

Kao Corporation Reports Business Results

Tokyo, October 23, 2007 - Kao Corporation today announced its consolidated and non-consolidated business results for the fiscal year ended September 30, 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)				
	Six months ended September 30			Fiscal 2006, ended	
	2007	2006	Change	2007	March 31, 2007
	Yen		%	U.S. Dollars	Yen
Net sales	¥654,464	¥602,538	8.6	\$5,669.8	¥1,231,808
Operating income	55,551	58,426	(4.9)	481.3	120,858
Ordinary income	55,034	58,480	(5.9)	476.8	120,176
Net income	29,316	29,571	(0.9)	254.0	705.27
Total assets	1,272,067	1,227,062	3.7	11,020.2	1,247,797
Total net assets	601,983	533,187	12.9	5,215.1	574,751
Net worth/total assets	46.5%	42.8%	-	-	45.2%
Net worth per share (yen/US\$)	1,084.24	962.65	12.6	9.39	1,035.66
Net income per share (yen/US\$)	53.77	54.26	(0.9)	0.47	129.41
Net income per share, diluted (yen/US\$)	53.72	54.22	(0.9)	0.47	129.29
	Yen			U.S. Dollars	Yen
Net cash provided by operating activities	88,612	85,729	-	767.7	164,977
Net cash used in investing activities	(25,781)	(30,079)	-	(223.3)	(63,227)
Net cash used in financing activities	(41,813)	(46,848)	-	(362.2)	(83,665)
Cash and cash equivalents at end of period	111,319	74,987	-	964.4	88,154

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on September 28, 2007, of yen 115.43=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. Net income per share is computed based on the weighted average number of shares outstanding during the corresponding periods: 545,185 thousand shares for September 2007, 544,973 thousand shares, for September 2006 and 544,945 thousand shares, for March 2007.
5. Number of shares outstanding at the end of the periods (including treasury stock): 549,443,701 shares for September 2007, 549,443,701 shares for September 2006 and 549,443,701 shares for March 2007.
6. Number of treasury stock at the end of the periods: 4,241,155 shares for September 2007, 4,484,531 shares for September 2006 and 4,349,692 shares for March 2007.
7. 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.
8. 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.
9. Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.

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

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

	Year ending March 31, 2008	
	Yen	U.S. Dollars
Net sales	1,310,000	11,348.9
Operating income	114,000	987.6
Ordinary income	111,000	961.6
Net income	66,000	571.8
Net income per share (Yen/US\$)	121.43	1.05
Cash dividend per share	54.00	0.47

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)

Six months ended September 30	Billions of Yen						
	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	2007	2006	Incr./ (Dcr.)
Beauty Care	311.6	282.6	10.3	8.0	10.0	11.9	-1.9
Human Health Care	94.7	91.0	4.1	3.3	6.5	4.8	1.6
Fabric & Home Care	137.7	134.4	2.5	1.3	29.9	29.7	0.1
Consumer Products Total	544.2	508.1	7.1	5.4	46.5	46.5	-0.0
Chemical	126.5	108.9	16.1	10.8	8.9	11.7	-2.8
Corporate/Eliminations	-16.2	-14.5	-	-	0.0	0.0	0.0
Consolidated	654.4	602.5	8.6	6.2	55.5	58.4	-2.8

Six months ended September 30	Millions of U.S. Dollars						
	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	2007	2006	Incr./ (Dcr.)
Beauty Care	2,700.3	2,448.6	10.3	8.0	87.2	103.7	-16.5
Human Health Care	820.7	788.5	4.1	3.3	56.7	42.4	13.9
Fabric & Home Care	1,193.8	1,164.9	2.5	1.3	259.1	257.6	0.9
Consumer Products Total	4,714.8	4,402.0	7.1	5.4	403.0	403.7	-0.1
Chemical	1,096.2	943.9	16.1	10.8	77.4	101.7	-24.3
Corporate/Eliminations	-141.1	-126.0	-	-	0.8	0.8	0.0
Consolidated	5,669.8	5,219.9	8.6	6.2	481.3	506.2	-24.3

Consolidated Segment Information by Geography (Unaudited)

Six months ended September 30	Billions of Yen						
	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	2007	2006	Incr./ (Dcr.)
Japan	482.0	454.5	6.0	6.0	50.2	51.6	-1.3
Asia/Oceania	75.0	59.7	25.5	15.0	-1.0	1.0	-2.1
North America	56.6	53.8	5.2	0.8	3.2	3.4	-0.1
Europe	74.2	63.3	17.2	4.8	2.2	1.9	0.3
Corporate/Eliminations	-33.4	-29.0	-	-	0.8	0.3	0.4
Consolidated	654.4	602.5	8.6	6.2	55.5	58.4	-2.8

Six months ended September 30	Millions of U.S. Dollars						
	SALES				OPERATING INCOME		
	2007	2006	% change	Like-for-like	2007	2006	Incr./ (Dcr.)
Japan	4,176.3	3,938.1	6.0	6.0	435.2	447.3	-11.3
Asia/Oceania	649.8	517.8	25.5	15.0	-9.3	9.2	-18.2
North America	490.9	466.8	5.2	0.8	28.2	29.7	-0.9
Europe	642.9	548.6	17.2	4.8	19.6	16.9	2.6
Corporate/Eliminations	-290.2	-251.4	-	-	7.5	3.0	3.5
Consolidated	5,669.8	5,219.9	8.6	6.2	481.3	506.2	-24.3

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on September 28, 2007, of 115.43 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)

	Six months ended September 30			Fiscal 2006, ended	
	2007	2006	Change	2007	March 31, 2007
	Yen		%	U.S. Dollars	Yen
Net sales	366,680	356,676	2.8	3,176.6	709,554
Operating income	40,850	40,211	1.6	353.9	78,613
Ordinary income	46,606	44,985	3.6	403.8	84,951
Net income	24,496	20,515	19.4	212.2	57,653
Total assets	1,014,639	1,035,436	(2.0)	8,790.1	1,008,757
Total net assets	514,159	480,809	6.9	4,454.3	503,741
Net worth/total assets	50.7%	46.4%	-	-	49.9%
Total net assets per share (Yen/US\$)	940.97	880.81	6.8	8.15	922.64
Net income per share (Yen/US\$)	44.89	37.61	19.4	0.39	105.68
Cash Dividends per share (Yen/US\$)	27.00	26.00	3.8	0.23	52.00

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on September 28, 2007, of 115.43 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 Year Ending March 31, 2008

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

	Year ending March 31, 2008	
	Yen	U.S. Dollars
Net sales	725,000	6,280.9
Operating income	78,000	675.7
Ordinary income	85,000	736.4
Net income	48,000	415.8
Net income per share (Yen/US\$)	88.22	0.76
Cash dividend per share	54.00	0.47

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

1. Consolidated Business Results

(1) Analysis of Consolidated Business Results

Interim Period Business Results

1. Overall Business Trends in the Interim Period

The Japanese economy continued on a recovery trajectory during the six months ended September 30, 2007, supported by private-sector demand, with improvement in corporate earnings and growth in capital investment. The improvement trend in employment conditions continued, albeit with some difficulties, and consumer spending was steady. Overseas economic recovery remained gradual, with expansion in China and other Asian countries and a rebound in Europe, but a decline in housing starts in the United States. In this environment, the Kao Group aimed to stimulate the market and achieve profitable growth by promoting products with high added value.

Consolidated net sales rose 51.9 billion yen to 654.4 billion yen, an 8.6% increase over the same period a year earlier, with generally solid performance in each business segment due to the contribution of new products and other factors. In addition, Kanebo Cosmetics was included in consolidation for the entire six-month period, compared with five months in the same period of the previous fiscal year. Excluding the positive currency translation effect of 14.3 billion yen on overseas sales due to the weaker yen, net sales would have increased 6.2%.

Cost of sales increased 27.8 billion yen from 244.9 billion yen in the same period of the previous fiscal year to 272.8 billion yen. Although Kao promoted further cost reduction activities, the increase in cost of sales was due to growth in sales volume, in addition to factors including a substantial rise in prices for raw materials, mainly natural oils and fats and petrochemicals. Consequently, gross profit was 381.6 billion yen, an increase of 6.7%, or 24.0 billion yen, from the same period a year earlier.

Selling, general and administrative (SG&A) expenses were 326.0 billion yen, an increase of 9.0%, or 26.9 billion yen, from the same period of the previous fiscal year. The main factors in the increase were strategic investment in marketing expenses, the impact of the period of consolidation of Kanebo Cosmetics, and freight and warehouse costs associated with higher sales volume and rising fuel costs.

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As a result of the above factors, operating income was 55.5 billion yen, a decrease of 4.9%, or 2.8 billion yen, from 58.4 billion yen in the same period of the previous fiscal year.

Non-operating income and expenses resulted in net non-operating expenses of 0.5 billion yen, compared with the same period of the previous fiscal year when non-operating income and expenses were about the same amount. The main factor in the change was an increase in interest expense on short-term borrowings and bonds.

As a result, ordinary income decreased 3.4 billion yen, or 5.9%, from 58.4 billion yen in the same period a year earlier to 55.0 billion yen.

Extraordinary gain and loss totaled a net loss of 1.1 billion yen, compared with 1.2 billion yen in the same period of the previous fiscal year. Consequently, income before income taxes and minority interests decreased 3.3 billion yen from the same period a year earlier to 53.9 billion yen.

The effective tax rate after application of tax effect accounting was 44.6%, compared with 47.6% in the same period of the previous fiscal year, when there was significant impact from a deferred tax asset valuation allowance. As a result, net income was 29.3 billion yen, a decrease of 0.2 billion yen from the same period of the previous fiscal year. Net income per share was 53.77 yen, a 0.49 yen decrease from 54.26 yen in the same period of the previous fiscal year.

EVA* (Economic Value Added), which Kao uses as a management indicator, decreased from the same period a year earlier although Kao maintained its capital efficiency, due to a decrease in NOPAT (Net Operating Profit After Tax) resulting from the impact of a substantial increase in raw material prices.

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

The translation rates of major foreign currencies used to calculate income and expenses for consolidated subsidiaries and other companies outside Japan for the interim period were one U.S. dollar to 120.50 yen and one euro to 160.63 yen.

2. Interim Period Trends by Business Segment

Consumer Products Business Segment

Sales increased 7.1% compared with the same period a year earlier to 544.2 billion yen. A change was apparent in the Japanese market, as consumer purchase prices for major toiletry products improved compared with the same period of the previous fiscal year. The Kao

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Group launched new, high-value-added products and renewed existing products in response to market changes, integrated its consumer products and cosmetics (Kao Sofina) sales companies, and further strengthened in-store activities. As a result, sales in Japan increased 6.2% to 434.0 billion yen. In Asia and Oceania, sales increased a substantial 23.4% to 42.1 billion yen, as Kao realized stronger sales capabilities and other benefits from its structural reforms and unified management across the Asian region, including Japan. Excluding the effect of currency translation, sales in Asia and Oceania would have increased 12.9%. In North America and Europe, despite greater competition, sales increased 7.4% to 76.2 billion yen. Excluding the effect of currency translation, sales in North America and Europe would have decreased 0.1%.

Operating income was 46.5 billion yen, essentially unchanged from the same period a year earlier. While profits were affected by rising prices for raw materials, mainly natural oils and fats and petrochemicals, Kao implemented aggressive marketing activities for growth in Japan and overseas, resulting in higher sales, and promoted further cost reductions.

Beauty Care Business

Sales increased 10.3% compared with the same period a year earlier to 311.6 billion yen.

Sales in Japan increased 11.4% to 224.3 billion yen. In a flat market for prestige cosmetics, both counseling brands such as *Impress*, *LUNASOL*, *est* and *ALBLANC*, and self-selection brands such as *KATE*, *Freshel* and *EVITA* performed well. In premium skin care products, the *Bioré* brand added *Melting Liquid Makeup Remover* to its lineup and displayed brisk growth with UV care, deodorant sheets and other products, while *Bioré U* body cleanser sold particularly strongly. Sales of premium hair care products grew significantly as consumers gave strong support to products including *Segreta*, a new hair care brand, *Essential Damage Care* shampoo and conditioner, which offer a new damage-care concept, the *Liese* hair styling brand, and *Prettia* hair color, which uses foam to offer a beautiful finish easily.

Sales in Asia were strong. Prestige cosmetics aggressively expanded business, centered on the retail channels of department stores and high-end drugstores in China. In premium skin care, UV care products were added to the *Bioré* brand, mainly in Taiwan and Singapore. In premium hair care products, a new moisturizing line was launched as a variant of the *Asience* brand in Taiwan and Hong Kong.

Sales in North America and Europe were essentially unchanged from the same period of the previous fiscal year, excluding the effect of currency translation. *Jergens*, *Curél* and other premium skin care brands launched new high-value-added products. For the *John Frieda* brand of premium hair care products, growth was steady in Europe, although U.S. sales were

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sluggish, strongly impacted by intensifying competition. Among brands for beauty salons, sales of the *KMS* professional hair care brand increased, but sales of the *Goldwell* brand decreased. Sales of the *Molton Brown* brand grew substantially in each sales region due to enhanced brand power.

Operating income decreased 1.9 billion yen compared with the same period a year earlier to 10.0 billion yen due to factors including strategic deployment of marketing expenses for future growth amid intensifying competition.

Human Health Care Business

Sales increased 4.1% compared with the same period a year earlier to 94.7 billion yen.

In Japan, sales increased 2.5% to 86.6 billion yen. In food and beverage products, Kao added a refreshingly sweet muscat flavor to *Healthya Water*, which is a sports drink approved as Food for Specified Health Uses (FOSHU). However, sales decreased, due partly to a decrease from the initial demand. 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 expanded as *Laurier* sanitary napkins sold strongly in Thailand, Malaysia, China and other regions due to improvements to the *Soft Care* series and other factors.

Operating income increased 1.6 billion yen compared with the same period a year earlier to 6.5 billion yen, mainly due to higher sales.

Fabric and Home Care Business

Sales increased 2.5% compared with the same period a year earlier to 137.7 billion yen.

In Japan, sales increased 0.1% to 123.0 billion yen. In fabric care products, Kao promoted a shift to products with higher added value with the launch of *Style Fit* laundry detergent and fabric softener as a new offering that targets the growing number of consumers who do their laundry at night due to changing lifestyles. However, in the laundry detergent category, while the decline in retail prices appears to be bottoming out, sales of fabric care products decreased slightly as market competition remained severe. Sales of home care products increased, with steady performance by *CuCute Power Gel*, a new detergent for automatic dishwashers, and *Quickle Wiper Handy*, a household duster kit launched in fall 2006.

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Sales in Asia and Oceania increased steadily. In Thailand, Kao added *Attack Soft Plus* laundry detergent with a fabric softening effect to strong-selling laundry detergent *Attack Easy*. Moreover, Kao is realizing the benefits of its measures to reinforce its sales structure in China, with a steady increase in sales from expanding its sales region to northern China, in addition to the launch of a new laundry detergent with a concept similar to *Attack Soft Plus*.

Operating income was essentially unchanged from the same period a year earlier at 29.9 billion yen, despite the impact of rising raw material prices, as Kao promoted higher added value in its products and cost reduction activities.

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 16.1% compared with the same period a year earlier to 126.5 billion yen.

In Japan, sales increased 6.8% to 61.7 billion yen. In oleo chemicals, Kao focused on adjusting sales prices in response to rising raw material costs. In performance chemicals, sales of superplasticizers for concrete admixtures and plastics additives increased. In specialty chemicals, while sales of cleaners for electronic parts and polishing agents for hard disks were affected by inventory adjustments in their target industries, overall sales increased compared with the same period a year earlier due to growth in sales of toner and toner binder for copiers and printers and ink colorants for inkjet printers.

In Asia, sales increased 28.1% compared with the same period a year earlier to 33.9 billion yen. Excluding the effect of currency translation, sales would have increased 17.7%. Sales of fatty alcohols increased substantially, as sales volume increased due to production capacity expansion at a plant in the Philippines to meet growing demand, and Kao worked to adjust sales prices to reflect rising raw material prices.

In North America and Europe, sales increased 22.2% compared with the same period a year earlier to 49.5 billion yen. Excluding the effect of currency translation, sales would have increased 11.7%. Fatty alcohols, fatty amines and toner and toner binder for copiers and printers performed well.

Operating income decreased 2.8 billion yen compared with the same period a year earlier to 8.9 billion yen due to the impact of rising raw material prices for natural oils and fats and petrochemical, despite Kao's efforts to adjust sales prices and reduce costs.

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Forecast for the Fiscal Year Ending March 31, 2008

1. Forecast of Overall Business Results

The Japanese economy is expected to continue its private sector-led recovery as the strength of corporate earnings spreads to household budgets. Employment conditions are improving, and if this causes incomes to rise, consumer spending is expected to increase, although the trend in prices of petrochemical-related products is expected to affect consumer prices. Moreover, although the global economy is expected to be solid, centered on Asia, uncertainty is expected in areas such as price trends for natural oil and fat raw materials caused by high crude oil prices and the emerging bio fuels market, and the spread of the subprime loan problem in the United States.

Under these conditions, the Kao Group aims to achieve profitable growth by continuing to promote products with high added value. The Kao Group forecasts net sales to increase 6.3%, or 78.1 billion yen, year-on-year to 1,310.0 billion yen. The Kao Group expects a 5.7% decrease in operating income to 114.0 billion yen, the same as its original forecast, as it works to use expanded sales and further cost reductions to absorb higher SG&A expenses resulting from factors including aggressive sales promotion activities in the beauty care business, as well as a substantial rise in raw material prices. Ordinary income is expected to decline 7.6% to 111.0 billion yen due to increased interest on bank borrowings and bonds, and net income is forecast to decrease 6.4% to 66.0 billion yen.

Although Kao will work to further reduce costs and increase the efficiency of capital employed, EVA is expected to decline compared with the previous fiscal year due to marketing expenditures and other investments in future growth and rising prices for raw materials such as natural oils and fats and petrochemicals.

2. Forecast by Business Segment

In the Japanese consumer products market, the downward movement of consumer purchase prices is halting and a recovery trend in sales amount is also evident, but severe competition is forecast to continue. Overseas, severe competition is expected to continue despite stable market growth. Under these conditions, the Kao Group reorganized into the following four businesses at the beginning of the current fiscal year in order to quickly and forcefully execute a consumer-driven growth strategy for an accurate response to various changes in the operating environment. 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 core brands with aggressive new product launches, marketing and sales activities.

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In the Beauty Care business, the Kao Group will stimulate the market by adding greater value to products with the originality and appeal unique to the Kao Group, while assessing changes in consumer attitudes toward beauty and lifestyle habits. Throughout all beauty care categories, the Kao Group in Japan will promote the creation of strong, distinctive brands through launches of new products tailored to various changes among consumers and other means. Overseas, the Kao Group will work to expand sales based on its brand strategy focused on key regions, particularly on accelerating business development in China.

In the Human Health Care business, 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 Uses (FOSHU); sanitary products that are gentle on the skin and 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 its brand value even higher.

In the Fabric and Home Care business, the impact of rising raw material prices is expected to continue. Amid these conditions, the Kao Group will offer proposals for improved lifestyles, developing products with higher value that grasp changing consumer needs to offer cleanliness, comfort and enjoyment in a variety of lifestyle situations, such as the *Style Fit* laundry detergent and fabric softener brand launched in August 2007.

In the Chemical business, the Kao Group will work to strengthen global operations by fully leveraging the characteristics of each of its product fields of oleo chemicals, performance chemicals and specialty chemicals. In addition, the Kao Group will make aggressive capital investments based on accurate anticipation of 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 120 yen and one euro to 160 yen.

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(2) Analysis of Financial Condition

Analysis of Assets, Liabilities, Net Assets and Cash Flow

1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Six Months Ended September 30, 2007

Summarized Financial Condition (Unaudited)

	Billions of Yen			Millions of U.S. Dollars
	Sept. 30, 2007	March 31, 2007	Incr./ (Dcr.)	2007
Total assets	1,272.0	1,247.7	24.2	11,020.2
Total net assets	601.9	574.7	27.2	5,215.1
Net worth/Total assets	46.5%	45.2%	-	-
Net worth per share (yen)	1,084.24	1,035.66	48.58	9.39

Summarized Consolidated Cash Flows (Unaudited)

SIX MONTHS ENDED SEPT. 30	Billions of Yen			Millions of U.S. Dollars
	2007	2006	Incr./ (Dcr.)	2007
Net cash provided by operating activities	88.6	85.7	2.8	767.7
Net cash used in investing activities	(25.7)	(30.0)	4.2	(223.3)
Net cash used in financing activities	(41.8)	(46.8)	5.0	(362.2)
Translation adjustments	2.1	(1.3)	3.4	18.6
Net increase (decrease)	23.1	7.4	15.7	200.7
Cash and cash equivalents, beginning of period	88.1	67.5	20.6	763.7
Cash and cash equivalents, end of period	111.3	74.9	36.3	964.4
Total debt	330.2	376.9	(46.6)	2,861.1

Total assets increased 24.2 billion yen from the previous fiscal year-end to 1,272.0 billion yen. Principal factors in the increase were a 14.0 billion yen increase in inventories due to business expansion and higher raw material prices, and a 24.0 billion yen increase in marketable securities. The principal factor decreasing assets was a 17.9 billion yen decrease in intangible fixed assets associated with depreciation and amortization.

Total liabilities decreased 2.9 billion yen from the previous fiscal year-end to 670.0 billion yen. Principal factors increasing liabilities were a 10.4 billion yen increase in accrued income taxes, which had decreased due to a share repurchase for asset reduction made by a domestic consolidated subsidiary in the previous fiscal year, and an 8.9 billion yen increase in notes and accounts payable due to the effect of rising raw material prices. The principal

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factor decreasing liabilities was a 25.4 billion yen decrease in bank borrowings. The balance of bank borrowings and bonds as of September 30, 2007 was 330.2 billion yen.

Net assets increased 27.2 billion yen compared with the previous fiscal year-end to 601.9 billion yen. The main factors increasing net assets were net income of 29.3 billion yen and an 11.8 billion yen increase in foreign currency translation adjustments reflecting the weaker yen, and the main factor decreasing net assets was cash dividend payments of 14.1 billion yen. As a result, the net worth ratio increased from 45.2% at March 31, 2007 to 46.5%.

Net cash provided by operating activities increased 2.8 billion yen compared with the same period of the previous fiscal year to 88.6 billion yen. Income before income taxes and minority interests for the interim period was 53.9 billion yen, and depreciation and amortization totaled 45.4 billion yen. Income taxes paid totaled 14.4 billion yen.

Net cash used in investing activities decreased 4.2 billion yen compared with the same period of the previous fiscal year to 25.7 billion yen. This primarily consisted of 19.6 billion yen for capital expenditures and other purchases of property, plant and equipment.

Net cash used in financing activities decreased 5.0 billion yen compared with the same period of the previous fiscal year to 41.8 billion yen. This primarily consisted of 30.9 billion yen for repayment of long-term debt and 14.9 billion yen for payment of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at September 30, 2007 was 111.3 billion yen, an increase of 23.1 billion yen from the end of the previous fiscal year.

2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for 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 strategic expenditures in the Beauty Care business and other businesses. However, payment of corporate tax is projected to decrease.

In net cash used in investing activities, Kao plans capital expenditures of about 55.0 billion yen, including capital investment in Japan and overseas to expand production capacity and promote streamlining.

Kao Corporation

News Release

October 23, 2007

In net cash used in financing activities, the Company will allocate funds mainly for payment of dividends, repayment of borrowings and purchases of the Company's stock from the market.

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

	SIX MONTHS	YEARS ENDED MARCH 31			
	ENDED SEPT. 30	2007	2007	2006	2005
Net worth ratio (%)	46.5	45.2	41.8	65.1	59.1
Market capitalization/Total assets (%)	147.0	150.7	138.4	195.2	179.8
Interest-bearing debt/Operating cash flow (years)	--	2.2	3.6	0.3	0.5
Operating cash flow/Interest paid (times)	26.8	36.0	82.1	120.1	91.3

Notes:

1. All indices are computed based on consolidated data.
2. Net worth ratio = (Net assets – stock acquisition rights– Minority interests) / Total assets.
3. 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).
4. 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. Interest paid is stated in the consolidated statements of cash flows.
5. Indications of Interest-bearing debt/Operating cash flow (years) are only for full-year results.

Kao Corporation

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(3) Basic Policies Regarding Distribution of Profits and Dividends for the Period

In order to achieve profitable growth, Kao sets policies regarding allocation of profits between its internal reserve for growth and 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 percent 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 both fund requirements such as capital investment for growth and acquisition initiatives, and capital efficiency improvement.

In accordance with these policies, the Company plans to increase the interim dividend for the fiscal year ending March 31, 2008 by 1.00 yen compared with the previous interim period to 27.00 yen per share, in line with its original plan. The Company plans to increase total dividends for the fiscal year by 2.00 yen per share compared with the previous fiscal year, for a total of 54.00 yen per share, resulting in a consolidated payout ratio of 44.5 percent.

In addition, at a meeting held today, the Board of Directors resolved to purchase the Company's stock, up to a maximum of 4.6 million shares or 15.0 billion yen, from October 24 to December 19, 2007. Including this repurchase, the Company is currently considering making share repurchases totaling approximately 30.0 billion yen by March 31, 2008.

This release contains forward-looking statements that are based on management's estimates, assumptions and projections as of October 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.

3. 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, 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, to assess specific businesses, to evaluate acquisitions and capital investment, and to develop performance targets for each fiscal year.

(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 "*Yoki-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 Beauty Care and Human Health Care* Businesses
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 businesses. Particularly, in addition to its existing Beauty Care business, Kao will develop and strengthen its Beauty Care business by linking diverse brands that are sold globally, such as Molton Brown, which sells prestige cosmetics mainly in the United States and Europe, and Kanebo Cosmetics.

**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 by deeply understanding changes in actual lifestyle conditions and trends, and by accommodating consumer emphasis on "hygiene," "safety" and "the environment."
- 3) Further Enhance the Chemical Business Globally and Locally with Distinctive Products That Meet Customer Needs
The Chemical business will work to accurately understand customer needs, and will deepen and evolve Kao's core technologies to develop and supply unique products that meet the expectations and earn the trust of customers. The Company is 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 the consumer products business in Japan is undergoing 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 purchasing attitudes, and associated changes in trade and distribution. In order to accurately 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 in Japan:

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

Concurrently, Kao has reorganized every functional division in Japan, including R&D, production and sales, and is working to further strengthen matrix management of its businesses and functions, which is a Kao Group strength. In particular, in the area of wholesale, Kao Hanbai Co., Ltd., which handles consumer products, and Kao Cosmetics Sales Co., Ltd., which handles prestige cosmetics, merged into a new entity, Kao Customer Marketing Co., Ltd., that has begun operations.

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 with the introduction of four business units, the start of a newly integrated wholesale company, and close cooperation and synergy generated with Kanebo Cosmetics Inc.

(4) Issues for Management

The Kao Group's operating environment remains challenging due to factors including changes in the market environment and rising raw material prices.

In these circumstances, in order to achieve profitable growth driven by high-value-added products, the Kao Group plans to do the following:

1. Enhance further research and development in areas such as research into fundamental technologies and product development.
2. Respond to changes in the marketing environment, particularly changes in the consumer's sense of values and product needs, by working to create and provide high-value-added products that increase emotional value in addition to functional value.
3. Work to integrate Japanese and local operations in the Consumer Products business in rapidly growing Asian countries from the viewpoint of accelerating global growth in order to gain an even better understanding 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.

Consolidated Balance Sheets

Millions of yen

	(A) 1H/FY2007 September 30, 2007	Composition %	(B) FY2006 March 31, 2007	Composition %	Inc/(Dec) (A-B)	1H/FY2006 Sep 30, 2006	Composition %
Assets							
Current assets	444,036	34.9	402,219	32.2	41,817	374,195	30.5
Cash and time deposits	47,459		49,910		(2,451)	44,400	
Notes and accounts receivable - trade	162,410		158,497		3,913	147,635	
Short-term investments	60,322		36,247		24,074	27,592	
Inventories	126,202		112,114		14,087	108,106	
Deferred income taxes	20,103		20,643		(540)	20,277	
Other	29,628		27,200		2,428	28,358	
Allowance for doubtful receivables	(2,090)		(2,394)		304	(2,174)	
Fixed assets	827,971	65.1	845,518	67.8	(17,547)	852,829	69.5
Tangible assets	289,240	22.7	289,016	23.2	224	285,387	23.3
Buildings and structures	95,530		96,445		(914)	95,613	
Machinery, equipment and vehicles	100,326		101,369		(1,042)	90,359	
Tools, furniture and fixtures	14,154		13,930		224	13,219	
Land	69,417		69,625		(207)	67,094	
Construction in progress	9,810		7,645		2,164	19,100	
Intangible assets	424,563	33.4	442,469	35.5	(17,906)	459,261	37.4
Goodwill	250,917		256,326		(5,408)	260,473	
Trademarks	137,610		147,880		(10,269)	158,259	
Other	36,035		38,262		(2,227)	40,528	
Investments and other assets	114,167	9.0	114,032	9.1	134	108,180	8.8
Investment securities	17,148		17,291		(143)	17,018	
Long-term loans	1,885		1,792		92	171	
Deferred income taxes	53,178		50,535		2,642	50,201	
Other	42,118		44,534		(2,415)	40,972	
Allowance for doubtful receivables	(163)		(121)		(42)	(184)	
Deferred assets	59	0.0	58	0.0	-	36	0.0
Total assets	1,272,067	100.0	1,247,797	100.0	24,269	1,227,062	100.0
Liabilities							
Current liabilities	334,737	26.3	308,646	24.7	26,091	313,508	25.5
Notes and accounts payable - trade	119,069		110,158		8,911	106,851	
Short-term debt	27,274		21,877		5,397	21,491	
Current portion of long-term debt	22,057		22,062		(4)	22,806	
Accounts payable - other	29,244		28,930		314	26,004	
Accrued expenses	94,363		85,796		8,566	98,460	
Accrued income taxes	22,151		11,673		10,477	17,993	
Other	20,576		28,148		(7,571)	19,901	
Long-term liabilities	335,345	26.4	364,399	29.2	(29,054)	380,365	31.0
Bonds	99,995		99,995		-	99,995	
Long-term debt	180,934		211,774		(30,839)	232,654	
Liability for employee retirement benefits	31,719		30,987		731	30,053	
Liability for director and corporate auditor retirement benefits	163		163		-	163	
Other	22,532		21,478		1,053	17,498	
Total liabilities	670,083	52.7	673,046	53.9	(2,963)	693,874	56.5
Shareholders' equity	588,865	46.3	573,541	46.0	15,323	546,589	44.6
Common stock	85,424	6.8	85,424	6.9	-	85,424	7.0
Capital surplus	109,601	8.6	109,565	8.8	35	109,571	8.9
Retained earnings	403,729	31.7	388,585	31.1	15,144	361,798	29.5
Treasury stock, at cost	(9,889)	(0.8)	(10,033)	(0.8)	143	(10,204)	(0.8)
Adjustments for valuation, foreign currency translation and others	2,265	0.2	(9,010)	(0.7)	11,275	(21,982)	(1.8)
Unrealized gain on available-for-sale securities	4,038	0.3	4,649	0.4	(610)	4,951	0.4
Foreign currency translation adjustments	(1,772)	(0.1)	(13,659)	(1.1)	11,886	(26,933)	(2.2)
Stock acquisition right	598	0.0	301	0.0	297	301	0.0
Minority interests	10,254	0.8	9,917	0.8	336	8,278	0.7
Total net assets	601,983	47.3	574,751	46.1	27,232	53,187	43.5
Total liabilities and total net assets	1,272,067	100.0	1,247,797	100.0	24,269	1,227,062	100.0

Consolidated Statements of Income

Millions of yen

	(A) 1H/FY2007 Apr '07 - Sep '07	% to net sales	(B) 1H/FY2006 Apr '06 - Sep '06	% to net sales	Inc/(Dec) (A-B)	FY2006 Apr '06 - Mar '07	% to net sales
Net sales	654,464	100.0	602,538	100.0	51,926	1,231,808	100.0
Cost of sales	272,851	41.7	244,981	40.7	27,870	503,271	40.9
Gross profit	381,612	58.3	357,556	59.3	24,056	728,536	59.1
Selling, general and administrative expenses	326,060	49.8	299,129	49.6	26,931	607,678	49.3
Operating income	55,551	8.5	58,426	9.7	(2,875)	120,858	9.8
Non-operating income	3,662	0.5	3,226	0.5	436	6,273	0.5
Interest income	1,444		1,002		442	2,175	
Dividend income	110		78		32	121	
Foreign currency exchange gain	453		330		123	504	
Other	1,654		1,815		(161)	3,471	
Non-operating expenses	4,179	0.6	3,172	0.5	1,007	6,955	0.5
Interest expense	3,277		1,990		1,287	5,032	
Equity in losses of nonconsolidated subsidiaries and affiliates	397		438		(41)	703	
Other	504		743		(239)	1,219	
Ordinary income	55,034	8.4	58,480	9.7	(3,445)	120,176	9.8
Extraordinary income	297	0.0	267	0.0	29	1,851	0.1
Gain on sales of fixed assets	93		195		(102)	682	
Gain on sales of investment securities	4		7		(3)	7	
Other	199		65		134	1,161	
Extraordinary loss	1,420	0.2	1,491	0.2	(71)	4,900	0.4
Loss on sales/disposals of fixed assets	698		1,197		(499)	2,772	
Loss on impairment of long-lived assets	380		158		222	1,245	
Other	340		135		205	882	
Income before income taxes and minority interests	53,912	8.2	57,256	9.5	(3,344)	117,127	9.5
Income taxes - current	24,395	3.7	20,552	3.4	3,843	37,268	3.0
Income taxes - deferred	(360)	-0.1	6,674	1.1	(7,034)	7,854	0.6
Minority interests in earnings of consolidated subsidiaries	560	0.0	458	0.1	102	1,476	0.1
Net income	29,316	4.5	29,571	4.9	(255)	70,527	5.7

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2007 Apr '07 - Sep '07	1H/FY2006 Apr '06 - Sep '06	FY2006 Apr '06 - Mar '07
Operating activities:			
Income before income taxes and minority interests	53,912	57,256	117,127
Adjustments for:			
Depreciation and amortization	45,438	43,762	92,171
Loss on sales or disposals of property, plant and equipment, net	605	1,001	2,089
Interest and dividend income	(1,554)	(1,080)	(2,297)
Interest expense	3,277	1,990	5,032
Unrealized foreign currency exchange (gain) loss	(84)	(212)	(1,256)
Equity in (earnings) losses of non-consolidated subsidiaries and affiliates	397	438	703
Change in trade receivables	(1,747)	(17,803)	(24,308)
Change in inventories	(11,512)	(1,893)	(3,189)
Change in prepaid pension cost	3,197	(7,885)	(10,163)
Change in trade payables	8,616	10,291	11,315
Change in other payables and accrued expense	10,883	20,300	10,875
Change in liability for retirement benefits	501	567	1,219
Other, net	(7,253)	(156)	9,404
Sub-total	104,677	106,577	208,725
Interest and cash dividends received	1,666	1,225	3,100
Interest paid	(3,308)	(1,762)	(4,578)
Income taxes paid	(14,422)	(20,311)	(42,269)
Net cash provided by operating activities	88,612	85,729	164,977
Investing activities:			
Purchase of property, plant and equipment	(19,663)	(22,548)	(49,588)
Proceeds from sales of property, plant and equipment	316	363	2,078
Increase in intangible assets	(1,666)	(14,176)	(15,881)
Purchase of investment securities	(2,036)	(625)	(1,638)
Proceeds from the redemption and sales of investment securities	1,020	17	11
Payments for long-term prepaid expenses	(2,595)	-	(6,283)
Change in short-term loans, net	(671)	12,282	11,928
Payments for long-term loans	(812)	(515)	(1,550)
Other, net	327	(4,876)	(2,302)
Net cash used in investing activities	(25,781)	(30,079)	(63,227)
Financing activities:			
Change in short-term debt, net	3,832	(145,641)	(146,728)
Proceeds from long-term loans	-	30,628	30,638
Repayments of long-term loans	(30,906)	(16,535)	(38,228)
Proceeds from bonds	-	99,681	99,676
Purchase of treasury stock	(586)	(448)	(1,085)
Payments of cash dividends	(14,179)	(13,629)	(27,806)
Payments of cash dividends to minority shareholders	(791)	(1,320)	(1,339)
Other, net	818	417	1,208
Net cash used in financing activities	(41,813)	(46,848)	(83,665)
Translation adjustments on cash and cash equivalents	2,148	(1,341)	2,542
Net increase (decrease) in cash and cash equivalents	23,165	7,460	20,627
Cash and cash equivalents, beginning of year	88,154	67,527	67,527
Cash and cash equivalents, end of period	111,319	74,987	88,154

Sales Composition

Millions of yen	1H/FY2007 Apr '07 - Sep '07	1H/FY2006 Apr '06 - Sep '06	Growth %	FY2006 Apr '06 - Mar '07
Consumer Products Business				
Beauty Care Business	224,367	201,432	11.4	416,085
Human Health Care Business	86,621	84,504	2.5	170,008
Fabric and Home Care Business	123,053	122,913	0.1	245,255
Total Japan	434,042	408,850	6.2	831,348
Asia and Oceania	42,127	34,134	23.4	72,025
North America and Europe	76,287	71,053	7.4	148,710
Eliminations	(8,231)	(5,911)	-	(14,673)
Total	544,225	508,127	7.1	1,037,411
Chemical Business				
Japan	61,777	57,832	6.8	116,933
Asia	33,949	26,499	28.1	55,830
North America and Europe	49,577	40,569	22.2	82,935
Eliminations	(18,773)	(15,950)	-	(32,089)
Total	126,530	108,951	16.1	223,609
Total before Eliminations	670,756	617,078	8.7	1,261,020
Eliminations	(16,292)	(14,540)	-	(29,212)
Consolidated Net Sales	654,464	602,538	8.6	1,231,808

Segment Information by Business

Millions of yen

1H/FY2007 Apr '07 - Sep '07	Consumer Products Business				Chemical Business	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Humen Health Care Business	Fabric & Home Care Business	Total			
Net sales							
Sales to customers	311,690	94,739	137,795	544,225	110,238	-	654,464
Intersegment sales	-	-	-	-	16,292	(16,292)	-
Total	311,690	94,739	137,795	544,225	126,530	(16,292)	654,464
Operating expenses	301,628	88,190	107,889	497,708	117,594	(16,390)	598,912
Operating income	10,061	6,549	29,906	46,517	8,936	97	55,551
% to sales	3.2	6.9	21.7	8.5	7.1	-	8.5

1H/FY2006 Apr '06 - Sep '06	Consumer Products Business				Chemical Business	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Humen Health Care Business	Fabric & Home Care Business	Total			
Net sales							
Sales to customers	282,643	91,020	134,463	508,127	94,410	-	602,538
Intersegment sales	-	-	-	-	14,540	(14,540)	-
Total	282,643	91,020	134,463	508,127	108,951	(14,540)	602,538
Operating expenses	270,677	86,121	104,730	461,529	97,212	(14,630)	544,111
Operating income	11,966	4,898	29,733	46,598	11,738	90	58,426
% to sales	4.2	5.4	22.1	9.2	10.8	-	9.7

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

Consolidated Statements of Changes in Net Asset

Millions of yen

1H/FY2007
Apr '07 - Sep '07

	Shareholders' equity					Adjustments for valuation, foreign currency translation and others			Stock acquisition right	Minority interests	Total net assets
	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			
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
Changes of items during the period											
Dividends from appropriation of surplus			(14,171)		(14,171)						(14,171)
Net income			29,316		29,316						29,316
Purchase of treasury stock				(649)	(649)						(649)
Retirement of treasury stock		35		792	828						828
Net changes of items other than shareholders' equity during the period						(610)	11,886	11,275	297	336	11,908
Total changes of items during the period	-	35	15,144	143	15,324	(610)	11,886	11,275	297	336	27,233
Balance at the end of previous period	85,424	109,601	403,729	(9,889)	588,865	4,038	(1,772)	2,265	598	10,254	601,983

Dividends and Bonuses paid to directors and corporate auditors from appropriation of surplus was resolved at annual shareholders meeting on June 28, 2007.

Consolidated Segment Information by Geography

Millions of yen

1H/FY2007

Apr '07 - Sep '07

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	472,409	59,758	56,217	66,079	654,464	-	654,464
Intersegment sales	9,664	15,249	453	8,131	33,498	(33,498)	-
Total	482,073	75,007	56,670	74,211	687,962	(33,498)	654,464
Operating expenses	431,834	76,085	53,412	71,950	633,282	(34,369)	598,912
Operating income	50,239	(1,077)	3,257	2,260	54,680	871	55,551
% to sales	10.4	(1.4)	5.7	3.0	7.9	-	8.5

1H/FY2006

Apr '06 - Sep '06

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	446,603	47,177	53,632	55,124	602,538	-	602,538
Intersegment sales	7,977	12,596	244	8,204	29,021	(29,021)	-
Total	454,580	59,772	53,877	63,329	631,559	(29,021)	602,538
Operating expenses	402,945	58,706	50,451	61,376	573,480	(29,369)	544,111
Operating income	51,635	1,065	3,425	1,953	58,079	347	58,426
% to sales	11.4	1.8	6.4	3.1	9.2	-	9.7

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	17,406	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

Sales to Foreign Customers

Millions of yen

1H/FY2007	Asia/Oceania	North America	Europe	Total
Apr '07 - Sep '07				
Total overseas sales	66,462	57,929	63,135	187,527
Consolidated net sales				654,464
Percentage of overseas sales to consolidated net sales	10.2%	8.9%	9.6%	28.7%

1H/FY2006	Asia/Oceania	North America	Europe	Total
Apr '06 - Sep '06				
Total overseas sales	52,884	54,999	53,156	161,040
Consolidated net sales				602,538
Percentage of overseas sales to consolidated net sales	8.8%	9.1%	8.8%	26.7%

FY2006	Asia/Oceania	North America	Europe	Total
Apr '06 - Mar '07				
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%