

Kao Corporation Reports Business Results

Tokyo, April 26, 2010 — Kao Corporation today announced its consolidated and non-consolidated business results for the fiscal year ended March 31, 2010. The following summary of the business results is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights

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

	Year ended March 31			
	2010	2009	Growth	2010
	Yen		%	U.S. dollars
Net sales	1,184,384	1,276,316	(7.2)	12,729.8
Operating income	94,033	96,800	(2.9)	1,010.7
Ordinary income	93,572	94,609	(1.1)	1,005.7
Net income	40,506	64,462	(37.2)	435.4
ROE (Net income / Shareholders' equity)	7.3%	11.5%	-	7.3%
ROA (Ordinary income / Total assets)	8.6%	8.0%	-	8.6%
Operating income / Net sales	7.9%	7.6%	-	7.9%
Total assets	1,065,751	1,119,676	(4.8)	11,454.8
Total net assets	575,294	554,194	3.8	6,183.3
Net worth ratio	53.0%	48.7%	-	53.0%
Net worth per share (Yen/US\$)	1,054.31	1,017.19	3.6	11.33
Net income per share (Yen/US\$)	75.57	120.25	(37.2)	0.81
Net income per share, fully diluted (Yen/US\$)	75.55	120.22	(37.2)	0.81
				U.S. dollars
Net cash provided by operating activities	172,284	121,597	-	1,851.7
Net cash used in investing activities	(44,220)	(43,156)	-	(475.3)
Net cash used in financing activities	(124,566)	(64,704)	-	(1,338.8)
Cash and cash equivalents at end of period	117,180	110,565	-	1,259.5

Notes:

- The net worth ratio is defined as net worth divided by total assets. Net worth is computed by subtracting minority interests and stock acquisition rights from total net assets.
- Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
- Net income per share is computed based on the weighted average number of shares outstanding during the fiscal year.
- Number of shares outstanding at the end of the periods (common stock):
 - Number of shares including treasury stock:
540,143,701 shares as of March 31, 2010; 540,143,701 shares as of March 31, 2009.
 - Number of shares of treasury stock:
4,122,298 shares as of March 31, 2010; 4,128,568 shares as of March 31, 2009.
- Weighted average number of shares outstanding during the fiscal year ended March 31 of each year:
536,008 thousand shares for 2010; 536,085 thousand shares for 2009.

Dividend

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

	Year ended March 31		
	2010	2009	2010
	Yen		U.S. dollars
Annual cash dividend per share (Yen/US\$)	57.00	56.00	0.61
Total dividend payment amount	30,584	30,047	328.72
Payout ratio (consolidated)	75.4%	46.6%	75.4%
Cash dividends / Total net assets (consolidated)	5.5%	5.4%	5.5%

*Notes:**Interim dividend per share: 28.00 yen for 2010 and 28.00 yen for 2009**Year-end dividend per share: 29.00 yen for 2010 and 28.00 yen for 2009***Forecast of Consolidated Results for the Six Months Ending September 30, 2010 and the Year Ending March 31, 2011**

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

	Six months ending September 30, 2010			Year ending March 31, 2011		
	Yen	% Growth	U.S. dollars	Yen	% Growth	U.S. dollars
Net sales	601.0	0.3	6,459.6	1,195.0	0.9	12,843.9
Operating income	49.0	7.5	526.7	97.0	3.2	1,042.6
Ordinary income	49.0	6.8	526.7	96.0	2.6	1,031.8
Net income	25.0	(0.9)	268.7	50.0	23.4	537.4
Net income per share (Yen/US\$)	46.64	-	0.50	93.28	23.4	1.00
Cash dividends per share (Yen/US\$)	29.00	-	0.31	58.00	-	0.62

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

Consolidated Results by Business Segment

Year ended March 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	547.9	588.3	(6.9)	(3.9)	4.7	17.5	(12.8)
Human Health Care	183.1	191.3	(4.3)	(3.0)	8.9	12.9	(4.0)
Fabric & Home Care	276.9	274.2	1.0	2.4	60.6	49.1	11.5
Consumer Products Total	1,008.0	1,053.8	(4.3)	(2.1)	74.3	79.6	(5.2)
Chemical	207.8	262.0	(20.7)	(14.8)	19.6	17.1	2.4
Total	1,215.8	1,315.9	(7.6)	(4.6)	94.0	96.8	(2.8)
Corporate/Eliminations	(31.4)	(39.5)	-	-	0.0	(0.0)	0.0
Consolidated	1,184.3	1,276.3	(7.2)	(4.2)	94.0	96.8	(2.7)

Year ended March 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	5,889.3	6,323.4	(6.9)	(3.9)	51.0	188.7	(137.7)
Human Health Care	1,968.5	2,056.3	(4.3)	(3.0)	96.2	139.4	(43.2)
Fabric & Home Care	2,976.3	2,947.1	1.0	2.4	651.9	527.8	124.1
Consumer Products Total	10,834.2	11,326.8	(4.3)	(2.1)	799.2	855.9	(56.8)
Chemical	2,233.8	2,816.6	(20.7)	(14.8)	211.2	184.6	26.7
Total	13,068.0	14,143.5	(7.6)	(4.6)	1,010.4	1,040.5	(30.1)
Corporate/Eliminations	(338.2)	(425.5)	-	-	0.3	(0.1)	0.4
Consolidated	12,729.8	13,717.9	(7.2)	(4.2)	1,010.7	1,040.4	(29.7)

Consolidated Results by Geographic Segment

Year ended March 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Japan	918.4	953.3	(3.7)	(3.7)	79.9	84.1	(4.2)
Asia/Oceania	131.6	161.9	(18.7)	(8.6)	2.6	2.7	(0.0)
North America	79.1	98.9	(20.0)	(9.8)	4.9	4.3	0.6
Europe	111.1	140.6	(21.0)	(8.2)	5.1	5.2	(0.0)
Total	1,240.5	1,354.9	(8.4)	(5.2)	92.7	96.4	(3.7)
Corporate/Eliminations	(56.1)	(78.6)	-	-	1.3	0.3	0.9
Consolidated	1,184.3	1,276.3	(7.2)	(4.2)	94.0	96.8	(2.7)

Year ended March 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Japan	9,872.1	10,246.9	(3.7)	(3.7)	858.9	904.6	(45.7)
Asia/Oceania	1,415.5	1,740.4	(18.7)	(8.6)	28.9	29.5	(0.6)
North America	851.2	1,064.0	(20.0)	(9.8)	53.3	46.5	6.9
Europe	1,194.7	1,511.4	(21.0)	(8.2)	55.5	56.2	(0.7)
Total	13,333.6	14,562.7	(8.4)	(5.2)	996.6	1,036.8	(40.2)
Corporate/Eliminations	(603.7)	(844.8)	-	-	14.0	3.6	10.4
Consolidated	12,729.8	13,717.9	(7.2)	(4.2)	1,010.7	1,040.4	(29.7)

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Associated with suspension of production and sale of Econa cooking oil and related products, 2.8 billion yen of inventory revaluation expenses are included in operating expenses for the business segment of the Human Health Care Business and mainly for the geographic segment of Japan for the fiscal year ended March 31, 2010.

Non-consolidated Financial Highlights

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

	Year ended March 31			
	2010	2009	Growth	2010
	Yen		%	U.S. dollars
Net sales	714,488	732,139	(2.4)	7,679.4
Operating income	79,325	73,232	8.3	852.6
Ordinary income	88,157	78,876	11.8	947.5
Net income	51,114	46,721	9.4	549.4
Total assets	930,685	969,061	(4.0)	10,003.1
Total net assets	531,468	510,105	4.2	5,712.3
Net worth ratio	57.0%	52.6%	-	-
Net worth per share (Yen/US\$)	988.57	949.11	4.2	10.63
Net income per share (Yen/US\$)	95.26	87.06	9.4	1.02
Net income per share, fully diluted (Yen/US\$)	95.24	87.04	9.4	1.02

Notes for this News Release:

1. Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None
2. Changes in accounting principles, procedures and presentation methods used in the preparation of consolidated financial statements: The Company has adopted Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, July 31, 2008) as of the fiscal year ended March 31, 2010. The adoption of this accounting standard had no effect on operating income, ordinary income or income before income taxes and minority interests.
3. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2010, of 93.04 yen=US\$1, and are presented solely for the convenience of readers.
4. 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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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, 2010, with the effects of aggressive government policy measures in major countries, the global economy showed a trend toward a moderate recovery from the downturn brought on by the financial crisis in the autumn of 2008. However, in Japan, consumer prices continued to fall gradually with the purchasing behavior of budget-strapped consumers due to factors including severe employment and household income conditions, as well as price competition at stores.

In the household and personal care products market in Japan, a key market for the Kao Group, deflation stemming from cooling consumer sentiment continued, while the prestige cosmetics market contracted due to a shift to lower-priced products.

Under these circumstances, the Kao Group worked to create products and brands of excellent value from the standpoint of consumers and customers, and to launch and nurture products with added value in balancing the areas of ecology and economy, in addition to its focus on cost reduction activities and cutbacks in expenses. The Kao Group also decided to suspend production and sale of *Econa* cooking oil and related products (*Econa* products) and to submit a new application for approval as a Food for Specified Health Uses in order to give these products a new start so that consumers can use them with greater assurance.

Net sales decreased 7.2% compared with the previous fiscal year to 1,184.3 billion yen. Excluding the effect of currency translation, net sales would have decreased 4.2%. Fabric and Home Care Business sales grew with the effect of new products. However, in the Beauty Care Business, prestige cosmetics sales were weak due to the impact of changes in the market structure in Japan, and Human Health Care Business sales decreased due to the suspension of production and sale of *Econa* products. Sales also decreased in the Chemical Business due to lower sales volume and adjustments to selling prices reflecting a decline in raw material prices. In addition, overseas sales decreased with the effect of the strong yen on currency translation.

The decrease in sales had a substantial impact on profits. However, a decline in raw material

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prices, mainly for natural oils and fats and petrochemicals, contributed significantly to improving cost of sales. In addition, the Kao Group worked on measures including promotion of cost reduction activities and greater efficiency of marketing expenses. The Kao Group recorded a 2.8 billion yen loss on write-off of inventory included in cost of sales and an extraordinary loss of 5.2 billion yen related to other expenses associated with the suspension of production and sale of *Econa* products. In addition, deferred income taxes increased due to the reversal of deferred tax assets at consolidated subsidiaries and other factors. Moreover, net income decreased significantly compared with the previous fiscal year as a result of a decline in deferred income taxes related to undistributed foreign earnings in the previous fiscal year. Consequently, operating income decreased 2.7 billion yen compared with the previous fiscal year to 94.0 billion yen, ordinary income decreased 1.0 billion yen to 93.5 billion yen and net income decreased 23.9 billion yen to 40.5 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 129.5 billion yen, which is equivalent to 10.9% of net sales.

Net income per share was 75.57 yen, a decrease of 44.68 yen, or 37.2%, from 120.25 yen in the previous fiscal year.

Economic value added (EVA*), which the Kao Group uses as a management indicator, was lower than the previous fiscal year as efforts to reduce inventories and other invested capital were offset by a decline in net operating profit after tax (NOPAT), mainly due to the impact of the decrease in sales.

**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. The periods of consolidation are from January to March for the first quarter, April to June for the second quarter, July to September for the third quarter, and October to December for the fourth quarter.

	First quarter	Second quarter	Third quarter	Fourth quarter
Yen/U.S. dollar	95.20 (103.79)	96.76 (105.44)	92.81 (107.02)	90.12 (94.99)
Yen/Euro	123.20 (158.34)	133.45 (164.77)	132.97 (159.47)	132.60 (125.69)

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

1.1.1.2. Trends by Segment for the Fiscal Year

Summary of Results by Business Segment

Consumer Products Business

Sales decreased 4.3% compared with the previous fiscal year to 1,008.0 billion yen. Excluding the effect of currency translation, sales would have decreased 2.1%.

In Japan, although the economy was on a recovery track, consumers remained highly saving-conscious. The household and personal care products market expanded 1% on a value basis, but average consumer purchase prices in major product categories declined 3 points from October 2009 onward compared with the same period a year earlier. The prestige cosmetics market contracted compared with the previous fiscal year due to a change in consumer purchasing sentiment with the effects of the weak economy and other factors, together with continued down-trading to lower priced products.

Under these conditions, sales in Japan decreased 3.0% to 831.4 billion yen. The Kao Group worked to launch new products that respond to changing consumer lifestyles and to strengthen its proposal-based sales activities and in-store merchandising activities. As a result, sales of the Fabric and Home Care Business were firm. However, in the Beauty Care Business, sales of prestige cosmetics were weak due mainly to changes in the market structure, and sales of the Human Health Care Business decreased due to the suspension of production and sale of *Econa* products.

In Asia and Oceania, although consumer spending has increased as economic conditions improve, competition remained intense. Sales decreased 4.2% to 79.6 billion yen due to the effect of currency translation. However, on a local-currency basis, sales increased 7.7% as the Kao Group generated positive results from collaborations with retailers and integration of business operations in Asia, including Japan.

In North America and Europe, despite recent signs of upward economic momentum, intense market competition continued due to the effects of the recession. Reflecting the cooling market and the impact of currency translation, sales decreased 13.3% to 112.9 billion yen. Excluding the effect of currency translation, sales would have decreased 2.2%.

Although prices for raw materials, mainly natural oils and fats and petrochemicals, declined compared with the previous fiscal year, operating income decreased 5.2 billion yen to 74.3 billion yen due to the decrease in sales.

Beauty Care Business

Sales decreased 6.9% compared with the previous fiscal year to 547.9 billion yen. Excluding the effect of currency translation, sales would have decreased 3.9%.

In prestige cosmetics, the Kao Group conducted aggressive initiatives to strengthen and increase its cosmetics megabrands with annual sales of more than 10 billion yen, including the launch of a new line from the *suisai* counseling skin care brand and the addition of items to counseling cosmetics such as the *COFFRET D'OR* makeup and *Sofina beauté* skin care brands in Japan. However, sales in Japan decreased due to a consumer preference for lower priced products and inventory reductions by retailers. In China, sales increased with aggressive initiatives that included the introduction of new brands. In Russia, the Kao Group strengthened its business operations with the establishment of a subsidiary of Kanebo Cosmetics Inc.

Sales of premium skin care products grew in Japan due to strong sales of the *Curél* and *Bioré U* brands. In Asia, *Bioré* performed well and sales grew on a local-currency basis. In North America and Europe, despite a recovery trend, sales decreased due to the weak markets and the effect of currency translation.

In premium hair care products, the market in Japan contracted on a value basis, with structural changes such as an increase in the proportion of shampoo and conditioner refill products. However, the Kao Group maintained sales at the previous year's level and increased its market share due primarily to the improved *Segreta* premium hair care brand and growth in sales of foam-type hair color. Sales in Asia increased substantially on a local-currency basis, with expanded roll-outs of the *Asience* and *Essential Damage Care* premium hair care brands in the region and the contribution of *Liese* hair styling and hair coloring products. Sales in North America and Europe decreased due to the weak markets and the effect of currency translation, despite the recovery trend.

Operating income decreased 12.8 billion yen to 4.7 billion yen as a result of the decrease in sales. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 40.0 billion yen, which is equivalent to 7.3% of sales.

Sales of prestige cosmetics decreased 8.8% to 265.1 billion yen. Excluding the effect of currency translation, sales would have decreased 8.1%. Operating income decreased 11.7 billion yen to negative 30.2 billion yen, and EBITA decreased 12.0 billion yen to negative 1.6 billion yen, which is equivalent to negative 0.6% of sales.

Human Health Care Business

Sales decreased 4.3% compared with the previous fiscal year to 183.1 billion yen. Excluding the effect of currency translation, sales would have decreased 3.0%.

Sales of food and beverage products decreased substantially as the Kao Group suspended production and sale of *Econa* products. However, sales of functional health drinks increased with the launch of *Healthya Sparkling*, the first carbonated drink approved as a Food for Specified Health Uses to promote body fat utilization, and growth in the number of loyal consumers. Sales of sanitary products were virtually unchanged. In Japan, sales of *Laurier* sanitary napkins decreased due to a contracting market and intense price competition, but sales of *Merries* baby diapers increased steadily as a result of improvements to make their texture gentler on the skin. In Asia, sales of *Laurier* increased on a local-currency basis, reflecting strong performance in China, Indonesia and other countries with the introduction of new items. Sales of personal health products increased as the launch of the *Deep Clean* brand of toothpaste and the strong performance of *Pyuora* oral care products offset a decrease in sales of bath additives.

Operating income decreased 4.0 billion yen to 8.9 billion yen due to the suspension of production and sale of *Econa* products.

Fabric and Home Care Business

Sales increased 1.0% compared with the previous fiscal year to 276.9 billion yen. Excluding the effect of currency translation, sales would have increased 2.4%.

Sales of fabric care products increased with the launch of *Attack Neo* ultra-concentrated liquid laundry detergent in Japan. Based on Kao's proprietary technology, the product can reduce environmental impact by conserving water and electricity and also shorten washing time. Solid sales of *Humming Flair* fabric softener and *Haiter* fabric bleach also contributed to the sales increase. In Asia and Oceania, sales grew on a local-currency basis as *Attack Easy* laundry detergent continued to perform well in Thailand and Indonesia. While consumers in Japan continued to be saving-conscious, sales of home care products increased due to the addition of new items to *CuCute* dishwashing detergent and efforts to strengthen the *Haiter* house cleaning brand with the launch of new products including drain cleaner and washing machine cleaner.

Operating income increased 11.5 billion yen to 60.6 billion yen due to sales growth from

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active launches of new and improved products, as well as more efficient use of marketing expenditures and improvement in cost of sales as a result of a decline in raw material prices.

Chemical Business

Although the Chemical Business is recovering from decreased demand from customer industries due to the rapid downturn in economic conditions from autumn 2008, sales decreased 20.7% from the previous fiscal year to 207.8 billion yen, due in part to adjustments to selling prices reflecting a decline in raw material prices. Excluding the effect of currency translation, sales would have decreased 14.8%.

Oleo chemicals were impacted by a decrease in sales volume due to a fall in demand from customer industries and adjustments to selling prices reflecting a decline in raw material prices. Performance chemicals, which the Kao Group supplies to a wide range of industries, were affected by the slowdown in the economy, although it has begun to recover, as well as selling price adjustments. Specialty chemicals were impacted by the economic slowdown, but demand from customer industries for polishing agents for hard disks and cleaners for electronic parts has recovered strongly after bottoming out during the January to March period of 2009.

Despite the substantial decrease in sales, operating income increased 2.4 billion yen to 19.6 billion yen due to increased sales of high-value-added products and the decline in raw material prices.

Summary of Results by Geographic Segment

Japan

Sales of Kao Group companies in Japan decreased 3.7% compared with the previous fiscal year to 918.4 billion yen. In the Consumer Products Business, sales decreased although the Kao Group introduced high-value-added products and strengthened proposal-based sales capabilities and in-store merchandising activities. The Fabric and Home Care Business performed well, but weak sales of prestige cosmetics, where the market structure and other factors have changed, and the suspension of production and sale of *Econa* products had an impact on overall results. Chemical Business sales are recovering, but were affected by a decrease in demand from customer industries due to the rapid downturn in economic conditions from autumn 2008 and adjustments to selling prices reflecting a decline in raw material prices.

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Despite cost reduction activities as well as measures to introduce high-value-added products and to strengthen sales activities, operating income decreased 4.2 billion yen to 79.9 billion yen, mainly due to the decrease in sales.

Asia and Oceania

Sales of Kao Group companies in Asia and Oceania decreased 18.7% compared with the previous fiscal year to 131.6 billion yen. Excluding the effect of currency translation, sales would have decreased 8.6%. Sales of the Consumer Products Business increased on a local-currency basis as the Kao Group generated positive results from collaborations with retailers and integration of business operations in Asia, including Japan. Sales of the Chemical Business decreased due to adjustments to selling prices reflecting a decline in raw material prices and the effect of currency translation, despite the progress of inventory adjustments at customers as the economy recovered.

Operating income was virtually unchanged at 2.6 billion yen with the impact of the decrease in sales of the Chemical Business, despite the improvement in the Consumer Products Business.

North America

Sales of Kao Group companies in North America decreased 20.0% compared with the previous fiscal year to 79.1 billion yen. Excluding the effect of currency translation, sales would have decreased 9.8%. The Consumer Products Business took aggressive actions including new product launches amid continuing intense market competition. However, the weak market impacted both the Consumer Products Business and the Chemical Business.

Operating income increased 0.6 billion yen to 4.9 billion yen, despite the decrease in sales, due to cost reductions and other structural reform initiatives.

Europe

Sales of Kao Group companies in Europe decreased 21.0% compared with the previous fiscal year to 111.1 billion yen. Excluding the effect of currency translation, sales would have decreased 8.2%. Both the Consumer Products Business and the Chemical Business were impacted by the weak market.

Operating income was virtually unchanged at 5.1 billion yen, despite the decrease in sales, mainly due to the completion of amortization of goodwill.

1.1.2 Forecast for the Fiscal Year Ending March 31, 2011**Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2011**

(Billions of yen, except where noted)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Forecast for the year ending March 31, 2011	1,195.0	97.0	96.0	50.0	93.28
Actual results for the year ended March 31, 2010	1,184.3	94.0	93.5	40.5	75.57
Growth	0.9%	3.2%	2.6%	23.4%	23.4%

1.1.2.1. Forecast of Overall Business Results for the Fiscal Year Ending March 31, 2011

The global economy is gradually recovering, due in part to the effects of economic stimulus measures. However, in Japan, although industrial production is picking up, deflation is advancing as prices of consumer goods continue to decline. In addition, international market prices of natural oils and fats and crude oil are rising.

In this environment, 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 base for providing products and brands of excellent value for consumer satisfaction, and conduct aggressive new product launches and marketing and sales activities under brand strategies that respond to the polarization of consumer needs and other factors. The Kao Group forecasts that net sales will increase 0.9% year on year to 1,195.0 billion yen. The Kao Group will work to stimulate the market with new product launches and other measures in Japan and overseas, and expects a gradual increase in sales volume. Rising prices for raw materials such as natural oils and fats and petrochemicals are projected to become a factor increasing costs in the fiscal year ending March 31, 2011, although their decline was a positive factor for profits in the fiscal year ended March 31, 2010. While the Kao Group will continue its cost reduction activities, it will increase its investment in R&D to accelerate global business development. Based on these assumptions, the Kao Group forecasts a 3.2% increase in operating income to 97.0 billion yen and a 2.6% increase in ordinary income to 96.0 billion yen. With the decrease in extraordinary loss compared with the fiscal year ended March 31, 2010, net income is forecast to increase 23.4% to 50.0 billion yen.

EVA is forecast to increase as the Kao Group works 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, 2011

In the Consumer Products Business, although the Japanese market for household and personal care products is projected to be virtually flat on a value basis, deflation is forecast to continue. In this situation, the Kao Group aims to expand market share by promoting launches of high-value-added products and collaboration with retailers. In Asia and Oceania, 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 begin initiatives to integrate business operations and 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 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 changes in consumer needs and reform of sales methods to meet changes in consumer purchasing behavior. Overseas, the Kao Group will focus management resources on cultivating and strengthening core brands by globally expanding the integrated business operations it conducts in Asia, including Japan.

The Kao Group forecasts a 0.9% year-on-year increase in sales of this business to 553.0 billion yen.

The Human Health Care Business will promote product development focused on health care for both body and spirit. Sales of food and beverage products will decrease due to the suspension of production and sale of *Econa* products. However, the Kao Group will use its differentiated products that deliver the high level of functional health value unique to products approved as Foods for Specified Health Uses in order to further expand its base of loyal users. At the same time, it will offer a health support solutions program 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. In addition, the Kao Group will work to raise the brand value of its personal health care products even higher by continuing to

make original new proposals that can become healthy daily lifestyle habits.

The Kao Group forecasts a 4.5% year-on-year decrease in sales of this business to 175.0 billion yen.

In the Fabric and Home Care Business, the Kao Group will strengthen its brands and offer proposals for improved lifestyles globally based on insights into changing consumer lifestyles, developing high-value-added products that offer cleanliness, comfort and enjoyment in various situations in daily life. To follow *Attack Neo* ultra-concentrated liquid laundry detergent, the Kao Group will also further promote the development and cultivation of products rooted in original technologies with the aim of reducing environmental impact throughout the entire product lifecycle from raw material procurement to use and disposal.

The Kao Group forecasts a 1.1% year-on-year increase in sales of this business to 280.0 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. Kao Group initiatives will include developing new plant-derived materials using unique, environmentally-conscious technologies in response to rising concern about the environment worldwide.

The Kao Group forecasts a 4.9% year-on-year increase in sales of this business to 218.0 billion yen.

1.1.2.3. Underlying Assumptions of the Forecast for the Fiscal Year Ending March 31, 2011

The above forecast was made assuming translation rates of one U.S. dollar to 95 yen and one euro to 125 yen. The impact of exchange rate fluctuations, including for these major currencies, on both net sales and operating income is not expected to be material.

Prices of natural oils and fats and petrochemicals are expected to rise with growth in demand, mainly from emerging nations. Please note that raw material price assumptions are based on available information as of the date of publication.

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, 2010****Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	2010	2009	Change	2010
As of March 31				
Total assets	1,065.7	1,119.6	(53.9)	11,454.8
Total net assets	575.2	554.1	21.1	6,183.3
Net worth ratio	53.0%	48.7%	-	-
Net worth per share (Yen/US\$)	1,054.31	1,017.19	37.12	11.33
Total debt	182.6	275.4	(92.8)	1,962.6

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	2010	2009	Change	2010
Year ended March 31				
Net cash provided by operating activities	172.2	121.5	50.6	1,851.7
Net cash used in investing activities	(44.2)	(43.1)	(1.0)	(475.3)
Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities	128.0	78.4	49.6	1,376.4
Net cash used in financing activities	(124.5)	(64.7)	(59.8)	(1,338.8)

Total assets decreased 53.9 billion yen from the previous fiscal year-end to 1,065.7 billion yen. The principal increase in assets was a 16.3 billion yen increase in cash and cash equivalents. The principal decreases in assets were an 8.6 billion yen decrease in marketable securities, a 7.1 billion yen decrease in merchandise and finished goods, and a 34.5 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other items.

Total liabilities decreased 75.0 billion yen from the previous fiscal year-end to 490.4 billion yen. The principal increases in liabilities were a 4.9 billion yen increase in notes and accounts payable – trade and a 7.1 billion yen increase in accrued income taxes. The principal decrease in liabilities was an 86.2 billion yen decrease in long-term debt due to partial repayment and other factors.

Total net assets increased 21.1 billion yen from the previous fiscal year-end to 575.2 billion

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yen. The principal increase in net assets was net income of 40.5 billion yen and a change in foreign currency translation adjustments, associated with the translation of the total net assets of overseas subsidiaries into yen, totaling 7.1 billion yen. The principal decrease in total net assets was payments of dividends from retained earnings totaling 30.0 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 53.0%, compared with 48.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 172.2 billion yen. The principal increases in net cash were income before income taxes and minority interests of 82.9 billion yen, depreciation and amortization of 84.7 billion yen, a 13.0 billion yen decrease in inventories and a 3.7 billion yen increase in trade payables. The principal decrease in net cash was income taxes paid of 28.8 billion yen.

Net cash used in investing activities totaled 44.2 billion yen. This primarily consisted of purchase of property, plant and equipment of 35.1 billion yen and a 5.2 billion yen increase in intangible assets.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 128.0 billion yen.

Net cash used in financing activities totaled 124.5 billion yen. This primarily consisted of 84.0 billion yen for repayment of a portion of long-term debt and 30.0 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at March 31, 2010 increased 6.6 billion yen compared with the end of the previous fiscal year to 117.1 billion yen.

1.2.2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ending March 31, 2011

Net cash provided by operating activities is expected to decrease, despite an increase in income before income taxes and minority interests, with a rebound effect from the decrease in raw material prices and greater efficiency of working capital, including reduction of inventories, which occurred in the fiscal year ended March 31, 2010.

In net cash used in investing activities, the Kao Group plans capital expenditures of approximately 55.0 billion yen, including capital investment to enhance R&D, increase

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, 2011 is forecast to be 120.0 billion yen, the same level as a year earlier.

Cash Flow Indices

	Year ended March 31				
	2010	2009	2008	2007	2006
Net worth / Total assets (%)	53.0	48.7	46.6	45.2	41.8
Market capitalization / Total assets (%)	119.2	91.9	122.9	150.7	138.4
Interest-bearing debt / Operating cash flow (years)	1.1	2.4	1.8	2.2	3.6
Operating cash flow / Interest paid (times)	40.3	20.8	27.2	36.0	82.1

Notes:

1. All indices are computed based on consolidated data.
2. Net worth is computed by subtracting minority interests and stock acquisition rights from total net 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.

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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 steady and 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, 2010 by 1.00 yen per share compared with the previous fiscal year to 29.00 yen per share to reflect the recovery in results and improvement in cash flow from the third quarter onward. Consequently, cash dividends for the fiscal year will increase 1.00 yen per share compared with the previous fiscal year, resulting in a total of 57.00 yen per share. The consolidated payout ratio will be 75.4%.

For the fiscal year ending March 31, 2011, although the operating environment is expected to be challenging, the Company plans to increase total cash dividends 1.00 yen per share to 58.00 yen per share, taking into consideration the forecast of achieving profits, in accordance with its basic policies regarding distribution of profits and the forecast effects of business improvements centered on the Chemical Business and ongoing cost reduction activities. As a result, the projected consolidated payout ratio will be 62.2%.

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2. Management Policies

2.1. Management Policies of the Kao Group

The Kao Group's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of the world, with products and brands of excellent value that are created from the consumer's and customer's perspective. This commitment is embraced by all members of the Kao Group as we work together with passion to share joy with consumers and customers in our core domains of cleanliness, beauty, health and chemicals.

The Kao Group aims to be the global group of companies that is closest to the consumers and customers in each market, earning the respect and trust of its shareholders and all other stakeholders, as it continually raises its corporate value on the basis of 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.

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-to-long-term Management Strategies

The Kao Group sees opportunities for significant progress in its medium-to-long-term operating environment due to three trends: 1) a shift in the center of the economy as emerging nations create enormous markets, 2) the emergence of new consumers including people who are increasingly dependent on digital media, as well as segments such as the growing elderly population in advanced countries, and 3) rising interest in environmental issues. Based on these changes in the operating environment, the Kao Group is working for global growth and

shifting to ecology-centered management. Therefore, in June 2009 the Kao Group decided to make “Enriching lives, in harmony with nature” its corporate message and to use the “**Kao**” logo in English lettering around the world.

Regarding business activities, 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**,” as it works to achieve profitable growth by increasing the added value of its products. To realize these objectives, the Group will focus on the following three points.

** 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 aims to achieve integrated global operations in the Beauty Care Business with strengthened coordination among its diverse brands including *Goldwell*, *John Frieda* and *Molton Brown*, which are sold mainly in North America and Europe, as well as *Bioré*.

** 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 focus on developing products that create new markets by deeply understanding changes in actual lifestyle conditions and trends, and by adding environmental value.

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 (including Japan), North America and Europe, while optimizing regional operations under local leadership tailored to conditions in each country and region.

To achieve growth globally, the Kao Group aims for full-scale business development in emerging nations such as the BRICs countries. In particular, the Kao Group has positioned China as a focal country where it will invest substantial management resources in the operations it has already begun. At the same time, the Group will fully demonstrate its comprehensive strengths by innovating its research, manufacturing, sales and other functional divisions in response to various changes, and by globally promoting the Group's characteristic matrix management of businesses and functions.

To carry out these investments, it is essential for the Kao Group to achieve profitable growth in its home base of the Japanese market. In order to do so, the Group will develop and offer products that create new markets in response to the diversifying values and aging of consumers there.

2.4. Issues for Management

Currently, the Kao Group has raised the following three core issues it must deal with.

- 1) Price deflation is advancing in the consumer products market in Japan. In response, we are working to re-examine product value in light of changes in consumers' sense of values and product needs. In addition to responding to changes in functional and emotional value, we will add environmental value in order to enhance high-value-added products. We will further utilize the comprehensive abilities of the Kao Group, including in marketing and sales activities.
- 2) In the prestige cosmetics market in Japan, changes in consumer purchasing attitudes and associated changes in distribution channels are occurring. Behind these changes are cooling consumer sentiment due to the impact of the economic downturn, and the fact that in the shift to an information-based society more consumers than ever before are obtaining cosmetics information from channels such as the Internet. The Kao Group will rebuild its business by going back to the basics of manufacturing, reforming brands, innovating sales methods, and enhancing synergies within the Group.
- 3) The Kao Group suspended production and sale of *Econa* products in autumn 2009. The

Group has developed technology to reduce the content of glycidol fatty acid esters, the cause of the suspension, and is promoting efforts for sale of functional healthy cooking oil. The Kao Group also conducts a business that offers support programs for consumers' healthy lifestyles, and aims to expand it as a unique health solutions business that incorporates functional health foods.

By resolving these issues, the Kao Group will achieve profitable growth through the development of high-value-added products.

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Executive Appointments

(Scheduled effective date: June 29, 2010)

1. Members of the Board to be newly nominated

Name	Current Position*
Hisao Mitsui	Executive Officer Vice President, Global Production & Engineering Vice President, Fabric & Home Care SCM Center Plant Manager-Wakayama Plant
Teruhiko Ikeda**	Chairman Mizuho Trust & Banking Co., Ltd.
Takuma Otoshi**	Chairman IBM Japan, Ltd.

2. Members of the Board scheduled to retire

Name	Current Position*
Norihiko Takagi	Member of the Board, Executive Vice President Vice President, Corporate Strategy In charge of Global Human Capital Development
Atsushi Takahashi**	Representative Director, Chairman of the Board The Sumitomo Trust & Banking Co., Ltd.
Osamu Shoda**	Honorary Chairman & Executive Adviser Nisshin Seifun Group Inc.

3. Member of the Board to be promoted

Name	Current Position*
Hiroshi Kanda	Representative Director, Senior Executive Vice President <Current Position*> Representative Director, Executive Vice President In charge of Global Consumer Products and Kao Professional Services Co., Ltd.

4. New Executive Officer to assume office

Name	Current Position*
Hideko Aoki	Corporate Associate Officer Vice President, Product Quality Management

* Current Position as of April 26, 2010

** Outside Director

New Members of the Board, Corporate Auditors and Executive Officers

(Scheduled effective date: June 29, 2010)

After the approval of Annual General Meeting of Shareholders and the Meeting of the Board of Directors scheduled on June 29, 2010, new Members of the Board, Corporate Auditors and Executive Officers of Kao Corporation will be as follows:

Members of the Board (*Outside Director)

Motoki Ozaki	Representative Director, President and Chief Executive Officer
Takuo Goto	Representative Director, Senior Executive Vice President
Hiroshi Kanda	Representative Director, Senior Executive Vice President
Shunichi Nakagawa	Member of the Board, Executive Vice President
Tatsuo Takahashi	Member of the Board, Executive Vice President
Toshiharu Numata	Member of the Board, Executive Vice President
Toshihide Saito	Member of the Board, Executive Officer
Shinichi Mita	Member of the Board, Executive Officer
Masato Hirota	Member of the Board, Executive Officer
Shinichiro Hiramine	Member of the Board, Executive Officer
Ken Hashimoto	Member of the Board, Executive Officer
Michitaka Sawada	Member of the Board, Executive Officer
Hisao Mitsui	Member of the Board, Executive Officer
Teruhiko Ikeda*	Member of the Board
Takuma Otsushi*	Member of the Board

Corporate Auditors (* Outside Corporate Auditor)

Takashi Matsuzaka	Full – time Corporate Auditor
Masanori Sunaga	Full – time Corporate Auditor
Tadashi Oe*	Corporate Auditor
Yutaka Yogo*	Corporate Auditor

Executive Officer

Yoshitaka Nakatani
Shigeru Koshiha
Shoji Kobayashi
Takuji Yasukawa
Yasushi Aoki
Masumi Natusaka
William J. Gentner
Katsuhiko Yoshida
Naohisa Kure
Mikio Nakano
Akira Yoshimatsu
Hideko Aoki

Consolidated Balance Sheets

Millions of yen

	FY2009 Mar 31, 2010	FY2008 Mar 31, 2009
Assets		
Current assets		
Cash and time deposits	70,185	53,830
Notes and accounts receivable - trade	127,592	126,584
Short-term investments	46,071	54,714
Merchandise and finished goods	73,167	80,310
Work in process	11,246	16,344
Raw materials and supplies	22,177	21,393
Prepaid expenses	5,488	5,401
Deferred tax assets	20,235	24,873
Other	19,013	21,902
Allowance for doubtful receivables	(1,208)	(1,528)
Total current assets	393,971	403,826
Fixed assets		
Property, plant and equipment		
Buildings and structures	314,808	310,449
Accumulated depreciation	(236,404)	(229,682)
Buildings and structures, net	78,403	80,767
Machinery, equipment and vehicles	623,326	615,840
Accumulated depreciation	(544,908)	(535,245)
Machinery, equipment and vehicles, net	78,418	80,595
Tools, furniture and fixtures	77,568	73,132
Accumulated depreciation	(65,152)	(60,979)
Tools, furniture and fixtures, net	12,416	12,152
Land	63,862	65,469
Leased assets	11,610	9,755
Accumulated depreciation	(1,942)	(979)
Leased assets, net	9,667	8,776
Construction in progress	9,075	9,713
Total property, plant and equipment	251,844	257,474
Intangible assets		
Goodwill	195,754	206,264
Trademarks	89,357	108,137
Other	28,822	34,043
Total intangible assets	313,934	348,445
Investments and other assets		
Investment securities	13,238	12,320
Long-term loans	1,907	1,842
Long-term prepaid expenses	13,402	13,066
Deferred tax assets	61,360	63,263
Other	16,521	19,636
Allowance for doubtful receivables	(430)	(198)
Total investments and other assets	105,999	109,930
Total fixed assets	671,779	715,850
Total assets	1,065,751	1,119,676

Consolidated Balance Sheets

Millions of yen

	FY2009 Mar 31, 2010	FY2008 Mar 31, 2009
Liabilities		
Current liabilities		
Notes and accounts payable - trade	99,937	95,036
Short-term debt	7,528	16,402
Current portion of long-term debt	24,382	22,183
Accounts payable - other	27,649	29,398
Accrued expenses	76,695	72,626
Accrued income taxes	20,346	13,228
Other	23,034	21,863
Total current liabilities	279,575	270,741
Long-term liabilities		
Bonds	99,997	99,996
Long-term debt	50,693	136,900
Liability for employee retirement benefits	38,416	36,000
Other	21,774	21,842
Total long-term liabilities	210,881	294,741
Total liabilities	490,456	565,482
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	442,272	431,799
Treasury stock, at cost	(10,977)	(11,038)
Total shareholders' equity	626,280	615,745
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	2,291	2,090
Deferred gains or losses on hedges	(0)	(11)
Foreign currency translation adjustments	(62,992)	(70,134)
Other	(445)	(2,459)
Total adjustments for valuation, foreign currency translation and others	(61,146)	(70,515)
Stock acquisition rights	1,022	838
Minority interests	9,139	8,124
Total net assets	575,294	554,194
Total liabilities and net assets	1,065,751	1,119,676

Consolidated Statements of Income

Millions of yen

	FY2009 Apr '09 - Mar '10	FY2008 Apr '08 - Mar '09
Net sales	1,184,384	1,276,316
Cost of sales	493,004	558,988
Gross profit	691,380	717,327
Selling, general and administrative expenses	597,347	620,527
Operating income	94,033	96,800
Non-operating income		
Interest income	968	2,459
Dividend income	155	178
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,168	588
Other	2,667	3,522
Total non-operating income	4,960	6,749
Non-operating expenses		
Interest expense	4,232	6,004
Foreign currency exchange loss	369	1,835
Other	819	1,099
Total non-operating expenses	5,421	8,939
Ordinary income	93,572	94,609
Extraordinary gain		
Gain on sales of fixed assets	199	1,043
Gain on sales of investment securities	3	11
Gain on transfer of business	-	495
Other	437	379
Total extraordinary gain	640	1,928
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,801	2,271
Loss on impairment of long-lived assets	588	733
Loss related to cooking oils	5,290	-
Restructuring charges for prestige cosmetics subsidiary	1,290	-
Other	1,281	1,520
Total extraordinary loss	11,251	4,524
Income before income taxes and minority interests	82,961	92,013
Income taxes		
Income taxes - current	36,906	36,827
Income taxes - deferred	4,734	(10,257)
Total income taxes	41,640	26,570
Minority interests in earnings of consolidated subsidiaries	814	980
Net income	40,506	64,462

Note:

Total expenses associated with suspension of production and sale of *Econa* cooking oil and related products in the amount of 8,128 million yen for fiscal 2009 consist of 2,838 million yen of inventory revaluation expenses included in cost of sales and 5,290 million yen of loss related to cooking oils in extraordinary loss.

Major items of consolidated selling, general and administrative expenses

<i>Millions of yen</i>	FY2009	FY2008
	<u>Apr '09 - Mar '10</u>	<u>Apr '08 - Mar '09</u>
Freight/warehouse	70,029	74,239
Advertising	86,358	90,258
Sales promotion	65,452	69,783
Salaries and bonuses	124,528	125,695
Research and development	44,911	46,126

Consolidated Statements of Changes in Equity

Millions of yen

	FY2009 Apr '09 - Mar '10	FY2008 Apr '08 - Mar '09
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	109,561
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of period	109,561	109,561
Retained earnings		
Balance at the end of previous period	431,799	426,206
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	(30,016)	(29,484)
Net income	40,506	64,462
Disposal of treasury stock	(16)	(141)
Retirement of treasury stock	-	(28,402)
Total changes of items during the period	10,473	6,434
Balance at the end of period	442,272	431,799
Treasury stock		
Balance at the end of previous period	(11,038)	(39,161)
Changes of items during the period		
Purchase of treasury stock	(88)	(1,232)
Disposal of treasury stock	149	952
Retirement of treasury stock	-	28,402
Total changes of items during the period	60	28,122
Balance at the end of period	(10,977)	(11,038)
Total Shareholders' equity		
Balance at the end of previous period	615,745	582,030
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	(30,016)	(29,484)
Net income	40,506	64,462
Purchase of treasury stock	(88)	(1,232)
Disposal of treasury stock	133	810
Retirement of treasury stock	-	-
Total changes of items during the period	10,534	34,556
Balance at the end of period	626,280	615,745

Consolidated Statements of Changes in Equity

Millions of yen

	FY2009 Apr '09 - Mar '10	FY2008 Apr '08 - Mar '09
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities		
Balance at the end of previous period	2,090	3,394
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	201	(1,304)
Total changes of items during the period	201	(1,304)
Balance at the end of period	2,291	2,090
Deferred gain (loss) on derivatives under hedge accounting		
Balance at the end of previous period	(11)	-
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	11	(11)
Total changes of items during the period	11	(11)
Balance at the end of period	(0)	(11)
Foreign currency translation adjustments		
Balance at the end of previous period	(70,134)	(11,386)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	7,141	(58,747)
Total changes of items during the period	7,141	(58,747)
Balance at the end of period	(62,992)	(70,134)
Other		
Balance at the end of previous period	(2,459)	-
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	2,013	(2,459)
Total changes of items during the period	2,013	(2,459)
Balance at the end of period	(445)	(2,459)
Total Adjustments for valuation, foreign currency translation and others		
Balance at the end of previous period	(70,515)	(7,992)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	9,368	(62,523)
Total changes of items during the period	9,368	(62,523)
Balance at the end of period	(61,146)	(70,515)
Stock acquisition rights		
Balance at the end of previous period	838	598
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	183	240
Total changes of items during the period	183	240
Balance at the end of period	1,022	838
Minority interests		
Balance at the end of previous period	8,124	10,072
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	1,014	(1,948)
Total changes of items during the period	1,014	(1,948)
Balance at the end of period	9,139	8,124
Total net assets		
Balance at the end of previous period	554,194	584,709
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	(30,016)	(29,484)
Net income	40,506	64,462
Purchase of treasury stock	(88)	(1,232)
Disposal of treasury stock	133	810
Retirement of treasury stock	-	-
Net changes of items other than shareholders' equity during the period	10,565	(64,230)
Total changes of items during the period	21,100	(29,674)
Balance at the end of period	575,294	554,194

Consolidated Statements of Cash Flows

Millions of yen

	FY2009 Apr '09 - Mar '10	FY2008 Apr '08 - Mar '09
Operating activities:		
Income before income taxes and minority interests	82,961	92,013
Adjustments for:		
Depreciation and amortization	84,777	87,462
Loss on impairment of long-lived assets	588	733
(Gain) loss on sales and retirement of fixed assets	2,601	1,227
Interest and dividend income	(1,124)	(2,638)
Interest expense	4,232	6,004
Unrealized foreign currency exchange (gain) loss	(417)	206
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,168)	(588)
Change in trade receivables	887	(2,609)
Change in inventories	13,072	(5,598)
Change in prepaid pension cost	3,848	11,232
Change in trade payables	3,776	(1,154)
Change in liability for retirement benefits	2,029	4,859
Other, net	7,256	(14,897)
Subtotal	203,321	176,253
Interest and cash dividends received	2,058	3,542
Interest paid	(4,270)	(5,858)
Income taxes paid	(28,824)	(52,340)
Net cash provided by operating activities	172,284	121,597
Investing activities:		
Purchase of property, plant and equipment	(35,164)	(33,421)
Proceeds from sales of property, plant and equipment	1,970	3,000
Increase in intangible assets	(5,274)	(7,048)
Payments for long-term prepaid expenses	(4,339)	(4,829)
Purchase of marketable securities and investment securities	(28)	(22)
Proceeds from the redemption and sales of marketable securities and investment securities	34	2,083
Change in short-term loans, net	(416)	(117)
Payments for long-term loans	(2,241)	(3,430)
Other, net	1,239	628
Net cash used in investing activities	(44,220)	(43,156)
Financing activities:		
Change in short-term debt, net	(9,484)	(1,041)
Proceeds from long-term loans	35	770
Repayments of long-term loans	(84,063)	(33,206)
Purchase of treasury stock	(88)	(1,232)
Payments of cash dividends	(30,038)	(29,516)
Payments of cash dividends to minority shareholders	(53)	(224)
Other, net	(871)	(254)
Net cash used in financing activities	(124,566)	(64,704)
Translation adjustments on cash and cash equivalents	3,116	(15,796)
Net increase (decrease) in cash and cash equivalents	6,614	(2,060)
Cash and cash equivalents at the beginning of period	110,565	112,636
Cash and cash equivalents from newly consolidated subsidiary, increase	-	338
Cash and cash equivalents resulting from change of fiscal term of subsidiaries, decrease	-	(349)
Cash and cash equivalents at the end of period	117,180	110,565

Consolidated Segment Information by Business

Millions of yen

FY2009 Apr '09 - Mar '10	Consumer Products Business				Chemical Business	Total	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric & Home Care Business	Total				
Net sales								
Sales to customers	547,943	183,151	276,917	1,008,012	176,372	1,184,384	-	1,184,384
Intersegment sales	-	-	-	-	31,462	31,462	(31,462)	-
Total	547,943	183,151	276,917	1,008,012	207,834	1,215,847	(31,462)	1,184,384
Operating expenses	543,194	174,199	216,265	933,659	188,180	1,121,839	(31,488)	1,090,351
Operating income	4,749	8,951	60,652	74,353	19,654	94,008	25	94,033
% to net sales	0.9	4.9	21.9	7.4	9.5	7.7	-	7.9
Total assets	603,129	93,619	127,858	824,608	190,529	1,015,137	50,613	1,065,751
Depreciation and amortization	52,457	8,612	10,041	71,111	13,666	84,777	-	84,777
Loss on impairment of long-lived assets	204	147	150	501	86	588	-	588
Capital expenditure	19,518	6,527	8,475	34,521	10,346	44,867	-	44,867

FY2008 Apr '08 - Mar '09	Consumer Products Business				Chemical Business	Total	Corporate/ Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric & Home Care Business	Total				
Net sales								
Sales to customers	588,329	191,319	274,202	1,053,850	222,465	1,276,316	-	1,276,316
Intersegment sales	-	-	-	-	39,592	39,592	(39,592)	-
Total	588,329	191,319	274,202	1,053,850	262,057	1,315,908	(39,592)	1,276,316
Operating expenses	570,769	178,345	225,097	974,213	244,886	1,219,099	(39,583)	1,179,516
Operating income	17,559	12,973	49,104	79,637	17,171	96,808	(8)	96,800
% to net sales	3.0	6.8	17.9	7.6	6.6	7.4	-	7.6
Total assets	656,996	95,391	123,066	875,454	187,202	1,062,657	57,019	1,119,676
Depreciation and amortization	54,773	8,210	10,243	73,227	14,235	87,462	-	87,462
Loss on impairment of long-lived assets	266	161	203	631	102	733	-	733
Capital expenditure	18,598	7,106	8,252	33,957	10,666	44,623	-	44,623

Note:

Associated with suspension of production and sale of *Econa* cooking oil and related products, 2,838 million yen of inventory revaluation expenses are included in operating expenses for the Human Health Care Business for fiscal 2009.

Consolidated Segment Information by Geography

Millions of yen

FY2009

Apr '09 - Mar '10

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	900,401	104,640	78,579	100,763	1,184,384	-	1,184,384
Intersegment sales	18,097	27,057	620	10,394	56,170	(56,170)	-
Total	918,499	131,698	79,199	111,157	1,240,554	(56,170)	1,184,384
Operating expenses	838,588	129,009	74,237	105,992	1,147,828	(57,477)	1,090,351
Operating income	79,910	2,688	4,962	5,164	92,726	1,307	94,033
% to net sales	8.7	2.0	6.3	4.6	7.5	-	7.9
Assets	765,795	108,899	58,874	107,244	1,040,814	24,936	1,065,751

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 net 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

Note:

Associated with suspension of production and sale of *Econa* cooking oil and related products, 2,838 million yen of inventory revaluation expenses are included in operating expenses mainly for Japan for fiscal 2009.

Consolidated Net Sales to Foreign Customers

Millions of yen

FY2009	<u>Asia/Oceania</u>	<u>North America</u>	<u>Europe</u>	<u>Total</u>
Apr '09 - Mar '10				
Net sales to foreign customers	<u>120,080</u>	<u>81,159</u>	<u>96,927</u>	<u>298,167</u>
Consolidated net sales				<u>1,184,384</u>
Percentage of net sales to foreign customers to consolidated net sales	10.1%	6.9%	8.2%	25.2%

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

Consolidated Net Sales Composition

Millions of yen

	FY2009 <u>Apr '09 - Mar '10</u>	FY2008 <u>Apr '08 - Mar '09</u>	<u>Growth %</u>
Consumer Products Business			
Beauty Care Business	413,160	436,358	(5.3)
Human Health Care Business	167,633	174,739	(4.1)
Fabric and Home Care Business	250,692	245,973	1.9
Total Japan	831,487	857,072	(3.0)
Asia and Oceania	79,681	83,143	(4.2)
North America and Europe	112,978	130,301	(13.3)
Eliminations	(16,134)	(16,665)	-
Total	1,008,012	1,053,850	(4.3)
Chemical Business			
Japan	114,970	130,087	(11.6)
Asia	53,354	80,968	(34.1)
North America and Europe	72,082	100,579	(28.3)
Eliminations	(32,573)	(49,577)	-
Total	207,834	262,057	(20.7)
Total before Eliminations	1,215,847	1,315,908	(7.6)
Eliminations	(31,462)	(39,592)	-
Consolidated Net Sales	1,184,384	1,276,316	(7.2)

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	