

# Kao Corporation

News Release

July 24, 2007

## Summary of Consolidated Business Results for the First Quarter Ended June 30, 2007

Tokyo, July 24, 2007 — Kao Corporation today announced its consolidated business results for the three months ended June 30, 2007, the first quarter of the year ending March 31, 2008. 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)

	First quarter ended June 30			Fiscal 2006, ended	
	2007	2006	Change	2007 (US\$)	March 31, 2007
	Yen		%	U.S. dollars	Yen
Net sales	<b>¥318,225</b>	¥283,854	12.1	<b>\$2,581.7</b>	¥1,231,808
Operating income	<b>25,623</b>	24,197	5.9	<b>207.9</b>	120,858
Ordinary income	<b>25,479</b>	24,531	3.9	<b>206.7</b>	120,176
Net income	<b>13,006</b>	12,806	1.6	<b>105.5</b>	70,527
Total assets	<b>1,253,440</b>	1,220,052		<b>10,169.1</b>	1,247,797
Total net assets	<b>573,729</b>	519,320		<b>4,654.6</b>	574,751
Net worth/total assets	<b>44.9%</b>	41.8%		<b>44.9%</b>	45.2%
Net worth per share (yen/US\$)	<b>1,032.76</b>	934.88	10.5	<b>8.38</b>	1,035.66
Net income per share (yen/US\$)	<b>23.86</b>	23.50	1.5	<b>0.19</b>	129.41
Net income per share, diluted (yen/US\$)	<b>23.83</b>	23.48	1.5	<b>0.19</b>	129.29
	Yen			U.S. dollars	Yen
Net cash provided by operating activities	<b>23,931</b>	18,623		<b>194.2</b>	164,977
Net cash used in investing activities	<b>(12,430)</b>	(13,812)		<b>(100.8)</b>	(63,227)
Net cash used in financing activities	<b>(6,830)</b>	(9,085)		<b>(55.4)</b>	(83,665)
Cash and cash equivalents at end of period	<b>92,665</b>	63,397		<b>751.8</b>	88,154

#### Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on June 29, 2007, of yen 123.26=US\$1, and are presented solely for the convenience of readers.
2. Yen amounts are rounded down to the nearest million.
3. Simplified accounting treatment is adopted partially with respect to the standards for the accounting of liability for employee retirement benefits.
4. Change in accounting treatment: Business segments in both Sales Composition and Segment Information by Business have been changed from as of the current fiscal year. Figures for previous periods have been restated to reflect the change.
5. Change in scope of consolidation during the current fiscal year: Kao Cosmetics Co., Ltd. has been removed from the scope of consolidation due to its merger with Kao Hanbai Company, Ltd., which concurrently changed its name to Kao Customer Marketing Co., Ltd.
6. Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.

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## Forecast of Consolidated Results for the Year Ending March 31, 2008

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

	Six months ending		Year ending	
	September 30, 2007		March 31, 2008	
	Yen	U.S. Dollars	Yen	U.S. Dollars
Net sales	640,000	5,192.3	1,290,000	10,465.7
Operating income	49,000	397.5	114,000	924.9
Ordinary income	47,000	381.3	111,000	900.5
Net income	26,000	210.9	66,000	535.5
Net income per share (Yen/US\$)	47.69	0.39	121.06	0.98
Cash dividend per share	27.00	0.22	54.00	0.44

*Notes:*

1. *Except net income per share, the forecasts for the six months ending September 30, 2007 and the fiscal year ending March 31, 2008 remain the same as on April 23, 2007, when Kao announced its results for the year ended March 31, 2007.*
2. *U.S. dollar amounts represent translations using the approximate exchange rate on June 29, 2007, of yen 123.26=US\$1, and are presented solely for the convenience of readers.*

### Forward-Looking Statements

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

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## Summary of Consolidated Business Results and Financial Condition for the First Quarter Ended June 30, 2007

### 1. Qualitative Information on Consolidated Business Results

During the three months ended June 30, 2007, the Japanese economy was recovering due to improved corporate earnings and an upturn in consumer spending, although consumer prices remained flat. In the domestic market for consumer products (excluding prestige cosmetics), which is Kao's main market, retail prices began to trend upward in major product categories.

Consolidated net sales for the three months ended June 30, 2007, the first quarter of the fiscal year ending March 31, 2008, increased 12.1 percent compared with the same quarter a year earlier to 318.2 billion yen. Excluding the effect of currency translation, net sales would have increased 10.2 percent. Kao continued to promote products with high added value, which resulted in generally good performance in each business segment. An additional factor in the sales increase was a three-month consolidation period for Kanebo Cosmetics Inc., compared with two months in the first quarter of the previous year.

Income suffered a negative impact from higher raw material prices. Moreover, Kao increased marketing expenditures for growth. However, as a result of factors including sales growth and cost reduction activities, operating income increased 1.4 billion yen compared with the same quarter a year earlier to 25.6 billion yen, ordinary income increased 0.9 billion yen to 25.4 billion yen, and net income increased 0.1 billion yen to 13.0 billion yen.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and affiliates were 119.41 yen per U.S. dollar and 157.26 yen per euro.

### Summary of Results by Business Segment

Japan is undergoing dynamic shifts due to structural changes including the declining birth rate, aging population, later marriage and increase in single households, in addition to changes in consumers' product selection and purchasing attitudes, and associated changes in retailing. In order to respond to these changes and to quickly and forcefully implement its consumer-driven growth strategy, Kao reorganized its operations effective April 2007 by integrating the former consumer products business and prestige cosmetics business into the Consumer Products Business Segment, which is divided into three businesses (the Beauty Care Business, the Human Health Care Business and the Fabric and Home Care Business), for a total of four businesses together

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with the Chemical Business Segment, which comprises the former chemical products business. For the major products of each business segment, please see the Appendix on page 8.

## **Consumer Products Business Segment**

Sales increased 11.8 percent compared with the same quarter a year earlier to 264.2 billion yen. In Japan, sales increased 12.4 percent to 209.9 billion yen, as Kao took measures that included launching new products in response to various changes and reinforcing its sales structure by integrating its consumer products and prestige cosmetics sales companies. In Asia and Oceania, sales increased 20.9 percent to 19.6 billion yen, as Kao realized the benefits of structural reforms and unified management across the Asian region, including Japan. Excluding the effect of currency translation, net sales would have increased 13.0 percent. In North America and Europe, despite greater competition, sales increased 8.0 percent to 38.9 billion yen. Excluding the effect of currency translation, net sales would have increased 2.2 percent.

Operating income increased 3.2 billion yen compared with the same quarter a year earlier to 20.4 billion yen as a result of the increase in sales and other factors, despite an increase in expenses that included proactive marketing expenditures for further growth in Japan and overseas, in addition to the effects of rising prices for raw materials, mainly natural oils and fats.

### *Beauty Care Business*

Sales increased 16.7 percent compared with the same quarter a year earlier to 153.2 billion yen.

In Japan, sales increased 21.4 percent to 110.0 billion yen. Sales of prestige cosmetics grew. High-end brands sold through counseling, such as *Impress*, *LUNASOL* and *est*, and self-selection brands such as the *KATE* makeup series performed well. Sales of premium skin care products increased substantially, with strong sales of new product *Bioré Meiku Torokeru Rikkido (Melting Liquid Makeup Remover)* and *Bioré U* body cleanser. Sales of premium hair care products grew substantially as products including *Segreta*, a new hair care brand, and *Essential Damage Care* shampoo and conditioner, which offer a new damage-care concept, won consumer support and sold well.

In Asia, sales increased due to strong sales of *Bioré* facial cleanser, mainly in Taiwan and Indonesia, and because Kanebo Cosmetics Inc. is aggressively expanding business in the retail channels of department stores and high-end drugstores in China.

Sales in North America and Europe were essentially unchanged from the same period of the previous fiscal year, excluding the effect of currency translation. Sales of premium skin care products increased due to the addition of high value-added products in the *Jergens natural glow*

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series and a product line extension for *Curél*. However, despite steady growth in Europe, performance of the *John Frieda* premium hair care brand was weak due to a more competitive market in the United States. Sales of the *Molton Brown* brand increased strongly due to geographical sales expansion.

Operating income decreased 0.4 billion yen compared with the same quarter a year earlier to 4.5 billion yen as higher sales partially offset intensifying competition, proactive investment in marketing for growth and other factors.

## Human Health Care Business

Sales increased 8.3 percent compared with the same quarter a year earlier to 46.2 billion yen.

In Japan, sales increased 7.4 percent to 42.4 billion yen. In food and beverage products, although the addition of a refreshingly sweet muscat flavor contributed to solid sales of *Healthya Water*, overall sales were basically flat. In sanitary products, Kao improved *Laurier Super Guard* sanitary napkins, which are designed to feel custom-made. Sales of baby diapers increased with continued strong consumer support for a product renewal that makes them gentler on the skin. In personal health products, *Medicated Pyuora* oral care products, which promote total oral cleaning, continued to perform well and sales increased substantially.

In Asia, overall sales grew as *Laurier* sanitary napkins sold strongly in Thailand and China.

Operating income increased 2.3 billion yen compared with the same quarter a year earlier to 3.0 billion yen mainly due to higher sales.

## Fabric and Home Care Business

Sales increased 3.8 percent compared with the same quarter a year earlier to 64.7 billion yen.

In Japan, sales increased 1.6 percent to 57.4 billion yen. In fabric care products, sales of fabric treatments such as *Style Care Mist for Clothing* fabric conditioner, which was launched in fall 2006, increased steadily. However, in the laundry detergent category, while the decline in retail prices appears to be bottoming out, sales were flat as market competition remained severe. In home care products, sales of *CuCute* dishwashing detergent and *Quickle Wiper Handy* household duster kit increased.

Sales in Asia and Oceania increased significantly. In Thailand, Kao added to strong-selling *Attack Easy* with the launch of *Attack Soft Plus*. Moreover, Kao is realizing the benefits of its measures to reinforce sales in China.

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Operating income increased 1.3 billion yen compared with the same quarter a year earlier to 12.9 billion yen mainly due to higher sales, which offset the impact of rising raw material prices.

## **Chemical Business Segment**

Kao continued to work to further enhance the Chemical Business globally and locally with distinctive products that meet customer needs. As a result, sales increased 13.2 percent compared with the same quarter a year earlier to 61.9 billion yen. In Japan, sales increased 3.8 percent to 29.9 billion yen. Oleo chemicals achieved solid sales, while sales of superplasticizers for concrete admixtures and plastics additives increased in performance chemicals. In specialty chemicals, sales decreased compared with the same quarter a year earlier because sales of cleaners for electronic parts and polishing agents for hard disks were affected by inventory adjustments in their target industries. In Asia, sales increased 12.7 percent compared with the same quarter a year earlier to 15.4 billion yen. Excluding the effect of currency translation, net sales would have increased 5.9 percent. Sales of fatty alcohols increased due to production capacity expansion at a plant in the Philippines to meet growing demand. In North America and Europe, sales increased 21.9 percent compared with the same quarter a year earlier to 24.7 billion yen. Excluding the effect of currency translation, net sales would have increased 13.4 percent. Fatty amines, aroma chemicals and toner and toner binder performed well.

Operating income decreased 1.7 billion yen compared with the same quarter a year earlier to 5.0 billion yen due to the impact of rising raw material prices for natural oils and fats, despite Kao's efforts to adjust sales prices and reduce costs.

## **2. Qualitative Information on Consolidated Financial Condition**

Total assets were 1,253.4 billion yen, an increase of 5.6 billion yen from the end of the previous fiscal year. Notes and accounts receivable and inventories increased 16.1 billion yen, reflecting factors including the sales increase, while intangible fixed assets decreased 10.7 billion yen as a result of amortization of intellectual property rights and goodwill.

Total liabilities increased 6.6 billion yen from the end of the previous fiscal year to 679.7 billion yen. Notes and accounts payable, short-term debt and accrued expenses increased 13.7 billion, while other current liabilities decreased 7.5 billion yen.

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Total net assets decreased 1.0 billion yen from the end of the previous fiscal year to 573.7 billion yen. The primary factor increasing total net assets was net income for the first quarter of 13.0 billion yen, and the main factor decreasing total net assets was dividends. As a result, the net worth\* ratio was 44.9 percent, compared with 45.2 percent at the end of the previous fiscal year.

*\*Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.*

Net cash provided by operating activities was 23.9 billion yen. The principal components were income before income taxes and minority interests of 24.9 billion yen, depreciation and amortization of 22.3 billion yen, and an increase in trade payables of 4.1 billion yen, while income taxes paid were 9.5 billion yen, increase in inventories was 9.5 billion yen, and increase in trade receivables was 6.0 billion yen.

Net cash used in investing activities was 12.4 billion yen. The principal component was purchase of property, plant and equipment, and intangible assets totaling 11.0 billion yen.

Net cash used in financing activities was 6.8 billion yen, which mainly consisted of 12.7 billion yen for payments of cash dividends and a 5.6 billion yen increase in short-term debt.

As a result, the balance of cash and cash equivalents as of June 30, 2007 was 92.6 billion yen, an increase of 4.5 billion yen from the end of the previous fiscal year.

### **3. Qualitative Information on Forecast of Consolidated Results**

Kao's first-quarter results were generally favorable. However, prices of raw materials, including natural oils and fats and crude oil, have been rising significantly compared with the beginning of the current fiscal year, causing uncertainty. In order to offset the impact of these rising prices, Kao will continue to work to expand sales and improve cost efficiency as it aims to achieve its previously announced forecasts. As a result, except for net income per share, the forecasts for the six months ending September 30, 2007 and the fiscal year ending March 31, 2008 remain the same as on April 23, 2007, when Kao announced its results for the year ended March 31, 2007.

**[Appendix]****Major Products by Business Segment**

Business Segment		Major Products	
Consumer products business	Beauty care business	Prestige cosmetics	Counseling cosmetics, self-selection cosmetics
		Premium skin care products	Soaps, facial cleansers, body cleansers
		Premium hair care products	Shampoos, conditioners, hair care products, hair coloring agents
	Human health care business	Food and beverage products	Cooking oils, 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, ink and colorants for inkjet printer ink, fragrances and aroma chemicals	

**Major Products of Former Business Segments**

Business Segment	Product Category	Major Products
Consumer products business	Personal care products	Soaps, facial cleansers, body cleansers, shampoos, conditioners, hair care products, hair coloring agents, bath additives, oral care products, men's products
	Fabric and home care products	Laundry detergents, kitchen cleaning products, house cleaning products, fabric treatments, paper cleaning products
	Feminine care, baby care and other products	Sanitary napkins, baby diapers, cooking oils, beverages
Prestige cosmetics	Cosmetics	Counseling cosmetics, self-selection cosmetics
Chemical products business	Chemical products	Commercial-use edible fats and oils, fatty acids, fatty alcohols, glycerin, fatty amines, surfactants, polyurethane for shoe soles, plasticizers, toner and toner binder, fragrances and aroma chemicals



**Consolidated Balance Sheets**

Millions of yen

	(A) Q1/FY2007 June 30, 2007	Composition %	(B) FY2006 March 31, 2007	Composition %	Inc/(Dec) (A-B)	Q1/FY2006 Jun 30, 2006	Composition %
<b>Assets</b>							
<b>Current assets</b>	<b>422,161</b>	<b>33.7</b>	<b>402,219</b>	<b>32.2</b>	<b>19,942</b>	<b>359,575</b>	<b>29.5</b>
Cash and time deposits	50,279		49,910		368	41,095	
Notes and accounts receivable - trade	165,054		158,497		6,556	140,557	
Short-term investments	38,390		36,247		2,142	22,309	
Inventories	121,675		112,114		9,560	109,430	
Other	46,762		45,448		1,313	46,182	
<b>Fixed assets</b>	<b>831,218</b>	<b>66.3</b>	<b>845,518</b>	<b>67.8</b>	<b>(14,300)</b>	<b>860,347</b>	<b>70.5</b>
Tangible assets	286,798		289,016		(2,217)	282,295	
Intangible assets	431,744		442,469		(10,725)	469,476	
Goodwill	252,008		256,326		(4,318)	264,051	
Other	179,736		186,142		(6,406)	205,425	
Investments and other assets	112,675		114,032		(1,357)	108,575	
<b>Deferred assets</b>	<b>60</b>	<b>0.0</b>	<b>58</b>	<b>0.0</b>	<b>1</b>	<b>129</b>	<b>0.0</b>
<b>Total assets</b>	<b>1,253,440</b>	<b>100.0</b>	<b>1,247,797</b>	<b>100.0</b>	<b>5,642</b>	<b>1,220,052</b>	<b>100.0</b>
<b>Liabilities</b>							
<b>Current liabilities</b>	<b>314,814</b>	<b>25.1</b>	<b>308,646</b>	<b>24.7</b>	<b>6,168</b>	<b>405,808</b>	<b>33.2</b>
Notes and accounts payable - trade	114,592		110,158		4,433	97,923	
Short-term debt	27,908		21,877		6,031	139,428	
Accrued expenses	89,063		85,796		3,266	83,291	
Other	83,250		90,813		(7,563)	85,165	
<b>Long-term liabilities</b>	<b>364,896</b>	<b>29.1</b>	<b>364,399</b>	<b>29.2</b>	<b>496</b>	<b>294,923</b>	<b>24.2</b>
Bonds	99,995		99,995		0	-	
Long-term debt	211,689		211,774		(85)	249,186	
Liability for employee retirement benefits	31,235		30,987		247	29,625	
Other	21,975		21,642		333	16,112	
<b>Total liabilities</b>	<b>679,711</b>	<b>54.2</b>	<b>673,046</b>	<b>53.9</b>	<b>6,664</b>	<b>700,732</b>	<b>57.4</b>
<b>Shareholders' equity</b>	<b>572,561</b>	<b>45.7</b>	<b>573,541</b>	<b>46.0</b>	<b>(979)</b>	<b>529,902</b>	<b>43.4</b>
Common stock	85,424	6.8	85,424	6.9	-	85,424	7.0
Capital surplus	109,574	8.8	109,565	8.8	8	109,561	9.0
Retained earnings	387,419	30.9	388,585	31.1	(1,166)	345,031	28.2
Treasury stock, at cost	(9,855)	(0.8)	(10,033)	(0.8)	177	(10,115)	(0.8)
<b>Adjustments for valuation, foreign currency translation and others</b>	<b>(9,519)</b>	<b>(0.8)</b>	<b>(9,010)</b>	<b>(0.7)</b>	<b>(509)</b>	<b>(20,416)</b>	<b>(1.6)</b>
Unrealized gain on available-for-sale securities	4,831	0.4	4,649	0.4	182	5,140	0.4
Foreign currency translation adjustments	(14,351)	(1.2)	(13,659)	(1.1)	(692)	(25,557)	(2.0)
<b>Stock acquisition right</b>	<b>301</b>	<b>0.0</b>	<b>301</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Minority interests</b>	<b>10,385</b>	<b>0.9</b>	<b>9,917</b>	<b>0.8</b>	<b>467</b>	<b>9,834</b>	<b>0.8</b>
<b>Total net assets</b>	<b>573,729</b>	<b>45.8</b>	<b>574,751</b>	<b>46.1</b>	<b>(1,021)</b>	<b>519,320</b>	<b>42.6</b>
<b>Total liabilities and total net assets</b>	<b>1,253,440</b>	<b>100.0</b>	<b>1,247,797</b>	<b>100.0</b>	<b>5,642</b>	<b>1,220,052</b>	<b>100.0</b>

**Consolidated Statements of Income**

Millions of yen

	(A) Q1/FY2007 Apr '07 - Jun '07	% to net sales	(B) Q1/FY2006 Apr '06 - Jun '06	% to net sales	Inc/(Dec) (A-B)	FY2006 Apr '06 - Mar '07	% to net sales
<b>Net sales</b>	<b>318,225</b>	<b>100.0</b>	<b>283,854</b>	<b>100.0</b>	<b>34,370</b>	<b>1,231,808</b>	<b>100.0</b>
Cost of sales	131,556	41.3	116,167	40.9	15,388	503,271	40.9
<b>Gross profit</b>	<b>186,669</b>	<b>58.7</b>	<b>167,686</b>	<b>59.1</b>	<b>18,982</b>	<b>728,536</b>	<b>59.1</b>
Selling, general and administrative expenses	161,045	50.6	143,489	50.6	17,556	607,678	49.3
<b>Operating income</b>	<b>25,623</b>	<b>8.1</b>	<b>24,197</b>	<b>8.5</b>	<b>1,425</b>	<b>120,858</b>	<b>9.8</b>
Non-operating income	1,643	0.5	1,215	0.4	428	6,273	0.5
Interest and dividend income	862		451		410	2,297	
Other	780		763		17	3,976	
Non-operating expenses	1,787	0.6	881	0.3	906	6,955	0.5
Interest expense	1,445		654		790	5,032	
Equity in losses of nonconsolidated subsidiaries and affiliates	70		113		(42)	703	
Other	271		113		157	1,219	
<b>Ordinary income</b>	<b>25,479</b>	<b>8.0</b>	<b>24,531</b>	<b>8.6</b>	<b>947</b>	<b>120,176</b>	<b>9.8</b>
Extraordinary income	99	0.0	194	0.1	(95)	1,851	0.1
Extraordinary loss	674	0.2	526	0.2	148	4,900	0.4
<b>Income before income taxes and minority interests</b>	<b>24,904</b>	<b>7.8</b>	<b>24,200</b>	<b>8.5</b>	<b>704</b>	<b>117,127</b>	<b>9.5</b>
Income taxes	11,509	3.6	10,914	3.8	594	45,122	3.7
Minority interests in earnings of consolidated subsidiaries	388	0.1	478	0.2	(90)	1,476	0.1
<b>Net income</b>	<b>13,006</b>	<b>4.1</b>	<b>12,806</b>	<b>4.5</b>	<b>199</b>	<b>70,527</b>	<b>5.7</b>

**Consolidated Statements of Cash Flows**

Millions of yen

	Q1/FY2007 Apr '07 - Jun '07	Q1/FY2006 Apr '06 - Jun '06	FY2006 Apr '06 - Mar '07
<b>Operating activities:</b>			
Income before income taxes and minority interests	24,904	24,200	117,127
Adjustments for:			
Depreciation and amortization	22,347	20,640	92,171
Interest and dividend income	(862)	(451)	(2,297)
Interest expense	1,445	654	5,032
Change in trade receivables	(6,092)	(10,529)	(24,308)
Change in inventories	(9,504)	(3,015)	(3,189)
Change in prepaid pension cost	1,642	(3,977)	(10,163)
Change in trade payables	4,101	1,577	11,315
Change in liability for retirement benefits	290	122	1,219
Other, net	(4,346)	5,779	21,816
Sub-total	33,926	35,001	208,725
Interest and cash dividends received	854	619	3,100
Interest paid	(1,271)	(347)	(4,578)
Income taxes paid	(9,578)	(16,649)	(42,269)
<b>Net cash provided by operating activities</b>	<b>23,931</b>	<b>18,623</b>	<b>164,977</b>
<b>Investing activities:</b>			
Purchase of marketable securities and investment securities	(6)	(6)	(1,638)
Proceeds from the redemption and sales of marketable securities and investment securities	0	12	11
Purchase of property, plant and equipment, and intangible assets	(11,080)	(24,832)	(65,470)
Proceeds from sales of property, plant and equipment	232	237	2,078
Change in short-term loans, net	(600)	12,006	11,928
Payments for long-term loans	(509)	(223)	(1,550)
Other, net	(465)	(1,006)	(8,586)
<b>Net cash used in investing activities</b>	<b>(12,430)</b>	<b>(13,812)</b>	<b>(63,227)</b>
<b>Financing activities:</b>			
Change in debt	5,689	2,962	(154,319)
Proceeds from bonds	-	-	99,676
Purchase of treasury stock	(155)	(112)	(1,085)
Payments of cash dividends	(12,766)	(12,096)	(29,146)
Other, net	402	159	1,208
<b>Net cash used in financing activities</b>	<b>(6,830)</b>	<b>(9,085)</b>	<b>(83,665)</b>
<b>Translation adjustments on cash and cash equivalents</b>	<b>(159)</b>	<b>145</b>	<b>2,542</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,511</b>	<b>(4,129)</b>	<b>20,627</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>88,154</b>	<b>67,527</b>	<b>67,527</b>
<b>Cash and cash equivalents, end of period</b>	<b>92,665</b>	<b>63,397</b>	<b>88,154</b>

**Sales Composition**

Millions of yen

	Q1/FY2007 Apr '07 - Jun '07	Q1/FY2006 Apr '06 - Jun '06	Growth %	FY2006 Apr '06 - Mar '07
<b>Consumer Products Business</b>				
Beauty Care Business	110,098	90,701	21.4	416,085
Human Health Care Business	42,424	39,507	7.4	170,008
Fabric and Home Care Business	57,433	56,517	1.6	245,255
Total Japan	209,956	186,726	12.4	831,348
Asia and Oceania	19,600	16,207	20.9	72,025
North America and Europe	38,901	36,016	8.0	148,710
Eliminations	(4,207)	(2,564)	-	(14,673)
<b>Total</b>	<b>264,251</b>	<b>236,386</b>	<b>11.8</b>	<b>1,037,411</b>
<b>Chemical Business</b>				
Japan	29,991	28,890	3.8	116,933
Asia	15,403	13,673	12.7	55,830
North America and Europe	24,754	20,308	21.9	82,935
Eliminations	(8,164)	(8,117)	-	(32,089)
<b>Total</b>	<b>61,985</b>	<b>54,755</b>	<b>13.2</b>	<b>223,609</b>
<b>Total before Eliminations</b>	<b>326,236</b>	<b>291,141</b>	<b>12.1</b>	<b>1,261,020</b>
Eliminations	(8,011)	(7,286)	-	(29,212)
<b>Consolidated Net Sales</b>	<b>318,225</b>	<b>283,854</b>	<b>12.1</b>	<b>1,231,808</b>

**Segment Information by Business**

Millions of yen

Q1/FY2007 Apr '07 - Jun '07	Consumer Products Business			Total	Chemical Business	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Humen Health Care Business	Fabric & Home Care Business				
<b>Net sales</b>							
Sales to customers	153,236	46,252	64,762	264,251	53,974	-	318,225
Intersegment sales	-	-	-	-	8,011	(8,011)	-
<b>Total</b>	<b>153,236</b>	<b>46,252</b>	<b>64,762</b>	<b>264,251</b>	<b>61,985</b>	<b>(8,011)</b>	<b>318,225</b>
<b>Operating expenses</b>	<b>148,685</b>	<b>43,234</b>	<b>51,837</b>	<b>243,757</b>	<b>56,890</b>	<b>(8,046)</b>	<b>292,601</b>
<b>Operating income</b>	<b>4,550</b>	<b>3,017</b>	<b>12,924</b>	<b>20,493</b>	<b>5,094</b>	<b>35</b>	<b>25,623</b>
% to sales	3.0	6.5	20.0	7.8	8.2	-	8.1

Q1/FY2006 Apr '06 - Jun '06	Consumer Products Business			Total	Chemical Business	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Humen Health Care Business	Fabric & Home Care Business				
<b>Net sales</b>							
Sales to customers	131,312	42,711	62,362	236,386	47,468	-	283,854
Intersegment sales	-	-	-	-	7,286	(7,286)	-
<b>Total</b>	<b>131,312</b>	<b>42,711</b>	<b>62,362</b>	<b>236,386</b>	<b>54,755</b>	<b>(7,286)</b>	<b>283,854</b>
<b>Operating expenses</b>	<b>126,351</b>	<b>42,004</b>	<b>50,749</b>	<b>219,105</b>	<b>47,864</b>	<b>(7,313)</b>	<b>259,656</b>
<b>Operating income</b>	<b>4,961</b>	<b>706</b>	<b>11,612</b>	<b>17,280</b>	<b>6,890</b>	<b>26</b>	<b>24,197</b>
% to sales	3.8	1.7	18.6	7.3	12.6	-	8.5

FY2006 Apr '06 - Mar '07	Consumer Products Business			Total	Chemical Business	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Humen Health Care Business	Fabric & Home Care Business				
<b>Net sales</b>							
Sales to customers	584,284	183,607	269,519	1,037,411	194,396	-	1,231,808
Intersegment sales	-	-	-	-	29,212	(29,212)	-
<b>Total</b>	<b>584,284</b>	<b>183,607</b>	<b>269,519</b>	<b>1,037,411</b>	<b>223,609</b>	<b>(29,212)</b>	<b>1,231,808</b>
<b>Operating expenses</b>	<b>554,441</b>	<b>171,795</b>	<b>211,703</b>	<b>937,940</b>	<b>202,429</b>	<b>(29,419)</b>	<b>1,110,949</b>
<b>Operating income</b>	<b>29,842</b>	<b>11,811</b>	<b>57,816</b>	<b>99,470</b>	<b>21,180</b>	<b>207</b>	<b>120,858</b>
% to sales	5.1	6.4	21.5	9.6	9.5	-	9.8