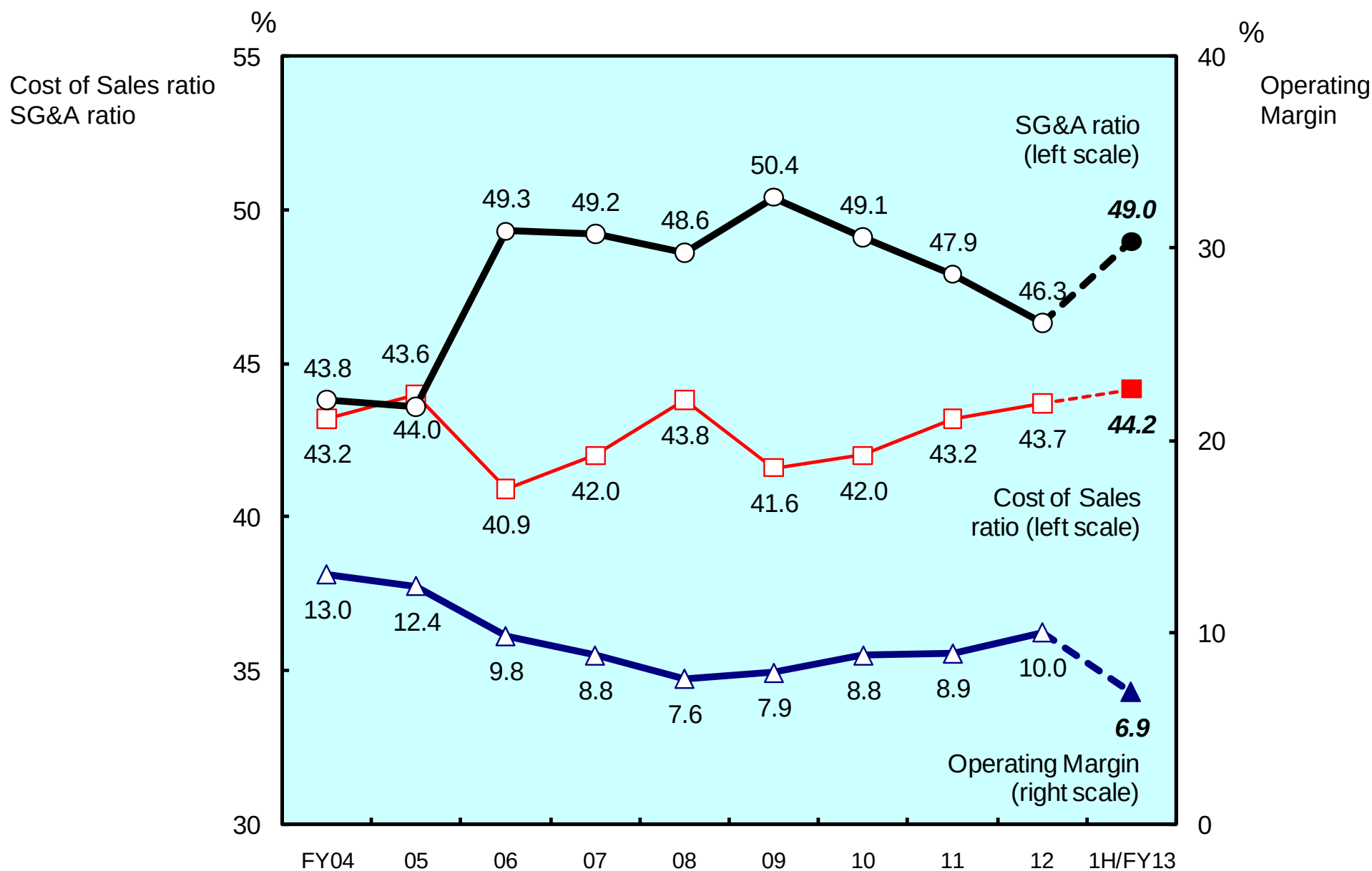
1H/FY2012: 13.7 billion yen, 1H/FY2013: 13.4 billion yen

1H/FY2013 Consolidated Operating Income Analysis



* Please refer to slide 6 for details.

Consolidated Cost of Sales and SG&A to Net Sales



* Structure has changed significantly since FY2006 due to the consolidation of Kanebo Cosmetics.
The impact of the change in financial term is included in FY2012. (Please refer to slide 6 for details.)

Breakdown of Major Consolidated SG&A Expenses

(Billion yen)

	1H/FY2012 [*]	1H/FY2013
Total SG&A Expenses	292.7	306.0

Freight/Warehouse	34.9	36.0
Advertising	43.2	44.8
Sales Promotion	31.3	34.1
Salaries and Bonuses	60.7	66.1
R&D	24.0	24.5

^{*}Please refer to slide 6 for details.

Consolidated Non-operating Income/Expenses and Extraordinary Gain/Loss

(Billion yen)

Non-operating Income/Expenses	1H/FY2012*	1H/FY2013
Non-operating Income	3.2	3.5
Interest Income	0.5	0.5
Dividend Income	0.1	0.1
Equity in Earnings of Nonconsolidated Subsidiaries and Affiliates	1.2	1.1
Foreign Currency Exchange Gain	0.1	0.3
Other	1.3	1.5
Non-operating Expenses	1.2	1.6
Interest Expense	0.8	0.7
Other	0.4	0.9

Extraordinary Gain/Loss	1H/FY2012*	1H/FY2013
Extraordinary Gain	0.5	0.8
Gain on Sales of Fixed Assets	0.1	0.0
Gain on Sales of Stock of Subsidiary	0.3	-
Gain on Transfer of Business	-	0.4
Other	0.1	0.4
Extraordinary Loss	1.1	7.3
Loss on Sales/Disposals of Fixed Assets	1.1	1.4
Loss related to cosmetics	-	5.6
Other	0.0	0.4

*Please refer to slide 6 for details.

Consolidated Results by Segment

		Restated 1H/FY2012 ³		1H/FY2013		Adjusted changes ³	Adjusted growth ³
		Billion yen	% of net sales	Billion yen	% of net sales	Billion yen	%
Beauty Care Business	Net Sales ¹	256.7	-	278.6	-	+21.9	+8.5%
	EBITA ²	16.7	6.5%	17.6	6.3%	+0.9	+5.6%
	Operating Income	0.0	0.0%	3.1	1.1%	+3.1	NA
Human Health Care Business	Net Sales ¹	89.7	-	99.6	-	+9.9	+11.1%
	Operating Income	4.2	4.7%	6.7	6.7%	+2.5	+59.2%
Fabric and Home Care Business	Net Sales ¹	129.2	-	138.5	-	+9.3	+7.2%
	Operating Income	20.8	16.1%	23.7	17.1%	+2.8	+13.5%
Chemical Business	Net Sales ¹	119.9	-	125.9	-	+6.0	+5.0%
	EBITA ²	9.7	8.1%	9.4	7.5%	-0.3	-2.7%
	Operating Income	9.7	8.1%	9.4	7.5%	-0.2	-2.5%
Consolidated	Net Sales	578.7	-	625.0	-	+46.3	+8.0%
	EBITA ²	51.5	8.9%	57.5	9.2%	+5.9	+11.5%
	Operating Income	34.8	6.0%	42.9	6.9%	+8.1	+23.2%

1 Before elimination of intersegment transfers

2 Operating income before amortization of goodwill and intellectual property rights related to M&A

3 Please refer to slide 6 for details.

[Reference] Consolidated Results by Geographic Area

		Restated 1H/FY2012 ³		1H/FY2013		Adjusted changes ³	Adjusted growth ³
		Billion yen	% of net sales	Billion yen	% of net sales	Billion yen	%
Japan	Net Sales ¹	435.8	-	452.0	-	+16.3	+3.7%
	EBITA ²	44.4	10.2%	47.7	10.5%	+3.2	+7.3%
	Operating Income	28.7	6.6%	34.2	7.6%	+5.5	+19.3%
Asia	Net Sales ¹	80.5	-	95.6	-	+15.1	+18.7%
	Operating Income	3.3	4.1%	5.8	6.1%	+2.5	+75.3%
Americas	Net Sales ¹	45.4	-	54.0	-	+8.6	+19.0%
	EBITA ²	1.2	2.7%	2.1	3.9%	+0.9	+76.3%
	Operating Income	0.9	2.0%	1.8	3.3%	+0.9	+99.5%
Europe	Net Sales ¹	54.4	-	64.4	-	+10.0	+18.5%
	EBITA ²	2.8	5.2%	2.6	4.1%	-0.2	-6.4%
	Operating Income	2.2	4.0%	1.9	2.9%	-0.3	-13.4%
Consolidated	Net Sales	578.7	-	625.0	-	+46.3	+8.0%
	EBITA ²	51.5	8.9%	57.5	9.2%	+5.9	+11.5%
	Operating Income	34.8	6.0%	42.9	6.9%	+8.1	+23.2%

1 Before elimination of intersegment transfers

2 Operating income before amortization of goodwill and intellectual property rights related to M&A

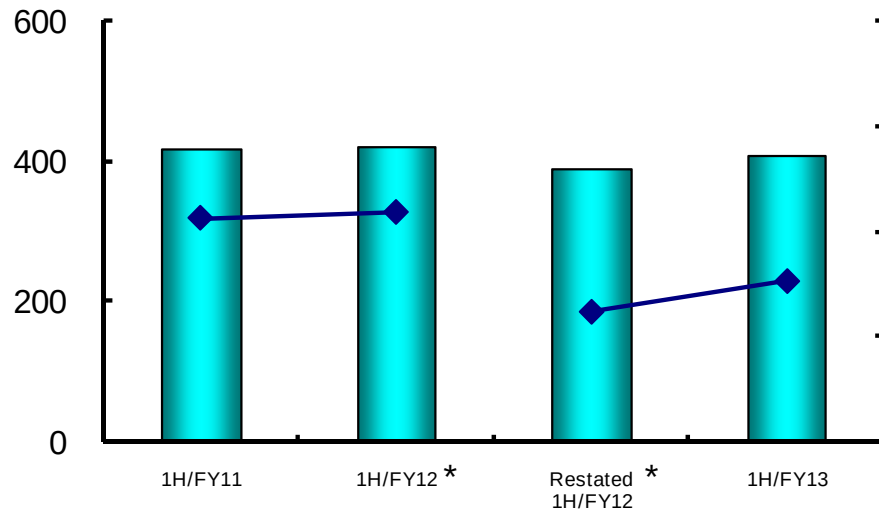
3 Please refer to slide 6 for details.

Consumer Products Business by Geographic Area

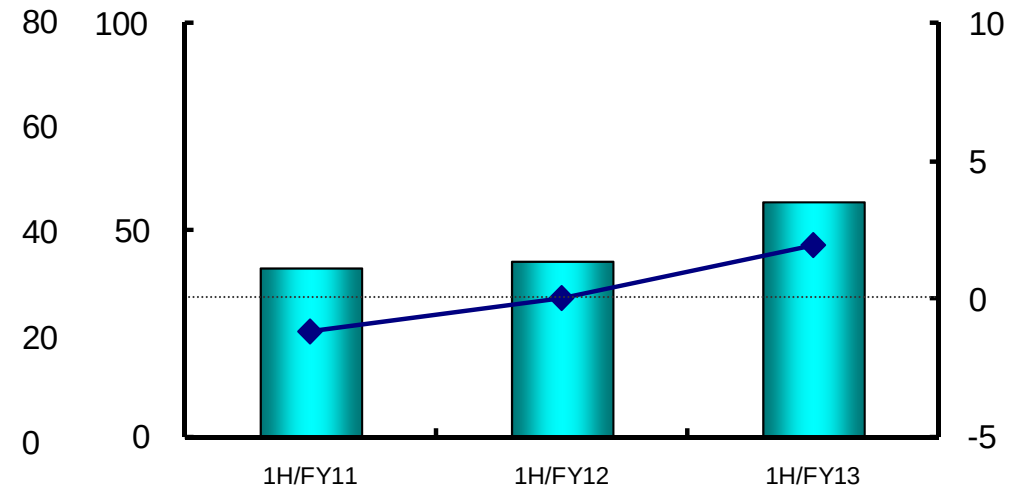
Japan

Sales (Billion yen)

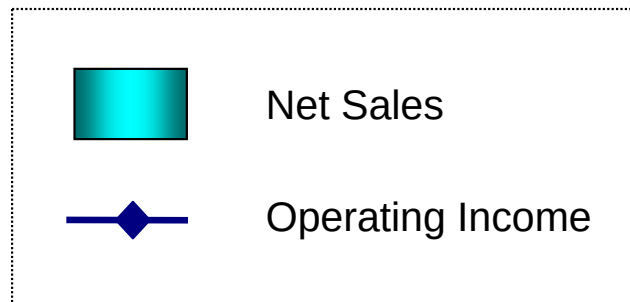
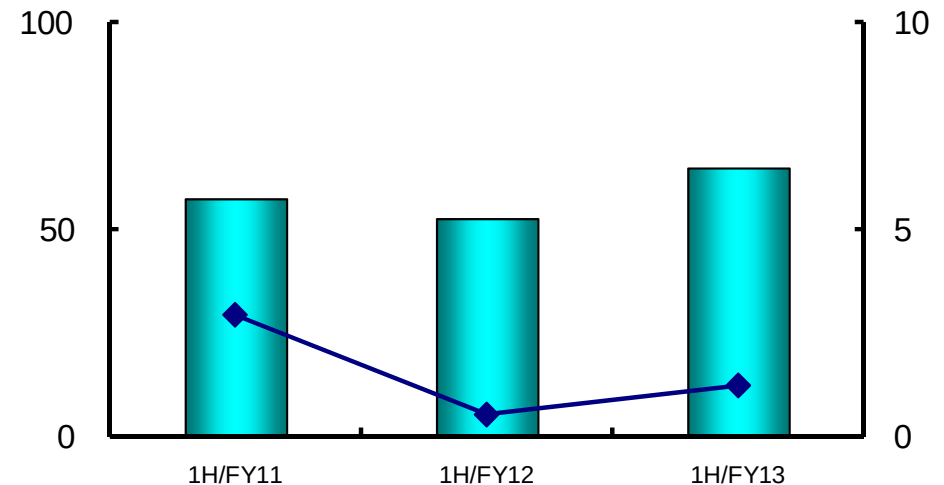
Operating Income
(Billion yen)



Asia



Americas & Europe



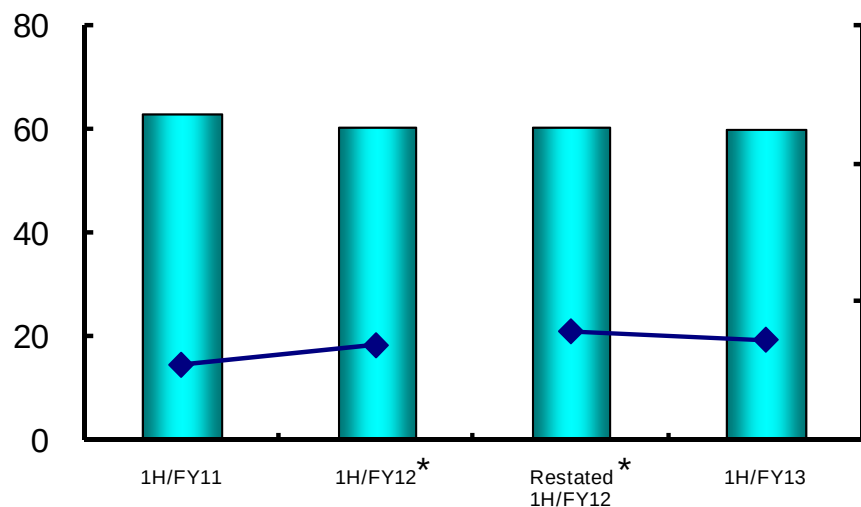
* Please refer to slide 6 for details on 1H/FY2012 and restated 1H/FY2012 of Japan.

Chemical Business by Geographic Area

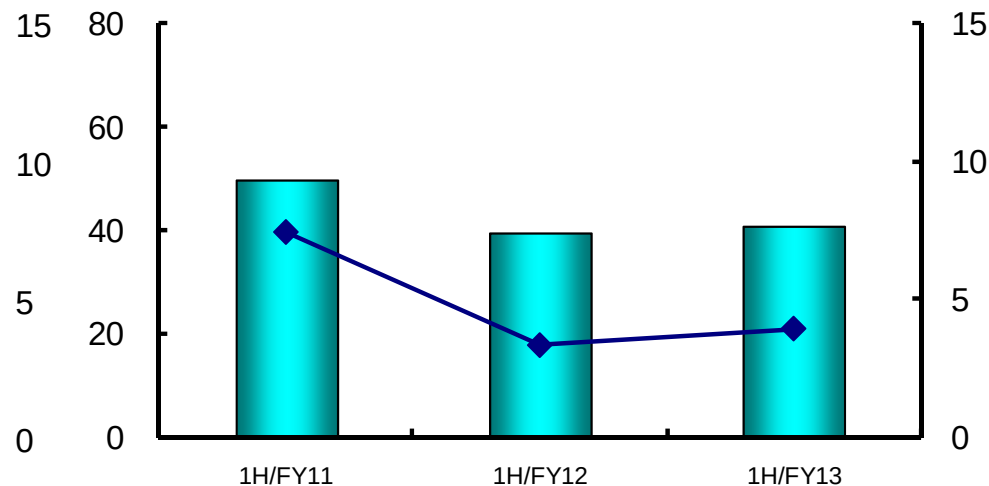
Japan

Sales (Billion yen)

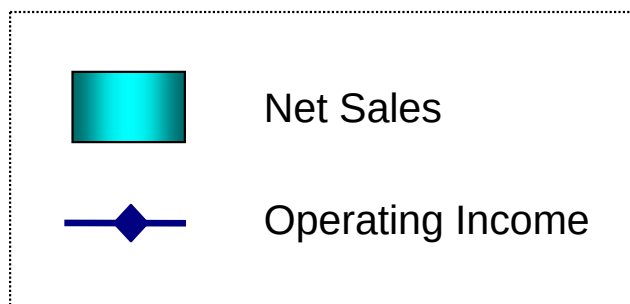
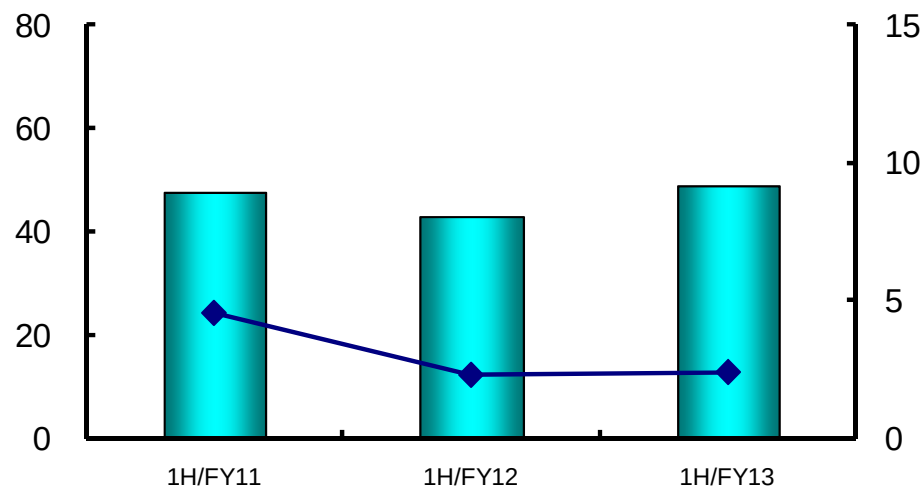
Operating Income
(Billion yen)



Asia



Americas & Europe



* Please refer to slide 6 for details on 1H/FY2012 and restated 1H/FY2012 of Japan.

Consolidated Balance Sheets

(Billion yen)

	Dec/12	Jun/13	Changes		Dec/12	Jun/13	Changes
Current Assets	493.4	515.3	+21.9	Current Liabilities	315.9	292.1	-23.8
Cash and Time Deposits	99.3	94.6	-4.8	Notes and Accounts Payable - Trade	105.5	111.6	+6.1
Notes and Accounts Receivable - Trade	164.3	163.2	-1.1	Bonds/Short-term Loans (incl. Current Portion of Bonds/Long-term Loans)	53.1	1.3	-51.8
Short-term Investments	57.4	68.4	+10.9	Accrued Income Taxes	11.7	16.5	+4.8
Inventories	122.2	132.0	+9.8	Other	145.6	162.7	+17.1
Other	50.2	57.2	+7.1				
Fixed Assets	536.9	545.0	+8.0	Long-term Liabilities	118.4	174.4	+56.0
Property, Plant and Equipment	252.3	269.2	+16.9	Bonds/Long-term Loans	50.1	100.1	+50.0
Intangible Assets	215.9	205.6	-10.4	Other	68.3	74.4	+6.0
Investments and Other Assets	68.7	70.2	+1.5	Total Liabilities	434.3	466.6	+32.3
				Shareholders' equity	654.0	626.6	-27.4
				-Common Stock	85.4	85.4	-
				-Capital Surplus	109.6	109.6	-
				-Retained Earnings	468.0	441.3	-26.7
				-Treasury Stock, at Cost	-9.0	-9.7	-0.7
				Accumulated other comprehensive income	-71.3	-46.8	+24.5
				- Unrealized Gain on Available-for-sale Securities	2.4	4.0	+1.5
				- Deferred Gain (Loss) on Derivatives under Hedges Accounting	0.0	0.0	+0.0
				- Foreign Currency Translation Adjustments	-71.9	-46.1	+25.7
				- Post retirement adjustments for foreign consolidated subsidiaries	-1.9	-4.7	-2.8
				Stock Acquisition Rights	1.3	1.2	-0.1
				Minority Interests	12.1	12.7	+0.6
				Total Net Assets	596.1	593.7	-2.4
Total Assets	1,030.3	1,060.3	+29.9	Total Liabilities and Total Net Assets	1,030.3	1,060.3	+29.9

Consolidated Statements of Cash Flows

(Billion yen)

	1H/FY2012 ¹	1H/FY2013
Net Cash Provided by Operating Activities	63.9	78.9
Net Cash Used in Investing Activities	-30.6	-41.9
Net Cash Used in Financing Activities	-16.2	-50.7
Translation Adjustments on Cash and Cash Equivalents	0.0	11.2
Net Increase (Decrease) in Cash and Cash Equivalents	17.2	-2.5
Cash and Cash Equivalents, Beginning of Period	129.7	160.4
Cash and Cash Equivalents from Newly Consolidated Subsidiary, Increase	0.3	0.6
Cash and Cash Equivalents, End of Period	147.2	158.5
Total Debt at End of Period	103.6	101.4
Free Cash Flow ²	33.3	36.9

<Net cash used in investing activities>

Capital expenditures:

- Construction of new plants in Indonesia
- Production capacity enhancement of fatty alcohols in the Philippines
- Production facilities for new products
- Production capacity expansion
- Optimization of distribution bases
- IT related, etc.

<Net cash used in financing activities>

Payments of cash dividends (Includes payments of cash dividends to minority shareholders) : 18.6 billion yen

Purchase of treasury stock³ : 30.0 billion yen

Bonds : Redemption 50.0 billion yen / Issuance 50.0 billion yen

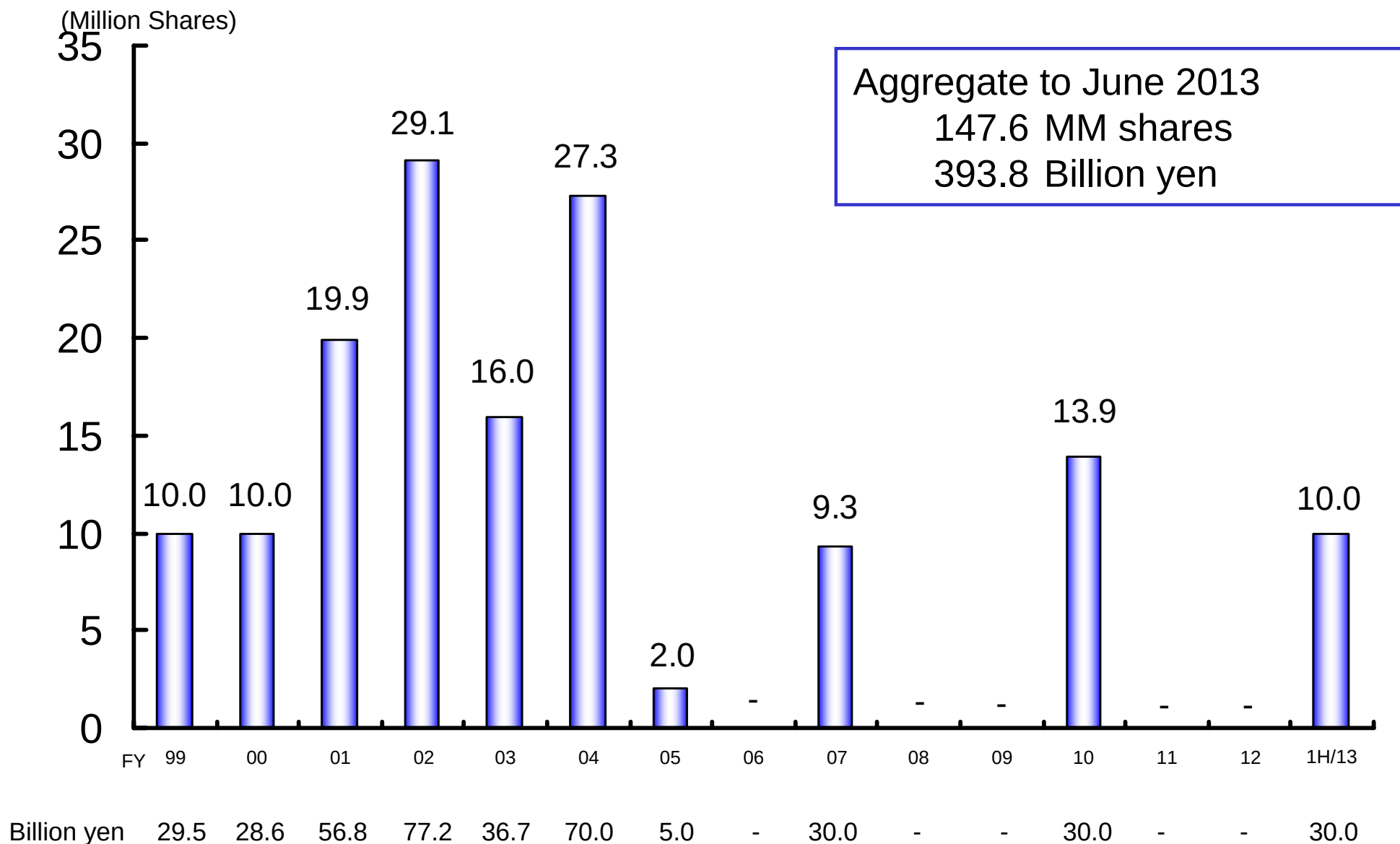
Retirement of treasury stock: 10.2 million shares

1 Please refer to slide 6 for details.

2 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

3 Excludes repurchase of shares less than one unit

Share Repurchase *



* Share repurchase from the market

3. Forecast for FY 2013

Fiscal year end is December 31 from FY2012

Term of consolidation for FY2012

- **Group companies whose fiscal year end was previously March 31*:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Restated FY2012

Figures for the twelve-month period from January 1 to December 31, 2012 for group companies whose fiscal year end was previously March 31

Adjusted growth

- FY2012 actual

Comparison with the nine-month period from April 1 to December 31, 2011 for group companies whose fiscal year end was previously March before the fiscal year end change

- FY2013 forecast

Comparison with the restated FY2012

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Major Assumptions for FY2013 Forecast

- ◆ Year-on-year growth rate of market size in value (yen) for the Consumer Products Business¹ in Japan: +1 to +2%
- ◆ Year-on-year growth rate of cosmetics market size in value (yen) in Japan: 0 to +1%

		<u>Adjusted growth²</u>
◆ Net sales:	¥1,300.0 billion	+6.5%
• Effect of currency translation:	+¥60.0 billion	+4.9%
• Sales growth excluding effect of currency translation:	+¥19.6 billion	+1.6%
<u>Estimated impact on income</u>		
◆ Impact from change in raw material prices:		
• Gross impact: +¥9 billion		
• Net impact: -¥7 billion		
◆ Total Cost Reduction (TCR) activities: +¥6 billion		
◆ Capital expenditures/depreciation and amortization:		
• Capital expenditures: ¥60 billion		
• Depreciation and amortization: ¥76 billion		

Exchange rate assumptions

- ◆ 95 yen/USD (FY2012 actual exchange rate [average]: 80.12 yen/USD)
- ◆ 125 yen/Euro (FY2012 actual exchange rate [average]: 103.46 yen/Euro)

1 Excludes cosmetics.

2 Please refer to slide 23 for details.

Consolidated Sales and Profit Forecast

	FY2012 ⁴		[Reference] ² Restated FY2012	FY2013(F) ^{1 5}	
	Billion yen	Adjusted ² % growth	Billion yen	Billion yen	Adjusted ² % growth
Net Sales	1,012.6	+0.4	1,220.4	1,300.0	+6.5
Operating Income	101.6	+3.2	111.8	116.0	+3.8
[% of Sales]	10.0%		9.2%	8.9%	
Ordinary Income	104.2	+4.0	114.1	118.0	+3.4
[% of Sales]	10.3%		9.4%	9.1%	
Net Income	<u>52.8</u>	<u>+1.9</u>	<u>53.1</u>	67.0	<u>+26.2</u>
[% of Sales]	<u>5.2%</u>		<u>4.4%</u>	5.2%	
Net Income per Share (yen)	<u>101.12</u>	<u>+2.0</u>	<u>101.77</u>	130.84	<u>+28.6</u>
ROE ³	<u>9.4%</u>	-	<u>9.5%</u>	11.2%	-
EBITDA (Operating Income + Depr. & Amort.)	161.4	+0.4	189.2	192.0	+1.5
Cash Dividends per Share (yen)	62.0	+3.3	62.0	64.0	+3.2

1 Exchange rate assumptions: 95 yen/USD, 125 yen/Euro

2 Please refer to slide 23 for details.

3 ROE forecast of FY2012 is for the transitional period connected with the change in fiscal year end.

4 Kanebo Cosmetics (Apr. -Dec. 2012) : Net sales = approximately ¥150 billion / operating margin before deduction of royalties = slightly more than 7%; amortization related to Kanebo Cosmetics: ¥20.5 billion

5 Kanebo Cosmetics (Jan. -Dec. 2013) : Net sales = slightly more than ¥180 billion / operating margin before deduction of royalties = approximately 6%; amortization related to Kanebo Cosmetics: ¥26.8 billion

Sales Outlook by Segment – FY2013

<Billion yen>

Consolidated Net Sales

By Segment¹

1,300 ^{Adjusted growth²} +6.5%

Reference:
By Geographic Area¹

		Adjusted growth ²			Adjusted growth ²
Beauty Care	565	+5.1%	Japan	956	+2.4%
Human Health Care	210	+10.8%	Asia	191	+19.4%
Fabric and Home Care	309	+5.8%	Americas	106	+17.8%
Chemical	250	+5.7%	Europe	128	+15.8%

¹ Sales are before elimination of transactions between segments or geographic areas.

² Please refer to slide 23 for details.

Sales Outlook – FY2013

- Consumer Products Business in Japan -

<Billion yen>

	1st Half			Full Year		
	Restated FY2012 Actual	FY2013 Actual	Adjusted growth*	Restated FY2012 Actual	FY2013 Forecast	Adjusted growth*
Beauty Care	193.5	200.3	+3.5%	408.3	407.0	-0.3%
Human Health Care	80.6	86.0	+6.7%	170.3	181.0	+6.3%
Fabric and Home Care	115.8	121.0	+4.4%	264.4	274.0	+3.6%
Consumer Products Business	390.0	407.2	+4.4%	843.0	862.0	+2.3%

* Please refer to slide 23 for details.

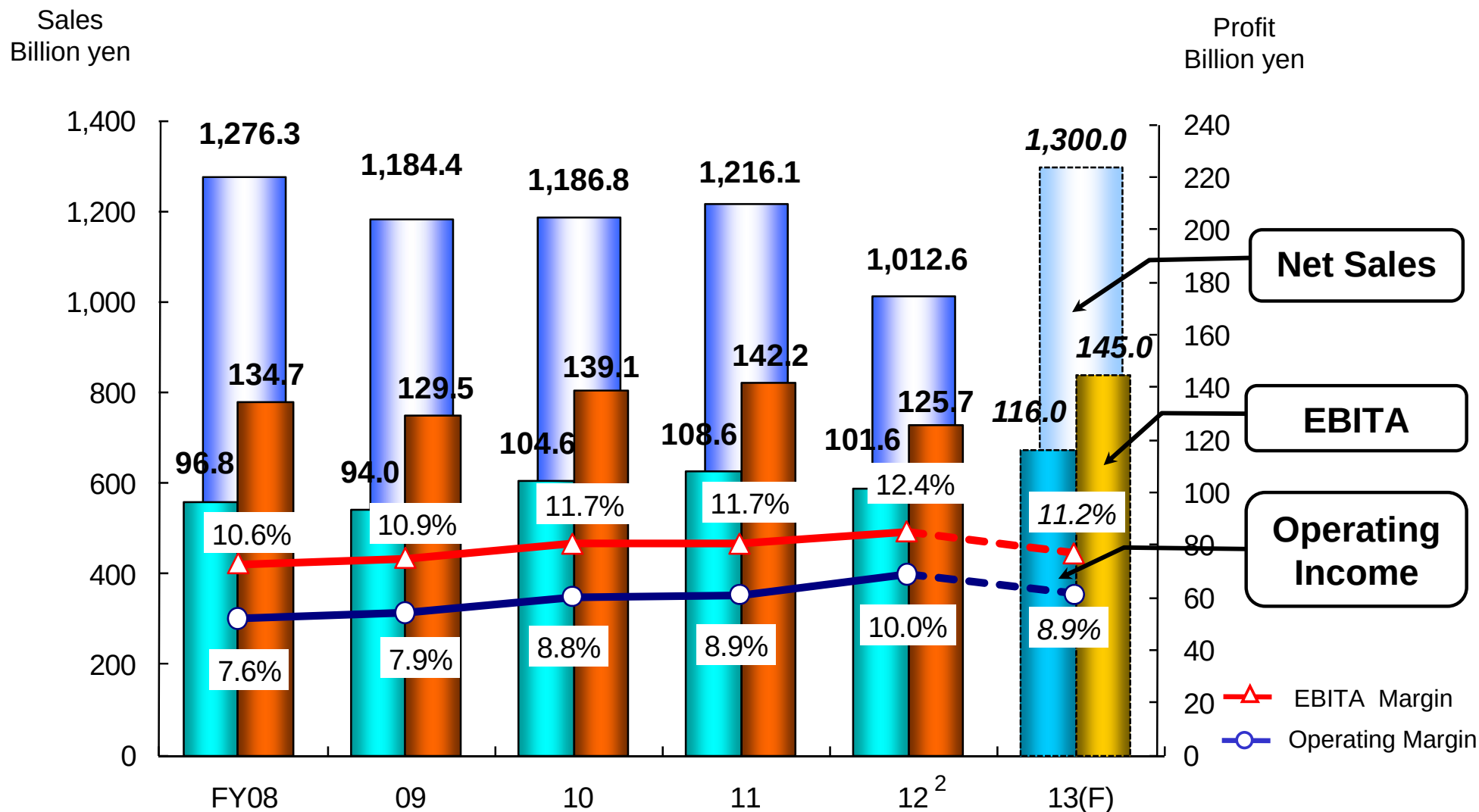
FY2013 Outlook by Segment/Geographic Area

	Decrease in operating income	Increase in operating income
Increase in net sales	Chemical – Japan	CP¹ – Japan CP¹ – Asia CP¹ – Americas CP¹ – Europe Chemical – Asia Chemical – Americas Chemical – Europe
Decrease in net sales		

1: CP = Consumer Products

2: Excludes the impact of the change in financial term. (Please refer to slide 23 for details.)

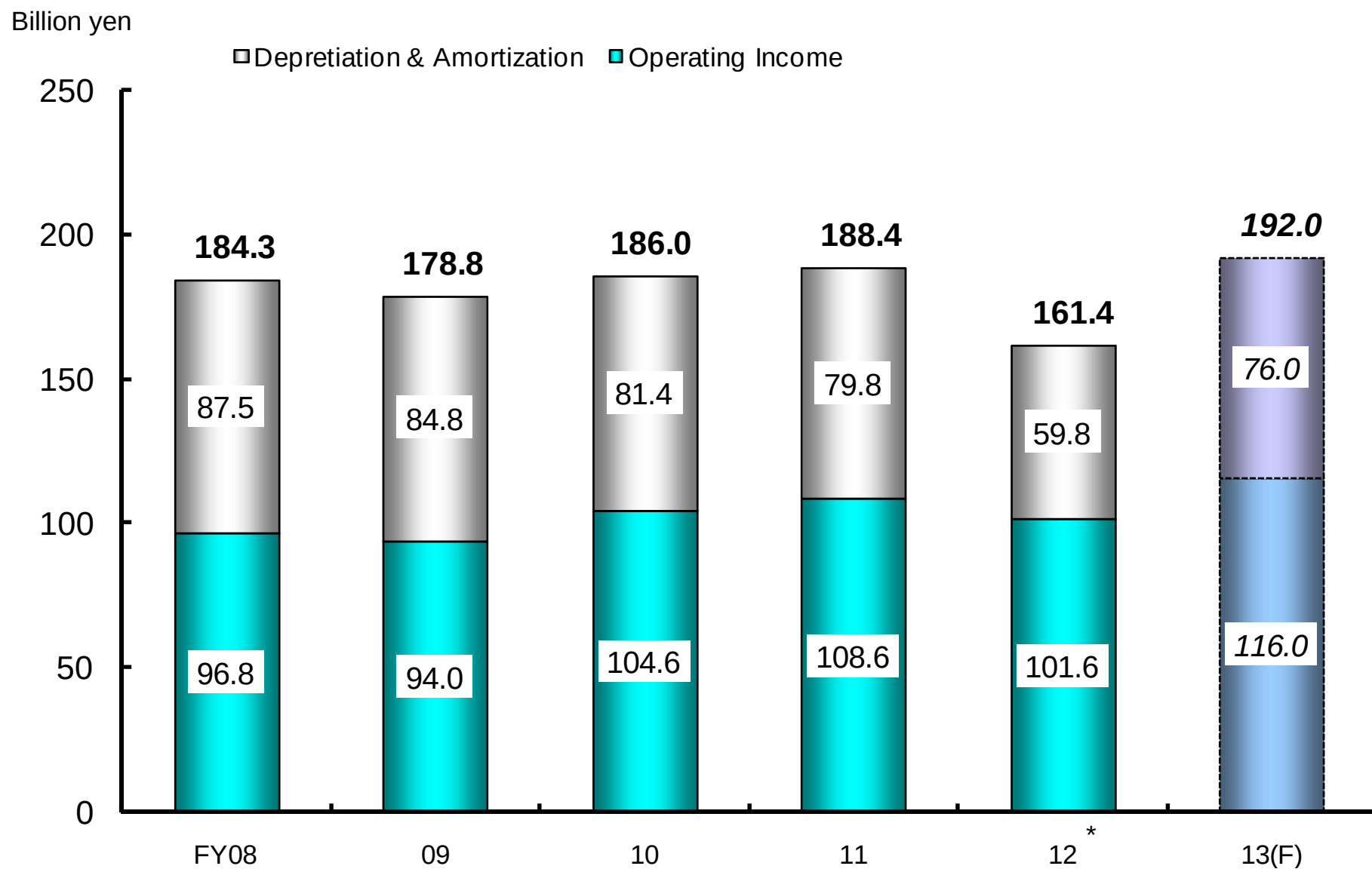
Consolidated Net Sales/EBITA¹/Operating Income



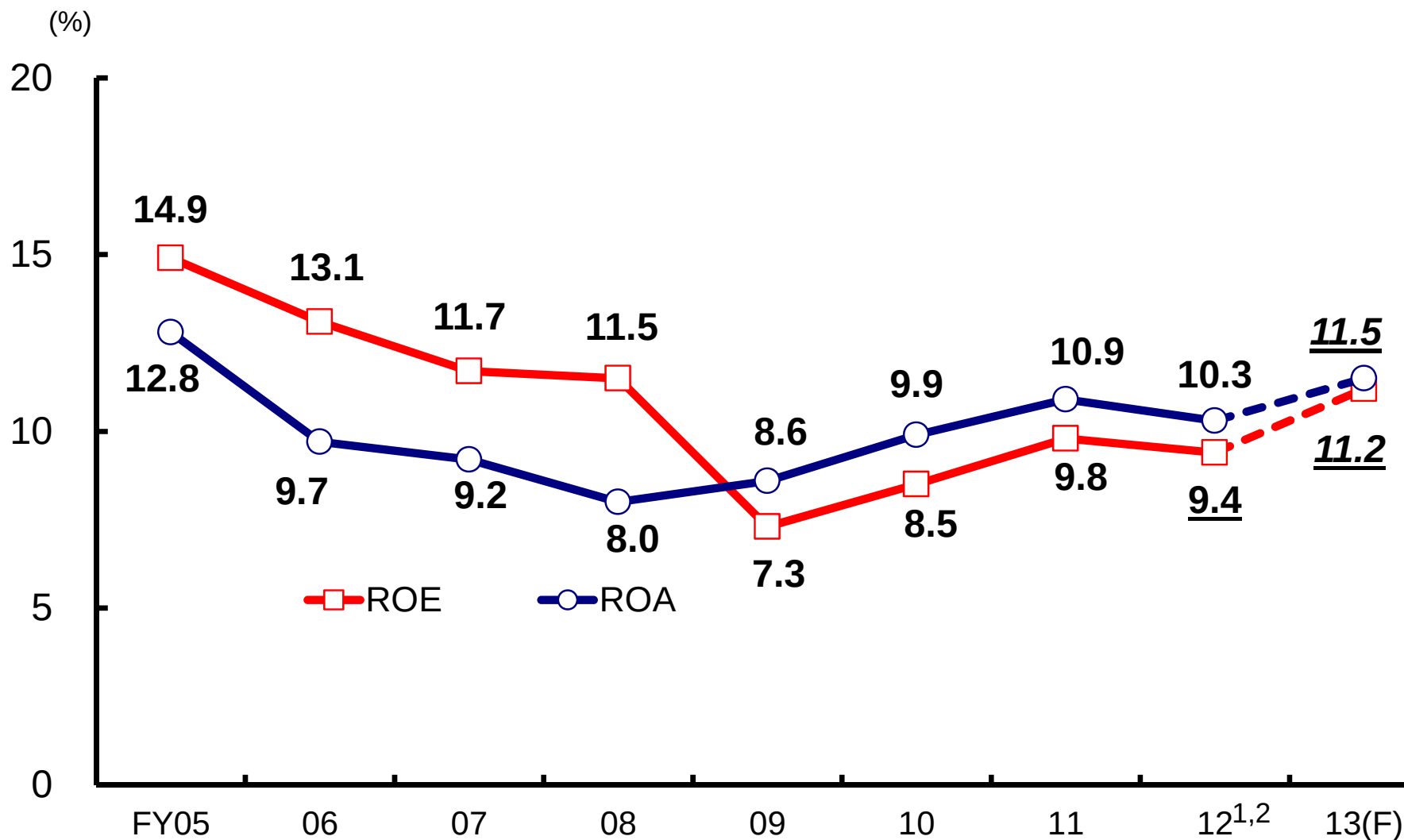
1 Operating income before amortization of goodwill and intellectual property rights related to M&A

2 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

EBITDA



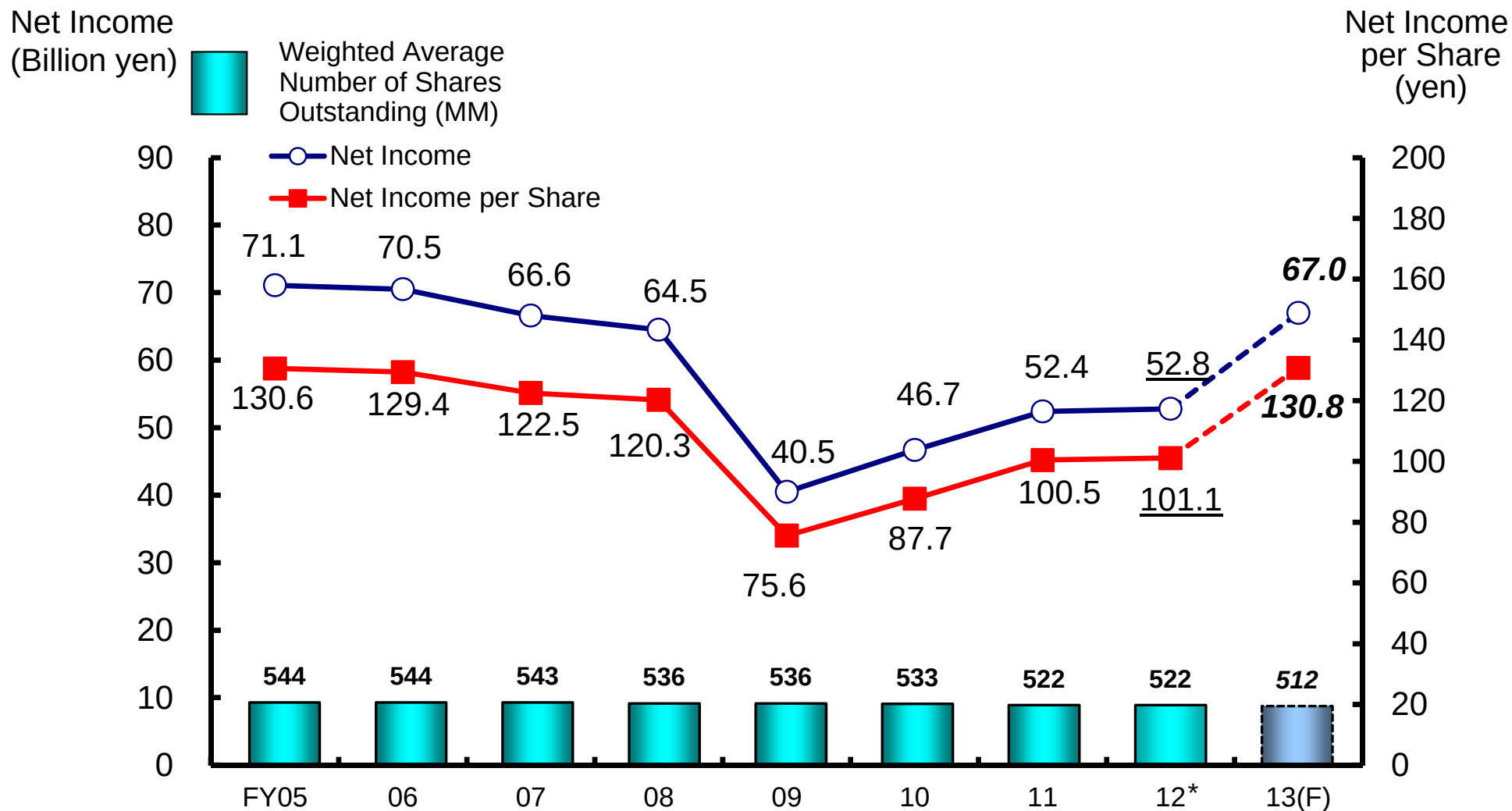
ROE & ROA



ROA: Ordinary Income / Total assets

- 1 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)
- 2 ROE and ROA of FY2012 are for the transitional period connected with the change in fiscal year end.

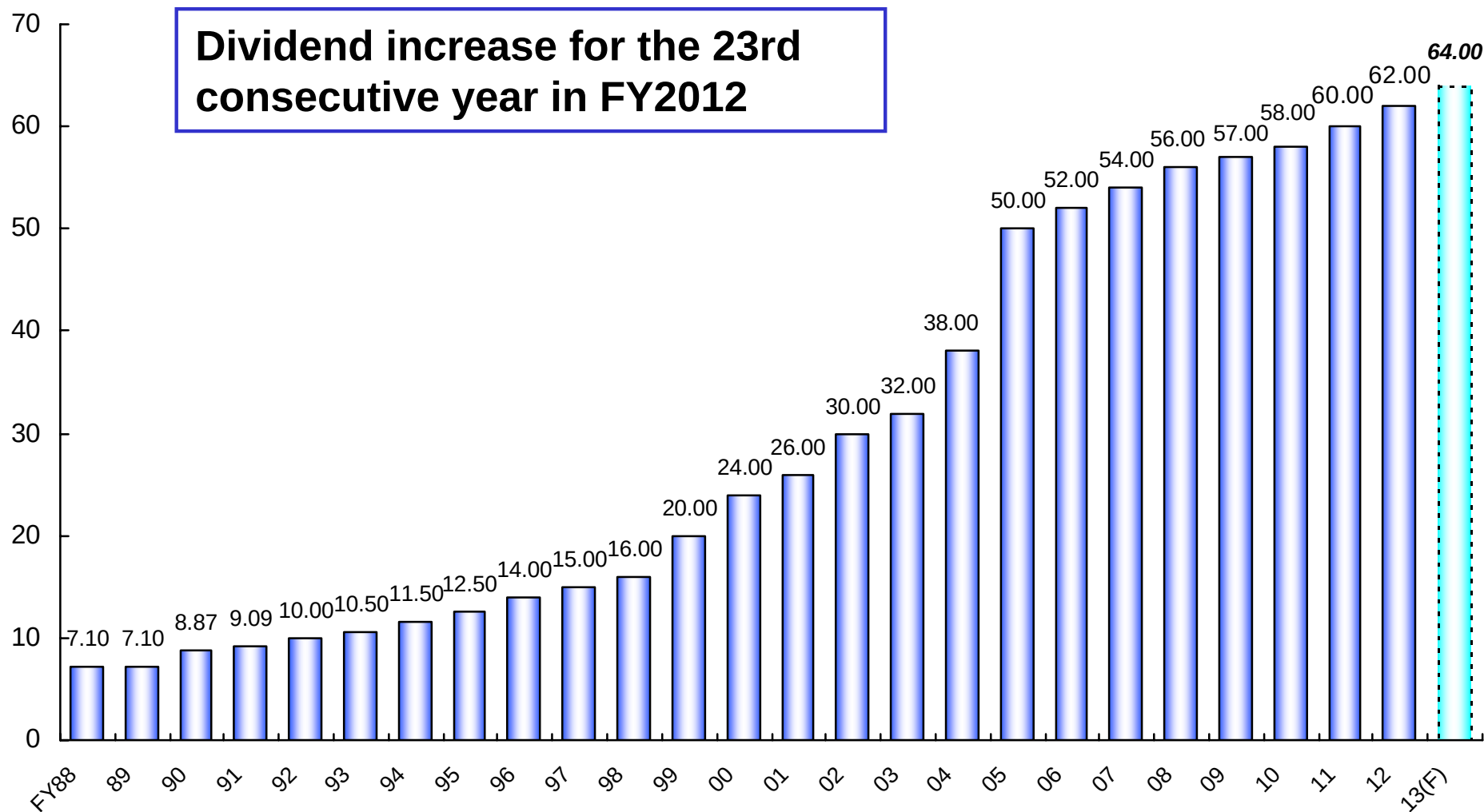
Net Income per Share



* Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

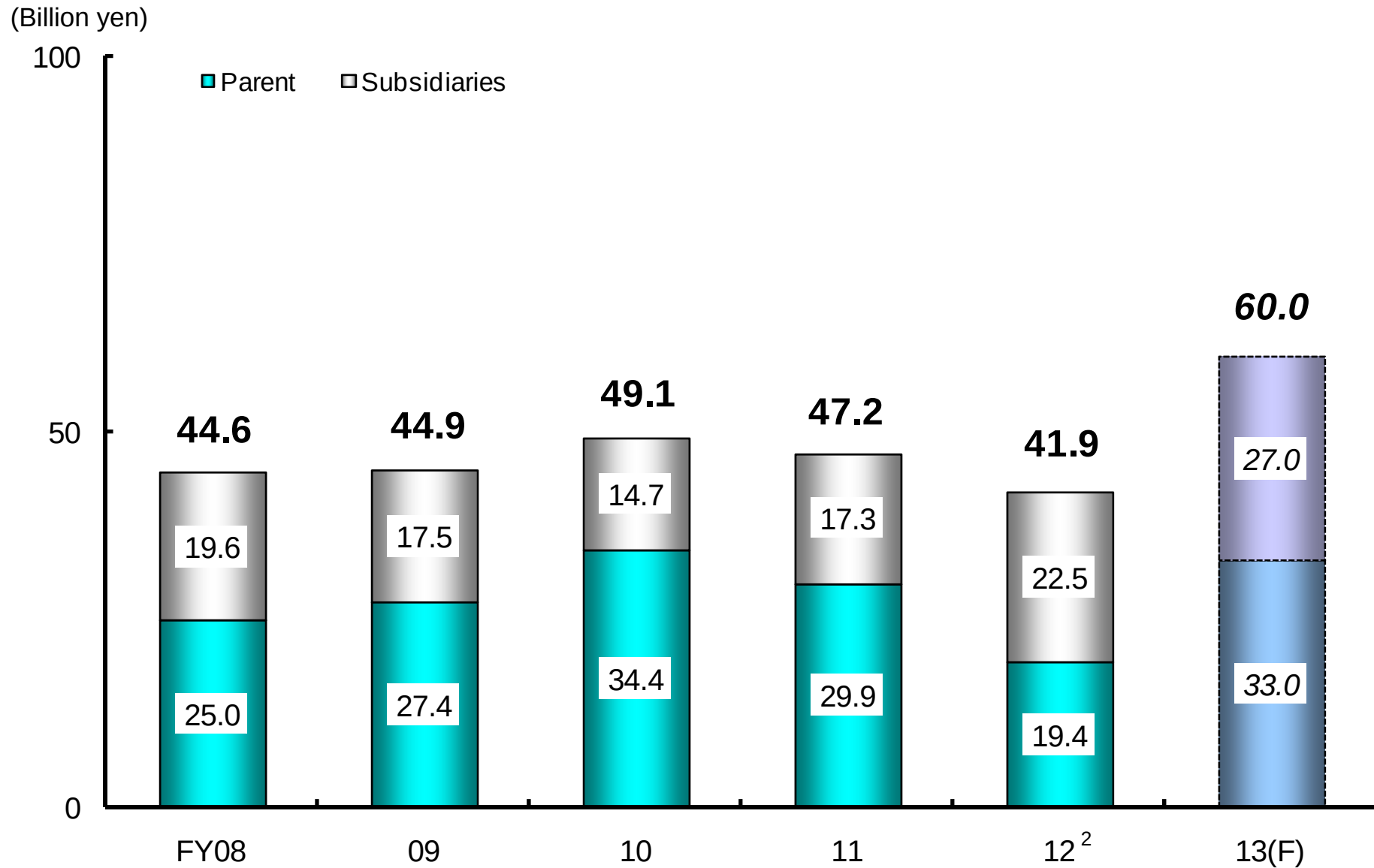
Cash Dividends per Share

(Yen)



*Impacts of share splits are retroactively reflected.

Capital Expenditures



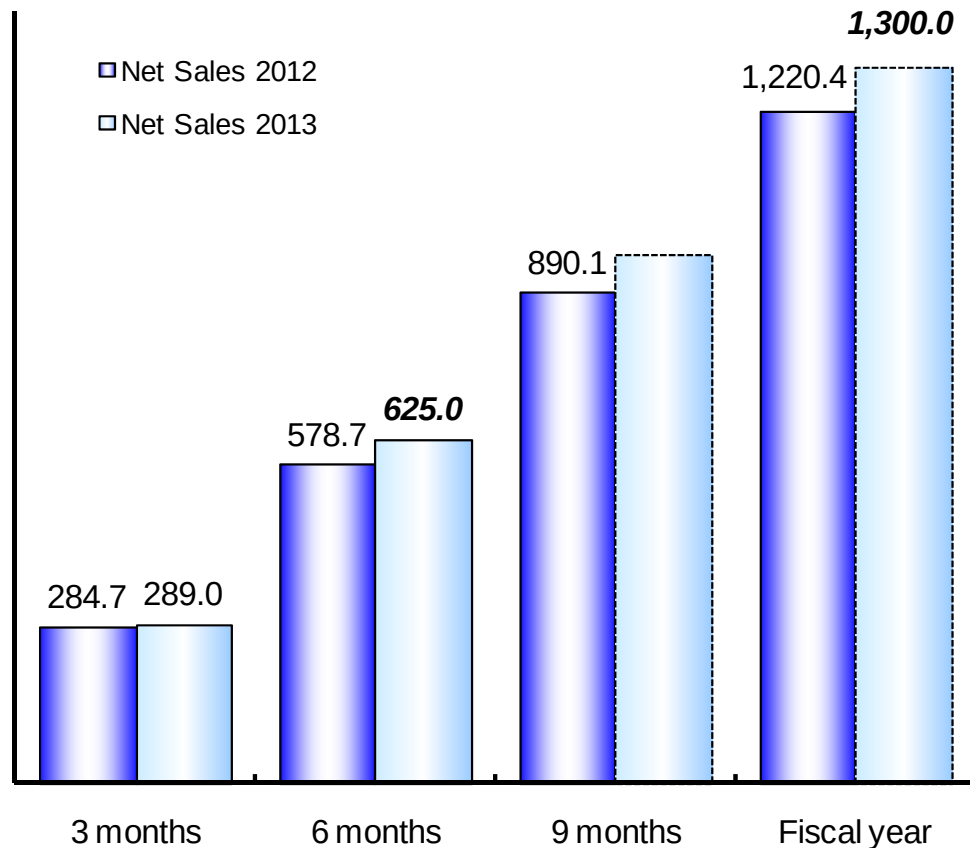
1 Includes long-term prepaid expenses.

2 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

FY2013 Quarterly Consolidated Sales and Profit Forecast

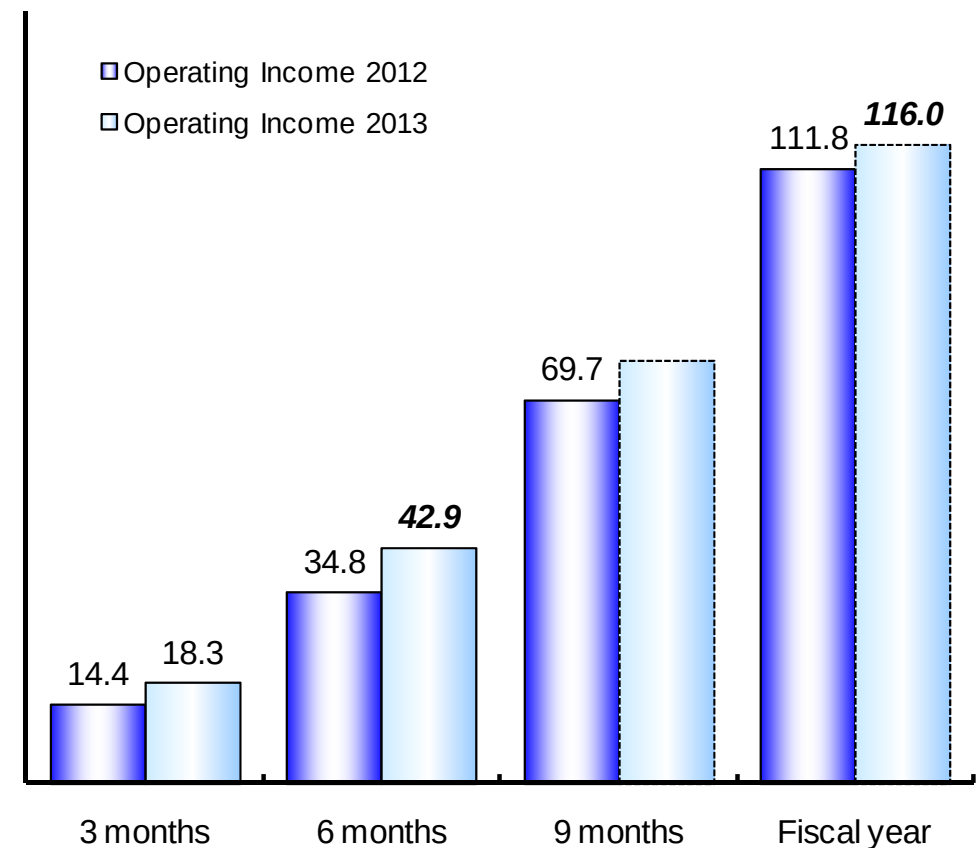
Net Sales

(Billion yen)



Operating Income

(Billion yen)



* Fiscal year end is December 31 from FY2012. Figures for the twelve-month period from January 1 to December 31, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31. (Please refer to slide 23 for details.)

The Kao logo is centered on the page. It features the word "Kao" in a bold, black, sans-serif typeface. The letter "K" is slightly larger and more prominent than the "a" and "o".

Enriching lives, in harmony with nature.

Semi-Annual Financial Review

From January 1 to June 30, 2013

Kao Corporation

July 30, 2013

This is a translation of materials used for the analyst meeting held in Japan on July 30, 2013.



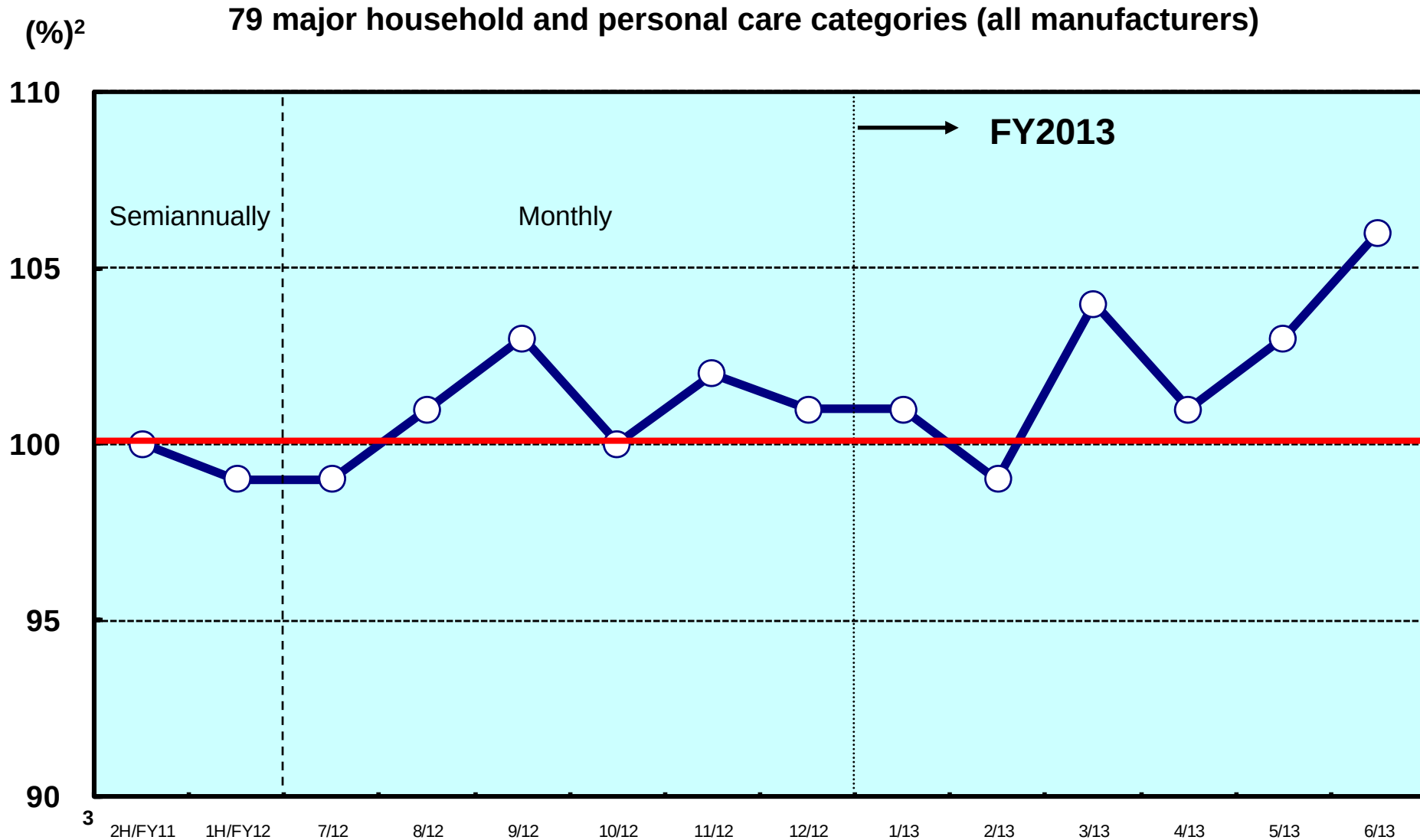
These presentation materials are available on our website in PDF format:
http://www.kao.com/jp/en/corp_ir/presentations.html

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.

1. Business Environment

January 1 – June 30, 2013

Consumer Products¹ Market in Japan



1 Consumer products do not include cosmetics.

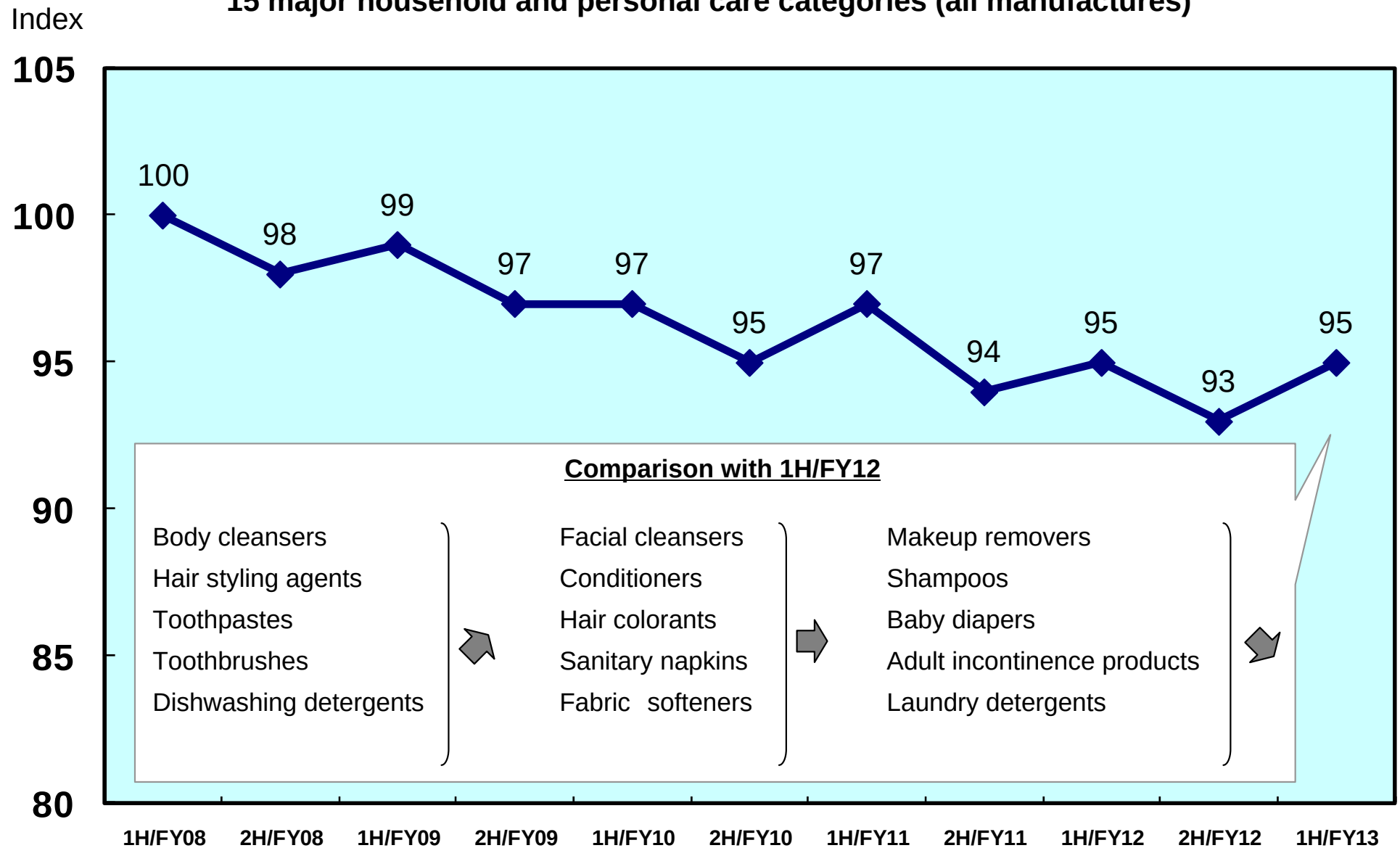
2 Year-on-year growth rate of market size in value (yen)

3. 1H: From January 1 to June 30, 2H: From July 1 to December 31

(Source: SRI POS data by INTAGE Inc.)

Consumer Purchase Prices in Japan

15 major household and personal care categories (all manufactures)



*1H: From January 1 to June 30, 2H: From July 1 to December 31

(Source: SRI POS data by INTAGE Inc.)

2. Consolidated Business Results

January 1 – June 30, 2013

Fiscal year end is December 31 from FY2012

Term of consolidation for 1H/FY2012

- **Group companies whose fiscal year end was previously March 31 *:
April-September 2012**
- **Group companies whose fiscal year end was already December 31:
January-June 2012**

Term of consolidation for FY2012

- **Group companies whose fiscal year end was previously March 31 *:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Restated 1H/FY2012

Figures for the six-month period from January 1 to June 30, 2012 for the purpose of comparison with 1H/ FY2013 (January 1 to June 30, 2013).

**Adjusted growth / Adjusted change
Comparison with the restated 1H/FY2012**

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Key Points in 1H/FY2013

Japan sales related

1. Consumer purchase price of 15 major household and personal care categories market in Japan¹: Flat year-on-year
2. Growth of household and personal care market in Japan²: +2% year-on-year
3. Growth of the cosmetics market in Japan³: -0.9% year-on-year

Income statements related

		<u>Adjusted growth⁴</u>
1. Net sales:	¥625.0 billion	+8.0%
• Effect of currency translation:	+¥31.9 billion	+5.5%
• Sales growth excluding effect of currency translation:	+¥14.4 billion	+2.5%
2. Increase/decrease in operating income ⁵ :	+¥8.1 billion	

Cash flow related

1. Free cash flow⁶: ¥36.9 billion
2. Payments of cash dividends⁷: ¥18.6 billion
3. Share repurchase⁸: ¥30.0 billion
4. Bonds : Redemption ¥50.0 billion / Issuance ¥50.0 billion
5. Retirement of treasury stock: 10.2 million shares

1 Index with the 1st half of FY2008 as 100 (Source: SRI POS data by INTAGE Inc.)

2 Source: SRI POS data by INTAGE Inc.

3 Source: SLI data by INTAGE Inc.

4 Please refer to slide 6 for details.

5 Please refer to slide 12 for details.

6 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

7 Includes payments of cash dividends to minority shareholders.

8 Excludes repurchase of shares less than one unit

1H/FY2013 Consolidated Results

Billion yen	1H/FY12 ¹	Restated 1H/FY12 ¹	1H/FY13	Adjusted growth ¹
Net Sales	609.0	578.7	625.0	+8.0%
EBITA ²	69.7	51.5	57.5	+11.5%
<i>EBITA Margin</i>	11.4%	8.9%	9.2%	
Operating Income	53.4	34.8	42.9	+23.2%
<i>Operating Margin</i>	8.8%	6.0%	6.9%	
Ordinary Income	55.4	36.1	44.9	+24.4%
Net Income	35.9	19.2	18.3	-5.1%
EBITDA	91.6	74.3	80.1	+7.9%
EPS (yen)	68.72	36.87	35.41	-4.0%

1 Please refer to slide 6 for details.

2 Operating income before amortization of goodwill and intellectual property rights related to M&A.

Consolidated Net Sales [1]

	Restated 1H/FY2012 ¹	1H/FY2013		
	Billion yen	Billion yen	% Growth	
			Adjusted ¹	Like-for-like ²
Beauty Care Business	193.5	200.3	+3.5	+3.5
Human Health Care Business	80.6	86.0	+6.7	+6.7
Fabric and Home Care Business	115.8	121.0	+4.4	+4.4
Japan total	390.0	407.2	+4.4	+4.4
Asia	42.4	56.7	+33.8	+11.1
Americas	28.1	34.3	+22.2	+1.8
Europe	27.4	34.0	+24.1	+3.1
Eliminations	-12.2	-15.6	-	-
Consumer Products Business	475.6	516.7	+8.6	+4.4

1: Please refer to slide 6 for details.

2: Adjusted growth excluding the effect of currency translation

Consolidated Net Sales [2]

	Restated 1H/FY2012 ¹	1H/FY2013		
	Billion yen	Billion yen	% Growth	
			Adjusted ¹	Like-for-like ²
Japan	60.4	59.8	-1.1	-1.1
Asia	39.6	40.8	+2.9	-14.7
Americas	17.4	19.8	+14.0	-6.6
Europe	27.0	30.5	+12.9	-6.9
Eliminations	-24.6	-24.9	-	-
Chemical Business	119.9	125.9	+5.0	-5.1
Reconciliations	-16.8	-17.6	-	-
Consolidated net sales	578.7	625.0	+8.0	+2.5

1: Please refer to slide 6 for details.

2: Adjusted growth excluding the effect of currency translation

Consolidated Income Statements

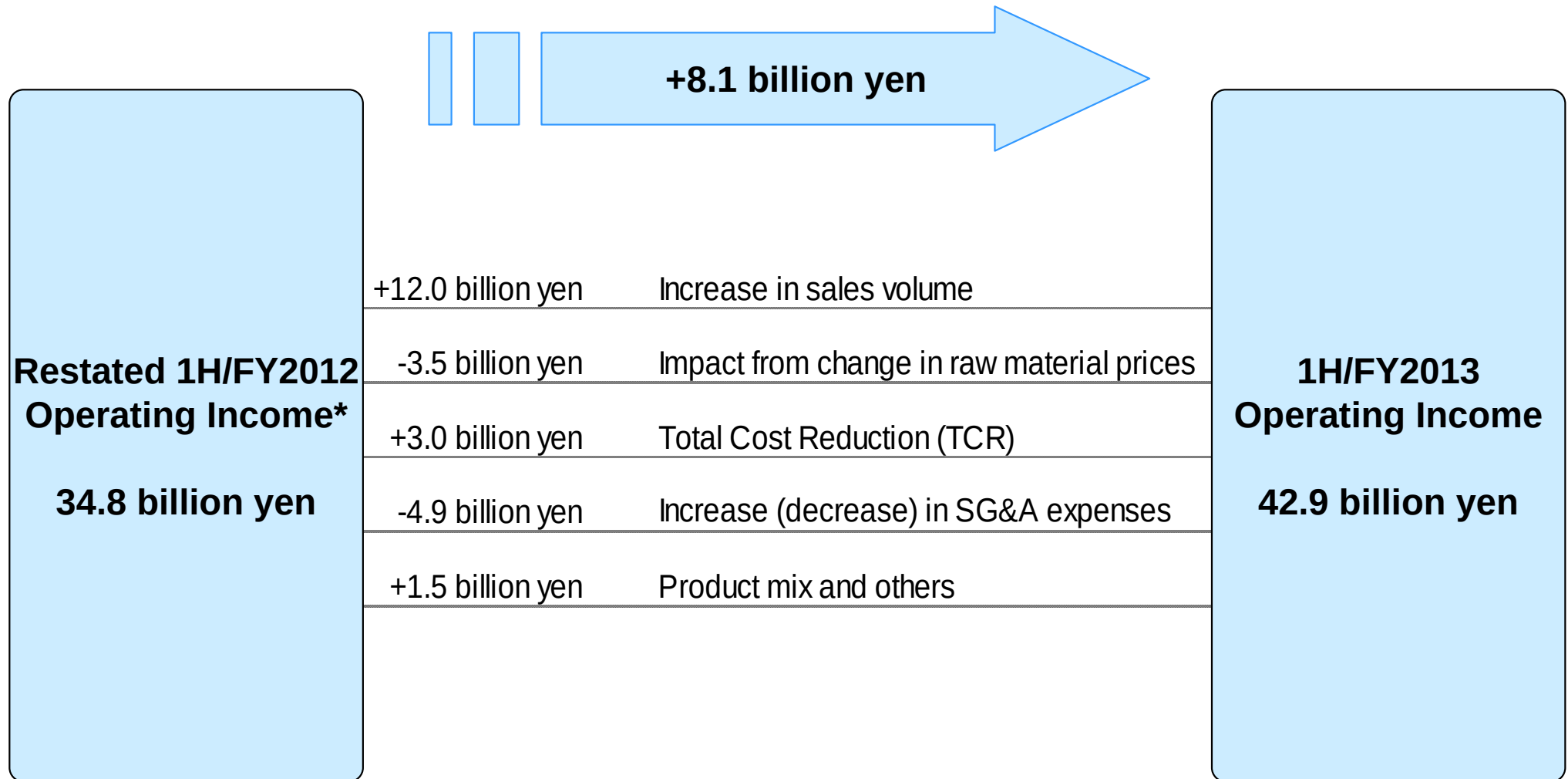
	1H/FY2012 ¹		1H/FY2013		Adjusted % growth ¹
	Billion yen	%	Billion yen	%	
Net Sales	609.0	100.0	625.0	100.0	+8.0
Cost of Sales	262.9	43.2	276.0	44.2	
Gross Profit	346.0	56.8	349.0	55.8	
SG&A Expenses ²	292.7	48.1	306.0	49.0	
Operating Income	53.4	8.8	42.9	6.9	+23.2
Non-operating Income/Expenses	2.0	0.3	2.0	0.3	
Ordinary Income	55.4	9.1	44.9	7.2	+24.4
Extraordinary Gain/Loss	-0.7	-0.1	-6.5	-1.0	
Income Before Income Taxes and Minority Interests	54.7	9.0	38.4	6.1	
Income Taxes	18.2	3.0	19.3	3.1	
Income Before Minority Interests	36.5	6.0	19.1	3.0	
Minority Interests	0.6	0.1	0.8	0.1	
Net Income	35.9	5.9	18.3	2.9	-5.1

1 Please refer to slide 6 for details.

2 Amortization related to Kanebo Cosmetics

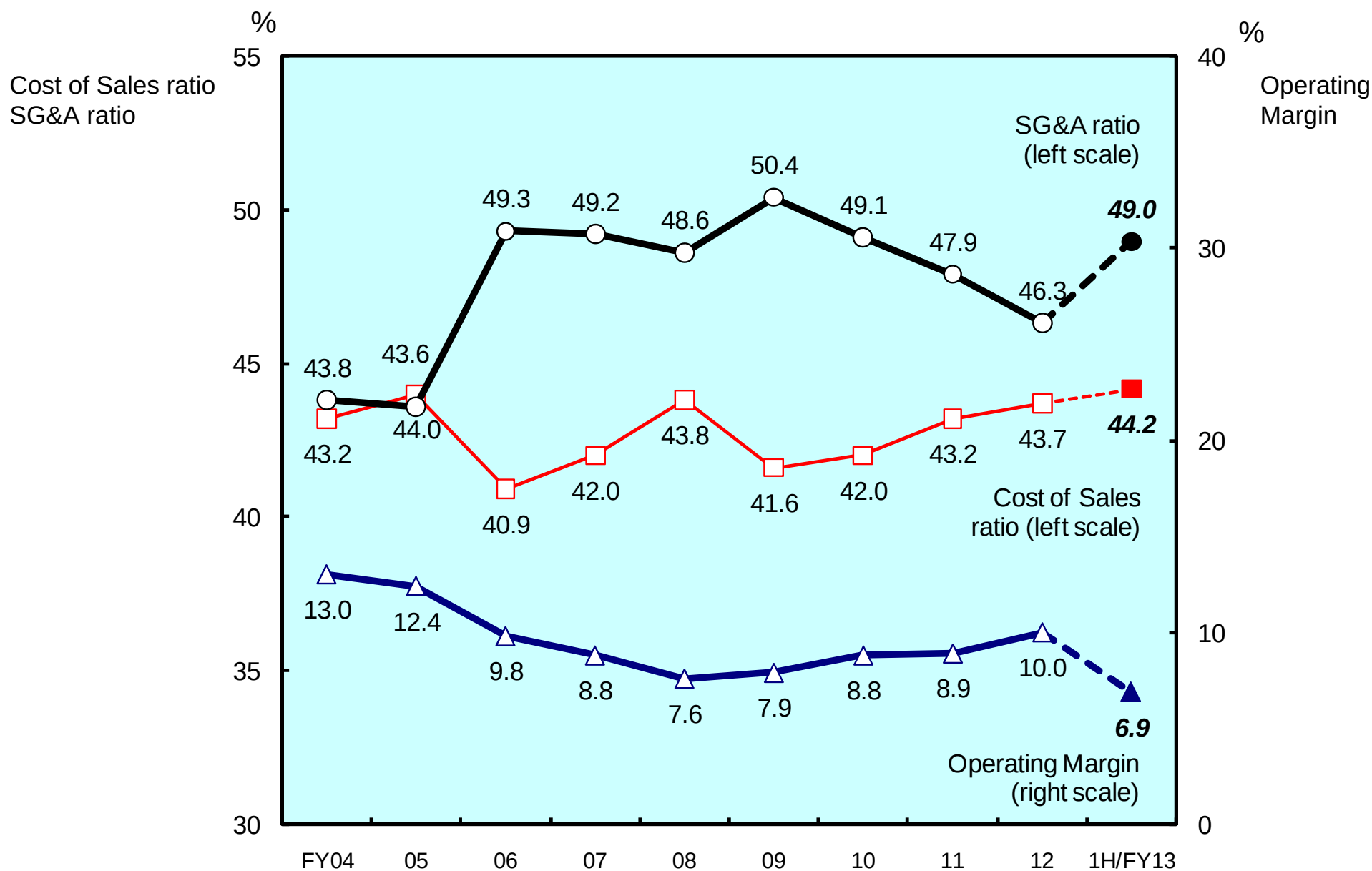
1H/FY2012: 13.7 billion yen, 1H/FY2013: 13.4 billion yen

1H/FY2013 Consolidated Operating Income Analysis



* Please refer to slide 6 for details.

Consolidated Cost of Sales and SG&A to Net Sales



* Structure has changed significantly since FY2006 due to the consolidation of Kanebo Cosmetics.
The impact of the change in financial term is included in FY2012. (Please refer to slide 6 for details.)

Breakdown of Major Consolidated SG&A Expenses

(Billion yen)

	1H/FY2012 [*]	1H/FY2013
Total SG&A Expenses	292.7	306.0

Freight/Warehouse	34.9	36.0
Advertising	43.2	44.8
Sales Promotion	31.3	34.1
Salaries and Bonuses	60.7	66.1
R&D	24.0	24.5

^{*}Please refer to slide 6 for details.

Consolidated Non-operating Income/Expenses and Extraordinary Gain/Loss

(Billion yen)

Non-operating Income/Expenses	1H/FY2012*	1H/FY2013
Non-operating Income	3.2	3.5
Interest Income	0.5	0.5
Dividend Income	0.1	0.1
Equity in Earnings of Nonconsolidated Subsidiaries and Affiliates	1.2	1.1
Foreign Currency Exchange Gain	0.1	0.3
Other	1.3	1.5
Non-operating Expenses	1.2	1.6
Interest Expense	0.8	0.7
Other	0.4	0.9

Extraordinary Gain/Loss	1H/FY2012*	1H/FY2013
Extraordinary Gain	0.5	0.8
Gain on Sales of Fixed Assets	0.1	0.0
Gain on Sales of Stock of Subsidiary	0.3	-
Gain on Transfer of Business	-	0.4
Other	0.1	0.4
Extraordinary Loss	1.1	7.3
Loss on Sales/Disposals of Fixed Assets	1.1	1.4
Loss related to cosmetics	-	5.6
Other	0.0	0.4

*Please refer to slide 6 for details.

Consolidated Results by Segment

		Restated 1H/FY2012 ³		1H/FY2013		Adjusted changes ³	Adjusted growth ³
		Billion yen	% of net sales	Billion yen	% of net sales	Billion yen	%
Beauty Care Business	Net Sales ¹	256.7	-	278.6	-	+21.9	+8.5%
	EBITA ²	16.7	6.5%	17.6	6.3%	+0.9	+5.6%
	Operating Income	0.0	0.0%	3.1	1.1%	+3.1	NA
Human Health Care Business	Net Sales ¹	89.7	-	99.6	-	+9.9	+11.1%
	Operating Income	4.2	4.7%	6.7	6.7%	+2.5	+59.2%
Fabric and Home Care Business	Net Sales ¹	129.2	-	138.5	-	+9.3	+7.2%
	Operating Income	20.8	16.1%	23.7	17.1%	+2.8	+13.5%
Chemical Business	Net Sales ¹	119.9	-	125.9	-	+6.0	+5.0%
	EBITA ²	9.7	8.1%	9.4	7.5%	-0.3	-2.7%
	Operating Income	9.7	8.1%	9.4	7.5%	-0.2	-2.5%
Consolidated	Net Sales	578.7	-	625.0	-	+46.3	+8.0%
	EBITA ²	51.5	8.9%	57.5	9.2%	+5.9	+11.5%
	Operating Income	34.8	6.0%	42.9	6.9%	+8.1	+23.2%

1 Before elimination of intersegment transfers

2 Operating income before amortization of goodwill and intellectual property rights related to M&A

3 Please refer to slide 6 for details.

[Reference] Consolidated Results by Geographic Area

		Restated 1H/FY2012 ³		1H/FY2013		Adjusted changes ³	Adjusted growth ³
		Billion yen	% of net sales	Billion yen	% of net sales	Billion yen	%
Japan	Net Sales ¹	435.8	-	452.0	-	+16.3	+3.7%
	EBITA ²	44.4	10.2%	47.7	10.5%	+3.2	+7.3%
	Operating Income	28.7	6.6%	34.2	7.6%	+5.5	+19.3%
Asia	Net Sales ¹	80.5	-	95.6	-	+15.1	+18.7%
	Operating Income	3.3	4.1%	5.8	6.1%	+2.5	+75.3%
Americas	Net Sales ¹	45.4	-	54.0	-	+8.6	+19.0%
	EBITA ²	1.2	2.7%	2.1	3.9%	+0.9	+76.3%
	Operating Income	0.9	2.0%	1.8	3.3%	+0.9	+99.5%
Europe	Net Sales ¹	54.4	-	64.4	-	+10.0	+18.5%
	EBITA ²	2.8	5.2%	2.6	4.1%	-0.2	-6.4%
	Operating Income	2.2	4.0%	1.9	2.9%	-0.3	-13.4%
Consolidated	Net Sales	578.7	-	625.0	-	+46.3	+8.0%
	EBITA ²	51.5	8.9%	57.5	9.2%	+5.9	+11.5%
	Operating Income	34.8	6.0%	42.9	6.9%	+8.1	+23.2%

1 Before elimination of intersegment transfers

2 Operating income before amortization of goodwill and intellectual property rights related to M&A

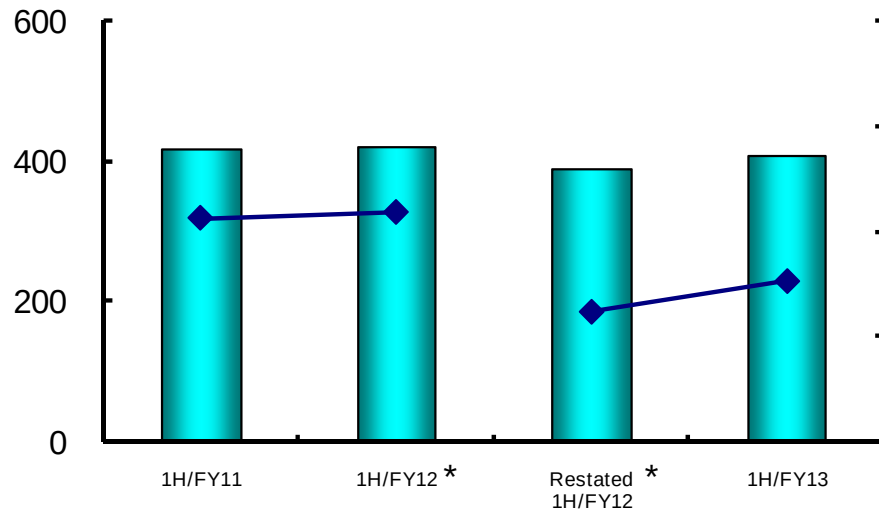
3 Please refer to slide 6 for details.

Consumer Products Business by Geographic Area

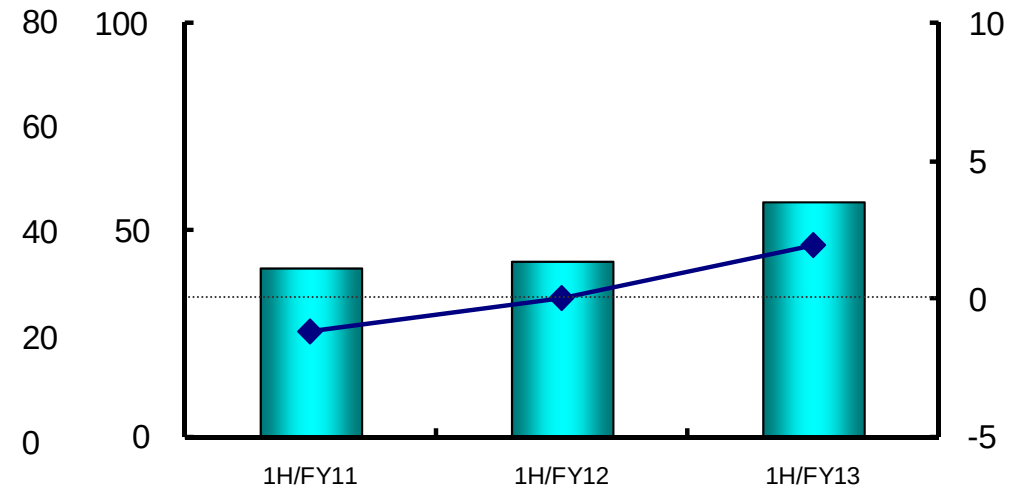
Japan

Sales (Billion yen)

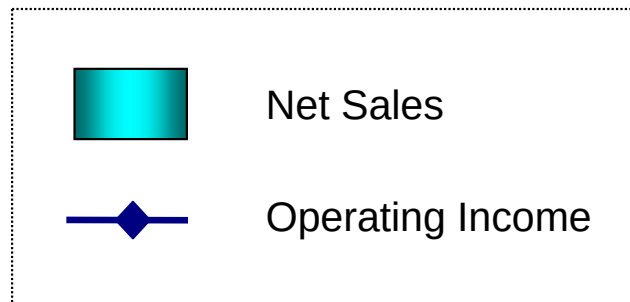
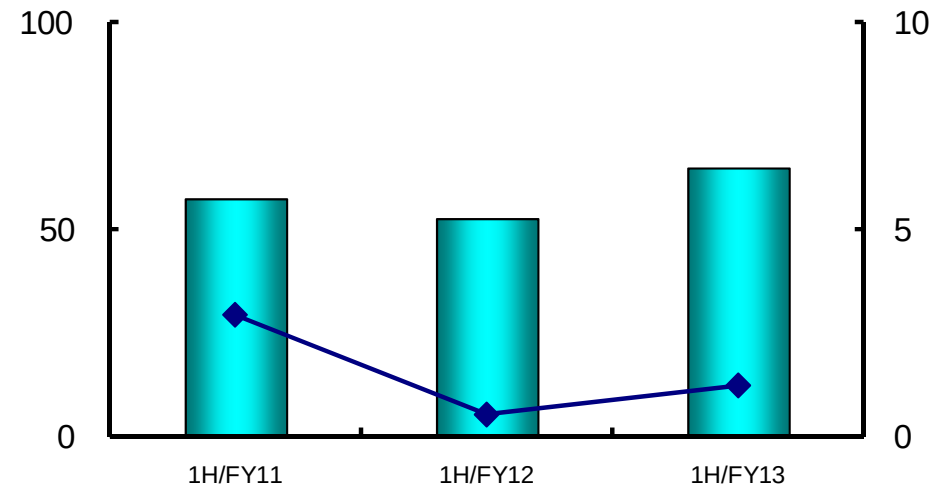
Operating Income
(Billion yen)



Asia



Americas & Europe



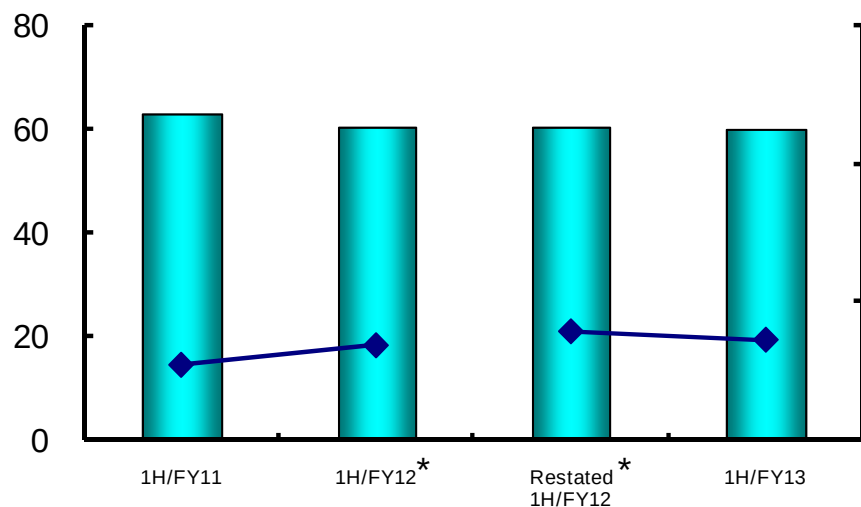
* Please refer to slide 6 for details on 1H/FY2012 and restated 1H/FY2012 of Japan.

Chemical Business by Geographic Area

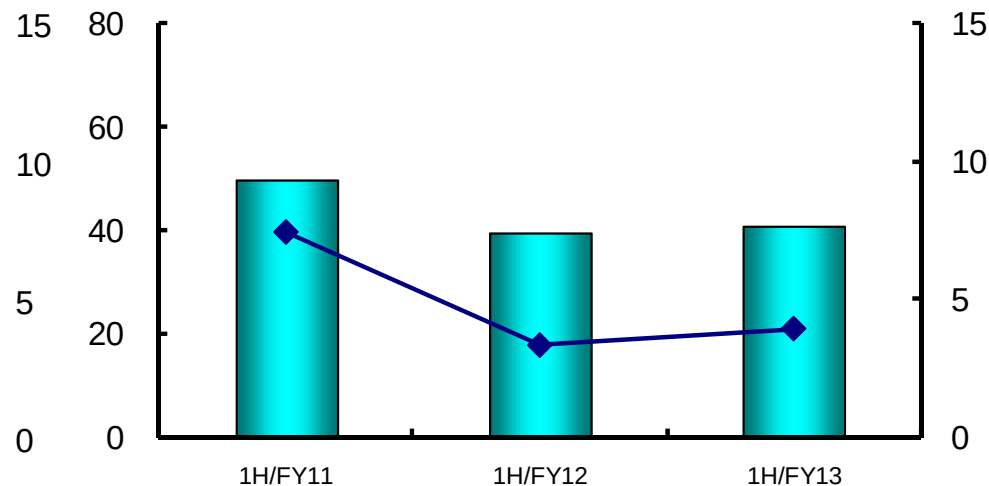
Japan

Sales (Billion yen)

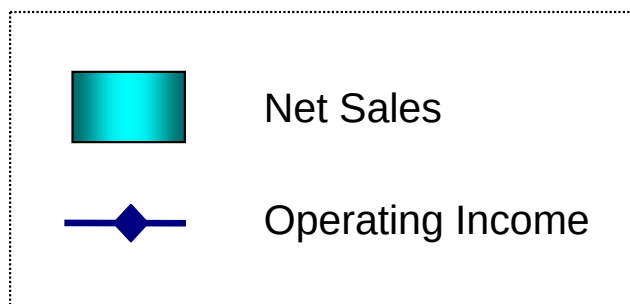
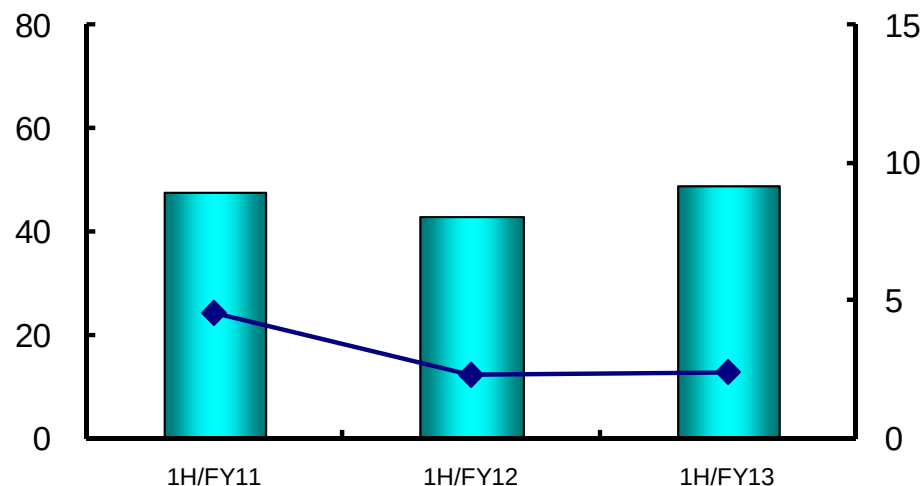
Operating Income
(Billion yen)



Asia



Americas & Europe



* Please refer to slide 6 for details on 1H/FY2012 and restated 1H/FY2012 of Japan.

Consolidated Balance Sheets

(Billion yen)

	Dec/12	Jun/13	Changes		Dec/12	Jun/13	Changes
Current Assets	493.4	515.3	+21.9	Current Liabilities	315.9	292.1	-23.8
Cash and Time Deposits	99.3	94.6	-4.8	Notes and Accounts Payable - Trade	105.5	111.6	+6.1
Notes and Accounts Receivable - Trade	164.3	163.2	-1.1	Bonds/Short-term Loans (incl. Current Portion of Bonds/Long-term Loans)	53.1	1.3	-51.8
Short-term Investments	57.4	68.4	+10.9	Accrued Income Taxes	11.7	16.5	+4.8
Inventories	122.2	132.0	+9.8	Other	145.6	162.7	+17.1
Other	50.2	57.2	+7.1				
Fixed Assets	546.6	554.6	+8.0	Long-term Liabilities	118.4	174.4	+56.0
Property, Plant and Equipment	252.3	269.2	+16.9	Bonds/Long-term Loans	50.1	100.1	+50.0
Intangible Assets	215.9	205.6	-10.4	Other	68.3	74.4	+6.0
Investments and Other Assets	78.3	79.8	+1.5	Total Liabilities	434.3	466.6	+32.3
				Shareholders' equity	663.6	636.3	-27.4
				-Common Stock	85.4	85.4	-
				-Capital Surplus	109.6	109.6	-
				-Retained Earnings	477.6	450.9	-26.7
				-Treasury Stock, at Cost	-9.0	-9.7	-0.7
				Accumulated other comprehensive income	-71.3	-46.8	+24.5
				- Unrealized Gain on Available-for-sale Securities	2.4	4.0	+1.5
				- Deferred Gain (Loss) on Derivatives under Hedges Accounting	0.0	0.0	+0.0
				- Foreign Currency Translation Adjustments	-71.9	-46.1	+25.7
				- Post retirement adjustments for foreign consolidated subsidiaries	-1.9	-4.7	-2.8
				Stock Acquisition Rights	1.3	1.2	-0.1
				Minority Interests	12.1	12.7	+0.6
				Total Net Assets	605.7	603.3	-2.4
Total Assets	1,040.0	1,069.9	+29.9	Total Liabilities and Total Net Assets	1,040.0	1,069.9	+29.9

Consolidated Statements of Cash Flows

(Billion yen)

	1H/FY2012 ¹	1H/FY2013
Net Cash Provided by Operating Activities	63.9	78.9
Net Cash Used in Investing Activities	-30.6	-41.9
Net Cash Used in Financing Activities	-16.2	-50.7
Translation Adjustments on Cash and Cash Equivalents	0.0	11.2
Net Increase (Decrease) in Cash and Cash Equivalents	17.2	-2.5
Cash and Cash Equivalents, Beginning of Period	129.7	160.4
Cash and Cash Equivalents from Newly Consolidated Subsidiary, Increase	0.3	0.6
Cash and Cash Equivalents, End of Period	147.2	158.5
Total Debt at End of Period	103.6	101.4
Free Cash Flow ²	33.3	36.9

<Net cash used in investing activities>

Capital expenditures:

- Construction of new plants in Indonesia
- Production capacity enhancement of fatty alcohols in the Philippines
- Production facilities for new products
- Production capacity expansion
- Optimization of distribution bases
- IT related, etc.

<Net cash used in financing activities>

Payments of cash dividends (Includes payments of cash dividends to minority shareholders) : 18.6 billion yen

Purchase of treasury stock³ : 30.0 billion yen

Bonds : Redemption 50.0 billion yen / Issuance 50.0 billion yen

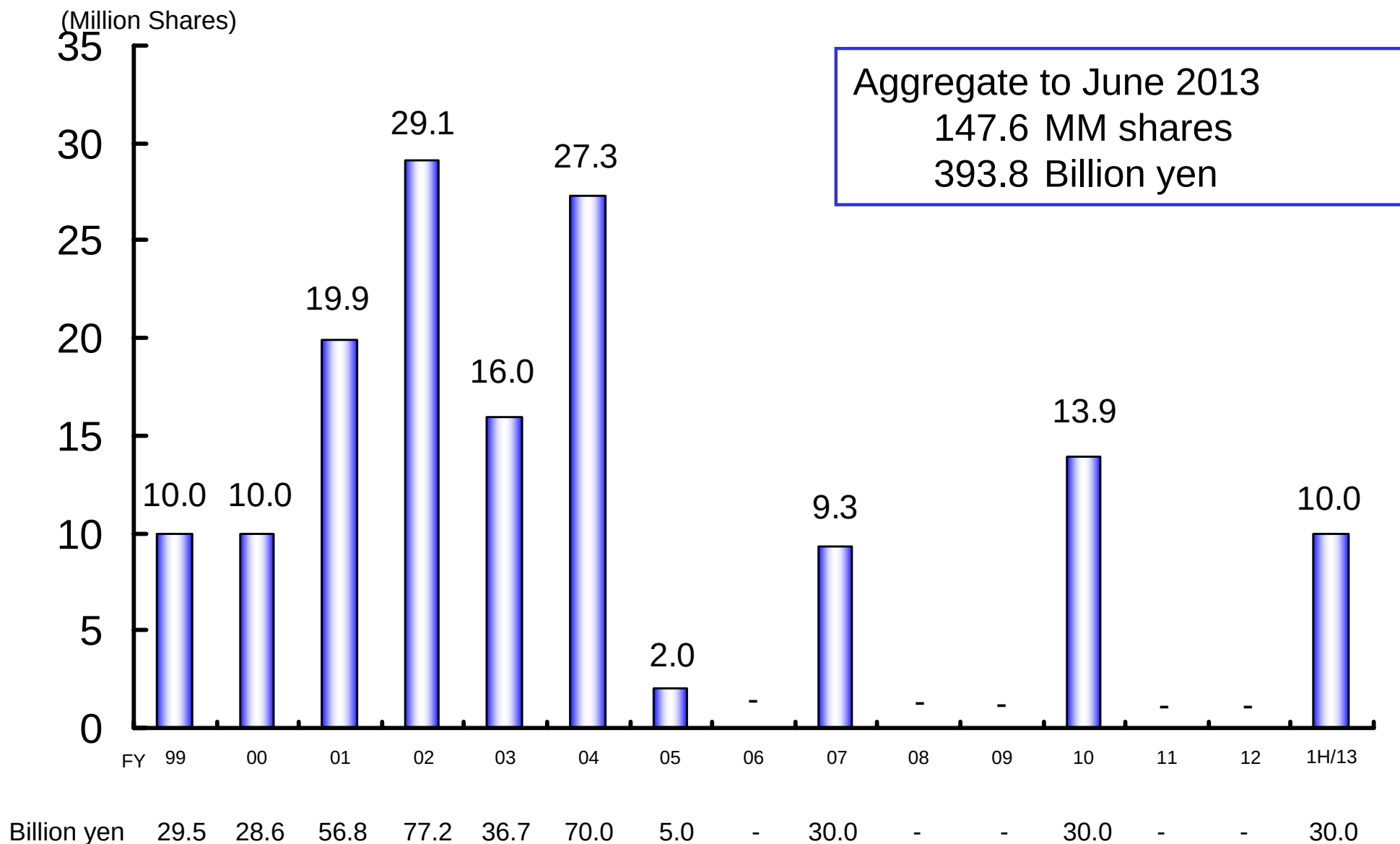
Retirement of treasury stock: 10.2 million shares

1 Please refer to slide 6 for details.

2 Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

3 Excludes repurchase of shares less than one unit

Share Repurchase *



* Share repurchase from the market

3. Forecast for FY 2013

Fiscal year end is December 31 from FY2012

Term of consolidation for FY2012

- **Group companies whose fiscal year end was previously March 31*:
April-December 2012**
- **Group companies whose fiscal year end was already December 31:
January-December 2012**

Restated FY2012

Figures for the twelve-month period from January 1 to December 31, 2012 for group companies whose fiscal year end was previously March 31

Adjusted growth

- **FY2012 actual**
Comparison with the nine-month period from April 1 to December 31, 2011 for group companies whose fiscal year end was previously March before the fiscal year end change
- **FY2013 forecast**
Comparison with the restated FY2012

* Kao Corporation and certain consolidated subsidiaries with the same fiscal year end

Major Assumptions for FY2013 Forecast

- ◆ Year-on-year growth rate of market size in value (yen) for the Consumer Products Business¹ in Japan: +1 to +2%
- ◆ Year-on-year growth rate of cosmetics market size in value (yen) in Japan: 0 to +1%

		<u>Adjusted growth²</u>
◆ Net sales:	¥1,300.0 billion	+6.5%
• Effect of currency translation:	+¥60.0 billion	+4.9%
• Sales growth excluding effect of currency translation:	+¥19.6 billion	+1.6%
<u>Estimated impact on income</u>		
◆ Impact from change in raw material prices:		
• Gross impact: +¥9 billion		
• Net impact: -¥7 billion		
◆ Total Cost Reduction (TCR) activities: +¥6 billion		
◆ Capital expenditures/depreciation and amortization:		
• Capital expenditures: ¥60 billion		
• Depreciation and amortization: ¥76 billion		

Exchange rate assumptions

- ◆ 95 yen/USD (FY2012 actual exchange rate [average]: 80.12 yen/USD)
- ◆ 125 yen/Euro (FY2012 actual exchange rate [average]: 103.46 yen/Euro)

1 Excludes cosmetics.

2 Please refer to slide 23 for details.

Consolidated Sales and Profit Forecast

	FY2012 ⁴		[Reference] ² Restated FY2012	FY2013(F)	
	Billion yen	Adjusted ² % growth	Billion yen	Billion yen	Adjusted % growth
Net Sales	1,012.6	+0.4	1,220.4	1,300.0	+6.5
Operating Income	101.6	+3.2	111.8	116.0	+3.8
[% of Sales]	10.0%		9.2%	8.9%	
Ordinary Income	104.2	+4.0	114.1	118.0	+3.4
[% of Sales]	10.3%		9.4%	9.1%	
Net Income	<u>62.4</u>	<u>+20.5</u>	<u>62.7</u>	67.0	<u>+6.8</u>
[% of Sales]	<u>6.2%</u>		<u>5.1%</u>	5.2%	
Net Income per Share (yen)	<u>119.55</u>	<u>+20.6</u>	<u>120.21</u>	130.84	<u>+8.8</u>
ROE ³	<u>11.0%</u>	-	<u>11.1%</u>	11.0%	-
EBITDA (Operating Income + Depr. & Amort.)	161.4	+0.4	189.2	192.0	+1.5
Cash Dividends per Share (yen)	62.0	+3.3	62.0	64.0	+3.2

1 Exchange rate assumptions: 95 yen/USD, 125 yen/Euro

2 Please refer to slide 23 for details.

3 ROE forecast of FY2012 is for the transitional period connected with the change in fiscal year end.

4 Kanebo Cosmetics (Apr. -Dec. 2012) : Net sales = approximately ¥150 billion / operating margin before deduction of royalties = slightly more than 7%; amortization related to Kanebo Cosmetics: ¥20.5 billion

5 Kanebo Cosmetics (Jan. -Dec. 2013) : Net sales = slightly more than ¥180 billion / operating margin before deduction of royalties = approximately 6%; amortization related to Kanebo Cosmetics: ¥26.8 billion

Sales Outlook by Segment – FY2013

<Billion yen>

Consolidated Net Sales

By Segment¹

1,300 ^{Adjusted growth²} +6.5%

Reference:
By Geographic Area¹

		Adjusted growth ²			Adjusted growth ²
Beauty Care	565	+5.1%	Japan	956	+2.4%
Human Health Care	210	+10.8%	Asia	191	+19.4%
Fabric and Home Care	309	+5.8%	Americas	106	+17.8%
Chemical	250	+5.7%	Europe	128	+15.8%

¹ Sales are before elimination of transactions between segments or geographic areas.

² Please refer to slide 23 for details.

Sales Outlook – FY2013

- Consumer Products Business in Japan -

<Billion yen>

	1st Half			Full Year		
	Restated FY2012 Actual	FY2013 Actual	Adjusted growth*	Restated FY2012 Actual	FY2013 Forecast	Adjusted growth*
Beauty Care	193.5	200.3	+3.5%	408.3	407.0	-0.3%
Human Health Care	80.6	86.0	+6.7%	170.3	181.0	+6.3%
Fabric and Home Care	115.8	121.0	+4.4%	264.4	274.0	+3.6%
Consumer Products Business	390.0	407.2	+4.4%	843.0	862.0	+2.3%

* Please refer to slide 23 for details.

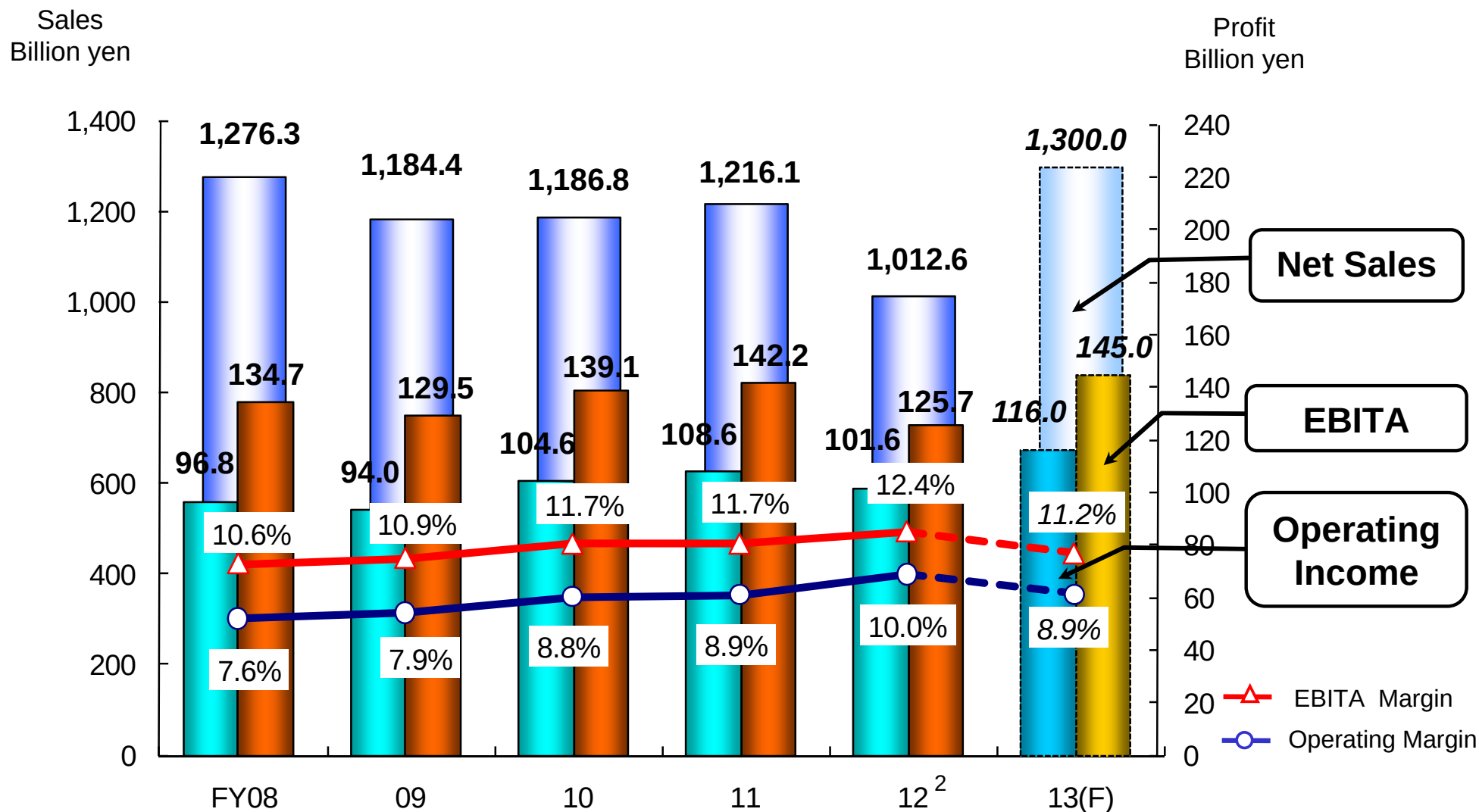
FY2013 Outlook by Segment/Geographic Area

	Decrease in operating income	Increase in operating income
Increase in net sales	Chemical – Japan	CP¹ – Japan CP¹ – Asia CP¹ – Americas CP¹ – Europe Chemical – Asia Chemical – Americas Chemical – Europe
Decrease in net sales		

1: CP = Consumer Products

2: Excludes the impact of the change in financial term. (Please refer to slide 23 for details.)

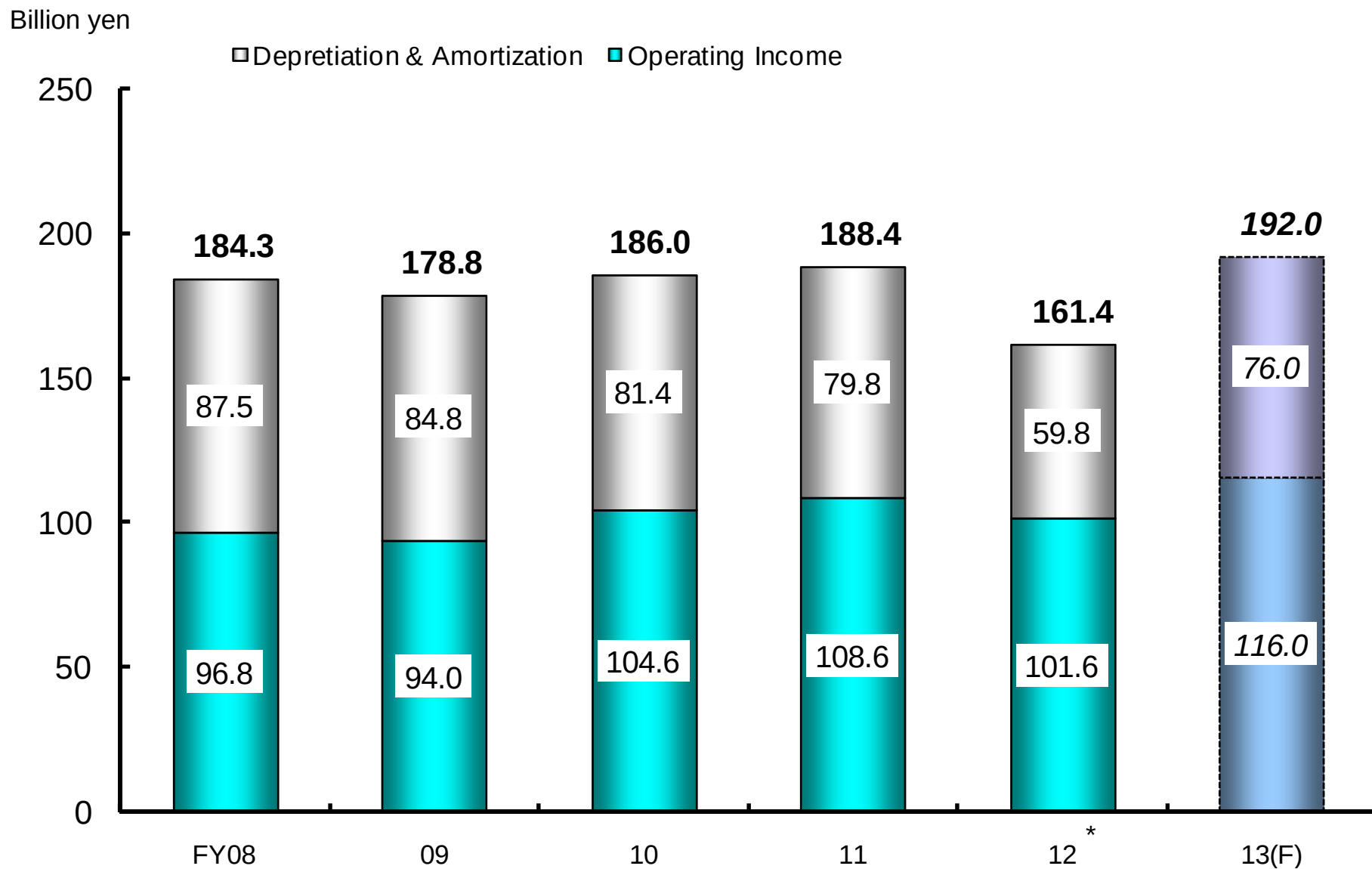
Consolidated Net Sales/EBITA¹/Operating Income



1 Operating income before amortization of goodwill and intellectual property rights related to M&A

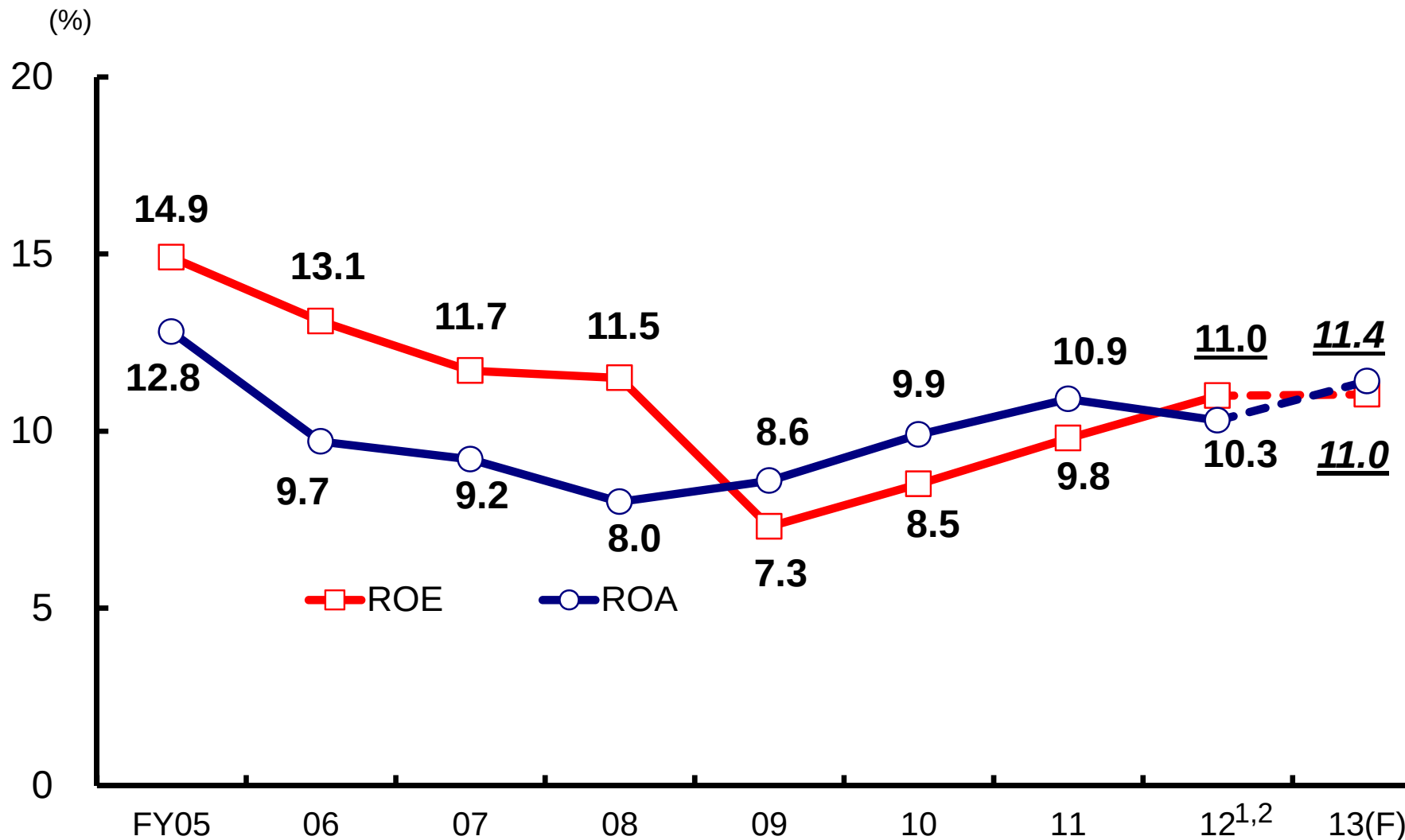
2 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

EBITDA



*Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

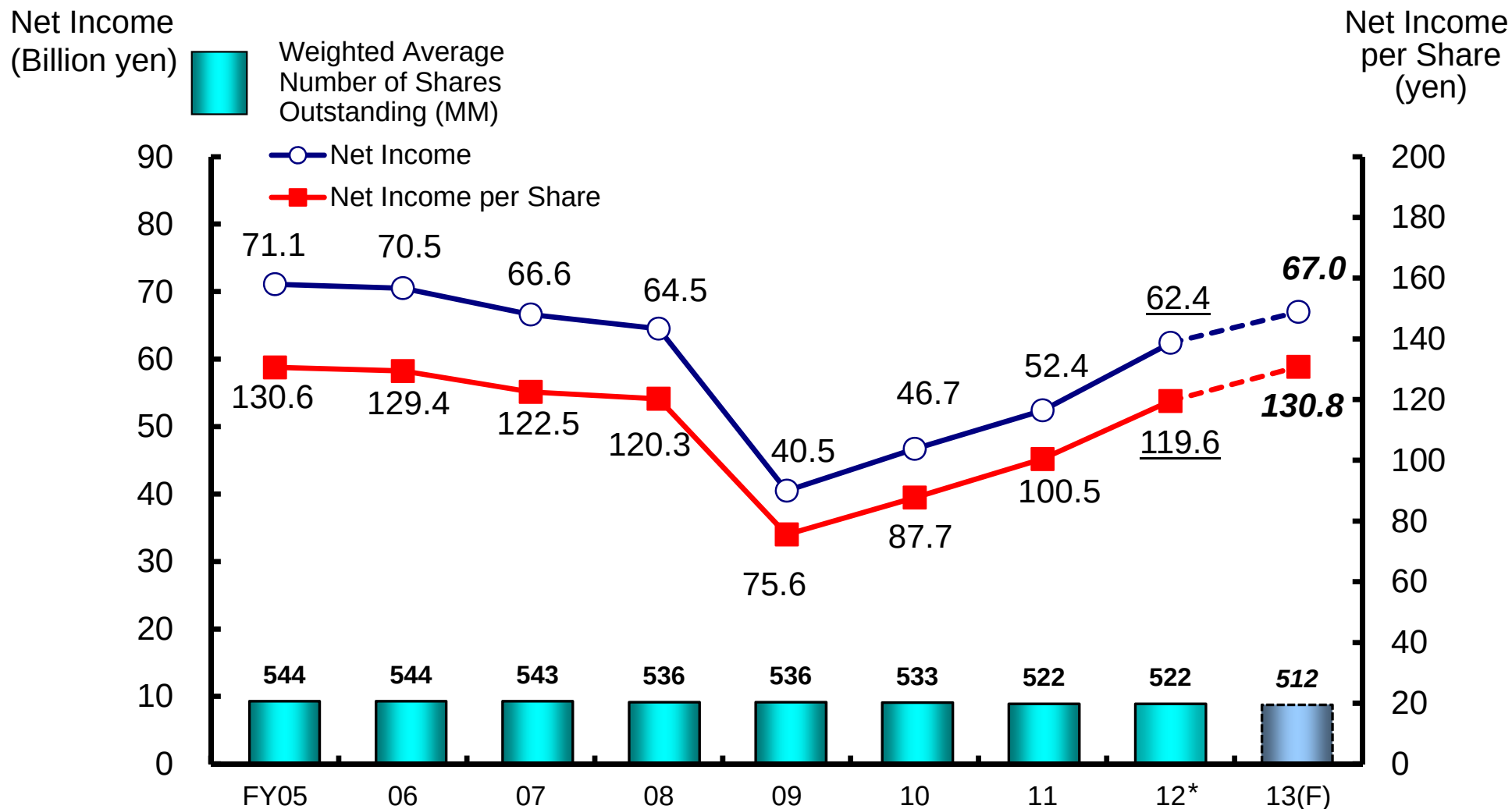
ROE & ROA



ROA: Ordinary Income / Total assets

- 1 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)
- 2 ROE and ROA of FY2012 are for the transitional period connected with the change in fiscal year end.

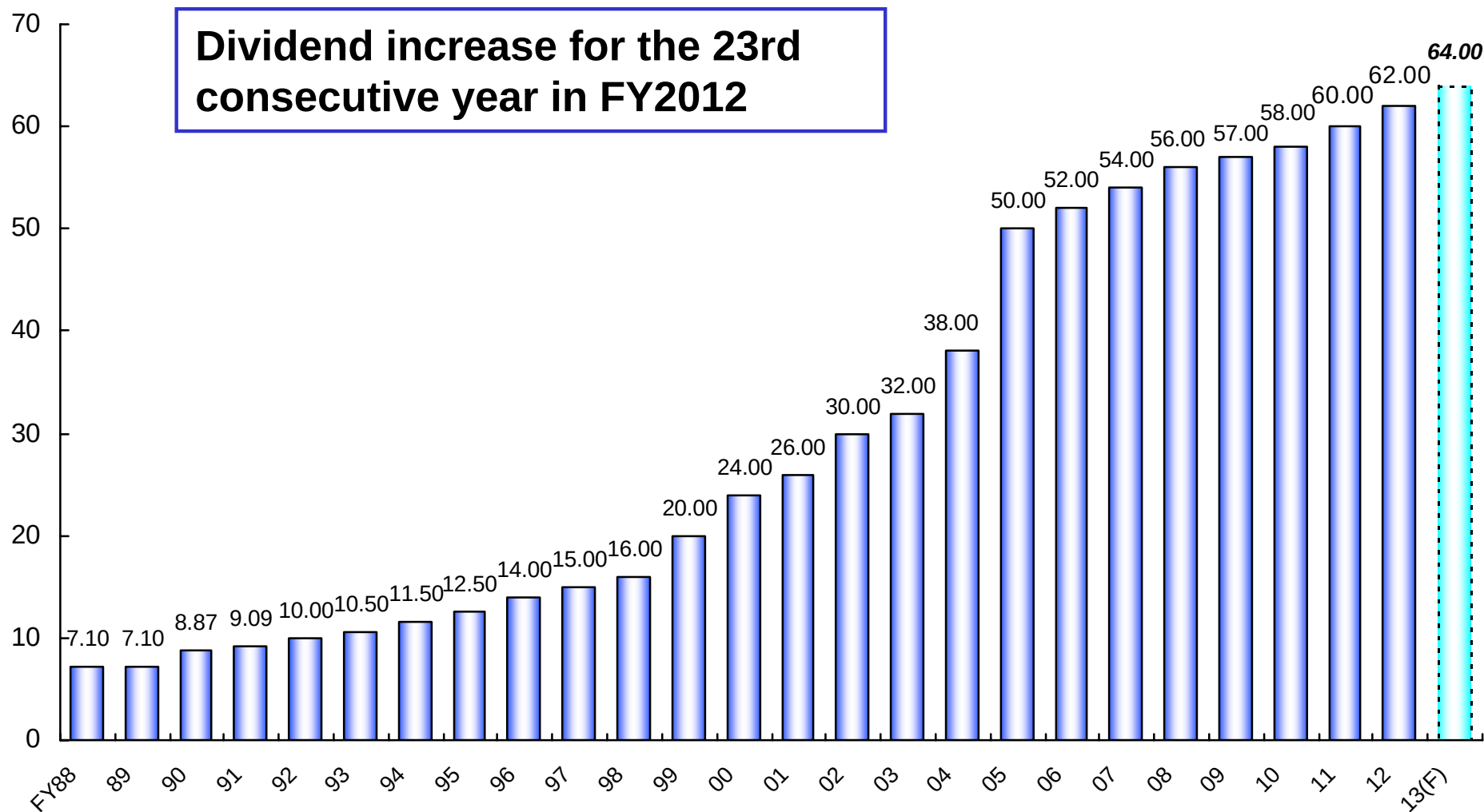
Net Income per Share



* Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

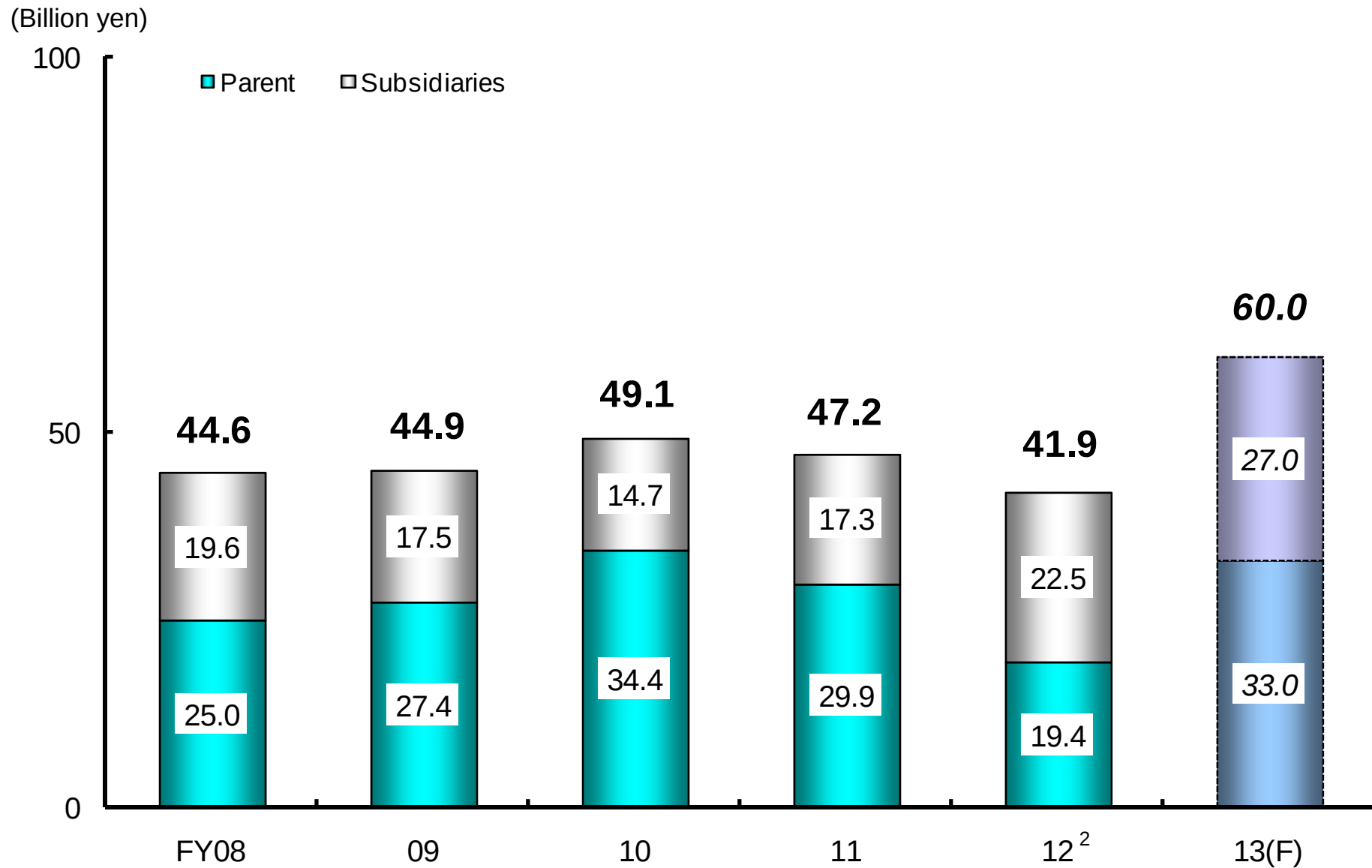
Cash Dividends per Share

(Yen)



*Impacts of share splits are retroactively reflected.

Capital Expenditures



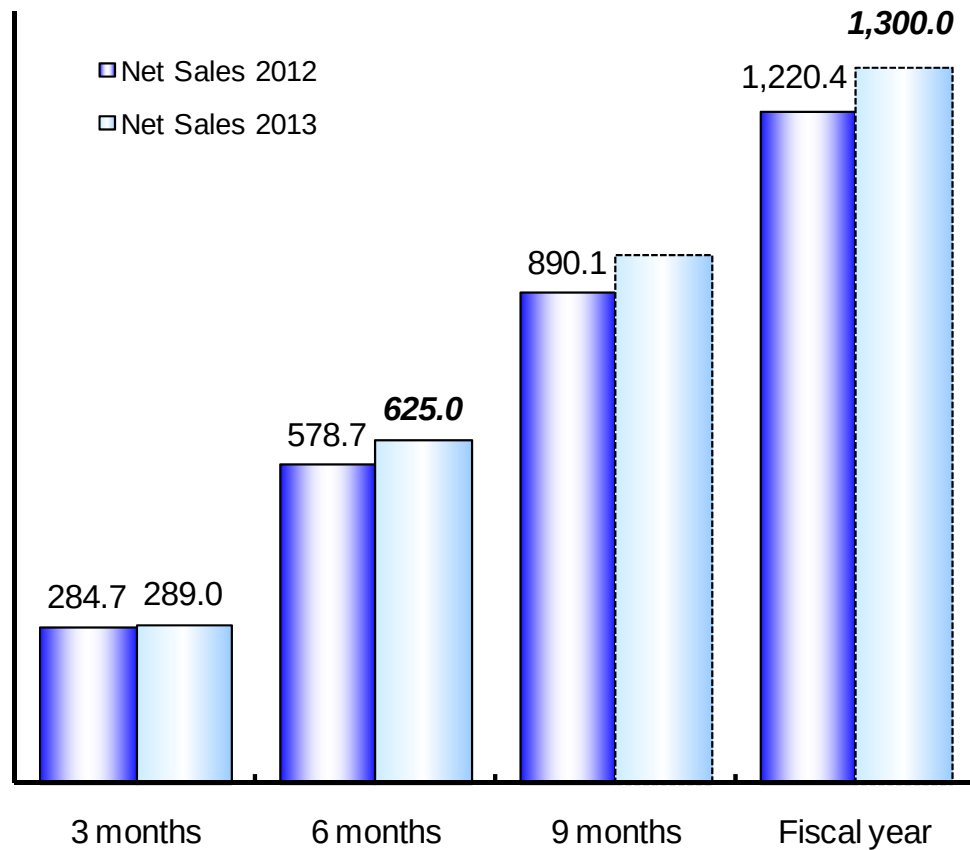
1 Includes long-term prepaid expenses.

2 Fiscal year end is December 31 from FY2012. (Please refer to slide 23 for details.)

FY2013 Quarterly Consolidated Sales and Profit Forecast

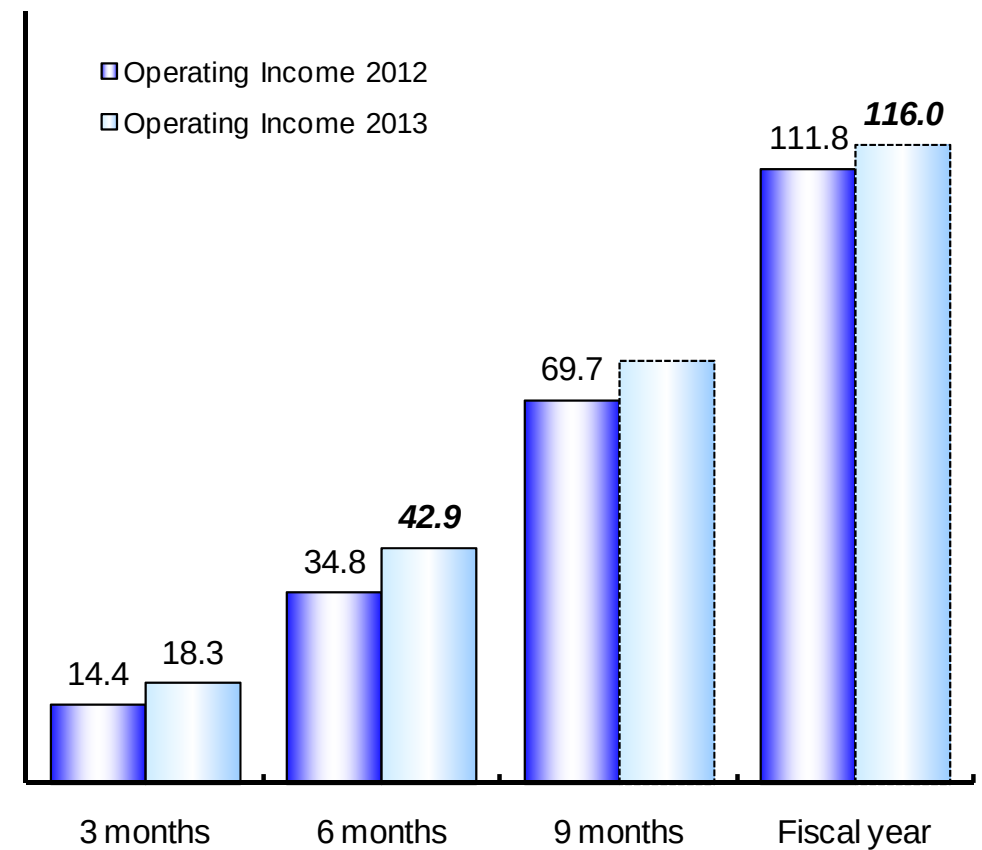
Net Sales

(Billion yen)



Operating Income

(Billion yen)



* Fiscal year end is December 31 from FY2012. Figures for the twelve-month period from January 1 to December 31, 2012 for Kao Corporation and its subsidiaries whose fiscal year end was previously March 31. (Please refer to slide 23 for details.)

The Kao logo is centered on the page. It features the word "Kao" in a bold, sans-serif typeface. The letter "K" is a dark blue color, while the letters "a" and "o" are a lighter, teal-blue color. The "a" and "o" are connected to each other but separate from the "K".

Kao

Enriching lives, in harmony with nature.