News Release **April 23, 2007**

Kao Corporation Reports Business Results

Tokyo, April 23, 2007 - Kao Corporation today announced its consolidated and non-consolidated business results for the fiscal year ended March 31, 2007. The following summary of the business results that Kao submitted to the Tokyo Stock Exchange is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights (Unaudited)

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

YEAR ENDED MARCH 31	2007	2006	Change	2007
	Yen		%	U.S. Dollars
Net sales	**1,231,808**	971,230	26.8	**$10,434.6**
Operating income	**120,858**	120,134	0.6	**1,023.8**
Ordinary income	**120,176**	121,956	(1.5)	**1,018.0**
Net income	**70,527**	71,140	(0.9)	**597.4**
ROE (Net income/ Shareholders' equity)	**13.1%**	14.9%	-	**13.1%**
ROA (Ordinary income/ Total assets)	**9.7%**	12.8%	-	**9.7%**
Operating income/ Net sales	**9.8%**	12.4%	-	**9.8%**
Total assets	**1,247,797**	1,220,564	2.2	**10,570.1**
Total net assets	**574,751**	509,676	12.8	**4,868.7**
Net worth/Total assets	**45.2%**	41.8%	-	**45.2%**
Total net assets per share (Yen/US$)	**1,035.66**	935.11	10.8	**8.77**
Net income per share (Yen/US$)	**129.41**	130.58	(0.9)	**1.10**
Net income per share, fully diluted (Yen/US$)	**129.29**	130.28	(0.8)	**1.10**
Net cash provided by operating activities	**164,977**	117,292	-	**1,397.4**
Net cash used in investing activities	**(63,227)**	(479,535)	-	**(535.6)**
Net cash used in financing activities	**(83,665)**	356,721	-	**(708.7)**
Cash and cash equivalents, end of term	**88,154**	67,527	-	**746.8**

Notes:

1. *Net income per share is computed based on the weighted average number of shares outstanding during the corresponding periods: 544,995,915 shares for 2007 and 544,126,518 shares for 2006.*
2. *Number of shares outstanding at the end of the periods (including treasury stock): 549,443,701 shares for 2007 and 549,443,701 shares for 2006*
3. *Number of treasury stock at the end of the periods: 4,349,692 shares for 2007 and 4,497,726 shares for 2006*
4. *Changes in scope of consolidation: Consolidated subsidiaries (1 addition)*
5. *U.S. dollar amounts represent translations using the approximate exchange rate on March 30, 2007, of 118.05 yen=US$1, and are included solely for the convenience of readers.*
6. *Yen amounts are rounded down to the nearest million.*
7. *Total net assets for the year ended March 31, 2006 does not include minority interests. In addition, net worth is the same as shareholders' equity for the year ended March 31, 2006, while net worth for the year ended March 31, 2007 consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.*

Dividend

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

YEAR ENDED MARCH 31	2007	2006	2007
	Yen		U.S. Dollars
Cash dividend per share (Yearly, Yen/US$)	**52.00**	50.00	**0.44**
Total dividend payment amount	**28,370**	27,253	**240.3**
Payment ratio (consolidated)	**40.2%**	38.3%	**40.2%**
Cash dividend/Total net assets (consolidated)	**5.3%**	5.7%	**5.3%**

Note: interim dividend per share : 26.00 yen for 2007 and 25.00 yen for 2006
year-end dividend per share : 26.00 yen for 2007 and 25.00 yen for 2006

Forecast of Consolidated Results for the Six Months Ending September 30, 2007 and the Year Ending March 31, 2008

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

	Six months ending September 30, 2007		Year ending March 31, 2008	
	Yen	U.S. Dollars	Yen	U.S. Dollars
Net sales	640,000	5,421.4	1,290,000	10,927.6
Operating income	49,000	415.1	114,000	965.7
Ordinary income	47,000	398.1	111,000	940.3
Net income	26,000	220.2	66,000	559.1
Cash dividend per share	27.00	0.23	54.00	0.23
Net income per share (Yen/US$)	47.70	0.40	121.08	1.03

Notes:

1. *Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year*
2. *Annual cash dividend per share : 54.00 yen*
   interim dividend per share : 27.00 yen, year-end dividend per share : 27.00 yen

Consolidated Segment Information by Business (Unaudited)

Billions of Yen

YEAR ENDED MARCH 31	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	**2007**	2006	Incr./(Dcr.)
Consumer Products	**744.7**	704.0	5.8	4.1	**98.9**	92.6	6.2
Prestige Cosmetics	**292.6**	85.2	243.3	242.2	**0.5**	5.1	(4.6)
Chemical Products	**223.6**	208.8	7.0	3.6	**21.1**	22.0	(0.8)
Corporate/Eliminations	**(29.2)**	(26.9)	-	-	**0.2**	0.2	(0.0)
Consolidated	**1,231.8**	971.2	26.8	24.8	**120.8**	120.1	0.7

Millions of U.S. Dollars

YEAR ENDED MARCH 31	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	**2007**	2006	Incr./(Dcr.)
Consumer Products	**6,308.7**	5,963.9	5.8	4.1	**838.0**	785.3	52.8
Prestige Cosmetics	**2,479.1**	722.1	243.3	242.2	**4.4**	43.8	(39.4)
Chemical Products	**1,894.2**	1,769.5	7.0	3.6	**179.4**	186.6	(7.2)
Corporate/Eliminations	**(247.5)**	(228.2)	-	-	**2.0**	2.0	(0.0)
Consolidated	**10,434.6**	8,227.3	26.8	24.8	**1,023.8**	1,017.7	6.1

Consolidated Segment Information by Geography (Unaudited)

Billions of Yen

YEAR ENDED MARCH 31	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	**2007**	2006	Incr./(Dcr.)
Japan	**924.1**	708.0	30.5	30.5	**102.2**	101.6	0.5
Asia/Oceania	**125.9**	110.8	13.6	5.3	**2.5**	5.8	(3.2)
North America	**106.7**	95.1	12.2	6.9	**7.7**	6.7	0.9
Europe	**135.9**	109.4	24.1	16.6	**8.6**	7.5	1.1
Corporate/Eliminations	**(61.0)**	(52.3)	-	-	**(0.3)**	(1.6)	1.2
Consolidated	**1,231.8**	971.2	26.8	24.8	**120.8**	120.1	0.7

Millions of U.S. Dollars

YEAR ENDED MARCH 31	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	**2007**	2006	Incr./(Dcr.)
Japan	**7,828.9**	5,997.9	30.5	30.5	**865.9**	861.1	4.8
Asia/Oceania	**1,067.3**	939.4	13.6	5.3	**21.7**	49.5	(27.8)
North America	**904.1**	806.2	12.2	6.9	**65.7**	57.4	8.3
Europe	**1,151.4**	927.4	24.1	16.6	**73.6**	63.7	9.9
Corporate/Eliminations	**(517.0)**	(443.7)	-	-	**(3.2)**	(14.1)	10.9
Consolidated	**10,434.6**	8,227.3	26.8	24.8	**1,023.8**	1,017.7	6.1

Notes:

1. *U.S. dollar amounts represent translations using the approximate exchange rate on March 30, 2007, of 118.05 yen=US$1, and are included solely for the convenience of readers.*
2. *Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.*

Non-consolidated Financial Highlights (Unaudited)

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

YEAR ENDED MARCH 31	2007	2006	Change	2007
	Yen		%	U.S. dollars
Net sales	**709,554**	688,589	3.0	**6,010.6**
Operating income	**78,613**	90,551	(13.2)	**665.9**
Ordinary income	**84,951**	100,134	(15.2)	**719.6**
Net income	**57,653**	64,133	(10.1)	**488.4**
Total assets	**1,008,757**	1,024,155	(1.5)	**8,545.2**
Total net assets	**503,741**	474,444	6.2	**4,267.2**
Net worth/total assets	**49.9%**	46.3%	-	-
Total net assets per share (Yen/US$)	**922.64**	869.58	6.1	**7.82**
Net income per share (Yen/US$)	**105.68**	117.61	(10.1)	**0.90**
Net income per share, fully diluted (Yen/US$)	**105.58**	117.34	(10.0)	**0.89**

Notes:
1. *U.S. dollar amounts represent translations using the approximate exchange rate on March 30, 2007, of 118.05 yen=US$1, and are included solely for the convenience of readers.*
2. *Yen amounts are rounded down to the nearest million.*

Forecast of Non-consolidated Results for the Six Months Ending September 30, 2007 and the Year Ending March 31, 2008

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

	Six months ending September 30, 2007		Year ending March 31, 2008	
	Yen	U.S. Dollars	Yen	U.S. Dollars
Net sales	360,000	3,049.6	720,000	6,099.1
Operating income	38,000	321.9	78,000	660.7
Ordinary income	43,000	364.3	85,000	720.0
Net income	24,000	203.3	48,000	406.6
Net income per share (Yen/US$)	43.98	0.37	87.97	0.75

Note: Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

Forward-Looking Statements

This release contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation, could cause actual results to differ materially from expectations.

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Qualitative Information and Financial Statements

I. Business Results

(1) Analysis of Consolidated Business Results

Results for the Fiscal Year Ended March 31, 2007

1. Overview

The Japanese economy recovered during the fiscal year ended March 31, 2007, supported by private-sector demand, with improvement in corporate earnings and growth in capital investment. However, despite positive signs such as an improved employment picture, personal consumption remained generally flat along with income, and domestic consumer prices were also essentially unchanged. Other economies around the world continued to expand, with increases in consumption and payrolls in the United States, and continued high growth in fixed asset investment in China. In this environment, the Kao Group aimed to achieve profitable growth by adding value to products, which helped to stimulate the market.

Net sales rose 260.5 billion yen to 1,231.8 billion yen, a 26.8% increase over the previous fiscal year, due to the addition of Molton Brown Limited and Kanebo Cosmetics Inc. to the Kao Group during the fiscal year and the growth of existing businesses. Excluding the positive currency translation effect of 19.2 billion yen on overseas sales due to the weaker yen, net sales increased 24.8%.

Sales in Japan rose by 30.5%. In the Consumer Products business, in addition to changes in consumers, retailing and society, the market continued to be intensely competitive, but sales expanded with the launch of high-value-added products and aggressive marketing. The Prestige Cosmetics business performed basically as forecast, with a substantial increase in sales from the addition of Kanebo Cosmetics Inc. in a flat market. In the Chemical Products business, sales grew due to expanding sales of core products.

Overseas sales increased 17.2%, with steady recovery in the Consumer Products business in Asia, where Kao is working to integrate operations with Japan, and brisk growth in the Consumer Products business in North America and Europe and the Chemical Products business. (Excluding the effect of currency translation, overseas sales increased 10.1%.)

Cost of sales increased to 503.2 billion yen from 427.7 billion yen in the previous fiscal year. Although Kao promoted further cost reduction activities, cost of sales increased in tandem with the growth in sales volume, as well as due to the worldwide rise in prices for raw materials centered on petrochemicals, and the increase in imported raw materials in Japan as a result of the weaker yen. As a result, gross profit was 728.5 billion yen, an increase of 34.0%, or 185.0 billion yen, from the previous fiscal year.

Selling, general and administrative (SG&A) expenses increased 43.5%, or 184.3 billion yen, from the previous fiscal year to 607.6 billion yen. Besides the addition of expenses related to Kanebo Cosmetics Inc., other factors included freight and warehouse costs associated with higher sales volume, expenses for new product launches and sales promotion activities in stores.

As a result of the above factors, operating income increased 0.6%, or 0.7 billion yen, from the previous fiscal year to 120.8 billion yen. Before deducting 26.7 billion yen in expenses for amortization of goodwill and intellectual property rights related to Kanebo Cosmetics Inc., operating income was 147.6 billion yen, an increase of 24.9 billion yen from the same period of the previous year.

Non-operating income and expenses resulted in net non-operating expenses of 0.6 billion yen, compared with net non-operating income of 1.8 billion yen in the previous fiscal year. This was principally due to higher interest expense in connection with an increase in interest-bearing debt.

As a result, ordinary income decreased 1.7 billion yen from the previous fiscal year to 120.1 billion yen.

Extraordinary gain and loss totaled a net loss of 3.0 billion yen, an improvement of 1.9 billion yen compared with the net loss of 5.0 billion in the previous fiscal year. Consequently, income before income taxes and minority interests increased 0.2 billion yen from the previous fiscal year to 117.1 billion yen.

Tax expenses were affected by factors including an increase due to recording a deferred tax asset valuation allowance during the fiscal year and a decrease due to a domestic consolidated subsidary's acquisition of its own stock. However, the effective tax rate after application of tax effect accounting was largely unchanged, increasing from 38.2% in the previous fiscal year to 38.5%, and net income was 70.5 billion yen, a decrease of 0.6 billion yen from the previous fiscal year. Net income per share was 129.41 yen, a 1.17 yen decrease from 130.58 yen in the previous fiscal year.

The translation rates used to calculate income and expenses for consolidated subsidiaries and other companies outside Japan for the fiscal year were one U.S. dollar to 116.40 yen and one euro to 146.87 yen.

2. Information by Business Segment

Net sales in the Consumer Products business increased steadily in Japan, Asia, North America and Europe. In the Prestige Cosmetics business, the addition of Kanebo Cosmetics and the contribution of Molton Brown, which is a prestige brand in the United Kingdom, resulted in significantly higher sales. In the Chemical Products business, competition has generally intensified, but sales expanded steadily as core business fields in North America and Europe have become growth engines.

Despite the effects of rising raw material prices, operating income for the Consumer Products business increased due to sales growth and cost reductions. In the Prestige Cosmetics business, operating income decreased due to factors including an increase in amortization expenses for goodwill and trademarks and other intellectual property rights related to Kanebo Cosmetics Inc. Excluding the effect of the amortization expenses, operating income increased. In the Chemical Products business, despite sales growth from efforts to expand sales in core business areas, operating income decreased due to the rise in raw material prices.

Consumer Products Business

Net sales of consumer products were 744.7 billion yen, a 5.8% increase over the previous fiscal year. Excluding the effect of currency translation, sales increased 4.1%. Sales in Japan increased 4.3% over the previous fiscal year. Overseas sales also increased strongly in each region. Although affected by higher raw material prices, operating income was 98.9 billion yen, an increase of 6.2 billion yen from the previous fiscal year, due to an increase in sales volume mainly driven by new products.

(1) Japan

In the Japanese market, while consumer purchase prices of major products stabilized near the level of the previous fiscal year, the continuing decline in product prices began to show changes, including an upturn in prices in certain product categories. By distribution channel, sales at drugstores continued to expand. In these circumstances, the Kao Group worked to further strengthen its core brands and to launch and nurture new products in support of its objective of profitable growth by promoting high added value in its products – in other words, creating products that offer consumers emotional appeal in addition to providing functional value. The Kao Group also worked to stimulate the market by aggressively carrying out integrated marketing and sales activities for each retail chain and area. Despite the effects of increased sales and Kao's efforts to reduce costs and make more effective expenditures, operating income was substantially affected by rising raw material prices.

Sales Composition of Consumer Products

	Billions of yen		
Year ended March 31	**2007**	2006	% change
Personal Care	**194.6**	187.8	3.6
Fabric and Home Care	**243.8**	237.5	2.6
Feminine Care, Baby Care and Others	**123.9**	113.6	9.0
Total	**562.3**	539.0	4.3

In the market for personal care products, Kao continued to compete on the basis of higher added value, and consumer purchase prices trended upward from the previous fiscal year in the shampoo/conditioner, hair styling products and other categories.

Under these conditions, sales increased sharply in the skin care category. Kao raised its position in the facial cleanser market to number one with the launch of *Bioré Marshmallow Whip*, and increased market share for *Bioré U* body cleanser by adding a new fragrance and other measures. Overall sales in the shampoo and conditioner category were lackluster due to increased competition, despite strong sales of *Merit*, which Kao promoted as a new family shampoo, and *Essential*, which underwent a complete renewal. In the oral care category, Kao launched *Medicated Pyuora* toothpaste and dental rinse, which base their appeal on "freshening up a pasty mouth" under the concept of total oral cleaning, and sales increased.

As a result, sales of personal care products increased 3.6% compared with the previous fiscal year.

Examples of new products:
Bioré U Apple Mango Scented body cleanser
Blauné Point Cover Hair Colors hair coloring agent
Liese Supply Citron Scented Hair Styling Water for updo style

In fabric and home care products, consumer needs are diversifying as they begin to adopt new attitudes toward housework, reflecting changes in society. Consumer purchase prices are trending toward bottoming out in each category.

Under these conditions, the Kao Group worked to strengthen its core brands by adding value. In laundry detergents, Kao renewed *Attack* with superior cleaning power even when washing large loads. Kao also launched *Attack ALL in*, which contains bleach and fabric softener, winning support from consumers who want to simplify laundry. The launch of *Humming Flair Relaxing Herbal Scented* and *Humming Flair Flower Blossom Essence* fabric softeners won consumer support and sales were strong. Sales of dishwashing detergents expanded with a product formulated with citric acid for automated dishwashers added to the lineup for *Family Kyukutto*, which offers superior cleaning users can feel.

As a result, sales of fabric and home care products increased 2.6% compared with the previous fiscal year.

Examples of new products:
Style Care Mist for Clothing fabric conditioner
Humming Flair Flower Blossom Essence fabric softener
Quickle Wiper Handy household duster kit

In the feminine care category, a trend toward lower market prices continued in certain categories. Under these conditions, sales of sanitary napkins increased as consumer support steadily expanded for *Laurier F*, which alleviates skin stress, and Kao enhanced the product line. In addition, Kao worked to add value to disposable baby diapers by making them gentler on the skin, thus raising brand value. As a result, sales increased substantially. Adult incontinence products performed well, with the launch of *Relief Rehabilitation Starter Pants*, which can be worn like underpants and opened using tape stays, making them convenient for users new to nursing.

In the health care category, sales of *Econa* brand healthy cooking oils were impacted by increasing competition in the market. Sales of *Healthya* healthy functional drinks increased with the launch of *Healthya Water* sports drink with a refreshing grapefruit flavor.

As a result, sales of feminine care, baby care and other products increased 9.0% compared with the previous fiscal year.

Examples of new products:
Laurier F for Heavy Night Use sanitary napkins (quasi-drug)
Freeday Slim Liner light incontinence product
Econa Pasta Sauce with Selected Ingredients

(2) Asia and Oceania
Asian markets are undergoing major structural changes as they grow, with changing consumer needs and the continuing entry of global retail chains. In addition, competition among companies continues to intensify. In this environment, the Kao Group is working to build a unified management structure that encompasses all of Asia, including Japan, and to provide high-value-added products to fit local market conditions. Kao expanded the sales territory for the *Asience* premium hair care brand from Taiwan and Hong Kong to Singapore, and increased sales with the addition of a new essence water/lotion and hair mask. In the sanitary napkin category, Kao launched *Laurier F* in Hong Kong and Singapore. As in Japan, this product was well received by consumers who are sensitive to skin stress, and posted strong sales. In Thailand, Kao launched *Attack Easy* laundry detergent, which is formulated to match the way Thai consumers wash clothes, and sales were favorable.

As a result, sales in Asia increased 15.7% compared with the previous fiscal year to 66.1 billion yen. Excluding the effect of currency translation, sales increased 6.8%.

(3) North America and Europe
In North America and Europe, where it is engaged in the personal care products business, the Kao Group worked to establish products with high added value. Amid intensifying competition, Kao Brands Company added a product for the face to the *natural glow* line under the *Jergens* skin care brand, in addition to the existing product for the body. This increased sales of *natural glow*, which provides a natural-looking, healthy summer glow just by moisturizing daily. The *John Frieda* hair care brand enhanced its *Frizz-Ease* line of shampoos and conditioners, which drove sales growth. In addition, Kao Professional Salon Services GmbH expanded sales by conducting a major renewal of the KMS brand for high-end beauty salons.

As a result, sales in North America and Europe increased 8.2% from the previous fiscal year to 124.8 billion yen. Excluding the effect of currency translation, sales increased 2.4%.

Prestige Cosmetics Business
In Japan, the market remained flat amid changes in the consumer’s sense of values, attitudes toward beauty, and retail channel structures. The Kao Group worked to strengthen its product and sales capabilities in response to these changes, with the aim of raising brand value. At Kanebo Cosmetics Inc., the new premium prestige skin care brand *Impress*, which is sold exclusively at department stores, *Blanchir Whitening Conclusion* whitening serum, and *Kate* makeup performed well. *Kao Sofina* worked to stimulate the market with the launches of *HADA·KA*, a new skin care brand, and *Phytomax*, a new brand exclusively for sale through drugstores. Molton Brown sales increased substantially with the addition of new products and the expansion of sales regions.

As a result, sales of prestige cosmetics increased 243.3% from the previous fiscal year to 292.6 billion yen. Operating income was 0.5 billion yen, a decrease of 4.6 billion yen from the previous fiscal year. Before deduction of amortization related to Kanebo Cosmetics Inc., operating income was 27.3 billion yen, an increase of 19.5 billion yen from the previous fiscal year. As for Kanebo Cosmetics Inc. which has a fiscal year ending December 31, the consolidated financial statements include the results for the eleven months starting in February, when the company was added to the Kao Group.

Principal new brands:
Impress premium prestige skin care brand
Lavshuka
HADA·KA skin care brand
Phytomax skin care sold exclusively at drugstores

Chemical Products Business
Although the Japanese economy remains on a recovery track, with improved corporate earnings and increased capital investment, rising costs due to fluctuating crude oil prices are exerting a substantial impact on the target industries of the Chemical Products business. In this environment, the Kao Group worked to reinforce its global operations and expand its business in the core fields of oleo chemicals, performance chemicals and specialty chemicals. As a result, sales totaled 223.6 billion yen, an increase of 7.0% compared to the previous fiscal year. Excluding the effect of currency translation, the increase was 3.6%. Operating income was impacted by rising raw material prices, decreasing 0.8 billion yen from the previous fiscal year to 21.1 billion yen.

(1) Japan
In the performance chemicals business, sales of plastics additives and superplasticizers for concrete admixtures were solid, but sales in the oleo chemicals business were flat, with a downturn in its target industries. In the specialty chemicals business, which is closely linked to customers and offers high added value, sales of polishing agents for hard disks increased significantly, while sales of cleaners for electronic parts grew due to positive customer evaluation of their features. Sales of toner and toner binder for copiers and printers, as well as of ink and colorants for inkjet printers, have been recovering from difficult conditions.

As a result, sales increased 2.1% compared with the previous fiscal year to 116.9 billion yen.

(2) Asia
Sales in Greater China increased as a result of the expansion of sales from continuing rapid economic growth in China, as well as other factors including the growth of the LCD industry in Taiwan. However, sales of fatty alcohols produced in Malaysia and the Philippines decreased as a result of weakening market conditions, despite Kao’s reputation for high-quality products based on its original technologies, as well as global sales expansion efforts. In the Philippines, an expansion of fatty alcohol production capacity came on line after its completion in December.

As a result, sales in Asia increased 4.2% compared with the previous fiscal year to 55.8 billion yen. Excluding the effect of currency translation, sales decreased 3.6%.

(3) North America and Europe
Sales of toner and toner binder for copiers and printers were strong, as Kao made aggressive capital investments in response to the growth of its three core markets of Japan, the United States and Europe. In Germany, sales of superplasticizers for concrete admixtures and fatty amines increased due to the reputation of product features. In Spain, sales of aroma chemicals were strong.

As a result, overall sales increased 14.9% compared with the previous fiscal year to 82.9 billion yen. Excluding the effect of currency translation, sales increased 8.2%.

Forecast for the Fiscal Year Ending March 31, 2008

1. Overview
The Japanese economy is expected to continue its private sector-led recovery as the strength of corporate earnings spreads to household budgets. Although the improvement in employment conditions is broadening, personal consumption is expected to be generally flat, and the trend in prices of petrochemical-related products is expected to affect consumer prices as well. Moreover, although the global economy is expected to be solid, centered on the United States and Asia, persistent uncertainty is likely to remain.

Under these conditions, the Kao Group aims to achieve profitable growth by adding a high level of value to its products. It will expand sales by focusing on the areas of beauty care, which incorporates prestige cosmetics as well as hair care, skin care and other consumer products, and human health care, which includes functional foods and sanitary products. Both of these areas have particularly high growth potential. The Kao Group forecasts net sales to increase 4.7%, or 58.1 billion yen, year-on-year to 1,290.0 billion yen. Operating income is expected to decline 5.7% to 114.0 billion yen due to higher selling, general and administrative expenses resulting from factors including aggressive in-store activities such as display enhancement and promotions in the beauty care business, as well as rising raw material prices. Ordinary income is expected to decline 7.6% to 111.0 billion yen with the burden of interest on bank borrowings, bonds and other interest-bearing debt. Net income is forecast to decrease 6.4% to 66.0 billion yen.

2. Forecast by Business Segment
In the Japanese consumer products market, changes are appearing in the downward trajectory of retail prices and a recovery trend in sales volume is also evident, but severe competition is forecast to continue. Overseas, the competitive environment is expected to continue intensifying despite market growth. Under these conditions, the Kao Group reorganized into the following four business units as of April 2007, in order to quickly and forcefully execute a consumer-driven growth strategy. This measure is in response to changes related to fundamental social mechanisms, as well as changes in the product selection and purchasing behavior of consumers and the accompanying changes in retailing.

With this reorganization, Kao will reinforce its product development and manufacturing capabilities, which provide products and brands of excellent value for customer satisfaction, and will focus its management resources on aggressive new product launches, marketing and sales activities to strengthen core brands.

In the Beauty Care business unit, the Kao Group will stimulate the market by adding greater value to products and presenting the originality and appeal of the Kao Group, while assessing changes in consumer attitudes toward beauty and lifestyle habits. Through all beauty care categories, the Kao Group will create strong, distinctive brands in Japan by segmenting the market and building the optimal brand formations. Overseas, the Kao Group will work to expand sales based on its brand strategy focused on key regions, including accelerating business development in China.

In the Human Health Care business unit, Kao will continue to present its originality through differentiated food and beverage products that deliver the high level of functional value for health expected of Foods for Specified Health Use; sanitary products that offer greater comfort and a sense of reassurance; and personal health products that are part of a healthy day-to-day lifestyle. Through this approach, Kao will work to raise brand value even higher.

In the Fabric and Home Care business unit, in order to offer improved lifestyles, Kao will increase brand value by developing products with added features that offer pleasure and comfort when used in response to diversifying consumer needs.

In the Chemical Products business unit, the Kao Group will work to strengthen global operations by fully leveraging the characteristics of its oleo chemical, performance chemical and specialty chemical businesses. In addition, the Kao Group will make aggressive capital investments that accurately anticipate market trends in regard to the Group’s distinctive products, and will aim to expand business by realizing high functionality and low-cost operations.

3. Underlying Assumptions of the Forecast for the Fiscal Year Ending March 31, 2008
The above forecast was made assuming translation rates of one U.S. dollar to 118 yen and one euro to 155 yen.

(2) Analysis of Financial Condition

1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ended March 31, 2007

Summarized Financial Condition (Unaudited)

	Billions of Yen			Millions of U.S. Dollars
AS OF MARCH 31	**2007**	2006	Incr./(Dcr.)	**2007**
Total assets	**1,247.7**	1,220.5	27.2	**10,570.1**
Total net assets	**574.7**	509.6	65.0	**4,868.7**
Net worth/Total assets	**45.2%**	41.8%	-	**45.2%**
Total net assets per share (yen)	**1,035.66**	935.11	100.55	**8.77**

Summarized Consolidated Cash Flows (Unaudited)

	Billions of Yen			Millions of U.S. Dollars
YEAR ENDED MARCH 31	**2007**	2006	Incr./(Dcr.)	**2007**
Net cash provided by operating activities	**164.9**	117.2	47.6	**1,397.4**
Net cash used in investing activities	**(63.2)**	(479.5)	416.3	**(535.6)**
Net cash used in financing activities	**(83.6)**	356.7	(440.3)	**(708.7)**
Translation adjustments	**2.5**	2.7	(0.1)	**21.5**
Net increase (decrease)	**20.6**	(2.7)	23.4	**174.7**
Cash and cash equivalents, beginning of year	**67.5**	70.4	(2.8)	**572.0**
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	-	0.7	(0.7)	-
Cash and cash equivalents of exclusion of consolidated subsidiaries (decrease)	-	(0.8)	0.8	-
Cash and cash equivalents, end of term	**88.1**	67.5	20.6	**746.8**
Total debt	**355.7**	408.0	(52.2)	**3,013.2**

Total assets increased 27.2 billion yen from the previous fiscal year-end to 1,247.7 billion yen. Principal factors in the increase were a 29.3 billion yen increase in notes and accounts receivable due to business expansion and because the last day of the fiscal year was a business holiday, and a 16.0 billion yen increase in marketable securities. The principal factors decreasing assets were a 23.7 billion yen decrease in intangible fixed assets associated with depreciation and amortization, and a 4.5 billion yen decrease in deferred tax assets.

Total liabilities decreased 28.9 billion yen from the previous fiscal year-end to 673.0 billion yen. Principal factors increasing liabilities were a 13.6 billion yen increase in notes and accounts payable and a 9.8 billion increase in accrued expenses due to business expansion and because the last day of the fiscal year was a business holiday. The principal factor decreasing liabilities was a 52.2 billion yen decrease in bank borrowings and other interest-bearing debt. The balance of bank borrowings and bonds as of March 31, 2007 was 355.7 billion yen.

Net assets including minority interests increased 56.1 billion yen compared with the previous fiscal year-end to 574.7 billion yen. The main factor increasing net assets was net income of 70.5 billion yen, and the main factor decreasing net assets was cash dividends totaling 27.7 billion yen from retained earnings. As a result, the net worth ratio increased from 41.8% at March 31, 2006 to 45.2%.

Net cash provided by operating activities increased 47.6 billion yen compared with the previous fiscal year to 164.9 billion yen. Income before income taxes and minority interests for the fiscal year was 117.1 billion yen, and depreciation and amortization totaled 92.1 billion yen. Income taxes paid totaled 42.2 billion yen.

Net cash used in investing activities decreased 416.3 billion yen compared with the previous fiscal year to 63.2 billion yen. This primarily consisted of 65.4 billion yen for capital expenditures and other purchases of property, plant and equipment, and for intangible fixed assets.

Net cash used in financing activities was 83.6 billion yen, compared with net cash provided by financing activities totaling 356.7 billion in the previous fiscal year. The Company replaced short-term debt used as capital for acquisition of the stock and other assets of Kanebo Cosmetics Inc. with bond issues and long-term loans, in addition to repaying a portion of the short-term debt. Payments of cash dividends, including to minority shareholders, totaled 29.1 billion yen.

As a result, the balance of cash and cash equivalents at the end of the fiscal year was 88.1 billion yen, an increase of 20.6 billion yen from the end of the previous fiscal year.

2. Forecast of Assets, Liabilities, Net Assets and Cash Flow in the Fiscal Year Ending March 31, 2008

Net cash provided by operating activities is expected to remain essentially unchanged compared with the previous fiscal year. Income before income taxes and minority interests is expected to decrease compared with the previous fiscal year due to an increase in expenditures for aggressive growth in the Beauty Care business and other businesses. However, at the same time, depreciation and amortization, including amortization of trademark and other intellectual property rights, is projected to increase, and growth is expected in other businesses.

In net cash used in investing activities, Kao plans capital expenditures of about 60.0 billion yen, including capital investment in Japan and overseas to expand production capacity and promote streamlining.

In net cash used in financing activities, the Company will allocate funds mainly for repayment of borrowings. The balance of short- and long-term debt is projected to be approximately 300.0 billion yen at the end of the fiscal year.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2008 is forecast to be approximately 90.0 billion yen.

Cash Flow Indices

	YEARS ENDED MARCH 31				
	2007	2006	2005	2004	2003
Net worth/Total assets (%)	**45.2**	41.8	65.1	59.1	57.9
Market capitalization/Total assets (%)	**150.7**	138.4	195.2	179.8	186.0
Interest-bearing debt/Operating cash flow (years)	**2.2**	3.6	0.3	0.5	0.4
Operating cash flow/Interest paid (times)	**36.0**	82.1	120.1	91.3	85.8

Notes:
1. All indices are computed based on consolidated data.
2. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).
3. Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which interest is paid.

(3) Basic Policies Regarding Distribution of Profits and Dividends

In order to achieve profitable growth, Kao sets policies regarding allocation of profits to internal capital resources for growth and as dividends from a medium-to-long-term management perspective. Considering it important to provide shareholders with stable, continuous dividends, the Company currently has a target payout ratio of approximately 40% of consolidated net income. In order to increase earnings per share and dividends over the long term, the Company will consider flexibly implementing share repurchases as a measure for shareholder returns from a long-term perspective, taking into account the capital demands of activities such as capital investment for growth and acquisition initiatives, as well as increasing capital efficiency.

In accordance with these policies, the Company plans to increase the year-end dividend for the fiscal year ended March 31, 2007 by 1.00 yen compared with the previous fiscal year to 26.00 yen per share, the same as the interim dividend. As a result, total dividends for the fiscal year will increase by 2.00 yen per share compared with the previous fiscal year, for a total of 52.00 yen per share, and a consolidated payout ratio of 40.2%.

For the fiscal year ending March 31, 2008, the Company plans to increase total dividends per share by 2 yen to 54 yen, taking into account achievement of its income forecast, based on these policies. Net income for the fiscal year is forecast to be 66.0 billion yen. The main reasons for the projected decrease are aggressive investments in growth, including capital investments and marketing expenditures for the Prestige Cosmetics business, as well as rising prices for palm kernel oil, coconut oil and other natural materials derived from fats and oils. When these investments show results, Kao expects to be able to accelerate growth in earnings per share.

This release contains forward-looking statements that are based on management's estimates, assumptions and projections as of April 23, 2007. Certain factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity, and fluctuations in currency exchange and interest rates, could cause actual results to differ materially from expectations.

II. Management Policies

(1) Basic Management Policies of the Company

Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally through the Company's core domains of cleanliness, beauty, health and chemicals. Fully committed to this mission, all members of the Kao Group work together with passion to provide products and brands of excellent value created from the perspective of consumers and customers and to share joy with them.

Kao aims to be a global group of companies that is closest to consumers and customers in each of its markets. In addition to earning the respect and trust of its shareholders and all other stakeholders, Kao consistently augments its corporate value based on profitable growth.

The corporate philosophy that forms the basis of these activities is "The Kao Way," which clearly expresses Kao's unique corporate culture and the essence of its corporate spirit, and is shared and practiced by all Kao Group employees. Furthermore, from the standpoint of corporate social responsibility (CSR), Kao strives to act in good faith based on high ethical standards, and will contribute to the sustainable development of society by conducting its activities with consideration for environmental impact and conservation of resources.

(2) Management Metric Used as a Target

EVA* (Economic Value Added), which is used to measure true profit by factoring in the cost of invested capital, is Kao's principal management metric. Continuous growth in EVA is linked to increased corporate value, which means long-term profits not only for shareholders, but for all Kao stakeholders as well. While working to expand its business scale, Kao views EVA growth as a primary focus of operating activity. Kao also uses this metric to determine the direction of long-term management strategies, for assessing specific businesses, for evaluating acquisitions and capital investment, and in developing performance targets for each fiscal year.

**EVA is a registered trademark of Stern Stewart & Co.*

(3) Medium- and Long-Term Management Strategies

With Consumer Products and Chemicals positioned as its core business areas, Kao will emphasize research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to at Kao as "Y*oki-Monozukuri**," and will conduct activities oriented toward the following three key business objectives in order to achieve profitable growth by increasing the added value of its products.

** Kao defines "Yoki-Monozukuri" as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. This core concept distinguishes us from all our competitors. In Japanese, "Yoki" literally means "good/excellent," and "Monozukuri" means "development/manufacturing of products."*

1) Accelerate Growth in the Business Areas of Beauty Care and Human Health Care*
   Kao will position Beauty Care and Human Health Care, which are business areas with high growth potential and in which the Kao Group can take advantage of its strengths, as growth drivers and concentrate investment of management resources in these areas. Particularly, in addition to its existing Beauty Care business, Kao will develop and strengthen its Beauty Care business globally with Molton Brown Limited and Kanebo Cosmetics Inc., which became members of the Kao Group during the fiscal year ended March 31, 2006.

   **The scope of "Human Health Care" does not include pharmaceuticals.*

2) Further Strengthen and Develop Fabric and Home Care, a Core Business
   In the Fabric and Home Care business, Kao will work to develop products that promote greater cleanliness, comfort and enjoyment. The Company will also seek to develop products that build new markets and match the increasing emphasis of consumers on sanitation, peace of mind and the environment.

3) Further Enhance the Chemical Products Business Globally and Locally with Distinctive Products That Meet Customer Needs
   The Chemical Products business will work to expand and strengthen its operations while simultaneously conducting global business closely linked to each company in the three regions of Asia including Japan, Europe and North America and optimizing regional operations under local leadership tailored to conditions in each country and region.

Kao's main market of Japan has experienced dynamic shifts due to societal changes including the declining birthrate, aging population, later marriage and increase in single households, in addition to changes in consumers' product selection and purchase attitudes, and associated changes in trade and distribution. In order to promptly respond to these changes as well as to proactively implement its consumer-driven growth strategy, Kao reorganized its business divisions effective April 2007 and introduced the following four business units:

(1) Beauty Care business unit
(2) Human Health Care business unit
(3) Fabric and Home Care business unit
(4) Chemical business unit

Concurrently, Kao reorganized every functional division, including R&D, production and sales. As part of the structural reorganization, Kao Hanbai Co., Ltd., which mainly handles consumer products, and Kao Cosmetics Sales Co., Ltd., which mainly handles prestige cosmetics, merged into a new entity, Kao Customer Marketing Co., Ltd.

In this manner, Kao will fully exercise its comprehensive strength as a Group to create products with value and provide them to consumers and retailers by introducing four business units, launching a new sales company, and cooperating closely and generating synergy with Kanebo Cosmetics Inc., a Kao Group company.

(4) Issues for Management

As the severity of conditions affecting the Kao Group's business increases, with rising raw material prices in addition to changes in the market environment, the Group's profit structure is changing significantly, making it more difficult to link increases in sales to profit growth.

In these circumstances, in order to achieve profitable growth by increasing the added value of its products, the Kao Group first plans to enhance research and development in areas such as basic research and production technologies. In addition, to respond to changes in the environment in which it conducts marketing activities, particularly changes in the consumer's sense of values and product needs, the Kao Group will work to create and provide high-value-added products that increase emotional value in addition to functional value.

From the viewpoint of accelerating global growth, in the Consumer Products business in Asian countries with rapidly growing markets the Kao Group will work to integrate Japanese and local operations, to gain thorough knowledge of local consumers and markets, and to mobilize the total capabilities of the Kao Group based on the principles of "Consumer-driven" and "*Genba*-ism*" in order to achieve "*Yoki-Monozukuri*."

** "Genba-ism" defines the importance of observing things "on-site," in the actual location and environment, both internally and externally, in order to maximize our understanding of the business and optimize our performance.*

Appointments of Corporate Auditor and Executive Officers

(Scheduled effective date; June 28, 2007)

1. Newly nominated Full-time Corporate Auditor

Candidate	Current Position
Takashi Matsuzaka	Vice President Global Information Systems

2. Corporate Auditor scheduled to retire

	Current Position
Tsuneo Ejiri	Full-time Corporate Auditor

3. Newly nominated Executive Officer

Candidate	Current Position
Katsuhiko Yoshida	President Global Human Health Care Business
Naohisa Kure	Vice President-Global R&D-Beauty

Consolidated Balance Sheets

Millions of yen

	(A) FY2006 March 31, 2007	Composition %	(B) FY2005 March 31, 2006	Composition %	Inc/(Dec) (A-B)
Assets					
Current assets	**402,219**	**32.2**	**364,613**	**29.9**	**37,605**
Cash and time deposits	49,910		47,384		2,526
Notes and accounts receivable - trade	158,497		129,120		29,376
Short-term investments	36,247		20,189		16,058
Inventories	112,114		105,853		6,260
Prepaid expenses	5,735		5,600		135
Deferred income taxes	20,643		19,479		1,163
Other	21,464		39,181		(17,717)
Allowance for doubtful receivables	(2,394)		(2,196)		(198)
Fixed assets	**845,518**	**67.8**	**855,872**	**70.1**	**(10,353)**
Tangible assets	289,016	23.2	282,796	23.1	6,219
Buildings and structures	96,445		95,097		1,347
Machinery, equipment and vehicles	101,369		90,520		10,848
Tools, furniture and fixtures	13,930		12,487		1,442
Land	69,625		67,111		2,514
Construction in progress	7,645		17,578		(9,933)
Intangible assets	442,469	35.5	466,221	38.2	(23,751)
Goodwill	256,326		267,152		(10,826)
Trademarks	147,880		156,241		(8,361)
Other	38,262		42,827		(4,564)
Investments and other assets	114,032	9.1	106,854	8.8	7,177
Investment securities	17,291		18,298		(1,006)
Long-term loans	1,792		293		1,499
Long-term prepaid expenses	12,207		10,276		1,931
Deferred income taxes	50,535		56,212		(5,677)
Other	32,326		22,057		10,269
Allowance for doubtful receivables	(121)		(283)		161
Deferred assets	**58**	**0.0**	**77**	**0.0**	**(18)**
Total assets	**1,247,797**	**100.0**	**1,220,564**	**100.0**	**27,233**
Liabilities					
Current liabilities	**308,646**	**24.7**	**436,193**	**35.7**	**(127,546)**
Notes and accounts payable - trade	110,158		96,507		13,651
Short-term debt	21,877		166,759		(144,882)
Current portion of long-term debt	22,062		22,699		(637)
Accounts payable - other	28,930		27,478		1,451
Accrued expenses	85,796		75,951		9,845
Accrued income taxes	11,673		17,510		(5,837)
Other	28,148		29,286		(1,138)
Long-term liabilities	**364,399**	**29.2**	**265,790**	**21.8**	**98,609**
Bonds	99,995		-		99,995
Long-term debt	211,774		218,545		(6,770)
Liability for employee retirement benefits	30,987		29,439		1,548
Liability for director and corporate auditor retirement benefits	163		180		(17)
Other	21,478		17,625		3,853
Total liabilities	**673,046**	**53.9**	**701,983**	**57.5**	**(28,937)**
Minority interests	**-**		**8,903**	**0.7**	**-**
Common stock	-		85,424	7.0	-
Capital surplus	-		109,561	9.0	-
Retained earnings	-		345,941	28.3	-
Unrealized gain on available-for-sale securities	-		5,860	0.5	-
Foreign currency translation adjustments	-		(26,944)	(2.2)	-
Treasury stock, at cost	-		(10,165)	(0.8)	-
Shareholders' equity	**-**		**509,676**	**41.8**	**-**
Total liabilities, minority interests & shareholders' equity	**-**		**1,220,564**	**100.0**	**-**
Shareholders' equity	**573,541**	**46.0**	**-**	**-**	**-**
Common stock	85,424	6.9	-	-	-
Capital surplus	109,565	8.8	-	-	-
Retained earnings	388,585	31.1	-	-	-
Treasury stock, at cost	(10,033)	(0.8)	-	-	-
Adjustments for valuation, foreign currency translation and others	**(9,010)**	**(0.7)**	**-**	**-**	**-**
Unrealized gain on available-for-sale securities	4,649	0.4	-	-	-
Foreign currency translation adjustments	(13,659)	(1.1)	-	-	-
Stock acquisition right	**301**	**0.0**			
Minority interests	**9,917**	**0.8**	**-**	**-**	**-**
Total net assets	**574,751**	**46.1**	**-**	**-**	**-**
Total liabilities and total net assets	**1,247,797**	**100.0**	**-**	**-**	**-**

Consolidated Statements of Income

Millions of yen

	(A) FY2006 Apr '06 - Mar '07	% to net sales	(B) FY2005 Apr '05 - Mar '06	% to net sales	Inc/(Dec) (A-B)
Net sales	**1,231,808**	**100.0**	**971,230**	**100.0**	**260,577**
Cost of sales	503,271	40.9	427,734	44.0	75,537
Gross profit	**728,536**	**59.1**	**543,496**	**56.0**	**185,040**
Selling, general and administrative expenses (*2)	580,883	47.1	420,759	43.3	160,123
Operating income before amortization related to Kanebo Cosmetics	**147,653**	**12.0**	**122,736**	**12.7**	**24,916**
Amortization related to Kanebo Cosmetics (*1)	26,794	2.2	2,601	0.3	24,193
Operating income	**120,858**	**9.8**	**120,134**	**12.4**	**723**
Non-operating income	6,273	0.5	4,528	0.5	1,744
Interest income	2,175		1,161		
Dividend income	121		93		
Foreign currency exchange gain	504		13		
Other	3,471		3,260		
Non-operating expenses	6,955	0.5	2,706	0.3	4,248
Interest expense	5,032		1,396		
Equity in losses of nonconsolidated subsidiaries and affiliates	703		593		
Other	1,219		716		
Ordinary income	**120,176**	**9.8**	**121,956**	**12.6**	**(1,780)**
Extraordinary income	1,851	0.1	1,663	0.1	187
Gain on sales of fixed assets	682		241		
Gain on sales of investment securities	7		1,202		
Reversal of prior-year depreciation at overseas subsidiaries	264		-		
Insurance received	443		-		
Other	452		219		
Extraordinary loss	4,900	0.4	6,711	0.7	(1,811)
Loss on sales/disposals of fixed assets	2,772		2,561		
Prior-year post-retirement healthcare benefit expenses at U.S. subsidiaries	-		2,326		
Loss on investment in affiliate	-		880		
Loss on impairment of long-lived assets	1,245		233		
Other	882		709		
Income before income taxes and minority interests	**117,127**	**9.5**	**116,908**	**12.0**	**218**
Income taxes - current	37,268	3.0	38,695	4.0	(1,427)
Income taxes - deferred	7,854	0.7	5,971	0.6	1,882
Minority interests in earnings of consolidated subsidiaries	1,476	0.1	1,101	0.1	375
Net income	**70,527**	**5.7**	**71,140**	**7.3**	**(612)**

(*1) Amortization expenses related to Kanebo Cosmetics consisted of amortization of trademark and other intellectual property rights and goodwill in the year ended March 31, 2007, and amortization of trademark and other intellectual property rights in the year ended March 31, 2006.

(*2) Amortization expenses related to Kanebo Cosmetics are not included in selling, general and administrative expenses. Selling, general and administrative expenses including amortization expenses related to Kanebo Cosmetics are 607,678 million yen for the year ended March 31, 2007 and 423,361 million yen for the year ended March 31, 2006.

Consolidated Statements of Retained Earnings

Millions of yen

	FY2005 Apr '05 - Mar '06
Capital surplus	
Balance at the beginning of period	109,561
Balance at the end of period	109,561
Retained earnings	
Retained earnings at the beginning of period	299,345
Increase in retained earnings	72,987
Net Income	71,140
Increase by newly consolidated companies and affiliates accounted for the equity method	1,847
Decrease in retained earnings	26,392
Cash dividends paid	23,955
Bonuses paid to directors and corporate auditors	91
(corporate auditors only)	(8)
Loss on transfer of treasury stock related to conversion of convertible bonds and other	2,345
Balance at the end of period	345,941

Consolidated Statements of Changes in Net Asset

Millions of yen

FY2006
Apr '06 - Mar '07

	Shareholders' equity					Adjustments for valuation, foreign currency translation and others					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total Adjustments for valuation, foreign currency translation and others	Stock acquisition right	Minority interests	Total net assets
Balance at the end of previous period	85,424	109,561	345,941	(10,165)	530,760	5,860	(26,944)	(21,084)	-	8,903	518,580
Changes of items during the period											
Dividends from appropriation of surplus			(13,623)		(13,623)						(13,623)
Dividends from retained earnings			(14,169)		(14,169)						(14,169)
Bonuses paid to directors and corporate auditors from appropriation of surplus			(90)		(90)						(90)
Net income			70,527		70,527						70,527
Purchase of treasury stock				(1,085)	(1,085)						(1,085)
Retirement of treasury stock		4		1,218	1,222						1,222
Net changes of items other than shareholders' equity during the period						(1,211)	13,285	12,074	301	1,014	13,389
Total changes of items during the period	-	4	42,644	132	42,781	(1,211)	13,285	12,074	301	1,014	56,170
Balance at the end of previous period	85,424	109,565	388,585	(10,033)	573,541	4,649	(13,659)	(9,010)	301	9,917	574,751

Dividends and Bonuses paid to directors and corporate auditors from appropriation of surplus was resolved at annual shareholders meeting on 29 June, 2006.

Consolidated Statements of Cash Flows

Millions of yen

	FY2006 Apr '06 - Mar '07	FY2005 Apr '05 - Mar '06
Operating activities:		
Income before income taxes and minority interests	117,127	116,908
Adjustments for:		
Depreciation and amortization	92,171	60,758
Loss on impairment of long-lived assets	1,245	233
Loss on sales or disposals of property, plant and equipment, net	2,089	2,320
Interest and dividend income	(2,297)	(1,254)
Interest expense	5,032	1,396
Unrealized foreign currency exchange (gain) loss	(1,256)	494
Equity in (earnings) losses of non-consolidated subsidiaries and affiliates	703	593
Change in trade receivables	(24,308)	618
Change in inventories	(3,189)	(4,592)
Change in prepaid pension cost	(10,163)	(8,467)
Change in trade payables	11,315	(1,759)
Change in liability for retirement benefits	1,219	(6,614)
Other, net	19,034	(2,658)
Sub-total	208,725	157,976
Interest and cash dividends received	3,100	3,379
Interest paid	(4,578)	(1,428)
Income taxes paid	(42,269)	(42,634)
Net cash provided by operating activities	**164,977**	**117,292**
Investing activities:		
Purchase of marketable securities	-	(2,999)
Proceeds from the redemption of marketable securities	-	8,999
Purchase of property, plant and equipment	(49,588)	(49,528)
Proceeds from sales of property, plant and equipment	2,078	1,482
Increase in intangible assets	(15,881)	(151,660)
Purchase of investment securities	(1,638)	(36)
Proceeds form the redemption and sales of investment securities	11	9,300
Payments for acquisition of stocks of newly consolidated subsidiaries	-	(293,034)
Payments for long-term prepaid expenses	(6,283)	-
Change in short-term loans, net	11,928	-
Payments for long-term loans	(1,550)	(897)
Other, net	(2,302)	(1,160)
Net cash used in investing activities	**(63,227)**	**(479,535)**
Financing activities:		
Change in short-term debt, net	(146,728)	146,683
Proceeds from long-term loans	30,638	240,245
Repayments of long-term loans	(38,228)	(547)
Proceeds from bond	99,676	-
Purchase of treasury stock	(1,085)	(6,056)
Payments of cash dividends	(27,806)	(23,980)
Payments of cash dividends to minority shareholders	(1,339)	(592)
Other, net	1,208	970
Net cash provided by (used in) financing activities	**(83,665)**	**356,721**
Translation adjustments on cash and cash equivalents	**2,542**	**2,727**
Net increase (decrease) in cash and cash equivalents	**20,627**	**(2,794)**
Cash and cash equivalents, beginning of year	**67,527**	**70,409**
Cash and cash equivalents of newly consolidated subsidiaries, increase	**-**	**760**
Cash and cash equivalents due to exclusion of previously consolidated subsidiaries, decrease	**-**	**(848)**
Cash and cash equivalents, end of period	**88,154**	**67,527**

Segment Information by Business

Millions of yen

FY2006

Apr '06 - Mar '07	**Consumer Products**	**Prestige Cosmetics**	**Chemical Products**	**Total**	**Corporate/ Eliminations**	**Consolidated**
Net sales						
Sales to customers	744,747	292,663	194,396	1,231,808	-	1,231,808
Intersegment sales	-	-	29,212	29,212	(29,212)	-
Total	**744,747**	**292,663**	**223,609**	**1,261,020**	**(29,212)**	**1,231,808**
Operating expenses	**645,817**	**265,351**	**202,429**	**1,113,598**	**(29,443)**	**1,084,155**
Operating income before amortization related to Kanebo Cosmetics	**98,930**	**27,311**	**21,180**	**147,421**	**231**	**147,653**
Amortization related to Kanebo Cosmetics	-	26,794	-	26,794	-	26,794
Operating income	**98,930**	**516**	**21,180**	**120,627**	**231**	**120,858**
% to sales	13.3	0.2	9.5	9.6	-	9.8
Total Assets	**439,985**	**563,715**	**210,782**	**1,214,483**	**33,314**	**1,247,797**
Depreciation and amortization	**42,017**	**37,072**	**13,081**	**92,171**	**-**	**92,171**
Loss on impairment of long-lived assets	**1,108**	**-**	**137**	**1,245**	**-**	**1,245**
Capital expenditure	**23,541**	**28,395**	**18,206**	**70,143**	**-**	**70,143**

(*) Amortization expenses related to Kanebo Cosmetics consisted of amortization of trademark and other intellectual property rights and goodwill in the year ended March 31, 2007.

FY2005

Apr '05 - Mar '06	**Consumer Products**	**Prestige Cosmetics**	**Chemical Products**	**Total**	**Corporate/ Eliminations**	**Consolidated**
Net sales						
Sales to customers	704,033	85,246	181,949	971,230	-	971,230
Intersegment sales	-	-	26,941	26,941	(26,941)	-
Total	**704,033**	**85,246**	**208,890**	**998,171**	**(26,941)**	**971,230**
Operating expenses	**611,334**	**77,473**	**186,861**	**875,668**	**(27,174)**	**848,493**
Operating income before amortization related to Kanebo Cosmetics	**92,699**	**7,773**	**22,029**	**122,502**	**233**	**122,736**
Amortization related to Kanebo Cosmetics	-	2,601	-	2,601	-	2,601
Operating income	**92,699**	**5,171**	**22,029**	**119,901**	**233**	**120,134**
% to sales	13.2	6.1	10.5	12.0	-	12.4
Total Assets	**436,320**	**573,398**	**191,629**	**1,201,348**	**19,215**	**1,220,564**
Depreciation and amortization	**42,552**	**6,449**	**11,755**	**60,758**	**-**	**60,758**
Loss on impairment of long-lived assets	**233**	**-**	**-**	**233**	**-**	**233**
Capital expenditure	**24,939**	**154,127**	**24,528**	**203,595**	**-**	**203,595**

(*) Amortization expenses related to Kanebo Cosmetics consisted of amortization of trademark and other intellectual property rights in the year ended March 31, 2006.

Consolidated Segment Information by Geography

Millions of yen

FY2006
Apr '06 - Mar '07

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	906,790	99,737	106,246	119,033	1,231,808	-	1,231,808
Intersegment sales	17,405	26,252	484	16,883	61,026	(61,026)	-
Total	**924,196**	**125,989**	**106,730**	**135,917**	**1,292,834**	**(61,026)**	**1,231,808**
Operating expenses	**821,973**	**123,421**	**98,976**	**127,230**	**1,171,602**	**(60,652)**	**1,110,949**
Operating income	**102,222**	**2,567**	**7,754**	**8,687**	**121,232**	**(374)**	**120,858**
% to sales	11.1	2.0	7.3	6.4	9.4	-	9.8
Assets	**908,196**	**122,118**	**86,293**	**144,360**	**1,260,968**	**(13,171)**	**1,247,797**

FY2005
Apr '05 - Mar '06

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	697,484	84,468	93,738	95,537	971,230	-	971,230
Intersegment sales	10,571	26,429	1,428	13,947	52,377	(52,377)	-
Total	**708,056**	**110,898**	**95,167**	**109,485**	**1,023,607**	**(52,377)**	**971,230**
Operating expenses	**606,402**	**105,054**	**88,388**	**101,962**	**901,807**	**(50,712)**	**851,095**
Operating income	**101,653**	**5,844**	**6,778**	**7,522**	**121,799**	(1,664)	**120,134**
% to sales	14.4	5.3	7.1	6.9	11.9	-	12.4
Assets	**934,184**	**107,509**	**75,471**	**127,499**	**1,244,665**	**(24,101)**	**1,220,564**

Sales to Foreign Customers

Millions of yen

FY2006 Apr '06 - Mar '07	**Asia/Oceania**	**North America**	**Europe**	**Total**
Total overseas sales	112,274	108,684	114,557	335,516
Consolidated net sales				1,231,808
Percentage of overseas sales to consolidated net sales	9.1%	8.8%	9.3%	27.2%

FY2005 Apr '05 - Mar '06	**Asia/Oceania**	**North America**	**Europe**	**Total**
Total overseas sales	92,711	94,356	93,139	280,207
Consolidated net sales				971,230
Percentage of overseas sales to consolidated net sales	9.5%	9.7%	9.6%	28.9%

Sales Composition

Millions of yen

	FY2006 Apr '06 - Mar '07	FY2005 Apr '05 - Mar '06	Growth %
Consumer Products			
Personal Care	194,636	187,896	3.6
Fabric and Home Care	243,818	237,551	2.6
Feminine Care, Baby Care and Others	123,900	113,630	9.0
Total Japan	562,354	539,078	4.3
Asia and Oceania	66,168	57,188	15.7
North America and Europe	124,820	115,329	8.2
Eliminations	(8,595)	(7,563)	-
Total	**744,747**	**704,033**	**5.8**
Prestige Cosmetics	**292,663**	**85,246**	**243.3**
Chemical Products			
Japan	116,933	114,522	2.1
Asia	55,830	53,596	4.2
North America and Europe	82,935	72,196	14.9
Eliminations	(32,089)	(31,424)	-
Total	**223,609**	**208,890**	**7.0**
Total before Eliminations	**1,261,020**	**998,171**	**26.3**
Eliminations	(29,212)	(26,941)	-
Consolidated Net Sales	**1,231,808**	**971,230**	**26.8**