Kao Corporation

News Release April 24, 2009

Kao Corporation Reports Business Results

Tokyo, April 24, 2009 — Kao Corporation today announced its consolidated and non-consolidated business results for the fiscal year ended March 31, 2009. 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			
	2009	2008	Change	**2009**
	Yen		%	U.S. Dollars
Net sales	**1,276,316**	1,318,513	(3.2)	**12,993.1**
Operating income	**96,800**	116,252	(16.7)	**985.4**
Ordinary income	**94,609**	114,223	(17.2)	**963.1**
Net income	**64,462**	66,561	(3.2)	**656.2**
ROE (Net income / Shareholders' equity)	**11.5%**	11.7%	-	**11.5%**
ROA (Ordinary income / Total assets)	**8.0%**	9.2%	-	**8.0%**
Operating income / Net sales	**7.6%**	8.8%	-	**7.6%**
Total assets	**1,119,676**	1,232,601	(9.2)	**11,398.5**
Total net assets	**554,194**	584,709	(5.2)	**5,641.8**
Net worth ratio	**48.7%**	46.6%	-	**46.6%**
Net worth per share (Yen/US$)	**1,017.19**	1,070.67	(5.0)	**10.36**
Net income per share (Yen/US$)	**120.25**	122.53	(1.9)	**1.22**
Net income per share, fully diluted (Yen/US$)	**120.22**	122.41	(1.8)	**1.22**
Net cash provided by operating activities	**121,597**	180,322	-	**1,237.9**
Net cash used in investing activities	**(43,156)**	(52,389)	-	**(439.3)**
Net cash used in financing activities	**(64,704)**	(101,822)	-	**(658.7)**
Cash and cash equivalents at the end of period	**110,565**	112,636	-	**1,125.6**

Notes:

1. *Share amounts are rounded down to the nearest thousand.*
   - *Number of shares outstanding at the end of the periods (including treasury stock): 540,143,000 shares as of March 31, 2009; 549,443,000 shares as of March 31, 2008.*
   - *Number of treasury stock at the end of the periods: 4,128,000 shares as of March 31, 2009; 13,296,000 shares as of March 31, 2008.*
   - *Weighted average number of shares outstanding during the fiscal year ended March 31 of each year: 536,085,000 shares for 2009; 543,227,000 shares for 2008.*
2. *Net worth ratio is defined as net worth divided by total assets. Net worth 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		
	2009	2008	**2009**
	Yen		U.S. Dollars
Annual cash dividend per share (Yen/US$)	**56.00**	54.00	**0.57**
Total dividend payment amount	**30,047**	29,226	**305.88**
Payout ratio (consolidated)	**46.6%**	44.1%	**46.6%**
Cash dividends / Total net assets (consolidated)	**5.4%**	5.1%	**5.4%**

Notes:

Interim dividend per share: 28.00 yen for 2009 and 27.00 yen for 2008
Year-end dividend per share: 28.00 yen for 2009 and 27.00 yen for 2008

Forecast of Consolidated Results for the Six Months Ending September 30, 2009 and the Year Ending March 31, 2010

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

	Six months ending September 30, 2009			Year ending March 31, 2010		
	Yen	Year-on-year	U.S. Dollars	Yen	Year-on-year	U.S. Dollars
Net sales	604,000	(8.2%)	6,148.8	1,210,000	(5.2%)	12,318.0
Operating income	43,000	(21.5%)	437.7	97,000	+0.2%	987.5
Ordinary income	41,000	(25.4%)	417.4	95,000	+0.4%	967.1
Net income	23,000	(29.0%)	234.1	56,000	(13.1%)	570.1
Net income per share (Yen/US$)	42.91	-	0.44	104.47	-	1.06
Cash dividends per share	28.00	-	0.29	56.00	-	0.57

Notes:

1. *The Kao Group forecasts that net sales for the fiscal year ending March 31, 2010 will decrease 5.2% year on year to 1,210.0 billion yen. On a like-for-like basis excluding the effect of currency translation, net sales are forecast to decrease 2.6%.*
2. *Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.*

Consolidated Segment Information by Business (Unaudited)

Billions of Yen

Year ended March 31	SALES 2009	SALES 2008	% change	% change Like-for-like	OPERATING INCOME 2009	OPERATING INCOME 2008	Incr./(Dcr.)
Beauty Care	**588.3**	627.9	(6.3)	(3.3)	**17.5**	27.2	(9.7)
Human Health Care	**191.3**	191.2	0.0	1.3	**12.9**	13.1	(0.1)
Fabric & Home Care	**274.2**	274.6	(0.2)	1.5	**49.1**	56.0	(6.9)
Consumer Products Total	**1,053.8**	1,093.8	(3.7)	(1.3)	**79.6**	96.5	(16.8)
Chemical	**262.0**	258.6	1.3	6.7	**17.1**	19.6	(2.5)
Corporate/Eliminations	**(39.5)**	(34.0)	-	-	**(0.0)**	0.0	(0.0)
Consolidated	**1,276.3**	1,318.5	(3.2)	(0.2)	**96.8**	116.2	(19.4)

Millions of U.S. Dollars

Year ended March 31	SALES 2009	SALES 2008	% change	% change Like-for-like	OPERATING INCOME 2009	OPERATING INCOME 2008	Incr./(Dcr.)
Beauty Care	**5,989.3**	6,392.3	(6.3)	(3.3)	**178.8**	277.7	(99.0)
Human Health Care	**1,947.7**	1,947.5	0.0	1.3	**132.1**	133.9	(1.9)
Fabric & Home Care	**2,791.4**	2,796.1	(0.2)	1.5	**499.9**	570.7	(70.8)
Consumer Products Total	**10,728.4**	11,135.8	(3.7)	(1.3)	**810.7**	982.4	(171.7)
Chemical	**2,667.8**	2,633.3	1.3	6.7	**174.8**	200.4	(25.6)
Corporate/Eliminations	**(403.1)**	(346.4)	-	-	**(0.1)**	0.7	(0.8)
Consolidated	**12,993.1**	13,422.7	(3.2)	(0.2)	**985.4**	1,183.5	(198.0)

Consolidated Segment Information by Geography (Unaudited)

Billions of Yen

Year ended March 31	SALES 2009	SALES 2008	% change	% change Like-for-like	OPERATING INCOME 2009	OPERATING INCOME 2008	Incr./(Dcr.)
Japan	**953.3**	968.5	(1.6)	(1.6)	**84.1**	98.3	(14.1)
Asia/Oceania	**161.9**	158.2	2.3	14.8	**2.7**	1.0	1.6
North America	**98.9**	111.0	(10.8)	3.0	**4.3**	6.8	(2.5)
Europe	**140.6**	154.6	(9.1)	(2.4)	**5.2**	9.0	(3.7)
Corporate/Eliminations	**(78.6)**	(74.0)	-	-	**0.3**	0.9	(0.6)
Consolidated	**1,276.3**	1,318.5	(3.2)	(0.2)	**96.8**	116.2	(19.4)

Millions of U.S. Dollars

Year ended March 31	SALES 2009	SALES 2008	% change	% change Like-for-like	OPERATING INCOME 2009	OPERATING INCOME 2008	Incr./(Dcr.)
Japan	**9,705.5**	9,860.5	(1.6)	(1.6)	**856.8**	1,001.3	(144.5)
Asia/Oceania	**1,648.4**	1,611.5	2.3	14.8	**28.0**	11.0	17.0
North America	**1,007.8**	1,130.2	(10.8)	3.0	**44.0**	69.7	(25.7)
Europe	**1,431.6**	1,574.3	(9.1)	(2.4)	**53.2**	91.8	(38.6)
Corporate/Eliminations	**(800.2)**	(753.7)	-	-	**3.4**	9.7	(6.2)
Consolidated	**12,993.1**	13,422.7	(3.2)	(0.2)	**985.4**	1,183.5	(198.0)

Note:

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			
	2009	2008	Change	**2009**
	Yen		%	U.S. Dollars
Net sales	**732,139**	734,307	(0.3)	**7,453.3**
Operating income	**73,232**	77,628	(5.7)	**745.5**
Ordinary income	**78,876**	85,473	(7.7)	**803.0**
Net income	**46,721**	48,877	(4.4)	**475.6**
Total assets	**969,061**	994,160	(2.5)	**9,865.2**
Total net assets	**510,105**	493,964	3.3	**5,193.0**
Net worth / Total assets	**52.6%**	49.6%	-	**-**
Total net assets per share (Yen/US$)	**949.11**	919.25	3.2	**9.66**
Net income per share (Yen/US$)	**87.06**	89.88	(3.1)	**0.89**
Net income per share, fully diluted (Yen/US$)	**87.04**	89.79	(3.1)	**0.89**

Notes for this News Release:

1. *The summary of the business results that Kao submitted to the Tokyo Stock Exchange is unaudited and for reference only.*
2. *Change in scope of consolidation during the current fiscal year: None*
3. *Changes in accounting principles, procedures and presentation method used in the preparation of the Consolidated Financial Statements: Please refer to "Accounting changes" on page 5 for details.*
4. *U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2009, of 98.23 yen=US$1, and are presented solely for the convenience of readers.*
5. *Yen amounts are rounded down to the nearest million.*

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, and fluctuations in currency exchange and interest rates, could cause actual results to differ materially from expectations.

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Accounting Changes

Effective from the fiscal year ended March 31, 2009, the Companies applied Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan (the “ASBJ”) Statement No. 9, issued July 5, 2006).

The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2009 was not material.

1. Accounting Periods of Consolidated Subsidiaries

The fiscal year end for Kanebo Cosmetics Co., Ltd. and its seven domestic consolidated subsidiaries has changed to March 31 from the former December 31. As a result of this change, for the fiscal year ended March 31, 2009 these companies are included in the scope of consolidation for the 12-month period from April 1, 2008 to March 31, 2009. Earnings for these companies for the three-month period from January 1, 2008 to March 31, 2008 are included in retained earnings on the balance sheets, and are included on the cash flow statements as an adjustment to cash and cash equivalents at the beginning of the fiscal year.

2. Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Effective from the fiscal year ended March 31, 2009, the Companies applied Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements (ASBJ Practical Issues Task Force (PITF) No. 18, May 17, 2006) and amended the consolidated financial statements as required.

The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2009 was not material.

3. Lease Accounting

Formerly, finance lease transactions not involving the transfer of ownership were accounted for in a manner similar to the accounting treatment for operating lease transactions. However, effective from the fiscal year ended March 31, 2009, the Companies applied Accounting Standard for Lease Transactions (ASBJ Statement No. 13; Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007) and Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). Such transactions are now accounted for as ordinary sale and purchase transactions.

The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the fiscal year ended March 31, 2009 was not material.

1. Consolidated Business Results

1.1. Analysis of Business Results

1.1.1. Business Results for the Fiscal Year

1.1.1.1. Overall Business Trends during the Fiscal Year

During the fiscal year ended March 31, 2009, Japan's economic environment became increasingly severe due to the impact of rising product prices caused by escalating crude oil prices and commodities markets in the first half, and a deteriorating global economy stemming from the financial crisis in the United States in the second half. Outside Japan, a sense of a slowdown arose even in Asian economies, which had been continuing to grow, while business conditions in North America and Europe became more severe due to the financial crisis and deterioration of the real economy.

Under these conditions, the Kao Group concentrated on launches of high-value-added products, sales price adjustments, cost reduction activities and cutbacks in expenditures.

Sales in the Consumer Products Business in Asia and Oceania and the Chemical Business expanded excluding the effect of currency translation. On the other hand, worsening business conditions since autumn 2008 had an impact, the Consumer Products Business in North America and Europe faced challenging conditions, and the appreciation of the yen decreased results after currency translation. As a result, net sales decreased 42.1 billion yen, or 3.2%, compared with the previous fiscal year to 1,276.3 billion yen. Excluding the negative effect of currency translation of 39.4 billion yen on sales outside Japan, net sales would have decreased 0.2%.

Cost of sales increased 4.8 billion yen from 554.1 billion yen in the previous fiscal year to 558.9 billion yen. The increase in cost of sales was due to factors including a substantial rise in prices for raw materials, mainly natural oils and fats and petrochemicals, although the Kao Group promoted further cost reduction activities. Consequently, gross profit was 717.3 billion yen, a decrease of 47.0 billion yen, or 6.2%, from the previous fiscal year.

Selling, general and administrative (SG&A) expenses were 620.5 billion yen, a year-on-year decrease of 27.5 billion yen, or 4.3%. In order to absorb the impact of higher raw material prices and worsening business conditions, the Kao Group conducted thorough management of expenses, making reductions in advertising, promotional and sales promotion and expansion expenses in addition to its ongoing cost reduction activities.

As a result of the above factors, operating income was 96.8 billion yen, a decrease of 19.4 billion yen, or 16.7%, from 116.2 billion yen in the previous fiscal year. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 134.6 billion yen, which is equivalent to 10.6% of net sales.

Non-operating income and expenses resulted in net non-operating expenses of 2.1 billion yen, basically unchanged from net non-operating expenses of 2.0 billion yen in the previous fiscal year. As for the main factors in the change, the Kao Group recorded equity in earnings of nonconsolidated subsidiaries and affiliates rather than the equity in losses of the previous fiscal year, while foreign currency exchange loss was 1.8 billion yen.

Ordinary income decreased 19.6 billion yen, or 17.2%, from 114.2 billion yen in the previous fiscal year to 94.6 billion yen.

Extraordinary gain and loss totaled a net loss of 2.5 billion yen, compared with a net loss of 3.8 billion yen in the previous fiscal year. Consequently, income before income taxes and minority interests decreased 18.3 billion yen year on year to 92.0 billion yen.

The effective tax rate after application of tax effect accounting was 28.9%, compared with 38.7% in the previous fiscal year. The main factor in the change was a decline in deferred income taxes related to undistributed foreign earnings due to tax reform in Japan during the fiscal year. As a result, net income was 64.4 billion yen, a decrease of 2.0 billion yen, or 3.2%, from the previous fiscal year. Net income per share was 120.25 yen, a decrease of 2.28 yen, or 1.9%, from 122.53 yen in the previous fiscal year.

EVA* (Economic Value Added), which the Kao Group uses as a management metric, was lower than the previous fiscal year due to a decline in NOPAT (Net Operating Profit After Tax) resulting from factors including the decrease in sales and a substantial increase in raw material prices.

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

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

	First quarter	Second quarter	Third quarter	Fourth quarter
Yen / U.S. dollar	103.79	105.44	107.02	94.99
Yen / Euro	158.34	164.77	159.47	125.69

For foreign subsidiaries and affiliates, the period of consolidation for the first quarter is from January to March, the second quarter is from April to June, the third quarter is from July to September, and the fourth quarter is from October to December.

1.1.1.2. Trends by Segment for the Fiscal Year

Summary of Results by Business Segment

Consumer Products Business

Sales decreased 3.7% compared with the previous fiscal year to 1,053.8 billion yen. Excluding the effect of currency translation, sales would have decreased 1.3%.

In the Japanese market, consumer sentiment cooled due to worsening business conditions. The cosmetics market and household and personal care products market both contracted by as much as 1 percentage point from the previous fiscal year. Average consumer purchase prices in major categories of the household and personal care products market were near the level of the previous fiscal year.

Sales in Japan decreased 1.3% to 857.0 billion yen. Sales of prestige cosmetics decreased compared with the previous fiscal year due to the impact of a contracting market caused by changing consumer attitudes. In household and personal care products, the Kao Group expanded sales and was able to increase its market share by launching new products that respond to changing consumer lifestyles and working to strengthen its proposal-based sales capabilities and in-store merchandising activities.

In Asia and Oceania, market expansion continued despite the sense of a slowdown in business conditions, and the Kao Group’s business activities also benefited from nurturing pan-Asian brands and integrating business operations in the region, including Japan. This resulted in a 9.6% increase in sales on a local currency basis, although with the effect of currency translation, sales decreased 2.6% to 83.1 billion yen.

In North America and Europe, with cooling markets and fierce competition due to worsening business conditions added to the impact of currency translation, sales decreased 16.6% to 130.3 billion yen. Excluding the effect of currency translation, sales would have decreased 6.3%.

Operating income decreased 16.8 billion yen to 79.6 billion yen due to the decrease in sales.

<u>*Beauty Care Business*</u>

Sales decreased 6.3% compared with the previous fiscal year to 588.3 billion yen. Excluding the effect of currency translation, sales would have decreased 3.3%.

In Japan, sales decreased 2.7% to 436.3 billion yen. In prestige cosmetics, Kanebo Cosmetics has been aggressively promoting the creation of mega brands with the launch of the *BLANCHIR SUPERIOR* whitening skin care counseling brand and the addition of items to the *COFFRET D'OR* counseling makeup brand, while Kao Sofina's measures to strengthen its brands included the launches of the counseling brands *SOFINA Primavista* base makeup and *AUBE couture* makeup. However, changes in consumer attitudes toward purchases due to worsening business conditions led to a decrease in sales. Sales of premium skin care products increased steadily, with strong performance by new products from the *Bioré* brand and *Curél*. Sales of premium hair care products increased, with robust performance of new product *Blauné* hair color foam.

In Asia, sales were strong, with steady performance by *Bioré*, particularly in China and Indonesia, as a result of product line enhancements and other factors, and the rollout in China and Thailand of *Asience*, a line of premium hair care products that the Kao Group is newly nurturing as a pan-Asian brand. In addition, the Kao Group raised the brand equity of its prestige cosmetics in China by strengthening counseling activities and other measures, and increased sales per store.

In North America and Europe, sales decreased with the impact of cooling markets and intense competition due to worsening business conditions, in addition to the negative effect of currency translation due to exchange rate fluctuations. However, sales of the *John Frieda* and *Guhl* premium hair care brands were firm in the European market.

Operating income decreased 9.7 billion yen to 17.5 billion yen reflecting the decrease in sales. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 55.1 billion yen, which is equivalent to 9.4% of sales.

Overall sales of prestige cosmetics decreased 8.0% to 290.8 billion yen. Excluding the effect of currency translation, sales would have decreased 6.8%. Operating income decreased 9.5 billion yen to a loss of 18.5 billion yen. Operating income before amortization of goodwill and other items related to acquisitions was 10.3 billion yen, a decrease of 9.8 billion yen from the previous fiscal year.

<u>*Human Health Care Business*</u>

Sales were 191.3 billion yen, basically unchanged from the previous fiscal year. Excluding the effect of currency translation, sales would have increased 1.3%.

In Japan, sales increased 0.2% to 174.7 billion yen. In food and beverage products, intensifying market competition and contraction of the gift market caused sales to decrease. However, *Healthya* functional drink began to show a recovery by strengthening the appeal of the concept that it “promotes fat utilization.” In sanitary products, sales of *Laurier* sanitary napkins were solid. Sales of *Merries* baby diapers increased, supported by a major improvement in breathability and other functionality. Sales of personal health products remained flat as sales of *Medicated Pyuora* toothpaste and *Success* men’s products increased while sales of bath additives and other products struggled.

In Asia, sales grew on strong performance by *Laurier* in China and Indonesia.

Operating income decreased 0.1 billion yen to 12.9 billion yen due to higher raw material prices.

Fabric and Home Care Business

Sales decreased 0.2% compared with the previous fiscal year to 274.2 billion yen. Excluding the effect of currency translation, sales would have increased 1.5%.

In Japan, sales increased 0.3% to 245.9 billion yen. In fabric care products, the Kao Group worked to strengthen its laundry detergent brands by improving *Attack* with greater cleaning performance and *New Beads with Fabric Softener* with an enhanced fabric softening effect. At the same time, the Kao Group implemented price increases through volume reductions. However, sales were flat, mainly due to contraction of the gift market. In home care products, the Kao Group increased sales by strengthening its brands with the launch of new products under brands including *CuCute* dishwashing detergent and *Resesh* fabric and air freshener as consumers continued to be budget-conscious.

In Asia and Oceania, sales grew as the Kao Group enhanced *Attack* and the *Magiclean* home cleaner brand. Sales of *Attack Easy* laundry detergent in Thailand and Indonesia were particularly strong.

Operating income decreased 6.9 billion yen to 49.1 billion yen. Despite efforts such as new and improved product launches, enhancements of the efficiency of marketing investments, and package volume and price adjustments in tandem with product improvements, the impact of higher raw material prices was substantial.

Chemical Business

Sales increased 1.3% compared with the previous fiscal year to 262.0 billion yen. Excluding the effect of currency translation, sales would have increased 6.7%.

Sales in Japan increased 0.5% to 130.0 billion yen. In oleo chemicals and performance chemicals, the Kao Group made efforts to adjust sales prices in response to fluctuations in raw material prices. In specialty chemicals, the Kao Group worked to add further value to and expand sales volume of products such as ink and colorants for inkjet printers and cleaners for electronic parts. However, overall sales were impacted by the sudden downturn in customer industries since the third quarter.

In Asia, sales increased 7.7% to 80.9 billion yen. Excluding the effect of currency translation, sales would have increased 20.7%. For fatty alcohols, which are a core product, the Kao Group adjusted sales prices in response to fluctuations in raw material prices.

In North America and Europe, sales increased 1.8% to 100.5 billion yen. Excluding the effect of currency translation, sales would have increased 11.2%. Sales of tertiary amines and toner binder for copiers and printers were strong.

Operating income decreased 2.5 billion yen to 17.1 billion yen due to a substantial decrease in sales volume resulting from rapidly worsening business conditions from the third quarter onward.

Summary of Results by Geographic Segment

Japan

Total sales in Japan, including intersegment sales, decreased 1.6% compared with the previous fiscal year to 953.3 billion yen. The Kao Group worked to launch high-value-added products and to strengthen its proposal-based sales capabilities and in-store merchandising activities in the Consumer Products Business, and to adjust sales prices in response to fluctuations in raw material prices in the Chemical Business. However, sales decreased with the impact of cooling consumer sentiment due to worsening business conditions and lower demand from targeted industries.

Operating income decreased 14.1 billion yen to 84.1 billion yen despite these measures and cost reduction activities due to the substantial impact of higher raw material prices.

Asia and Oceania

Total sales in Asia and Oceania, including intersegment sales, increased 2.3% compared with the previous fiscal year to 161.9 billion yen. Excluding the effect of currency translation, sales would have increased 14.8%. The Consumer Products Business benefited from collaboration with retailers and the integration of business operations in Asia, including Japan, while the Chemical Business concentrated on adjusting sales prices in response to fluctuations in raw material prices.

As a result, operating income increased 1.6 billion yen to 2.7 billion yen.

North America
Total sales in North America, including intersegment sales, decreased 10.8% compared with the previous fiscal year to 98.9 billion yen. Excluding the effect of currency translation, sales would have increased 3.0%. The Consumer Products Business was affected by the deterioration of the U.S. economy and intense market competition, although sales of the Chemical Business grew due to price adjustments and other factors.

Operating income decreased 2.5 billion yen to 4.3 billion yen despite new product launches and other efforts to stimulate the market.

Europe
Total sales in Europe, including intersegment sales, decreased 9.1% compared with the previous fiscal year to 140.6 billion yen. Excluding the effect of currency translation, sales would have decreased 2.4%. Operating income decreased 3.7 billion yen to 5.2 billion yen due to higher raw material prices.

1.1.2. Forecast for the Fiscal Year Ending March 31, 2010

1.1.2.1. Forecast of Overall Business Results for the Fiscal Year Ending March 31, 2010

Negative growth is forecast for the Japanese economy due to factors brought on by worsening business conditions worldwide including the decline in corporate earnings and weak consumer confidence reflecting rising concerns about personal income and employment. Overseas, the effects of the financial crisis and the resulting impact on the real economy, including capital investment, production and employment, are forecast to become more serious in Asia, North America and Europe, and a recovery in business conditions is expected to take time.

Under these conditions, in order to accurately respond to various changes in its operating environment as well as to steadily implement its consumer-driven growth strategy, the Kao Group aims to achieve profitable growth by continuing to promote products with high added value. To do so, the Group will further strengthen its product development capabilities as the source of products and brands of excellent value for consumer satisfaction, and conduct aggressive new product launches, marketing and sales activities under brand strategies that respond to the polarization of consumer needs. The Kao Group forecasts that net sales will decrease 5.2% year on year to 1,210.0 billion yen with the impact of the stronger yen on currency translation for overseas businesses. Excluding the effect of currency translation, the Kao Group forecasts a decrease of 2.6%. Although the Kao Group will work to stimulate the market with new product launches and other measures, sales volume is not expected to grow due to worsening business conditions globally. Prices of raw materials such as natural oils and fats and petrochemicals, which were a factor decreasing profits in the fiscal year ended March 31, 2009, are falling due to the downturn in market conditions and are projected to become a factor increasing profits in the fiscal year ending March 31, 2010. In addition, selling, general and administrative expenses are projected to increase with continued investment in R&D and standardization of business systems to accelerate global business development, but at the same time the Kao Group will also focus on reviewing costs from a variety of perspectives and conducting cost-reduction activities. Based on these assumptions, the Kao Group forecasts a 0.2% increase in operating income to 97.0 billion yen and a 0.4% increase in ordinary income to 95.0 billion yen. Net income is forecast to decrease 13.1% to 56.0 billion yen due to the non-recurrence of the effective tax rate on undistributed earnings associated with tax reform in the fiscal year ended March 31, 2009.

EVA is expected to remain basically unchanged, although the Kao Group will work to increase profit and raise the efficiency of invested capital.

1.1.2.2. Forecast by Business Segment for the Fiscal Year Ending March 31, 2010

In the Consumer Products Business, the Japanese market for household and personal care products is projected to continue to contract by about 1 percentage point. In this situation, the Kao Group will aim to expand market share by promoting launches of new high-value-added products and collaborating with retailers. In Asia, while leveraging the benefits of integration of business operations throughout the region, including Japan, the Kao Group will nurture pan-Asian brands and carry out practices tailored to the characteristics of each market. In North America and Europe, the Kao Group will work to enhance its product development and marketing capabilities.

In the Beauty Care Business, the Kao Group will work to revitalize the market by adding greater value to products and proposing the Group’s own originality and appeal, while assessing changes in consumer attitudes toward beauty and lifestyle habits. In

Japan, a weak cosmetics market due to worsening business conditions is forecast to continue, but the Kao Group will promote the creation of strong brands through initiatives including launches of distinctive new products tailored to various changes among consumers. Overseas, the Kao Group will strengthen business, particularly in Asia, by promoting a basic strategy of cultivating and strengthening core brands. For example, the Group will aim to expand sales with a rollout of the *Asience* premium hair care brand to Malaysia and an introduction of the *Essential Damage Care* hair care brand, initially in Taiwan and Hong Kong in spring 2009, to nurture it as a pan-Asian brand. However, sales after currency translation are expected to be weak.

The Kao Group forecasts a 2.8% year-on-year decrease in sales of this business to 572.0 billion yen.

In the Human Health Care Business, the Kao Group will use its differentiated food and beverage products that deliver the high level of functional value for health unique to products approved as Foods for Specified Health Uses (FOSHU) in Japan in order to further expand its base of loyal users in response to rising health consciousness following the start of mandatory special health examinations and specified health guidance. The Kao Group also aims to create sanitary products that are gentle on the skin and that offer greater comfort and a sense of reassurance. For personal health products, the Kao Group will continue to make original new proposals with products that are part of a healthy day-to-day lifestyle in order to raise its brand value even higher.

The Kao Group forecasts a 0.9% year-on-year increase in sales of this business to 193.0 billion yen.

In the Fabric and Home Care Business, the Kao Group will strengthen its brands and offer proposals for improved lifestyles globally, developing high-value products that respond accurately to diversifying consumer needs to offer cleanliness, comfort and enjoyment in various situations in daily life.

The Kao Group forecasts a 0.3% year-on-year increase in sales of this business to 275.0 billion yen.

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. Group initiatives will include development and expansion of sales of high-value-added products with emphasis on addressing environmental issues in response to rising concern about the environment worldwide. However, the markets of the Chemical Business have undergone a substantial impact from worsening business conditions and recovery is likely to take some time.

The Kao Group forecasts a 22.9% year-on-year decrease in sales of this business to 202.0 billion yen.

1.1.2.3. Underlying Assumptions of the Forecast for the Fiscal Year Ending March 31, 2010

The above forecast was made assuming translation rates of one U.S. dollar to 100 yen and one euro to 130 yen. The estimated impact of exchange rate fluctuations, including for these major currencies, is an approximately 33.0 billion yen decrease in net sales, but the impact on operating income is not expected to be material.

Please note that the outlook for price trends for natural oils and fats and petrochemical raw materials is uncertain. Raw material price assumptions are based on available information as of the date of publication.

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1.2. Analysis of Financial Condition

Analysis of Assets, Liabilities, Net Assets and Cash Flow

1.2.1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ended March 31, 2009

Summarized Financial Condition (Unaudited)

	Billions of Yen			Millions of U.S. Dollars
As of March 31	**2009**	2008	Incr./(Dcr.)	**2009**
Total assets	**1,119.6**	1,232.6	(112.9)	**11,398.5**
Total net assets	**554.1**	584.7	(30.5)	**5,641.8**
Net worth / Total assets	**48.7%**	46.6%	-	-
Total net assets per share (Yen/US$)	**1,017.19**	1,070.67	(53.48)	**10.4**
Total debt	**275.4**	313.6	(38.1)	**2,804.4**

Summarized Financial Cash Flows (Unaudited)

	Billions of Yen			Millions of U.S. Dollars
Year ended March 31	**2009**	2008	Incr./(Dcr.)	**2009**
Net cash provided by operating activities	**121.5**	180.3	(58.7)	**1,237.9**
Net cash used in investing activities	**(43.1)**	(52.3)	9.2	**(439.3)**
Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities	**78.4**	127.9	(49.4)	**798.5**
Net cash used in financing activities	**(64.7)**	(101.8)	37.1	**(658.7)**

Total assets decreased 112.9 billion yen from the previous fiscal year-end to 1,119.6 billion yen. The principal increase in assets was an 8.7 billion yen increase in leased assets recorded in property, plant and equipment associated with a change in Japanese accounting standards for leases during the fiscal year. The principal decreases in assets were a 52.6 billion yen decrease in intangible assets due to the progress of amortization of intellectual property rights including trademarks and goodwill, a 27.6 billion yen decrease in notes and accounts receivable – trade, and a 7.5 billion yen decrease in inventories reflecting declining market conditions for raw materials.

Total liabilities decreased 82.4 billion yen from the previous fiscal year-end to 565.4 billion yen. The principal increase in liabilities was a 3.9 billion yen increase in liability for employee retirement benefits. The principal decreases in liabilities were a decrease of 32.8 billion yen due to repayment of a portion of long-term debt, a 16.1 billion yen decrease in accrued income taxes, and a 14.5 billion yen decrease in notes and accounts payable – trade.

Total net assets decreased 30.5 billion yen from the previous fiscal year-end to 554.1 billion yen. The principal increase in net assets was net income of 64.4 billion yen, and the principal decreases in net assets were foreign currency translation adjustments, associated with the translation of the total net assets of overseas subsidiaries into yen, totaling 58.7 billion yen due to the stronger yen, and payments of dividends from retained earnings totaling 29.4 billion yen. Kao Corporation retired 9.3 million shares of its own stock in September 2008.

As a result, the net worth ratio (defined as net worth divided by total assets) was 48.7%, compared with 46.6% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 121.5 billion yen. The principal increases in net cash were income before income taxes and minority interests of 92.0 billion yen and depreciation and amortization of 87.4 billion yen. The principal decreases in net cash were income taxes paid of 53.4 billion yen and decrease in inventories of 5.5 billion yen.

Net cash used in investing activities totaled 43.1 billion yen. This primarily consisted of purchase of property, plant and equipment of 33.4 billion yen and increase in intangible assets of 7.0 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 78.4 billion yen.

Net cash used in financing activities totaled 64.7 billion yen. This primarily consisted of 33.2 billion yen for repayment of a portion of long-term debt and 29.7 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at March 31, 2009 decreased 2.0 billion yen compared with the end of the previous fiscal year to 110.5 billion yen.

1.2.2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ending March 31, 2010

Net cash provided by operating activities is expected to increase compared with the fiscal year ended March 31, 2009. The Kao Group forecasts an increase in income before income taxes and minority interests and a decrease in income taxes paid.

In net cash used in investing activities, the Kao Group plans capital expenditures of approximately 55.0 billion yen, including capital investment to expand production capacity, promote streamlining and improve distribution efficiency.

In net cash used in financing activities, the Kao Group will allocate funds mainly for payments of cash dividends and repayment of debt.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2010 is forecast to be approximately 110.0 billion yen.

Cash Flow Indices

Year ended March 31

	2009	2008	2007	2006	2005
Net worth / Total assets (%)	**48.7**	46.6	45.2	41.8	65.1
Market capitalization / Total assets (%)	**91.9**	122.9	150.7	138.4	195.2
Interest-bearing debt / Operating cash flow (years)	**2.4**	1.8	2.2	3.6	0.3
Operating cash flow / Interest paid (times)	**20.8**	27.2	36.0	82.1	120.1

Notes:
1. *All indices are computed based on consolidated data.*
2. *Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.*
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.*

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1.3. Basic Policies Regarding Distribution of Profits and Dividends for the Period

In order to achieve profitable growth, Kao Corporation secures an internal reserve for capital investment and acquisitions from a medium-to-long-term management perspective and places priority on providing shareholders with stable, continuous dividends. In addition, the Company flexibly considers the repurchase and retirement of shares from the standpoint of improving capital efficiency.

In accordance with these policies, the Company plans to increase the year-end dividend for the fiscal year ended March 31, 2009 by 1.00 yen compared with the previous fiscal year to 28.00 yen per share, the same as the interim dividend. As a result, cash dividends for the fiscal year will increase by 2.00 yen per share compared with the previous fiscal year, for a total of 56.00 yen per share, and a consolidated payout ratio of 46.6%.

For the fiscal year ending March 31, 2010, despite a challenging operating environment, the Company, in accordance with the above-mentioned basic policy, plans to keep total cash dividends at 56.00 yen per share, the same amount as in the fiscal year ended March 31, 2009. As a result, the projected consolidated payout ratio will be 53.6%.

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2. Management Policies

2.1. Basic Management Policies of the Company

The Kao Group's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally through its core domains of cleanliness, beauty, health and chemicals. Fully committed to this mission, all members of the 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.

The Kao Group 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, the Kao Group 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 the Kao Group's unique corporate culture and the essence of its corporate spirit, and is shared and practiced by all employees. Furthermore, from the standpoint of corporate social responsibility (CSR), the Group 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.

2.2. Management Metric Used as a Target

EVA, which is used to measure true profit by factoring in the cost of invested capital, is the Kao Group'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 Group stakeholders as well. While working to expand its business scale, the Kao Group views EVA growth as a primary focus of operating activity. The Kao Group 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.

2.3. Medium- and Long-Term Management Strategies

In the Consumer Products business area, which consists of the three businesses of Beauty Care, Human Health Care, and Fabric and Home Care, and the Chemical business area, the Kao Group will emphasize research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group 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.

** The Kao Group 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

   The Kao Group will position the businesses of Beauty Care and Human Health Care, which have high growth potential and in which the Group can take advantage of its strengths, as growth drivers and will concentrate investment of management resources in these businesses. In particular, the Group will develop and strengthen the Beauty Care Business globally through coordination among its diverse brands including *Kanebo* and *Molton Brown*, a prestige cosmetics brand sold mainly in North America and Europe, in addition to *Bioré* and other long-selling brands.

   ** 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, the Kao Group will work to develop products that promote greater cleanliness, comfort and enjoyment. The Group 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 develop the Kao Group's core technologies to create and supply unique products that focus on responding to the environment and that meet the expectations and earn the trust of customers. The Group is conducting global business closely linked to each company in the three regions of Asia, which includes Japan, North America and Europe, while optimizing regional operations under local leadership tailored to conditions in each country and region.

At the same time, the Kao Group will fully demonstrate its comprehensive strengths by innovating its research, manufacturing, sales and other functional divisions in response to various changes, and by promoting the Group's characteristic matrix management of businesses and functions.

2.4. Issues for Management

The Kao Group's operating environment remains challenging and the outlook is unclear amid slowdowns in the Japanese, North American and European markets resulting from worsening business conditions worldwide, although the substantial increase in raw material prices due to price hikes for natural oils and fats and crude oil has turned downward.

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

1) Based on our perception of changes in the consumer's sense of values and product needs, we are working to create and provide high-value-added products that increase emotional value in addition to functional value.
2) We will further enhance research and development in areas such as research into fundamental technologies and product development. In particular, we will focus on the environment and other new perspectives.
3) We will thoroughly integrate business operations in Asia, including Japan, in the Consumer Products business area and further promote the introduction and building of "pan-Asian brands" in order to accelerate global growth, particularly growth in Asia.

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3. Appointment of Corporate Auditor (Scheduled effective date: June 26, 2009)

3.1. Full-time Corporate Auditor to be newly nominated

Name	Current Position*
Masanori Sunaga	Vice President, Office of the President

3.2. Corporate Auditor to retire

Name	Current Position*
Shoichi Otake	Full-time Corporate Auditor

* Current Position as of April 24, 2009

Consolidated Balance Sheets

Millions of yen

	FY2008 Mar 31, 2009	FY2007 Mar 31, 2008
Assets		
Current assets		
Cash and time deposits	53,830	53,785
Notes and accounts receivable - trade	126,584	154,201
Short-term investments	54,714	54,959
Inventories	-	125,588
Merchandise and finished goods	80,310	-
Work in process	16,344	-
Raw materials and supplies	21,393	-
Prepaid expenses	5,401	5,491
Deferred tax assets	24,873	22,218
Other	21,902	21,715
Allowance for doubtful receivables	(1,528)	(2,394)
Total current assets	**403,826**	**435,566**
Fixed assets		
Property, plant and equipment		
Buildings and structures	310,449	322,456
Accumulated depreciation	(229,682)	(229,615)
Buildings and structures, net	80,767	92,840
Machinery, equipment and vehicles	615,840	645,033
Accumulated depreciation	(535,245)	(547,740)
Machinery, equipment and vehicles, net	80,595	97,293
Tools, furniture and fixtures	73,132	74,772
Accumulated depreciation	(60,979)	(60,772)
Tools, furniture and fixtures, net	12,152	14,000
Land	65,469	68,575
Leased assets	9,755	-
Accumulated depreciation	(979)	-
Leased assets, net	8,776	-
Construction in progress	9,713	9,036
Total property, plant and equipment	257,474	281,747
Intangible assets		
Goodwill	206,264	238,500
Trademarks	108,137	127,328
Other	34,043	35,258
Total intangible assets	348,445	401,087
Investments and other assets		
Investment securities	12,320	16,250
Long-term loans	1,842	2,113
Long-term prepaid expenses	13,066	13,304
Deferred tax assets	63,263	54,829
Other	19,636	27,811
Allowance for doubtful receivables	(198)	(156)
Total investments and other assets	109,930	114,151
Total fixed assets	**715,850**	**796,986**
Deferred assets	**-**	**48**
Total assets	**1,119,676**	**1,232,601**
Liabilities		
Current liabilities		
Notes and accounts payable - trade	95,036	109,574
Short-term debt	16,402	21,828
Current portion of long-term debt	22,183	22,049
Accounts payable - other	29,398	32,714
Accrued expenses	72,626	85,583
Accrued income taxes	13,228	29,344
Other	21,863	22,876
Total current liabilities	**270,741**	**323,971**
Long-term liabilities		
Bonds	99,996	99,996
Long-term debt	136,900	169,764
Liability for employee retirement benefits	36,000	32,041
Liability for director and corporate auditor retirement benefits	-	163
Other	21,842	21,954
Total long-term liabilities	**294,741**	**323,920**
Total liabilities	**565,482**	**647,891**
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	431,799	426,206
Treasury stock, at cost	(11,038)	(39,161)
Total shareholders' equity	**615,745**	**582,030**
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	2,090	3,394
Deferred gains or losses on hedges	(11)	-
Foreign currency translation adjustments	(70,134)	(11,386)
Other	(2,459)	-
Total adjustments for valuation, foreign currency translation and others	**(70,515)**	**(7,992)**
Stock acquisition rights	**838**	**598**
Minority interests	**8,124**	**10,072**
Total net assets	**554,194**	**584,709**
Total liabilities and net assets	**1,119,676**	**1,232,601**

Consolidated statements of income

Millions of yen

	(A) FY2008 Apr '08 - Mar '09	(B) FY2007 Apr '07 - Mar '08
Net sales	**1,276,316**	**1,318,513**
Cost of sales	558,988	554,153
Gross profit	**717,327**	**764,360**
Selling, general and administrative expenses	620,527	648,107
Operating income	**96,800**	**116,252**
Non-operating income		
Interest income	2,459	2,949
Dividend income	178	171
Equity in earnings of nonconsolidated subsidiaries and affiliates	588	-
Other	3,522	3,580
Total non-operating income	6,749	6,702
Non-operating expenses		
Interest expense	6,004	6,626
Equity in losses of nonconsolidated subsidiaries and affiliates	-	648
Foreign currency exchange loss	1,835	478
Other	1,099	977
Total non-operating expenses	8,939	8,731
Ordinary income	**94,609**	**114,223**
Extraordinary gain		
Gain on sales of fixed assets	1,043	130
Gain on sales of investment securities	11	17
Gain on transfer of business	495	-
Other	379	399
Total extraordinary gain	1,928	547
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,271	1,852
Loss on impairment of long-lived assets	733	1,313
Loss on business restructuring	-	537
Other	1,520	670
Total extraordinary loss	4,524	4,373
Income before income taxes and minority interests	**92,013**	**110,397**
Income taxes		
Income taxes-current	36,827	46,880
Income taxes-deferred	(10,257)	(4,110)
Total income taxes	26,570	42,769
Minority interests in earnings of consolidated subsidiaries	980	1,066
Net income	**64,462**	**66,561**

Major items of consolidated SG&A expenses

Millions of yen	**FY2008** **Apr '08 - Mar '09**	**FY2007** **Apr '07 - Mar '08**
Freight/warehouse	74,239	74,197
Advertising	90,258	99,175
Sales promotion	69,783	77,180
Salaries and wages	125,695	129,072
Research and development	46,126	45,070

Consolidated Statements of Changes in Equity

Millions of yen

	FY2008 Apr '08 - Mar '09	FY2007 Apr '07 - Mar '08
Shareholders' equity		
Common stock		
Balance at the end of previous period	85,424	85,424
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of period	85,424	85,424
Capital surplus		
Balance at the end of previous period	109,561	109,565
Changes of items during the period		
Disposal of treasury stock	-	(4)
Total changes of items during the period	-	(4)
Balance at the end of period	109,561	109,561
Retained earnings		
Balance at the end of previous period	426,206	388,585
Effect of application for ASBJ Practical Issues Task Force No. 18	(1,977)	-
Increase from accounting period changes of subsidiaries	1,136	-
Changes of items during the period		
Cash dividends	(29,484)	(28,892)
Net income	64,462	66,561
Disposal of treasury stock	(141)	(48)
Retirement of treasury stock	(28,402)	-
Total changes of items during the period	6,434	37,620
Balance at the end of period	431,799	426,206
Treasury stock		
Balance at the end of previous period	(39,161)	(10,033)
Changes of items during the period		
Purchase of treasury stock	(1,232)	(30,958)
Disposal of treasury stock	952	1,830
Retirement of treasury stock	28,402	-
Total changes of items during the period	28,122	(29,128)
Balance at the end of period	(11,038)	(39,161)
Total Shareholders' equity		
Balance at the end of previous period	582,030	573,541
Effect of application for ASBJ Practical Issues Task Force No. 18	(1,977)	-
Increase from accounting period changes of subsidiaries	1,136	-
Changes of items during the period		
Cash dividends	(29,484)	(28,892)
Net income	64,462	66,561
Purchase of treasury stock	(1,232)	(30,958)
Disposal of treasury stock	810	1,777
Retirement of treasury stock	-	-
Total changes of items during the period	34,556	8,488
Balance at the end of period	615,745	582,030

Consolidated Statements of Changes in Equity

Millions of yen

	FY2008 Apr '08 - Mar '09	FY2007 Apr '07 - Mar '08
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities		
Balance at the end of previous period	3,394	4,649
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(1,304)	(1,254)
Total changes of items during the period	(1,304)	(1,254)
Balance at the end of period	2,090	3,394
Deferred gain (loss) on derivatives under hedge accounting		
Balance at the end of previous period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(11)	-
Total changes of items during the period	(11)	-
Balance at the end of period	(11)	-
Foreign currency translation adjustments		
Balance at the end of previous period	(11,386)	(13,659)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(58,747)	2,272
Total changes of items during the period	(58,747)	2,272
Balance at the end of period	(70,134)	(11,386)
Other		
Balance at the end of previous period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(2,459)	-
Total changes of items during the period	(2,459)	-
Balance at the end of period	(2,459)	-
Total Adjustments for valuation, foreign currency translation and others		
Balance at the end of previous period	(7,992)	(9,010)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(62,523)	1,017
Total changes of items during the period	(62,523)	1,017
Balance at the end of period	(70,515)	(7,992)
Stock acquisition rights		
Balance at the end of previous period	598	301
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	240	297
Total changes of items during the period	240	297
Balance at the end of period	838	598
Minority interests		
Balance at the end of previous period	10,072	9,917
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(1,948)	154
Total changes of items during the period	(1,948)	154
Balance at the end of period	8,124	10,072
Total net assets		
Balance at the end of previous period	584,709	574,751
Effect of application for ASBJ Practical Issues Task Force No. 18	(1,977)	-
Increase from accounting period changes of subsidiaries	1,136	-
Changes of items during the period		
Cash dividends	(29,484)	(28,892)
Net income	64,462	66,561
Purchase of treasury stock	(1,232)	(30,958)
Disposal of treasury stock	810	1,777
Retirement of treasury stock	-	-
Net changes of items other than shareholders' equity during the period	(64,230)	1,469
Total changes of items during the period	(29,674)	9,958
Balance at the end of period	554,194	584,709

Consolidated Statements of Cash Flows

Millions of yen

	FY2008 Apr '08 - Mar '09	FY2007 Apr '07 - Mar '08
Operating activities:		
Income before income taxes and minority interests	92,013	110,397
Adjustments for:		
Depreciation and amortization	87,462	93,444
Loss on impairment of long-lived assets	733	1,313
Loss (gain) on sales and retirement of fixed assets	1,227	1,722
Interest and dividend income	(2,638)	(3,121)
Interest expense	6,004	6,626
Unrealized foreign currency exchange loss (gain)	206	(376)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(588)	648
Change in trade receivables	(2,609)	5,686
Change in inventories	(5,598)	(13,177)
Change in prepaid pension cost	11,232	5,984
Change in trade payables	(1,154)	(752)
Change in liability for retirement benefits	4,859	1,106
Other, net	(14,897)	3,506
Subtotal	176,253	213,010
Interest and cash dividends received	3,542	3,906
Interest paid	(5,858)	(6,625)
Income taxes paid	(52,340)	(29,969)
Net cash provided by operating activities	**121,597**	**180,322**
Investing activities:		
Purchase of property, plant and equipment	(33,421)	(38,146)
Proceeds from sales of property, plant and equipment	3,000	704
Increase in intangible assets	(7,048)	(5,444)
Payments for long-term prepaid expenses	(4,829)	(6,044)
Purchase of marketable securities and investment securities	(22)	(4,132)
Proceeds from the redemption and sales of marketable securities and investment securities	2,083	3,100
Change in short-term loans, net	(117)	(328)
Payments for long-term loans	(3,430)	(2,553)
Other, net	628	455
Net cash used in investing activities	**(43,156)**	**(52,389)**
Financing activities:		
Change in short-term debt, net	(1,041)	(892)
Proceeds from long-term loans	770	-
Repayments of long-term loans	(33,206)	(42,034)
Purchase of treasury stock	(1,232)	(30,958)
Payments of cash dividends	(29,516)	(28,914)
Payments of cash dividends to minority shareholders	(224)	(781)
Other, net	(254)	1,759
Net cash used in financing activities	**(64,704)**	**(101,822)**
Translation adjustments on cash and cash equivalents	**(15,796)**	**(1,628)**
Net increase (decrease) in cash and cash equivalents	**(2,060)**	**24,482**
Cash and cash equivalents at beginning of period	**112,636**	**88,154**
Cash and cash equivalents from newly consolidated subsidiary, increase	**338**	**-**
Decrease in cash and cash equivalents resulting from change of fiscal term of subsidiaries	**(349)**	**-**
Cash and cash equivalents at end of period	**110,565**	**112,636**

Consolidated Segment Information by Business

Millions of yen

FY2008 Apr '08 - Mar '09	Consumer Products Business						
	Beauty Care Business	Human Health Care Business	Fabric & Home Care Business	Total	Chemical Business	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	588,329	191,319	274,202	1,053,850	222,465	-	1,276,316
Intersegment sales	-	-	-	-	39,592	(39,592)	-
Total	**588,329**	**191,319**	**274,202**	**1,053,850**	**262,057**	**(39,592)**	**1,276,316**
Operating expenses	**570,769**	**178,345**	**225,097**	**974,213**	**244,886**	**(39,583)**	**1,179,516**
Operating income	**17,559**	**12,973**	**49,104**	**79,637**	**17,171**	**(8)**	**96,800**
% to sales	3.0	6.8	17.9	7.6	6.6	-	7.6
Total Assets	**656,996**	**95,391**	**123,066**	**875,454**	**187,202**	**57,019**	**1,119,676**
Depreciation and amortization	**54,773**	**8,210**	**10,243**	**73,227**	**14,235**	**-**	**87,462**
Loss on impairment of long-lived assets	**266**	**161**	**203**	**631**	**102**	**-**	**733**
Capital expenditure	**18,598**	**7,106**	**8,252**	**33,957**	**10,666**	**-**	**44,623**

FY2007 Apr '07 - Mar '08	**Consumer Products Business**						
	Beauty Care Business	**Human Health Care Business**	**Fabric & Home Care Business**	**Total**	**Chemical Business**	**Corporate/ Eliminations**	**Consolidated**
Net sales							
Sales to customers	627,914	191,299	274,656	1,093,871	224,642	-	1,318,513
Intersegment sales	-	-	-	-	34,030	(34,030)	-
Total	**627,914**	**191,299**	**274,656**	**1,093,871**	**258,673**	**(34,030)**	**1,318,513**
Operating expenses	**600,630**	**178,143**	**218,595**	**997,370**	**238,988**	**(34,098)**	**1,202,260**
Operating income	**27,283**	**13,155**	**56,061**	**96,500**	**19,684**	**67**	**116,252**
% to sales	4.3	6.9	20.4	8.8	7.6	-	8.8
Total Assets	**742,856**	**93,949**	**119,858**	**956,664**	**223,339**	**52,597**	**1,232,601**
Depreciation and amortization	**58,224**	**9,598**	**10,606**	**78,428**	**15,015**	**-**	**93,444**
Loss on impairment of long-lived assets	**321**	**188**	**239**	**750**	**563**	**-**	**1,313**
Capital expenditure	**18,478**	**7,816**	**8,394**	**34,690**	**14,354**	**-**	**49,044**

Consolidated Segment Information by Geography

Millions of yen

FY2008
Apr '08 - Mar '09

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	935,153	116,032	98,076	127,053	1,276,316	-	1,276,316
Intersegment sales	18,216	45,894	921	13,568	78,601	(78,601)	-
Total	**953,369**	**161,927**	**98,998**	**140,622**	**1,354,917**	**(78,601)**	**1,276,316**
Operating expenses	**869,204**	**159,179**	**94,673**	**135,397**	**1,258,454**	**(78,938)**	**1,179,516**
Operating income	**84,165**	**2,747**	**4,324**	**5,225**	**96,462**	**337**	**96,800**
% to sales	8.8	1.7	4.4	3.7	7.1	-	7.6
Assets	**834,104**	**104,900**	**62,841**	**98,221**	**1,100,068**	**19,608**	**1,119,676**

FY2007
Apr '07 - Mar '08

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	949,816	120,600	110,237	137,859	1,318,513	-	1,318,513
Intersegment sales	18,778	37,695	779	16,787	74,040	(74,040)	-
Total	**968,594**	**158,295**	**111,016**	**154,647**	**1,392,554**	**(74,040)**	**1,318,513**
Operating expenses	**870,234**	**157,215**	**104,169**	**145,630**	**1,277,250**	**(74,989)**	**1,202,260**
Operating income	**98,360**	**1,079**	**6,846**	**9,016**	**115,303**	949	**116,252**
% to sales	10.2	0.7	6.2	5.8	8.3	-	8.8
Assets	**869,201**	**136,155**	**83,291**	**147,752**	**1,236,400**	**(3,799)**	**1,232,601**

Consolidated Sales to Foreign Customers

Millions of yen

FY2008 **Apr '08 - Mar '09**	**Asia/Oceania**	**North America**	**Europe**	**Total**
Total sales to foreign customers	129,583	101,902	120,829	352,315
Consolidated net sales				1,276,316
Percentage of sales to foreign customers to consolidated net sales	10.1%	8.0%	9.5%	27.6%

FY2007 **Apr '07 - Mar '08**	**Asia/Oceania**	**North America**	**Europe**	**Total**
Total overseas sales	135,045	113,815	131,859	380,720
Consolidated net sales				1,318,513
Percentage of sales to foreign customers to consolidated net sales	10.3%	8.6%	10.0%	28.9%

Consolidated Sales Composition

Millions of yen

	FY2008 Apr '08 - Mar '09	FY2007 Apr '07 - Mar '08	Growth %
Consumer Products Business			
Beauty Care Business	436,358	448,666	(2.7)
Human Health Care Business	174,739	174,466	0.2
Fabric and Home Care Business	245,973	245,289	0.3
Total Japan	857,072	868,422	(1.3)
Asia and Oceania	83,143	85,362	(2.6)
North America and Europe	130,301	156,213	(16.6)
Eliminations	(16,665)	(16,126)	-
Total	**1,053,850**	**1,093,871**	**(3.7)**
Chemical Business			
Japan	130,087	129,384	0.5
Asia	80,968	75,188	7.7
North America and Europe	100,579	98,823	1.8
Eliminations	(49,577)	(44,723)	-
Total	**262,057**	**258,673**	**1.3**
Total before Eliminations	**1,315,908**	**1,352,544**	**(2.7)**
Eliminations	(39,592)	(34,030)	-
Consolidated Net Sales	**1,276,316**	**1,318,513**	**(3.2)**

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 styling agents, 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 for copiers and printers, ink and colorants for inkjet printers, fragrances and aroma chemicals