

Summary of Consolidated Business Results for the Six Months Ended September 30, 2009

Tokyo, October 27, 2009 — Kao Corporation today announced its consolidated business results for the six months ended September 30, 2009, the interim period of the fiscal year ending 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)

	Six months ended September 30			Fiscal 2008, ended	
	2009	2008	Growth	2009	March 31, 2009
	Yen		%	U.S. Dollars	Yen
Net sales	599,051	657,905	(8.9)	6,640.6	1,276,316
Operating income	45,584	54,742	(16.7)	505.3	96,800
Ordinary income	45,861	54,986	(16.6)	508.4	94,609
Net income	25,237	32,392	(22.1)	279.8	64,462
Total assets	1,129,577	1,211,911	(6.8)	12,521.6	1,119,676
Total net assets	581,250	589,489	(1.4)	6,443.3	554,194
Net worth ratio	50.6%	47.7%	-	50.6%	48.7%
Net worth per share (Yen/US\$)	1,066.07	1,079.39	(1.2)	11.82	1,017.19
Net income per share (Yen/US\$)	47.08	60.42	(22.1)	0.52	120.25
Net income per share, fully diluted (Yen/US\$)	47.07	60.39	(22.1)	0.52	120.22
	Yen			U.S. Dollars	
Net cash provided by operating activities	110,681	63,951	-	1,226.9	121,597
Net cash used in investing activities	(19,307)	(22,754)	-	(214.0)	(43,156)
Net cash used in financing activities	(61,663)	(34,331)	-	(683.6)	(64,704)
Cash and cash equivalents at end of period	145,125	114,794	-	1,608.8	110,565

Notes:

1. Number of outstanding shares (common stock):

- Number of shares outstanding at the end of the periods (including treasury stock): 540,143,701 shares as of September 30, 2009; 540,143,701 shares as of March 31, 2009.
- Number of shares of treasury stock at the end of the periods: 4,145,531 shares as of September 30, 2009; 4,128,568 shares as of March 31, 2009.
- Weighted average number of shares outstanding during the six months ended September 30 of each year: 536,004,141 shares for 2009; 536,143,596 shares for 2008.

2. The 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.

Consolidated Results by Business Segment

Six months ended September 30	Billions of Yen						
	SALES				OPERATING INCOME		
	2009	2008	% Growth		2009	2008	Change
	Like-for-like						
Beauty Care	275.6	300.1	(8.1)	(4.4)	1.1	9.4	(8.3)
Human Health Care ^{*2}	97.9	97.6	0.3	2.0	4.5	7.0	(2.4)
Fabric & Home Care	141.0	138.9	1.5	3.5	31.7	26.2	5.5
Consumer Products Total	514.7	536.7	(4.1)	(1.2)	37.4	42.7	(5.2)
Chemical	100.6	140.9	(28.6)	(21.2)	8.0	11.9	(3.9)
Corporate/Eliminations	(16.3)	(19.8)	-	-	0.0	0.0	0.0
Consolidated	599.0	657.9	(8.9)	(5.0)	45.5	54.7	(9.1)

Six months ended September 30	Millions of U.S. Dollars						
	SALES				OPERATING INCOME		
	2009	2008	% Growth		2009	2008	Change
	Like-for-like						
Beauty Care	3,056.2	3,327.1	(8.1)	(4.4)	12.6	105.0	(92.5)
Human Health Care	1,086.2	1,082.7	0.3	2.0	50.9	77.8	(26.9)
Fabric & Home Care	1,563.8	1,540.7	1.5	3.5	351.9	290.9	61.0
Consumer Products Total	5,706.2	5,950.5	(4.1)	(1.2)	415.4	473.7	(58.4)
Chemical	1,115.8	1,562.1	(28.6)	(21.2)	89.5	133.0	(43.5)
Corporate/Eliminations	(181.3)	(219.5)	-	-	0.4	0.1	0.3
Consolidated	6,640.6	7,293.0	(8.9)	(5.0)	505.3	606.8	(101.5)

Consolidated Results by Geographic Segment

Six months ended September 30	Billions of Yen						
	SALES				OPERATING INCOME		
	2009	2008	% Growth		2009	2008	Change
	Like-for-like						
Japan ^{*2}	470.5	487.8	(3.5)	(3.5)	41.4	46.4	(5.0)
Asia/Oceania	61.9	84.4	(26.6)	(14.2)	0.7	2.6	(1.8)
North America	40.2	51.8	(22.5)	(12.2)	0.6	2.6	(1.9)
Europe	52.8	75.6	(30.1)	(12.3)	1.8	2.9	(1.1)
Corporate/Eliminations	(26.5)	(41.8)	-	-	0.9	0.0	0.8
Consolidated	599.0	657.9	(8.9)	(5.0)	45.5	54.7	(9.1)

Six months ended September 30	Millions of U.S. Dollars						
	SALES				OPERATING INCOME		
	2009	2008	% Growth		2009	2008	Change
	Like-for-like						
Japan	5,216.0	5,407.7	(3.5)	(3.5)	459.4	515.2	(55.8)
Asia/Oceania	687.1	935.7	(26.6)	(14.2)	8.5	28.8	(20.4)
North America	446.0	575.2	(22.5)	(12.2)	6.8	29.0	(22.1)
Europe	586.0	838.5	(30.1)	(12.3)	20.3	33.2	(12.9)
Corporate/Eliminations	(294.6)	(464.0)	-	-	10.3	0.6	9.7
Consolidated	6,640.6	7,293.0	(8.9)	(5.0)	505.3	606.8	(101.5)

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Associated with refraining from selling Econa cooking oil and related products, 2,529 million yen of inventory revaluation expenses are included in operating expenses for the business segment of the Human Health Care Business and for the geographic segment of Japan for fiscal 2009.

Forecast of Consolidated Results for the Year Ending March 31, 2010

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

	Year ending March 31, 2010		
	Yen	Growth	U.S. Dollars
Net sales	1,185.0	(7.2%)	13,136.0
Operating income	89.0	(8.1%)	986.6
Ordinary income	88.0	(7.0%)	975.5
Net income	41.0	(36.4%)	454.5
Net income per share (Yen/US\$)	76.49	-	0.85
Cash dividends per share (Yen/US\$)	56.00	-	0.62

Notes:

1. Kao has revised the above forecasts from April 24, 2009, when it announced its results for the fiscal year ended March 31, 2009.
2. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.
3. Annual cash dividends per share: 56.00 yen
Interim dividend per share: 28.00 yen; year-end dividend per share: 28.00 yen.

Notes for this News Release:

1. Change in scope of consolidation during the current fiscal year: None
2. Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements: Please refer to "(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements" in "4. Other" on page14 for details.
3. Changes in accounting principles, procedures and presentation methods used in the preparation of quarterly consolidated financial statements: None
4. U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2009, of 90.21 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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Summary of Consolidated Business Results and Financial Condition for the Six Months Ended September 30, 2009

1. Qualitative Information on Consolidated Business Results

During the six months ended September 30, 2009, there was a sense of improvement in the economic environment, supported by aggressive government spending by major countries. However, it did not lead to full-fledged recovery due to factors including a high unemployment rate, strong consumer consciousness of daily expenditures and weak personal consumption and private-sector capital investment.

Under these circumstances, the Kao Group continued to work to launch and nurture high-value-added products while focusing on cost reduction activities and cutbacks in expenses. On the other hand, with the impact of discussions centering in Europe on the safety of glycidol fatty acid esters contained in fats and oils, the Kao Group announced on September 16 that it would refrain from selling *Econa* cooking oil and related products (*Econa* products) until the amounts of glycidol fatty acid esters they contain can be lowered to levels found in common cooking oils, so that consumers can use these products with assurance.

Although sales in the Fabric and Home Care Business grew, net sales decreased 8.9% compared with the same period a year earlier to 599.0 billion yen. Excluding the effect of currency translation, net sales would have decreased 5.0%. This decrease was mainly the result of weak sales of prestige cosmetics, where the market contracted as worsening economic conditions led to a change in the structure of the market, and a substantial decrease in sales volume in the Chemical Business due to a drop in demand from its customer industries.

A decline in raw material 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. However, the decrease in sales had a substantial effect on profits. Expenses associated with refraining from selling *Econa* products consisted of a 2.5 billion yen loss on write-off of inventory included in cost of sales and other expenses that were recorded as an extraordinary loss of 3.4 billion yen. Consequently, operating income decreased 9.1 billion yen compared with the same period a year earlier to 45.5 billion yen and ordinary income decreased 9.1 billion yen to 45.8 billion yen. Net income decreased 7.1 billion yen to 25.2 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 63.3 billion yen, which is equivalent to 10.6% of net sales.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and affiliates were as shown below. For foreign subsidiaries and affiliates, the period of consolidation for the first quarter is from January to March and for the second quarter is from April to June.

	First quarter	Second quarter
Yen/U.S. dollar	95.20 (103.79)	96.76 (105.44)
Yen/Euro	123.20 (158.34)	133.45 (164.77)

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

Summary of Segment Information

Consolidated Results by Business Segment

Consumer Products Business

Sales decreased 4.1% compared with the same period a year earlier to 514.7 billion yen. Excluding the effect of currency translation, sales would have decreased 1.2%.

In Japan, the cosmetics market contracted compared with the same period a year earlier due to a change in the structure of the market, as worsening economic conditions and other factors led to a change in consumer purchasing sentiment. However, the household and personal care products market was firm, growing about 1% on a value basis despite a one percentage point decrease in average consumer purchase prices in major product categories from the same period a year earlier.

Sales in Japan decreased 1.3% to 429.2 billion yen. Prestige cosmetics were affected by a change in the structure of the market. However, in the household and personal care products market, the Kao Group continued to increase its share and sales compared with the same period a year earlier by launching new products that respond to changing consumer lifestyles and by working to strengthen its proposal-based sales activities and in-store merchandising activities.

In Asia and Oceania, although economic conditions have been improving, competition remained intense. Sales decreased 10.7% to 38.1 billion yen due to the effect of currency translation. Excluding the effect of currency translation, sales would have increased 4.8%, as positive results were seen from collaborations with local retailers and integration of business operations in Asia, including Japan.

In North America and Europe, with cooling markets due to worsening economic conditions

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and the impact of currency translation, sales decreased 19.0% to 55.2 billion yen. Excluding the effect of currency translation, sales would have decreased 5.2%.

Despite a decline in prices for raw materials, mainly natural oils and fats and petrochemicals, operating income decreased 5.2 billion yen to 37.4 billion yen due to the decrease in sales.

Beauty Care Business

Sales decreased 8.1% compared with the same period a year earlier to 275.6 billion yen. Excluding the effect of currency translation, sales would have decreased 4.4%.

Sales of prestige cosmetics decreased 11.0% to 130.7 billion yen. Excluding the effect of currency translation, sales would have decreased 9.9%. In Japan, the Kao Group conducted aggressive initiatives to strengthen and increase its megabrands including the launch of a new series from the counseling total cosmetics line *TWANY ESTHETUDE* and the addition of items to counseling cosmetics such as the *COFFRET D'OR* makeup and *SOFINA beauté* skin care brands. However, these efforts were impacted by cooling markets for the mid-priced (2,000 yen to 5,000 yen) and high-priced segments amid a market trend toward selecting lower-priced products, and by inventory reductions by retailers. Sales of premium skin care products decreased. In Japan, performance by *Curél* premium skin care and *Bioré U* body cleanser was steady. However, overseas sales decreased because of the currency translation effect from the strong yen and cooling personal consumption in North America and Europe. In premium hair care products, sales in Japan grew as a result of the strong performance of *Blauné Hair Color Foam*. Sales in Asia decreased on a yen basis due to the effect of currency translation, despite growth on a local-currency basis mainly driven by product launches from premium hair care brands including *Asience* and *Essential Damage Care*, as well as the *Liese* hair styling brand. Sales in North America and Europe decreased due to cooling personal consumption and the effect of currency translation.

Operating income decreased 8.3 billion yen to 1.1 billion yen as a result of the decrease in sales of prestige cosmetics. Operating loss from prestige cosmetics increased 8.2 billion yen to 17.0 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 9.5 billion yen to 18.7 billion yen, which is equivalent to 6.8% of sales.

Human Health Care Business

Sales increased 0.3% compared with the same period a year earlier to 97.9 billion yen. Excluding the effect of currency translation, sales would have increased 2.0%.

In food and beverage products, sales of *Econa* products decreased as the Kao Group refrained from sales, but sales of beverage products increased as new *Healthya Sparkling*, the first

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carbonated functional health drink to promote body fat utilization, was launched and the number of loyal customers grew. Sales of sanitary products were basically unchanged. In Japan, sales of *Laurier* sanitary napkins decreased in an intense competitive environment, but sales of *Merries* baby diapers were firm. In Asia, sales of *Laurier* would have increased excluding the effect of currency translation. Sales of personal health products were flat, with strong sales of toothpaste including newly launched *Clear Clean Change* but a decrease in sales of bath additives.

Operating income decreased 2.4 billion yen to 4.5 billion yen with the impact of refraining from sales of *Econa* products, although cost of sales improved due to the increase in sales and decline in raw material prices.

Fabric and Home Care Business

Sales increased 1.5% compared with the same period a year earlier to 141.0 billion yen. Excluding the effect of currency translation, sales would have increased 3.5%.

Sales of fabric care products increased with the launch in Japan of new *Attack Neo* ultra-concentrated liquid laundry detergent. Based on Kao's proprietary technology, the product can reduce environmental impact by conserving water and electricity and also shorten washing time. Strong sales of *Humming Flair* fabric softener and *Haiter* fabric bleach also contributed to the sales increase. Sales of home care products increased due to the strong performance of *CuCute* dishwashing detergent and efforts to strengthen the *Haiter* brand with the launch of new products including drain cleaner and washing machine cleaner.

Operating income increased 5.5 billion yen to 31.7 billion yen due to sales growth from active launches of new and improved products and improvement in cost of sales as a result of a decline in raw material prices.

Chemical Business

With factors including decreased demand from customer industries due to rapidly worsening economic conditions since autumn 2008 and adjustments to selling prices following a decline in raw material prices, Chemical Business sales decreased 28.6% from the same period a year earlier to 100.6 billion yen. Excluding the effect of currency translation, sales would have decreased 21.2%.

Oleo chemicals were impacted by a decrease in sales volume due to a fall in demand from customer industries and adjustments to selling prices following the decline in raw material prices. Performance chemicals, which Kao supplies to a wide range of industries, were impacted by the economic slowdown. Specialty chemicals were also impacted by the economic slowdown. However, demand from customer industries recovered for polishing agents for hard disks and cleaners for electronic parts after bottoming out during the January

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to March period of 2009.

Operating income decreased 3.9 billion yen to 8.0 billion yen due to the substantial decrease in sales volume.

Consolidated Results by Geographic Segment

Japan

Sales of Kao Group companies in Japan decreased 3.5% compared with the same period a year earlier to 470.5 billion yen. The Kao Group introduced high-value-added products and strengthened its sales activities, and sales of the Consumer Products Business excluding prestige cosmetics grew. However, prestige cosmetics were impacted by a change in the structure of the market. Chemical Business sales were affected by a decrease in demand from customer industries due to rapidly worsening economic conditions since autumn 2008 and adjustments to selling prices following a decline in raw material prices.

Despite cost reduction activities as well as measures to introduce high-value-added products and to strengthen sales activities, operating income decreased 5.0 billion yen to 41.4 billion yen due to factors including the decrease in sales and the impact of refraining from sales of *Econa* products.

Asia and Oceania

Sales of Kao Group companies in Asia and Oceania decreased 26.6% compared with the same period a year earlier to 61.9 billion yen. Excluding the effect of currency translation, sales would have decreased 14.2%. Sales of the Consumer Products Business would have increased excluding the effect of currency translation as positive results were seen from collaborations with local retailers and integration of business operations in Asia, including Japan. Sales of the Chemical Business decreased substantially due to adjustments to selling prices following a decline in raw material prices, inventory adjustments at customers and the effect of currency translation.

Operating income decreased 1.8 billion yen to 0.7 billion yen with the impact of the decrease in sales of the Chemical Business.

North America

Sales of Kao Group companies in North America decreased 22.5% compared with the same period a year earlier to 40.2 billion yen. Excluding the effect of currency translation, sales would have decreased 12.2%. The Consumer Products Business took aggressive actions including new product launches amid continuing intense market competition. However, the U.S. economic downturn impacted both the Consumer Products Business and the Chemical

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Business.

Operating income decreased 1.9 billion yen to 0.6 billion yen due to factors including the decrease in sales.

Europe

Sales of Kao Group companies in Europe decreased 30.1% compared with the same period a year earlier to 52.8 billion yen. Excluding the effect of currency translation, sales would have decreased 12.3%. Both the Consumer Products Business and the Chemical Business were impacted by weak economic conditions.

Operating income decreased 1.1 billion yen to 1.8 billion yen due to factors including the decrease in sales.

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2. Qualitative Information on Consolidated Financial Condition**Summary of Consolidated Financial Condition**

	Billions of Yen			Millions of U.S. Dollars
	Q2/FY2009 Sep 30, 2009	FY2008 Mar 31, 2009	Change	Q2/FY2009 Sep 30, 2009
Total assets	1,129.5	1,119.6	9.9	12,521.6
Total net assets	581.2	554.1	27.0	6,443.3
Net worth ratio	50.6%	48.7%	-	-
Total net assets per share (Yen/US\$)	1,066.07	1,017.19	48.88	11.8
Total debt	230.4	275.4	(45.0)	2,554.2

Summary of Consolidated Cash Flows

Six months ended September 30	Billions of Yen			Millions of U.S. Dollars
	2009	2008	Change	2009
Net cash provided by operating activities	110.6	63.9	46.7	1,226.9
Net cash used in investing activities	(19.3)	(22.7)	3.4	(214.0)
Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities	91.3	41.1	50.1	1,012.9
Net cash used in financing activities	(61.6)	(34.3)	(27.3)	(683.6)

Total assets increased 9.9 billion yen from the previous fiscal year-end to 1,129.5 billion yen. The principal increase in assets was a 31.2 billion yen increase in cash and cash equivalents. The principal decreases in assets were a 7.9 billion yen decrease in inventories, including merchandise and finished goods for which raw material prices declined, and a 15.1 billion yen decrease in intangible assets due to the progress of amortization of intellectual property rights including trademarks and goodwill.

Total liabilities decreased 17.1 billion yen from the previous fiscal year-end to 548.3 billion yen. The principal increases in liabilities were a 13.0 billion yen increase in notes and accounts payable – trade and a 7.7 billion yen increase in accrued income taxes. The principal decrease in liabilities was a 39.5 billion yen decrease due to repayment of a portion of long-term debt.

Total net assets increased 27.0 billion yen from the previous fiscal year-end to 581.2 billion yen. The principal increase in net assets was net income for the six-month period ended September 30, 2009 totaling 25.2 billion yen and a change in foreign currency translation

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adjustments, associated with the translation of the total net assets of overseas subsidiaries into yen, totaling 14.1 billion yen due to the weaker yen. The principal decrease in total net assets was payments of dividends from retained earnings totaling 15.0 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 50.6% compared with 48.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 110.6 billion yen. The principal increases in net cash were income before income taxes and minority interests of 40.5 billion yen, depreciation and amortization of 41.4 billion yen and an increase of 11.1 billion yen in trade payables. The principal decrease in net cash was income taxes paid of 12.0 billion yen.

Net cash used in investing activities totaled 19.3 billion yen. This primarily consisted of purchase of property, plant and equipment of 16.4 billion yen and increase in intangible assets of 2.5 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 91.3 billion yen.

Net cash used in financing activities totaled 61.6 billion yen. This primarily consisted of 39.6 billion yen for repayment of a portion of long-term debt and 15.0 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at September 30, 2009 increased 34.5 billion yen compared with the end of the previous fiscal year to 145.1 billion yen. The increase was 30.3 billion yen compared with the end of the second quarter of the previous fiscal year.

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3. Qualitative Information on Forecast of Consolidated Results**Revised Forecast of Consolidated Results for the Year Ending March 31, 2010**

(Billions of yen, except where noted)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Previous forecast (A)	1,210.0	97.0	95.0	56.0	104.48
Revised forecast (B)	1,185.0	89.0	88.0	41.0	76.49
Change (B-A)	(25.0)	(8.0)	(7.0)	(15.0)	(27.99)
Percentage change	(2.1%)	(8.2%)	(7.4%)	(26.8%)	(26.8%)
Actual results for the year ended March 31, 2009	1,276.3	96.8	94.6	64.4	120.25

Regarding current global economic conditions, there is a sense that the downturn that originated in the U.S. financial crisis in autumn 2008 has halted. However, it has not led to a recovery in consumer purchasing sentiment due to the uncertain economic outlook. In addition, international market prices of natural oils and fats and crude oil remain unstable, although they have declined substantially since the second half of 2008 due to worsening economic conditions.

Amid these circumstances, the Kao Group has set a new mission based on the medium- and long-term outlook: "Positioning ecology at the core of management, Kao aims to contribute to 'the wholehearted satisfaction and enrichment of the lives of people globally' in the fields of cleanliness, beauty and health."

In the Consumer Products Business, the Kao Group will work to enhance brand value by launching new and improved high-value-added products through an understanding of the changes arising among consumers and customers with strengthened technological development that incorporates an environmental perspective throughout the product lifecycle. In addition, the Kao Group will further strengthen collaborations with retailers through measures including proposing plans that respond to changes in consumers and retailing for linkage with in-store merchandising. The Chemical Business will focus on contributing to industry worldwide by developing unique new materials with the environmental in mind and products that incorporate Kao technologies. Moreover, on October 8, Kao Corporation submitted a revocation notice pertaining to Food for Specified Health Uses (FOSHU) approval for current *Econa* products, aiming at a new start of the *Econa* brand. Until that new start, the Kao Group will use certain management resources that were being invested in the *Econa* business for development of promising businesses as it works to cover the impact of the decrease in sales.

However, in an operating environment of strong consumer consciousness of daily expenditures and weak personal consumption and private-sector capital investment, the Kao

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Group has revised its forecast of consolidated results for the fiscal year as shown above due to factors including uncertainty about the outlook for prestige cosmetics and the Chemical Business, the effect of currency translation in overseas businesses, raw material price trends and the consequent impact of the tax effect on its consolidated subsidiaries.

The main exchange rates used in the forecast of consolidated results for the full fiscal year are 95 yen per U.S. dollar, a change from the initial rate of 100 yen per U.S. dollar used at the time of the business results announcement made on April 24, 2009, and 130 yen per euro, which remains unchanged.

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4. Other

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None

(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements:

(a) Simplified accounting procedures:

(i) Valuation of inventories

Inventories at the end of the second quarter are mainly calculated using a reasonable estimate based on actual inventories at the end of the previous fiscal year, in lieu of an actual physical inventory.

In addition, the carrying amount of inventories is reduced to estimated net selling value only where there is an obvious decrease in profitability.

(ii) Method of calculating depreciation of fixed assets

For assets depreciated using the declining balance method, depreciation expenses applicable to the fiscal year are calculated on a pro-rata basis.

(b) Accounting procedures specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentation methods used in the preparation of quarterly consolidated financial statements: None

Consolidated Balance Sheets

Millions of yen

	Q2/FY2009	FY2008
	Sep 30, 2009	Mar 31, 2009
Assets		
Current assets		
Cash and time deposits	85,089	53,830
Notes and accounts receivable - trade	124,880	126,584
Short-term investments	56,416	54,714
Merchandise and finished goods	76,564	80,310
Work in process	11,024	16,344
Raw materials and supplies	22,556	21,393
Other	54,451	52,178
Allowance for doubtful receivables	(1,705)	(1,528)
Total current assets	429,279	403,826
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,098,552	1,084,360
Accumulated depreciation	(842,284)	(826,886)
Total property, plant and equipment	256,268	257,474
Intangible assets		
Goodwill	204,352	206,264
Trademarks	98,938	108,137
Other	29,998	34,043
Total intangible assets	333,289	348,445
Investments and other assets		
Investments and other assets	110,956	110,129
Allowance for doubtful receivables	(215)	(198)
Total investments and other assets	110,741	109,930
Total fixed assets	700,298	715,850
Total assets	1,129,577	1,119,676
Liabilities		
Current liabilities		
Notes and accounts payable - trade	108,099	95,036
Short-term debt	10,929	16,402
Current portion of long-term debt	22,117	22,183
Accrued income taxes	20,944	13,228
Other	134,138	123,889
Total current liabilities	296,229	270,741
Long-term liabilities		
Bonds	99,997	99,996
Long-term debt	97,374	136,900
Liability for employee retirement benefits	34,127	36,000
Other	20,598	21,842
Total long-term liabilities	252,097	294,741
Total liabilities	548,327	565,482
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	442,012	431,799
Treasury stock, at cost	(11,051)	(11,038)
Total shareholders' equity	625,946	615,745
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	2,308	2,090
Deferred gains or losses on hedges	(3)	(11)
Foreign currency translation adjustments	(55,953)	(70,134)
Other	(884)	(2,459)
Total adjustments for valuation, foreign currency translation and others	(54,532)	(70,515)
Stock acquisition rights	1,113	838
Minority interests	8,723	8,124
Total net assets	581,250	554,194
Total liabilities and net assets	1,129,577	1,119,676

Consolidated Statements of Income

Millions of yen

	<u>1H/FY2009</u> <u>Apr '09 - Sept '09</u>	<u>1H/FY2008</u> <u>Apr '08 - Sept '08</u>
Net sales	599,051	657,905
Cost of sales *	251,152	286,321
Gross profit	347,899	371,584
Selling, general and administrative expenses	302,314	316,841
Operating income	45,584	54,742
Non-operating income		
Interest income	561	1,274
Dividend income	95	113
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,101	751
Other	1,336	1,938
Total non-operating income	3,094	4,078
Non-operating expenses		
Interest expense	2,293	3,098
Foreign currency exchange loss	170	296
Other	353	438
Total non-operating expenses	2,817	3,834
Ordinary income	45,861	54,986
Extraordinary gain		
Gain on sales of fixed assets	65	46
Reversal of allowance for doubtful receivables	-	286
Other	37	62
Total extraordinary gain	102	395
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,411	743
Loss on impairment of long-lived assets	456	561
Loss related to cooking oils *	3,419	-
Other	79	315
Total extraordinary loss	5,366	1,620
Income before income taxes and minority interests	40,597	53,761
Income taxes		
Income taxes-current	21,042	21,472
Income taxes-deferred	(5,980)	(753)
Total income taxes	15,062	20,719
Minority interests in earnings of consolidated subsidiaries	297	650
Net income	25,237	32,392

* Note: Total expenses associated with refraining from selling *Econa* cooking oil and related products in the amount of 5,948 million yen for fiscal 2009 consist of 2,529 million yen of inventory revaluation expenses included in cost of sales and 3,419 million yen of loss related to cooking oils in extraordinary loss.

Major items of consolidated selling, general and administrative expenses

Millions of yen	1H/FY2009 <u>Apr '09 - Sept '09</u>	1H/FY2008 <u>Apr '08 - Sept '08</u>
Freight/warehouse	36,246	37,986
Advertising	46,265	47,367
Sales promotion	33,187	35,746
Salaries and bonuses	61,485	64,904
Research and development	22,560	23,024

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2009	1H/FY2008
	Apr '09 - Sept '09	Apr '08 - Sept '08
Operating activities:		
Income before income taxes and minority interests	40,597	53,761
Adjustments for:		
Depreciation and amortization	41,439	43,352
Loss on impairment of long-lived assets	456	561
Interest and dividend income	(656)	(1,387)
Interest expense	2,293	3,098
Unrealized foreign currency exchange (gain) loss	(519)	(110)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,101)	(751)
(Gain) loss on sales and retirement of fixed assets	1,345	696
Change in trade receivables	5,253	(7,151)
Change in inventories	10,637	(7,984)
Change in trade payables	11,114	8,160
Change in liability for retirement benefits	(2,324)	2,456
Other, net	15,650	1,818
<i>Subtotal</i>	124,186	96,521
Interest and cash dividends received	883	1,591
Interest paid	(2,331)	(3,083)
Income taxes paid	(12,057)	(31,078)
Net cash provided by operating activities	110,681	63,951
Investing activities:		
Purchase of property, plant and equipment	(16,462)	(18,788)
Increase in intangible assets	(2,562)	(3,754)
Payments for long-term prepaid expenses	(2,296)	(2,484)
Change in short-term loans, net	273	136
Payments for long-term loans	(1,061)	(1,579)
Other, net	2,801	3,716
Net cash used in investing activities	(19,307)	(22,754)
Financing activities:		
Change in short-term debt, net	(6,448)	2,132
Proceeds from long-term loans	13	759
Repayments of long-term loans	(39,685)	(22,093)
Purchase of treasury stock	(79)	(908)
Payments of cash dividends	(15,017)	(14,488)
Payments of cash dividends to minority shareholders	(5)	(224)
Other, net	(439)	493
Net cash used in financing activities	(61,663)	(34,331)
Translation adjustments on cash and cash equivalents	4,850	(4,696)
Net increase (decrease) in cash and cash equivalents	34,560	2,169
Cash and cash equivalents at 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 end of period	145,125	114,794

Consolidated Segment Information by Business

Millions of yen

1H/FY2009 Apr '09 - Sept '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	275,699	97,981	141,073	514,754	84,296	599,051	-	599,051
Intersegment sales	-	-	-	-	16,359	16,359	(16,359)	-
Total	275,699	97,981	141,073	514,754	100,655	615,410	(16,359)	599,051
Operating expenses *	274,566	93,390	109,327	477,284	92,579	569,863	(16,396)	553,466
Operating income	1,132	4,591	31,746	37,470	8,076	45,547	37	45,584

1H/FY2008 Apr '08 - Sept '08	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	300,134	97,670	138,987	536,792	121,113	657,905	-	657,905
Intersegment sales	-	-	-	-	19,802	19,802	(19,802)	-
Total	300,134	97,670	138,987	536,792	140,916	677,708	(19,802)	657,905
Operating expenses	290,659	90,655	112,743	494,057	128,916	622,974	(19,811)	603,163
Operating income	9,475	7,015	26,244	42,735	11,999	54,734	8	54,742

Note: Associated with refraining from selling *Econa* cooking oil and related products, 2,529 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

1H/FY2009

Apr '09 - Sept '09

	Japan *	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	461,774	50,071	39,893	47,312	599,051	-	599,051
Intersegment sales	8,764	11,913	341	5,555	26,575	(26,575)	-
Total	470,539	61,984	40,235	52,867	625,627	(26,575)	599,051
Operating expenses *	429,095	61,219	39,618	51,036	580,970	(27,503)	553,466
Operating income	41,443	764	617	1,830	44,656	928	45,584

1H/FY2008

Apr '08 - Sept '08

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	477,788	61,414	51,407	67,294	657,905	-	657,905
Intersegment sales	10,037	22,996	478	8,345	41,857	(41,857)	-
Total	487,826	84,411	51,885	75,639	699,763	(41,857)	657,905
Operating expenses	441,349	81,809	49,270	72,648	645,078	(41,914)	603,163
Operating income	46,477	2,601	2,615	2,991	54,685	57	54,742

Note: Associated with refraining from selling *Econa* cooking oil and related products, 2,529 million yen of inventory revaluation expenses are included in operating expenses for Japan for fiscal 2009.

Consolidated Sales to Foreign Customers

Millions of yen

1H/FY2009	<u>Asia/Oceania</u>	<u>North America</u>	<u>Europe</u>	<u>Total</u>
Apr '09 - Sept '09				
Sales to foreign customers	<u>56,922</u>	<u>41,016</u>	<u>45,381</u>	<u>143,320</u>
Consolidated net sales				<u>599,051</u>
Percentage of sales to foreign customers to consolidated net sales	9.5%	6.8%	7.6%	23.9%

1H/FY2008	<u>Asia/Oceania</u>	<u>North America</u>	<u>Europe</u>	<u>Total</u>
Apr '08 - Sept '08				
Sales to foreign customers	<u>69,217</u>	<u>53,479</u>	<u>63,901</u>	<u>186,598</u>
Consolidated net sales				<u>657,905</u>
Percentage of sales to foreign customers to consolidated net sales	10.6%	8.1%	9.7%	28.4%

Consolidated Sales Composition

Millions of yen

	1H/FY2009 <u>Apr '09 - Sept '09</u>	1H/FY2008 <u>Apr '08 - Sept '08</u>	<u>Growth %</u>
Consumer Products Business			
Beauty Care Business	210,540	221,675	(5.0)
Human Health Care Business	90,222	89,042	1.3
Fabric and Home Care Business	128,438	124,020	3.6
Total Japan	429,201	434,739	(1.3)
Asia and Oceania	38,186	42,767	(10.7)
North America and Europe	55,244	68,219	(19.0)
Eliminations	(7,878)	(8,933)	-
Total	514,754	536,792	(4.1)
Chemical Business			
Japan	55,960	69,919	(20.0)
Asia	24,407	42,821	(43.0)
North America and Europe	34,847	53,759	(35.2)
Eliminations	(14,559)	(25,584)	-
Total	100,655	140,916	(28.6)
Total before Eliminations	615,410	677,708	(9.2)
Eliminations	(16,359)	(19,802)	-
Consolidated Net Sales	599,051	657,905	(8.9)

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	