News Release

Kao Corporation
July 28, 2015

Summary of Consolidated Business Results for the Six Months Ended June 30, 2015

Tokyo, July 28, 2015 - Kao Corporation today announced its consolidated business results for the six months ended June 30, 2015, the interim period of the fiscal year ending December 31, 2015. The following summary of the business results is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights

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

Jan. - Jun.	Six-month period				Fiscal year ended Dec. 31, 2014
	2015	2014	Growth	**2015**	
	Yen	Yen	%	U.S. dollars	Yen
Net sales	**695,167**	665,940	4.4	**5,677.2**	1,401,707
Operating income	**60,094**	49,349	21.8	**490.8**	133,270
Ordinary income	**61,216**	51,463	18.9	**499.9**	138,784
Net income	**34,045**	31,646	7.6	**278.0**	79,590
Comprehensive income	**37,383**	22,988	62.6	**305.3**	102,267
Total assets	**1,193,402**	1,119,918	6.6	**9,746.0**	1,198,233
Total net assets	**662,220**	648,922	2.0	**5,408.1**	672,393
Net worth[1]	**650,053**	635,836	2.2	**5,308.7**	658,232
Net worth ratio[2]	**54.5%**	56.8%	-	**54.5%**	54.9%
Net worth per share (Yen/US$)[3]	**1,296.54**	1,240.75	4.5	**10.59**	1,313.63
Net income per share (Yen/US$)[4]	**67.92**	61.77	10.0	**0.55**	156.46
Net income per share, fully diluted (Yen/US$)	**67.82**	61.69	9.9	**0.55**	156.24
Cash flows from operating activities	**54,704**	57,026	-	**446.7**	145,118
Cash flows from investing activities	**(31,255)**	(27,734)	-	**(255.2)**	(63,808)
Cash flows from financing activities	**157**	(17,224)	-	**1.3**	(85,022)
Cash and cash equivalents, end of period	**251,220**	236,729	-	**2,051.6**	228,662

Notes:

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

	June 30, 2015	December 31, 2014
Number of issued shares including treasury stock	*504,000,000 shares*	*504,000,000 shares*
Number of shares of treasury stock	*2,623,188 shares*	*2,921,992 shares*

6. *Weighted average number of shares outstanding during the six months*

	Ended June 30, 2015	Ended June 30, 2014
	501,272,728 shares	*512,324,245 shares*

Consolidated Results by Segment

Jan. - Jun.	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
	2015	2014		Like-for-like *	**2015**	2014	Change
Beauty Care	**287.5**	283.5	1.4	(2.0)	**4.6**	6.4	(1.9)
Human Health Care	**132.9**	109.6	21.2	17.1	**14.4**	7.2	7.2
Fabric and Home Care	**149.1**	148.2	0.7	(1.1)	**25.8**	23.1	2.7
Consumer Products Total	**569.5**	541.3	5.2	2.1	**44.7**	36.7	8.0
Chemical	**143.8**	145.2	(1.0)	(4.7)	**15.3**	12.6	2.7
Total	**713.3**	686.6	3.9	0.7	**60.0**	49.3	10.7
Reconciliations	**(18.1)**	(20.6)	-	-	**0.1**	0.0	0.0
Consolidated	**695.2**	665.9	4.4	1.1	**60.1**	49.3	10.7

Jan. - Jun.	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
	2015	2014		Like-for-like *	**2015**	2014	Change
Beauty Care	**2,348.0**	2,315.5	1.4	(2.0)	**37.3**	52.6	(15.3)
Human Health Care	**1,084.9**	895.1	21.2	17.1	**117.7**	59.0	58.8
Fabric and Home Care	**1,218.0**	1,210.1	0.7	(1.1)	**210.3**	188.5	21.8
Consumer Products Total	**4,650.9**	4,420.7	5.2	2.1	**365.3**	300.0	65.3
Chemical	**1,174.2**	1,186.1	(1.0)	(4.7)	**125.0**	102.9	22.0
Total	**5,825.2**	5,606.8	3.9	0.7	**490.3**	403.0	87.3
Reconciliations	**(148.0)**	(168.4)	-	-	**0.5**	0.1	0.4
Consolidated	**5,677.2**	5,438.5	4.4	1.1	**490.8**	403.0	87.7

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

Consolidated Net Sales Composition

Jan. - Jun.	Billions of yen		Growth	Millions of U.S. dollars	
	2015	2014	%	**2015**	2014
Consumer Products					
Beauty Care	**191.8**	200.5	(4.3)	**1,566.5**	1,637.3
Human Health Care	**103.9**	91.6	13.5	**848.5**	747.7
Fabric and Home Care	**126.1**	130.3	(3.2)	**1,029.7**	1,063.9
Total Japan	**421.8**	422.3	(0.1)	**3,444.7**	3,448.8
Asia	**88.8**	64.5	37.7	**725.5**	527.0
Americas	**45.0**	38.2	17.7	**367.7**	312.3
Europe	**42.0**	39.7	5.8	**343.2**	324.4
Eliminations	**(28.2)**	(23.5)	-	**(230.1)**	(191.7)
Total	**569.5**	541.3	5.2	**4,650.9**	4,420.7
Chemical					
Japan	**63.0**	65.7	(4.2)	**514.5**	537.0
Asia	**54.4**	54.5	(0.2)	**444.2**	445.2
Americas	**24.7**	23.1	6.8	**201.4**	188.5
Europe	**33.1**	35.8	(7.6)	**270.4**	292.7
Eliminations	**(31.4)**	(34.0)	-	**(256.1)**	(277.3)
Total	**143.8**	145.2	(1.0)	**1,174.2**	1,186.1
Total before Reconciliations	**713.3**	686.6	3.9	**5,825.2**	5,606.8
Reconciliations	**(18.1)**	(20.6)	-	**(148.0)**	(168.4)
Consolidated	**695.2**	665.9	4.4	**5,677.2**	5,438.5

Reference: Consolidated Results by Geographic Area[1]

	Net sales				Operating income		
	Billions of yen		Growth %		Billions of yen		
Jan. - Jun.	**2015**	2014		Like-for-like [2]	**2015**	2014	Change
Japan	**469.5**	470.5	(0.2)	(0.2)	**42.9**	37.8	5.1
Asia	**141.4**	116.9	20.9	6.6	**10.9**	6.2	4.7
Americas	**69.6**	61.3	13.7	(0.7)	**2.5**	1.5	1.0
Europe	**75.0**	75.4	(0.6)	0.6	**4.2**	2.9	1.3
Total	**755.5**	724.0	4.3	0.9	**60.5**	48.3	12.1
Reconciliations	**(60.3)**	(58.1)	-	-	**(0.4)**	1.0	(1.4)
Consolidated	**695.2**	665.9	4.4	1.1	**60.1**	49.3	10.7

	Net sales				Operating income		
	Millions of U.S. dollars		Growth %		Millions of U.S. dollars		
Jan. - Jun.	**2015**	2014		Like-for-like [2]	**2015**	2014	Change
Japan	**3,834.2**	3,842.1	(0.2)	(0.2)	**350.3**	308.3	42.0
Asia	**1,154.4**	954.6	20.9	6.6	**88.8**	50.6	38.2
Americas	**568.7**	500.2	13.7	(0.7)	**20.0**	11.9	8.1
Europe	**612.2**	615.9	(0.6)	0.6	**34.7**	23.8	10.9
Total	**6,169.5**	5,912.9	4.3	0.9	**493.8**	394.6	99.2
Reconciliations	**(492.3)**	(474.4)	-	-	**(3.1)**	8.4	(11.4)
Consolidated	**5,677.2**	5,438.5	4.4	1.1	**490.8**	403.0	87.7

Notes:
1. Information on consolidated results by geographic area is for reference.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
3. Net sales to foreign customers were 36.8% of net sales compared with 33.6% for the same period a year earlier.

Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2015

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

	Fiscal Year ending December 31, 2015		
	Yen	Growth %	U.S. dollars
Net sales	1,470.0	4.9	12,004.9
Operating income	150.0	12.6	1,225.0
Ordinary income	153.0	10.2	1,249.5
Net income	87.0	9.3	710.5
Net income per share (Yen/US$)*	173.52	10.9	1.42
Cash dividends per share (Yen/US$)	76.00	-	0.62

** 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 30, 2015 of 122.45 yen = 1 U.S. dollar, and are presented solely for the convenience of readers.

Forward-Looking Statements

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

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1. Qualitative Information on Business Results for the Six Months Ended June 30, 2015

(1) Description of Results of Operations

	(Billions of yen, except per share data)		
	Six-month period		
Jan. – Jun.	**2015**	2014	Growth %
Net sales	**695.2**	665.9	4.4
Operating income	**60.1**	49.3	21.8
Ordinary income	**61.2**	51.5	18.9
Net income	**34.0**	31.6	7.6
Net income per share (Yen)	**67.92**	61.77	10.0
Net income per share, fully diluted (Yen)	**67.82**	61.69	9.9

During the six months ended June 30, 2015, the global economy recovered moderately, although weakness was apparent in some sectors. The Japanese economy continued on a moderate recovery track. The household and personal care products market in Japan, a key market for the Kao Group, grew by 1% on a value basis and consumer purchase prices rose compared with the same period a year earlier. The cosmetics market in Japan contracted by 6% on a value basis because of the last-minute surge in demand a year earlier associated with an increase in the consumption tax rate on April 1, 2014.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value in response to changes in consumer needs based on its concept of *Yoki-Monozukuri*,* which emphasizes research and development geared to customers and consumers. The Kao Group also conducted cost reduction activities and other measures.

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

Net sales increased 4.4% compared with the same period a year earlier to 695.2 billion yen. Excluding the effect of currency translation, net sales would have increased 1.1%. In the Consumer Products Business, sales in Japan were basically unchanged compared with the same period a year earlier, but sales increased outside Japan, mainly in Asia. In the Chemical Business, sales decreased due to selling price adjustments associated with fluctuations in raw material prices and the impact of a decline in demand in some customer industries.

Profits increased due to the effect of increased sales, mainly in the Human Health Care Business in Japan and the Consumer Products Business in Asia, and factors including the impact of a delay in incurring marketing expenses and other expenditures until the third quarter or thereafter. Operating income was 60.1 billion yen, an increase of 10.7 billion yen compared with the same period a year earlier. Ordinary income increased 9.8 billion yen compared with the same period a year earlier to 61.2 billion yen. Net income increased 2.4 billion yen compared with the same period a year earlier to 34.0 billion yen, due in part to the effect of the reversal of deferred tax assets and liabilities in connection with a revision of the tax system in Japan.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 10.5 billion yen compared with the same period a year earlier to 73.3 billion yen, which is equivalent to 10.5% of net sales.

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

	First quarter (Jan. – Mar.)	Second quarter (Apr. – Jun.)
Yen/U.S. dollar	119.15 (102.87)	121.33 (102.16)
Yen/Euro	134.43 (140.94)	134.14 (140.13)

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

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Summary of Segment Information

Consolidated Results by Segment

Consumer Products Business

Sales increased 5.2% compared with the same period a year earlier to 569.5 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In Japan, sales decreased 0.1% to 421.8 billion yen. Excluding the effect of the revision of the sales system for Kao Sofina, sales would have increased 0.7%. The Kao Group made efforts that included responding to changing consumer lifestyles and social issues such as the environment, health, the aging society and hygiene, launching numerous high-value-added products, strengthening proposal-oriented sales activities, and sales grew, mainly of sanitary products, but sales of cosmetics decreased compared with the same period a year earlier.

In Asia, sales increased 37.7% to 88.8 billion yen. Excluding the effect of currency translation, sales would have increased 21.7%. Growth continued as the Kao Group worked in areas such as launching and nurturing products targeting the middle-class consumer segment, collaborating with retailers, utilizing wholesale channels and expanding sales regions.

In the Americas, sales increased 17.7% to 45.0 billion yen. Excluding the effect of currency translation, sales would have increased 1.7%. Sales of hair care products grew.

In Europe, sales increased 5.8% to 42.0 billion yen. Excluding the effect of currency translation, sales would have increased 4.3%. Sales of hair care products and professional hair care products grew.

Operating income increased 8.0 billion yen compared with the same period a year earlier to 44.7 billion yen due to the effect of increased sales in the Human Health Care Business in Japan and increased sales in Asia, as well as 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 1.4% compared with the same period a year earlier to 287.5 billion yen. Excluding the effect of currency translation, sales would have decreased 2.0%.

Sales of cosmetics decreased 6.7% compared with the same period a year earlier to 114.7 billion yen. Excluding the effect of currency translation, sales would have decreased 7.7%. Excluding the effect of the revision of the sales system for Kao Sofina, sales would have decreased 3.9%, or 5.0% excluding the effect of currency translation. In Japan, sales decreased compared with the same period a year earlier, due in part to the tough year-on-year comparison given the last-minute surge in demand in the same period a year earlier as well as the impact of market competition. The Kao Group continued to work to reinforce focal brands. Among counseling brands, *SOFINA Primavista* base makeup maintained its market share and the *suisai* skin care brand performed well, due to inbound demand (demand from visitors to Japan), while sales of self-selection brand *KATE TOKYO* makeup grew. Outside Japan, sales increased from the same period a year earlier excluding the effect of currency translation, due in part to growth in sales of *KATE TOKYO* and the completion of structural reforms in China.

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

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

Operating income decreased 1.9 billion yen compared with the same period a year earlier to 4.6 billion yen due to the decrease in sales of cosmetics, despite efforts for more efficient management of expenses. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 2.1 billion yen compared with the same period a year earlier to 17.7 billion yen, which is equivalent to 6.2% of sales.

Human Health Care Business
Sales increased 21.2% compared with the same period a year earlier to 132.9 billion yen. Excluding the effect of currency translation, sales would have increased 17.1%.

Sales of food and beverage products decreased compared with the same period a year earlier. For the *Healthya* brand of functional drinks that promote body fat utilization, the Kao Group strengthened its promotion of the function of highly concentrated tea catechins in increasing the fat-burning ability of its green tea. However, *Healthya* products, which include coffee drinks as well as green tea, were impacted by intensifying market competition.

Sales of sanitary products increased substantially compared with the same period a year earlier. The *Laurier* brand of sanitary napkins increased its market share in Japan due to growth in sales of high-value-added products such as *Laurier F*, which wicks moisture away to be gentle on the skin, and *Laurier Slim Guard*, which offers both high absorbency and comfort. *Laurier* sales increased steadily in Asia. *Merries* baby diapers continued to sell strongly in Japan, where the Kao Group is expanding production capacity, and in China sales of both imports from Japan and locally produced products targeting the middle-class consumer segment grew. In Indonesia, locally produced products launched last year targeting the middle-class consumer segment sold steadily, including the expansion of distribution channels.

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

Operating income increased 7.2 billion yen compared with the same period a year earlier to 14.4 billion yen due to the effect of the increase in sales and cost reduction activities.

Fabric and Home Care Business
Sales increased 0.7% compared with the same period a year earlier to 149.1 billion yen. Excluding the effect of currency translation, sales would have decreased 1.1%.

Sales of fabric care products decreased compared with the same period a year earlier. Sales in Japan decreased compared with the same period a year earlier due to the contraction of the powder laundry detergent market and the impact of market competition. For laundry detergents, the Kao Group worked to highlight the reduced laundry time and environmental appeal of conserving water, electricity and resources with the *Neo* series, which includes *Ultra Attack Neo* ultra-concentrated liquid laundry detergent, and in liquid detergents the Kao Group launched *Attack Antibacterial EX Super Clear Gel*, a blend of clear antibacterial components that clean thoroughly down to the sebum, keratin and other substances that bacteria feed on, which are the source of odor. In fabric softeners, *Humming* was renewed to enable both softness and quick water absorbency. For *Humming Fine*, the Kao Group made improvements to add the first drying effect to its 24-hour deodorant. In Asia, sales increased compared with the same period a year earlier. Sales of *Attack* laundry detergent grew, due in part to the contribution of *Attack Jaz1*, a powder detergent for hand washing targeting the middle-class consumer segment, which was launched in Indonesia in 2014.

Sales of home care products increased compared with the same period a year earlier. In Japan, the Kao Group launched an improved version of *CuCute* dishwashing detergent in 2014 with an innovative washing formulation for significantly higher cleaning power as well as both long-lasting foam and easy rinsing, and it is performing strongly. *Magiclean* household cleaners and *Quickle Wiper* household cleaning mop kits sold well. *Resesh* fabric refresher, which was completely renewed, stimulated the market and sales increased compared with the same period a year earlier.

Operating income increased 2.7 billion yen compared with the same period a year earlier to 25.8 billion yen due to more efficient management of expenses and a lower raw material prices.

Chemical Business

Sales decreased 1.0% compared with the same period a year earlier to 143.8 billion yen. Excluding the effect of currency translation, sales would have decreased 4.7%.

In customer industries in Japan, a trend toward a decrease in demand was apparent in some sectors, and in some customer industries outside Japan, growth was apparent in export demand with the depreciation of the euro, while on the other hand there was impact from a decline in public works investment.

In oleo chemicals, the Kao Group worked to adjust selling prices in connection with fluctuations in raw material prices, but was impacted by a decrease in demand in customer industries. In performance chemicals, sales were firm as the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact. Specialty chemicals were impacted by structural changes in the personal computer market, but sales of high-value-added products grew as the Kao Group provided products that meet customer needs.

Operating income increased 2.7 billion yen compared with the same period a year earlier to 15.3 billion yen due to the effect of increased sales of high-value-added products and cost reduction activities.

(2) Description of Financial Condition

Summary of Consolidated Financial Condition

	Billions of yen			Millions of U.S. dollars
	1H/FY2015 Jun. 30, 2015	FY2014 Dec. 31, 2014	Incr./(Dcr.)	**1H/FY2015 Jun. 30, 2015**
Total assets	**1,193.4**	1,198.2	(4.8)	**9,746.0**
Total net assets	**662.2**	672.4	(10.2)	**5,408.1**
Net worth ratio	**54.5%**	54.9%	-	**54.5%**
Net worth per share (Yen/US$)	**1,296.54**	1,313. 63	(17.09)	**10.59**
Total debt	**121.5**	101.2	20.3	**992.3**

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	1H/FY2015	1H/FY2014	Incr./(Dcr.)	**1H/FY2015**
Cash flows from operating activities	**54.7**	57.0	(2.3)	**446.7**
Cash flows from investing activities	**(31.3)**	(27.7)	(3.5)	**(255.2)**
Free cash flow*	**23.4**	29.3	(5.8)	**191.5**
Cash flows from financing activities	**0.2**	(17.2)	17.4	**1.3**

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

Total assets decreased 4.8 billion yen from the end of fiscal 2014 to 1,193.4 billion yen. The principal increases in assets were a 16.2 billion yen increase in cash and time deposits, a 2.0 billion yen increase in short-term investments, a 2.3 billion yen increase in merchandise and finished goods and an 11.4 billion yen increase in property, plant and equipment. The principal decreases in assets were a 30.0 billion yen decrease in notes and accounts receivable – trade and a 12.7 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities increased 5.3 billion yen from the end of fiscal 2014 to 531.2 billion yen. The principal increases in liabilities were a 40.0 billion yen increase in long-term loans and a 29.4 billion yen increase in liability for retirement benefits, which includes an increase due to the adoption of an accounting standard for retirement benefits. The principal decreases in liabilities were a 2.6 billion yen decrease in notes and accounts payable – trade, a 20.0 billion yen decrease in current portion of long-term loans, a 17.4 billion yen decrease in income taxes payable and a 21.5 billion yen decrease in other current liabilities, which includes accrued expenses and others.

Total net assets decreased 10.2 billion yen from the end of fiscal 2014 to 662.2 billion yen. The principal increases in net assets were net income totaling 34.0 billion yen and foreign currency translation adjustments of 1.2 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 18.0 billion yen.

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

As a result of the above factors, the net worth ratio (defined as net worth divided by total assets) was 54.5% compared with 54.9% at the end of fiscal 2014.

Cash flows from operating activities totaled 54.7 billion yen. The principal increases in net cash were income before income taxes and minority interests of 59.1 billion yen, depreciation and amortization of 35.7 billion yen and change in trade receivables of 29.6 billion yen. The principal decreases in net cash were change in inventories of 3.9 billion yen, change in accounts payable – other and accrued expenses of 15.8 billion yen and income taxes paid of 31.7 billion yen.

Cash flows from investing activities totaled negative 31.3 billion yen. This primarily consisted of purchase of property, plant and equipment of 28.4 billion yen.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was 23.4 billion yen.

Cash flows from financing activities totaled 0.2 billion yen. This primarily consisted of 19.3 billion yen for payments of cash dividends, including to minority shareholders. In March, the Kao Group repaid loans totaling 20.0 billion yen but borrowed 40.0 billion yen with the objective of reinforcing its financial base to maintain an appropriate capital cost ratio and to invest for growth.

The balance of cash and cash equivalents at June 30, 2015 increased 22.6 billion yen compared with the end of fiscal 2014 to 251.2 billion yen.

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

A continuing moderate recovery is forecast for the global economy, although there are concerns about the risk of a downturn due to factors including the impact of the tapering of quantitative easing in the United States, the public debt problem in Europe and the economic outlook in emerging nations. In Japan, amid an ongoing improvement trend in employment and income conditions, the economy is expected to recover moderately, due in part to the effects of economic measures, but there is a possibility of impact from an economic downturn outside Japan. Moreover, the outlook for the operating environment remains unclear, including market conditions for raw materials and trends in exchange rates.

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

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

In addition, during the fiscal year the Kao Group will proactively invest to strengthen global business development toward the achievement of the Kao Group Mid-term Plan 2015 (K15) and further medium-to-long-term growth.

Please note that the forecast of consolidated results for the fiscal year is unchanged from the "Notice of Revision of Business Results Forecast" announced on July 24, 2015.

The main exchange rates used in the forecast of consolidated results are 120 yen per U.S. dollar and 135 yen per euro.

2. Items Related to Summary Information (Notes)

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

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

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements:

Changes in accounting principles

Adoption of Accounting Standard for Retirement Benefits

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

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

As a result, liability for retirement benefits increased by 32,906 million yen, asset for retirement benefits decreased by 9,692 million yen and retained earnings decreased by 27,931 million yen at the beginning of the three months ended March 31, 2015. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the six months ended June 30, 2015 was immaterial.

Adoption of Accounting Standard for Business Combinations

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

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

The impact of these changes on the consolidated financial statements for the six months ended June 30, 2015 was immaterial.

Consolidated Balance Sheet

Millions of yen

	1H/FY2015 Jun. 30, 2015	FY2014 Dec. 31, 2014
Assets		
Current assets		
Cash and time deposits	123,606	107,412
Notes and accounts receivable - trade	174,065	204,060
Short-term investments	112,644	110,639
Merchandise and finished goods	114,090	111,831
Work in process	13,413	12,833
Raw materials and supplies	33,786	33,123
Other	68,620	63,484
Allowance for doubtful receivables	(1,610)	(1,648)
Total current assets	**638,614**	**641,734**
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,263,400	1,252,104
Accumulated depreciation	(944,376)	(944,489)
Total property, plant and equipment	319,024	307,615
Intangible assets		
Goodwill	133,823	139,941
Trademarks	8,468	15,145
Other	12,900	12,844
Total intangible assets	155,191	167,930
Investments and other assets		
Investments and other assets	81,216	81,631
Allowance for doubtful receivables	(643)	(677)
Total investments and other assets	80,573	80,954
Total fixed assets	**554,788**	**556,499**
Total assets	**1,193,402**	**1,198,233**

Consolidated Balance Sheet

Millions of yen

	1H/FY2015 Jun. 30, 2015	FY2014 Dec. 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	127,085	129,711
Short-term loans	1,425	1,137
Current portion of long-term loans	16	20,013
Income taxes payable	10,659	28,108
Liability for loss related to cosmetics	6,986	8,220
Other	171,824	193,347
Total current liabilities	**317,995**	**380,536**
Long-term liabilities		
Bonds	50,000	50,000
Long-term loans	70,072	30,083
Liability for retirement benefits	71,799	42,414
Other	21,316	22,807
Total long-term liabilities	**213,187**	**145,304**
Total liabilities	**531,182**	**525,840**
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	108,659	109,561
Retained earnings	456,481	468,684
Treasury stock, at cost	(8,523)	(9,719)
Total shareholders' equity	**642,041**	**653,950**
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	7,280	5,507
Deferred gain (loss) on derivatives under hedge accounting	4	8
Foreign currency translation adjustments	(3,685)	(4,853)
Remeasurements of defined benefit plans	4,413	3,619
Total accumulated other comprehensive income	**8,012**	**4,281**
Stock acquisition rights	**1,015**	**944**
Minority interests	**11,152**	**13,218**
Total net assets	**662,220**	**672,393**
Total liabilities and net assets	**1,193,402**	**1,198,233**

Consolidated Statement of Income

Millions of yen

	1H/FY2015 Jan. - Jun.	1H/FY2014 Jan. - Jun.
Net sales	**695,167**	**665,940**
Cost of sales	319,541	299,677
Gross profit	**375,626**	**366,263**
Selling, general and administrative expenses	315,532	316,914
Operating income	**60,094**	**49,349**
Non-operating income		
Interest income	487	402
Dividend income	123	109
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,154	987
Other	1,751	1,917
Total non-operating income	3,515	3,415
Non-operating expenses		
Interest expense	710	563
Foreign currency exchange loss	1,372	546
Other	311	192
Total non-operating expenses	2,393	1,301
Ordinary income	**61,216**	**51,463**
Extraordinary gain		
Gain on sales of fixed assets	346	60
Other	345	16
Total extraordinary gain	691	76
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,147	1,074
Other	625	85
Total extraordinary loss	2,772	1,159
Income before income taxes and minority interests	**59,135**	**50,380**
Income taxes		
Income taxes - current	14,626	12,969
Income taxes - deferred	10,482	5,205
Total income taxes	25,108	18,174
Income before minority interests	**34,027**	**32,206**
Minority interests	(18)	560
Net income	**34,045**	**31,646**

Consolidated Statement of Comprehensive Income

Millions of yen

	1H/FY2015 Jan. - Jun.	1H/FY2014 Jan. - Jun.
Income before minority interests	**34,027**	**32,206**
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	1,609	(4)
Foreign currency translation adjustments	799	(9,049)
Share in other comprehensive income of associates applied for equity method	143	42
Remeasurements of defined benefit plans	805	(207)
Other comprehensive income	3,356	(9,218)
Comprehensive income	**37,383**	**22,988**
Attributable to:		
Shareholders of Kao Corporation	37,775	22,694
Minority interests	(392)	294

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen

	1H/FY2015 Jan. - Jun.	1H/FY2014 Jan. - Jun.
Freight/warehouse	40,251	38,969
Advertising	48,532	49,137
Sales promotion	36,965	34,740
Salaries and bonuses	66,777	66,301
Research and development	25,926	26,217

Consolidated Statement of Cash Flows

Millions of yen

	1H/FY2015 Jan. - Jun.	1H/FY2014 Jan. - Jun.
Operating activities:		
Income before income taxes and minority interests	59,135	50,380
Adjustments for:		
Depreciation and amortization	35,699	38,483
Interest and dividend income	(610)	(512)
Interest expense	710	563
Unrealized foreign currency exchange (gain) loss	1,353	745
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,154)	(987)
(Gain) loss on sales and retirement of fixed assets	1,800	1,014
Change in trade receivables	29,570	27,281
Change in inventories	(3,894)	(20,138)
Change in trade payables	(2,500)	6,967
Change in accounts payable - other and accrued expenses	(15,771)	(12,666)
Change in accrued consumption taxes	(7,109)	(1,202)
Other, net	(12,446)	(5,162)
Subtotal	84,783	84,766
Interest and cash dividends received	2,388	2,397
Interest paid	(744)	(570)
Income taxes paid	(31,723)	(29,567)
Cash flows from operating activities	**54,704**	**57,026**
Investing activities:		
Purchase of property, plant and equipment	(28,449)	(23,091)
Purchase of intangible assets	(1,944)	(1,237)
Payments for long-term prepaid expenses	(2,730)	(1,821)
Change in short-term loans, net	202	89
Payments for long-term loans	(97)	(178)
Other, net	1,763	(1,496)
Cash flows from investing activities	**(31,255)**	**(27,734)**
Financing activities:		
Change in short-term loans, net	261	(59)
Proceeds from long-term loans	40,000	1
Repayments of long-term loans	(20,003)	(3)
Payments of cash dividends	(18,044)	(16,395)
Payments of cash dividends to minority shareholders	(1,206)	(1,071)
Other, net	(851)	303
Cash flows from financing activities	**157**	**(17,224)**
Translation adjustments on cash and cash equivalents	**(1,048)**	**(2,937)**
Net increase (decrease) in cash and cash equivalents	**22,558**	**9,131**
Cash and cash equivalents, beginning of period	**228,662**	**227,598**
Cash and cash equivalents, end of period	**251,220**	**236,729**

Consolidated Segment Information

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

Consolidated Segment Information (Continued)

Millions of yen

1H/FY2015 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	287,513	132,852	149,143	**569,508**	**125,659**	**695,167**	-	**695,167**
Intersegment sales	-	-	-	-	**18,125**	**18,125**	(18,125)	**-**
Total	287,513	132,852	149,143	**569,508**	**143,784**	**713,292**	(18,125)	**695,167**
Operating income	4,569	14,415	25,750	**44,734**	**15,303**	**60,037**	57 *	**60,094**
% of net sales	1.6	10.9	17.3	7.9	10.6	8.4	-	8.6

1H/FY2014 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	283,538	109,603	148,175	**541,316**	**124,624**	**665,940**	-	**665,940**
Intersegment sales	-	-	-	-	**20,615**	**20,615**	(20,615)	**-**
Total	283,538	109,603	148,175	**541,316**	**145,239**	**686,555**	(20,615)	**665,940**
Operating income	6,436	7,219	23,082	**36,737**	**12,605**	**49,342**	7 *	**49,349**
% of net sales	2.3	6.6	15.6	6.8	8.7	7.2	-	7.4

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

Additional Information

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

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, resulting in a reduction in the rates of corporate taxes from fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used to measure deferred tax assets and liabilities will change from the former 35.64% to 33.06% for temporary differences expected to be reversed in the fiscal year beginning January 1, 2016, and to 32.34% for temporary differences expected to be reversed in fiscal years beginning on or after January 1, 2017.

As a result of these changes, deferred tax assets net of deferred tax liabilities have decreased by 3,562 million yen, deferred income taxes have increased by 4,436 million yen, unrealized gain on available-for-sale securities has increased by 321 million yen, and remeasurements of defined benefit plans have increased by 554 million yen.