

Kao Corporation Reports Business Results

Tokyo, April 26, 2011 — Kao Corporation today announced its consolidated business results for the fiscal year ended March 31, 2011. 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			
	2011	2010	Growth	2011
	Yen		%	U.S. dollars
Net sales	1,186,831	1,184,384	0.2	14,273.4
Operating income	104,591	94,033	11.2	1,257.9
Ordinary income	103,336	93,572	10.4	1,242.8
Net income	46,737	40,506	15.4	562.1
Comprehensive income	25,558	51,166	(50.0)	307.4
ROE (Net income / Net worth)	8.5%	7.3%	-	8.5%
ROA (Ordinary income / Total assets)	9.9%	8.6%	-	9.9%
Operating income / Net sales	8.8%	7.9%	-	8.8%
Total assets	1,022,799	1,065,751	(4.0)	12,300.6
Total net assets	539,564	575,294	(6.2)	6,489.0
Net worth	528,894	565,133	(6.4)	6,360.7
Net worth ratio	51.7%	53.0%	-	51.7%
Net worth per share (Yen/US\$)	1,013.05	1,054.31	(3.9)	12.18
Net income per share (Yen/US\$)	87.69	75.57	16.0	1.05
Net income per share, fully diluted (Yen/US\$)	87.67	75.55	16.0	1.05
	Yen		%	U.S. dollars
Net cash provided by operating activities	151,298	172,284	-	1,819.6
Net cash used in investing activities	(31,777)	(44,220)	-	(382.2)
Net cash used in financing activities	(87,323)	(124,566)	-	(1,050.2)
Cash and cash equivalents, end of period	143,143	117,180	-	1,721.5

Notes:

1. Net worth is net assets, excluding minority interests and stock acquisition rights.
2. The net worth ratio is defined as net worth divided by total assets.
3. Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
4. Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
5. 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, 2011; 540,143,701 shares as of March 31, 2010.
 - Number of shares of treasury stock:
18,063,790 shares as of March 31, 2011; 4,122,298 shares as of March 31, 2010.
6. Weighted average number of shares outstanding during the fiscal year ended March 31 of each year:
532,979,835 shares for 2011; 536,008,652 shares for 2010.

Dividend

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

	Year ended March 31		
	2011	2010	2011
	Yen		U.S. dollars
Annual cash dividends per share (Yen/US\$)	58.00	57.00	0.70
Total dividend payment amount	30,717	30,584	369.42
Payout ratio (consolidated)	66.1%	75.4%	66.1%
Cash dividends / Total net assets (consolidated)	5.6%	5.5%	5.6%

*Notes:**Interim dividend per share: 29.00 yen for 2011 and 28.00 yen for 2010**Year-end dividend per share: 29.00 yen for 2011 and 29.00 yen for 2010***Forecast of Consolidated Results for the Six Months Ending September 30, 2011 and the Year Ending March 31, 2012**

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

	Six months ending September 30, 2011			Year ending March 31, 2012		
	Yen	% Growth	U.S. dollars	Yen	% Growth	U.S. dollars
Net sales	604.0	0.4	7,264.0	1,228.0	3.5	14,768.5
Operating income	45.0	(22.2)	541.2	105.0	0.4	1,262.8
Ordinary income	45.0	(20.3)	541.2	104.0	0.6	1,250.8
Net income	23.0	(17.4)	276.6	53.0	13.4	637.4
Net income per share (Yen/US\$)	44.05	-	0.53	101.52	15.8	1.22
Cash dividends per share (Yen/US\$)	29.00	-	0.35	58.00	-	0.70

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

Consolidated Results by Segment

Year ended March 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Beauty Care	533.5	547.9	(2.6)	(0.4)	5.5	4.7	0.7
Human Health Care	175.7	183.1	(4.0)	(4.0)	15.2	8.9	6.3
Fabric and Home Care	279.0	276.9	0.8	0.7	59.6	60.6	(0.9)
Consumer Products Total	988.2	1,008.0	(2.0)	(0.8)	80.4	74.3	6.1
Chemical	231.9	207.8	11.6	16.0	24.1	19.6	4.4
Total	1,220.2	1,215.8	0.4	2.1	104.5	94.0	10.5
Eliminations	(33.4)	(31.4)	-	-	0.0	0.0	(0.0)
Consolidated	1,186.8	1,184.3	0.2	2.0	104.5	94.0	10.5

Year ended March 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2011	2010	Like-for-like		2011	2010	Change
Beauty Care	6,416.3	6,589.8	(2.6)	(0.4)	66.6	57.1	9.5
Human Health Care	2,113.8	2,202.7	(4.0)	(4.0)	183.8	107.6	76.2
Fabric and Home Care	3,355.5	3,330.3	0.8	0.7	717.5	729.4	(11.9)
Consumer Products Total	11,885.5	12,122.8	(2.0)	(0.8)	967.9	894.2	73.7
Chemical	2,790.1	2,499.5	11.6	16.0	289.8	236.4	53.5
Total	14,675.6	14,622.3	0.4	2.1	1,257.7	1,130.6	127.1
Eliminations	(402.3)	(378.4)	-	-	0.1	0.3	(0.2)
Consolidated	14,273.4	14,243.9	0.2	2.0	1,257.9	1,130.9	127.0

Reference: Consolidated Results by Geographic Area

Year ended March 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Japan	912.4	918.4	(0.7)	(0.7)	85.2	79.9	5.3
Asia/Oceania	152.3	131.6	15.7	17.9	6.6	2.6	3.9
North America	80.3	79.1	1.4	8.0	5.6	4.9	0.6
Europe	112.1	111.1	0.9	14.2	8.1	5.1	3.0
Total	1,257.2	1,240.5	1.3	3.2	105.6	92.7	12.9
Eliminations	(70.4)	(56.1)	-	-	(1.0)	1.3	(2.3)
Consolidated	1,186.8	1,184.3	0.2	2.0	104.5	94.0	10.5

Year ended March 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2011	2010	Like-for-like		2011	2010	Change
Japan	10,973.4	11,046.3	(0.7)	(0.7)	1,025.0	961.0	63.9
Asia/Oceania	1,832.4	1,583.9	15.7	17.9	80.2	32.3	47.8
North America	966.0	952.5	1.4	8.0	67.5	59.7	7.8
Europe	1,348.4	1,336.8	0.9	14.2	98.3	62.1	36.2
Total	15,120.3	14,919.5	1.3	3.2	1,270.9	1,115.2	155.8
Eliminations	(846.9)	(675.5)	-	-	(13.1)	15.7	(28.8)
Consolidated	14,273.4	14,243.9	0.2	2.0	1,257.9	1,130.9	127.0

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Beginning with the fiscal year ended March 31, 2011, segment information is presented according to Kao's management approach based on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, issued March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008).
3. Information on consolidated results by geographic area is for reference.
4. Net sales to foreign customers were 26.3% of consolidated net sales compared with 25.2% for the same period a year earlier.

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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. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2011, of 83.15 yen=US\$1, and are presented solely for the convenience of readers.
3. Yen amounts are rounded down to the nearest million.

Forward-Looking Statements

Forward-looking statements such as earnings forecasts and other projections contained in this release is based on information available at this time and assumptions that management believes to be reasonable. Actual results may differ materially from those expectations due to various factors.

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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, 2011, although a moderate recovery trend in the global economy continued, there was no full-fledged economic recovery in Japan due to the effects of deflation, employment uncertainty and other factors. In addition, the Great East Japan Earthquake that struck on March 11, 2011 inflicted immense damage on people's lives and on various industries. In the household and personal care products market in Japan, a key market for the Kao Group, consumer purchase prices fell from the previous fiscal year as budget-strapped consumers continued their purchasing behavior, but the market grew 1% on a value basis due to an increase in volume. The cosmetics market in Japan continued to contract due to a shift in consumer preference to lower-priced products, although there was a sense that the market is bottoming out.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value based on its concept of "Yoki-Monozukuri"* as it promoted rebuilding of its cosmetics business in Japan and cost reduction activities. The Kao Group was also impacted by the earthquake, but made all-out efforts to recover in order to carry out stable supply of products as the mission of a manufacturer of daily necessities.

** 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."*

Net sales increased 0.2% compared with the previous fiscal year to 1,186.8 billion yen. Excluding the effect of currency translation, net sales would have increased 2.0%. Sales decreased due to the contraction of the Japanese cosmetics market in the Beauty Care Business and the suspension of production and sale of *Econa* cooking oil and related products (*Econa* products) from September 2009 in the Human Health Care Business. However, the Consumer Products Business in Asia and Oceania expanded, and sales volume recovered in the Chemical Business as it worked to adjust selling prices in response to higher raw material prices.

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Prices of raw materials, mainly natural oils and fats, increased due to volatility in international market prices. However, in addition to the effect on profits of increased overseas sales, the Kao Group continued to work on measures including the rebuilding of its cosmetics business, promotion of cost reduction activities and greater efficiency in areas such as advertising expenses. Consequently, operating income increased 10.5 billion yen compared with the previous fiscal year to 104.5 billion yen, and ordinary income increased 9.7 billion yen to 103.3 billion yen. Although the Kao Group recorded an extraordinary loss of 4.1 billion yen as loss related to the Great East Japan Earthquake, net income was 46.7 billion yen, an increase of 6.2 billion yen compared with the previous fiscal year.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 139.1 billion yen, which is equivalent to 11.7% of net sales.

Net income per share was 87.69 yen, an increase of 12.12 yen, or 16.0%, from 75.57 yen in the previous fiscal year.

Economic value added (EVA*), which the Kao Group uses as a management indicator, was higher than the previous fiscal year, reflecting an increase in net operating profit after tax (NOPAT) and efforts to reduce invested capital, including shareholder returns through stock repurchases.

**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	90.75 (95.20)	91.29 (96.76)	85.03 (92.81)	82.22 (90.12)
Yen/Euro	123.71 (123.20)	114.83 (133.45)	111.45 (132.97)	110.39 (132.60)

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

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1.1.1.2. Trends by Segment for the Fiscal Year

Summary of Results by Business Segment

Consumer Products Business

Sales decreased 2.0% compared with the previous fiscal year to 988.2 billion yen. Excluding the effect of currency translation, sales would have decreased 0.8%.

In Japan, sales were 817.2 billion yen as the Kao Group limited the decrease to 1.7% despite the impact of factors including the Great East Japan Earthquake and the suspension of production and sale of *Econa* products in the previous fiscal year. In an intensely competitive market and deflationary conditions, the Kao Group took various measures including proposing environmentally conscious products, launching new products and improving core brands in response to changing consumer lifestyles, and strengthening proposal-based sales and in-store merchandising activities.

In Asia and Oceania, sales increased 3.0% to 82.0 billion yen. Excluding the effect of currency translation, sales would have increased 4.7%. Amid continued market growth in Asia, the Kao Group further promoted integration of business operations in Asia, including Japan, such as collaborations with retailers, and aggressively expanded new product launches and other measures.

In North America, sales decreased 5.7% to 51.0 billion yen. Excluding the effect of currency translation, sales would have increased 1.2%. The market recovered, albeit moderately, and professional hair care products contributed to sales growth.

In Europe, sales decreased 3.2% to 60.7 billion yen. Excluding the effect of currency translation, sales would have increased 9.2%. In the flat market, premium hair care products, mainly new products, performed well.

Operating income increased 6.1 billion yen to 80.4 billion yen despite the decrease in sales, due to factors including more efficient deployment of expenses and cost reduction activities.

Beauty Care Business

Sales decreased 2.6% compared with the previous fiscal year to 533.5 billion yen. Excluding the effect of currency translation, sales would have decreased 0.4%.

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In prestige cosmetics, which consist of self-selection and counseling cosmetics, sales decreased 4.0% to 254.4 billion yen due to an ongoing consumer preference for lower-priced products in the cosmetics market together with the impact of the Great East Japan Earthquake, although the Kao Group's efforts to rebuild its prestige cosmetics business in Japan have been proving effective. In Japan, for its self-selection cosmetics, the Kao Group added a multifunctional cream and a low-priced line of products to the *Fréshel* skin care brand, and leveraged the Kao Group's comprehensive capabilities to strengthen in-store merchandising for other brands such as *KATE* makeup and *EVITA* total cosmetics. For its counseling cosmetics, the Kao Group nurtured and strengthened its megabrands with annual sales of more than 10 billion yen, with a focus on brands such as *COFFRET D'OR* makeup, *SOFINA beauté* skin care products and *SOFINA Primavista* base makeup. In addition, the Kao Group carried out reform of sales methods including optimization of counseling in response to changes in consumer needs. In Asia, despite a slowdown in growth in China, the Kao Group performed well, due in part to the rollout of new products in Taiwan and Thailand.

In premium skin care products, sales increased in Japan, with firm performance driven mainly by growth in sales of the *Bioré* skin care series, particularly makeup remover and UV care products. Sales in Asia increased primarily as a result of strong sales of the *Bioré* brand in Taiwan and Indonesia. In the United States, the Kao Group launched improved *Curél* sensitive skin care products and expanded distribution.

Sales of premium hair care products were flat in Japan as *Merit* and *Essential* shampoos and conditioners performed steadily, but competition intensified for hair coloring agents. In Asia, sales increased due to factors including the strong performance of *Liese* hair color foam following launches in Singapore, Hong Kong and Malaysia. In North America, sales of the *Goldwell* and *kms* professional hair care brands increased. In Europe, the launch of hair color foam contributed to strong sales of the *John Frieda* premium hair care brand.

Operating income increased 0.7 billion yen to 5.5 billion yen, despite the decrease in sales, particularly due to efforts to rebuild the prestige cosmetics business. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was essentially unchanged at 39.8 billion yen, which is equivalent to 7.5% of sales.

Human Health Care Business

Sales decreased 4.0% compared with the previous fiscal year to 175.7 billion yen. Excluding the effect of currency translation, sales would have decreased 4.0%.

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Sales of food and beverage products declined due to the suspension of production and sale of *Econa* products in the previous fiscal year and the impact of market competition on *Healthya Sparkling* functional health drink as it entered the second year since its launch.

Sales of sanitary products increased due to higher sales in Asia, despite market contraction in Japan as a result of price competition and a shrinking base of target consumers for sanitary napkins and baby diapers. The Kao Group added higher value to *Laurier* sanitary napkins by enhancing absorbency, and its efforts to make *Merries* baby diapers gentler on skin earned consumer support and received a positive response from consumers in Russia as well.

Sales of personal health products increased on strong sales of the thermal product *Megurhythm* steam eye mask and *Bub* bath additives.

Operating income increased 6.3 billion yen to 15.2 billion yen due to the addition of higher value to products and cost reduction activities, as well as the absence of expenses recorded in the previous fiscal year associated with the suspension of production and sale of *Econa* products.

Fabric and Home Care Business

Sales increased 0.8% compared with the previous fiscal year to 279.0 billion yen. Excluding the effect of currency translation, sales would have increased 0.7%.

In fabric care products, sales were firm amid intensifying price competition. In Japan, the Kao Group launched *New Beads Neo* as an addition to *Attack Neo* ultra-concentrated liquid laundry detergent, and launched *Humming Neo* ultra-concentrated fabric softener as the *Neo* series in order to focus on the environmental appeal of conserving water and electricity. In Asia and Oceania, *Attack Instant Clean Liquid Detergent*, a laundry detergent that saves water by reducing the number of rinse cycles, was launched in China, and gained a positive response with its cleaning power.

In home care products, the addition of a new *Bath Magiclean* cleaner with anti-mildew properties and the launch of paper cleaning product *Quickle Wiper* fluffy sheets contributed significantly to invigorating the market in Japan. However, sales were flat as kitchen detergents faced intense price competition.

Operating income decreased 0.9 billion yen to 59.6 billion yen despite cost reduction activities, due mainly to an increase in raw material prices.

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Chemical Business

The Chemical Business further expanded its global business operations, growing along with the high economic growth in China and other Asian countries and performing steadily in Japan, North America and Europe. As a result, Chemical Business sales increased 11.6% compared with the previous fiscal year to 231.9 billion yen. Excluding the effect of currency translation, sales would have increased 16.0%.

Sales volume of oleo chemicals and performance chemicals increased due to the recovery of demand from customer industries. The Kao Group also made efforts to adjust selling prices, particularly of oleo chemicals, in response to the sharp rise in the prices of natural oils and fats used as raw materials. In performance chemicals, the Kao Group worked to develop and expand sales of environmentally conscious, high-value-added products. Sales of specialty chemicals, primarily toner and toner binder for copiers and printers, were also strong in Japan, North America and Europe.

Operating income increased 4.4 billion yen to 24.1 billion yen due to the recovery in sales volume.

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1.1.2 Forecast for the Fiscal Year Ending March 31, 2012**Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2012**

(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, 2012	1,228.0	105.0	104.0	53.0	101.52
Actual results for the year ended March 31, 2011	1,186.8	104.5	103.3	46.7	87.69
Growth	3.5%	0.4%	0.6%	13.4%	15.8%

1.1.2.1. Forecast of Overall Business Results for the Fiscal Year Ending March 31, 2012

The global economy is gradually recovering. However, international market prices of natural oils and fats and crude oil have been rising sharply since the middle of last year. In addition, deflation is advancing in Japan as consumer prices continue to decline. Moreover, the Great East Japan Earthquake that occurred in March 2011 added to the uncertainty about the prospects for the Japanese economy.

In this environment, the Kao Group will work to recover from the damage of the earthquake as quickly as possible, and will carry out stable supply of products as a manufacturer of daily necessities. 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 Kao 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 changes in consumer needs. The Kao Group forecasts that net sales will increase 3.5% year on year to 1,228.0 billion yen. The Kao Group will work to stimulate the market with new product launches and other measures in Japan and overseas, and expects an increase in sales volume.

However, rising prices for raw materials such as natural oils and fats and petrochemicals are projected to be a factor increasing costs in the fiscal year ending March 31, 2012. In response, the Kao Group will work to continue price adjustments and cost reduction activities, while at the same time it will accelerate activities to strengthen global business development. Based on

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these assumptions, the Kao Group forecasts a 0.4% increase in operating income to 105.0 billion yen, a 0.6% increase in ordinary income to 104.0 billion yen, and a 13.4% increase in net income to 53.0 billion yen.

Please note that the amount of the impact of the Great East Japan Earthquake on the Kao Group has been incorporated to the extent it can be foreseen.

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, 2012

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. The cosmetics market in Japan is expected to shrink due to the structural shift toward lower-priced products, and in addition the impact of the earthquake has increased uncertainty. In overseas markets, growth is expected to continue in Asia, and a recovery is projected in North America and Europe. In this situation, the Kao Group will take the following actions.

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, the cosmetics market is forecast to remain weak, but the Kao Group will continue rebuilding its business and 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 enter new markets with initiatives including the launch of hair color foam that uses its original technology, and will focus management resources on cultivating and strengthening core brands through innovation of its global operating structure.

The Kao Group forecasts a 2.0% year-on-year increase in sales of this business to 544.0 billion yen.

The Human Health Care Business will promote product development focused on health care for both body and spirit. In sales of food and beverage products, 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.

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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 skin and that offer greater comfort and a sense of reassurance, and will start construction of a new factory for baby diapers in China. 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 with products that can become healthy daily lifestyle habits.

The Kao Group forecasts a 4.1% year-on-year increase in sales of this business to 183.0 billion yen.

In the Fabric and Home Care Business, the Kao Group will strengthen its brands and offer proposals for improvements in daily life globally based on insights into changing consumer lifestyles, developing high-value-added products that offer cleanliness, comfort and enjoyment in various everyday situations. In collaboration with retailers, the Kao Group will further promote its “eco together” environmental statement with instructional activities that aim to reduce environmental impact throughout the entire product lifecycle. In China and other countries in Asia, where the market for liquid laundry detergents is expanding, the Kao Group will work to develop and nurture products that incorporate its technologies to meet local consumer needs.

The Kao Group forecasts a 2.5% year-on-year increase in sales of this business to 286.0 billion yen.

In the Chemical Business, the Kao Group will adjust prices of oleo chemical and performance chemical products in response to rising raw material prices. In performance chemicals and specialty chemicals, the Kao Group will work to strengthen environmentally conscious products. In addition, the Kao Group will work to expand sales by opening up growth markets such as the BRICs countries while developing new materials using unique, environmentally conscious technologies, mainly at the Eco Technology Research Center that will open in June 2011, in response to rising concern about the environment worldwide.

The Kao Group forecasts a 16.4% year-on-year increase in sales of this business to 270.0 billion yen.

1.1.2.3. Underlying Assumptions of the Forecast for the Fiscal Year Ending March 31, 2012

The above forecast was made assuming translation rates of one U.S. dollar to 85 yen and one euro to 115 yen.

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 information currently available to the Kao Group.

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1.2. Analysis of Financial Condition**Analysis of Assets, Liabilities, Net Assets and Cash Flow****1.2.1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ended March 31, 2011****Summary of Consolidated Financial Condition**

As of March 31	Billions of yen			Millions of U.S. dollars
	2011	2010	Incr./ (Dcr.)	2011
Total assets	1,022.7	1,065.7	(42.9)	12,300.6
Total net assets	539.5	575.2	(35.7)	6,489.0
Net worth ratio	51.7%	53.0%	-	51.7%
Net worth per share (Yen/US\$)	1,013.05	1,054.31	(41.26)	12.18
Total debt	156.8	182.6	(25.7)	1,886.1

Summary of Consolidated Cash Flows

Year ended March 31	Billions of yen			Millions of U.S. dollars
	2011	2010	Incr./ (Dcr.)	2011
Net cash provided by operating activities	151.2	172.2	(20.9)	1,819.6
Net cash used in investing activities	(31.7)	(44.2)	12.4	(382.2)
Free cash flow	119.5	128.0	(8.5)	1,437.4
Net cash used in financing activities	(87.3)	(124.5)	37.2	(1,050.2)

Total assets decreased 42.9 billion yen from the previous fiscal year-end to 1,022.7 billion yen. The principal increases in assets were a 40.5 billion yen increase in cash and time deposits and a 3.9 billion yen increase in raw materials and supplies due to the market upturn. The principal decreases in assets were a 6.4 billion yen decrease in notes and accounts receivable – trade, an 11.0 billion yen decrease in short-term investments, a 40.9 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill, and a 17.7 billion yen decrease in investments and other assets.

Total liabilities decreased 7.2 billion yen from the previous fiscal year-end to 483.2 billion yen. The principal increases in liabilities were a 4.1 billion yen increase in notes and accounts payable – trade and a 20.1 billion yen increase in accounts payable – other. The principal

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decreases in liabilities were a 25.7 billion yen decrease in interest-bearing liabilities, consisting of debt and corporate bonds, and an 8.2 billion yen decrease in accrued expenses.

Total net assets decreased 35.7 billion yen from the previous fiscal year-end to 539.5 billion yen. The principal increase in net assets was net income totaling 46.7 billion yen. The principal decreases in net assets were a 29.9 billion yen purchase of treasury stock from the market, a 21.4 billion yen decrease in foreign currency translation adjustments and a 31.0 billion yen decrease in retained earnings due to payment of cash dividends. At a meeting held today, the Board of Directors resolved to cancel 13,931,200 shares of treasury stock purchased from the market during the fiscal year ended March 31, 2011.

As a result, the net worth ratio (defined as net worth divided by total assets) was 51.7%, compared with 53.0% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 151.2 billion yen. The principal increases were income before income taxes and minority interests of 96.0 billion yen, depreciation and amortization of 81.3 billion yen and change in trade payables of 7.7 billion yen. The principal decreases were a change in inventories of 7.5 billion yen and income taxes paid of 40.8 billion yen.

Net cash used in investing activities totaled 31.7 billion yen. This primarily consisted of purchase of property, plant and equipment of 27.7 billion yen. Proceeds from cancellation of derivatives (foreign currency swaps) totaled 4.2 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 119.5 billion yen. Despite an increase in income before income taxes and minority interests, this was a decrease of 8.5 billion yen from the previous fiscal year due to increases in inventories and income taxes paid.

Net cash used in financing activities totaled 87.3 billion yen. This primarily consisted of 24.9 billion yen in repayments of long-term loans, 30.0 billion yen for purchase of treasury stock and 31.4 billion yen for payments of cash dividends and payments of cash dividends to minority shareholders.

The balance of cash and cash equivalents at March 31, 2011 increased 25.9 billion yen compared with the end of the previous fiscal year to 143.1 billion yen.

**1.2.2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year
Ending March 31, 2012**

Net cash provided by operating activities is forecast to be the same as in the fiscal year ended March 31, 2011.

In net cash used in investing activities, the Kao Group plans capital expenditures of approximately 48.0 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 corporate bonds that have reached their redemption period and other debt.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2012 is forecast to decrease from the previous fiscal year-end to 120.0 billion yen.

Cash Flow Indices

	Year ended March 31				
	2011	2010	2009	2008	2007
Net worth / Total assets (%)	51.7	53.0	48.7	46.6	45.2
Market capitalization / Total assets (%)	105.9	119.2	91.9	122.9	150.7
Interest-bearing debt / Operating cash flow (years)	1.1	1.1	2.4	1.8	2.2
Operating cash flow / Interest paid (times)	45.4	40.3	20.8	27.2	36.0

Notes:

- 1. All indices are computed based on consolidated data.*
- 2. Net worth is net assets, excluding minority interests and stock acquisition rights.*
- 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 pay a year-end dividend for the fiscal year ended March 31, 2011 of 29.00 yen per share, the same as the previous fiscal year, in accordance with its forecast. 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 58.00 yen per share. The consolidated payout ratio will be 66.1%.

For the fiscal year ending March 31, 2012, although the operating environment is uncertain and severe due to the impact of rising raw material prices and the Great East Japan Earthquake, among other factors, the Company plans to pay total cash dividends of 58.00 yen per share, the same as in the previous fiscal year, in accordance with its basic policies regarding distribution of profits. As a result, the projected consolidated payout ratio will be 57.1%.

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1.4. Other

(1) Significant changes in subsidiaries: None

(2) Changes in accounting principles, procedures and presentation methods

- (a) Application of *Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method*

Beginning with the fiscal year ended March 31, 2011, Kao Corporation applies *Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued March 10, 2008)* and *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24 issued March 10, 2008)*. The impact of this change on ordinary income and income before income taxes and minority interests for the period is immaterial.

- (b) Application of accounting standard for asset retirement obligations

Beginning with the fiscal year ended March 31, 2011, the Company applies *Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 issued March 31, 2008)* and the *Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 issued March 31, 2008)*. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the period is immaterial.

(3) Application of accounting standard for presentation of comprehensive income

Effective from the fiscal year ended March 31, 2011, the Company applies “*Accounting Standard for Presentation of Comprehensive Income*” (*ASBJ Statement No. 25, issued June 30, 2010*).

(4) Loss related to the Great East Japan Earthquake

Loss related to the Great East Japan Earthquake, consisting mainly of 2,414 million yen in restoration expenses for factories, laboratories and distribution bases and 884 million yen in evaluation loss on inventories, has been recorded in the consolidated statements of income as

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an extraordinary loss totaling 4,129 million yen under “Loss related to the Great East Japan Earthquake”. This amount includes 2,657 million yen for an estimated “Liability for loss related to the Great East Japan Earthquake” recorded in the consolidated balance sheets as a current liability.

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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

Structural changes are occurring worldwide in the Kao Group's operating environment over the medium to long term, including 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. The Kao

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Group sees opportunities for significant progress from these changes, and will aim to achieve global growth by shifting to ecology-centered management in line with its corporate message of “Enriching lives, in harmony with nature,” and by establishing its corporate identity.

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 clearly prioritize areas and product categories and focus on the following points.

1) Further Growth in Japan, the Kao Group’s Profit Base

The Japanese consumer products market is said to be a mature market. However, consumer values and purchasing attitudes are changing greatly, and further growth and development can be expected from the creation of products incorporating new values that match consumer needs. The Kao Group intends to achieve further profitable growth in the Japanese market, its core profit base, by providing high-value-added products in response to changes in consumer needs. The profits earned in the Japanese market will then serve as a resource for global growth and development.

2) Accelerated Globalization

To accelerate the globalization of the Consumer Products Business, in mature markets mainly in North America and Europe, the Kao Group will work to create high-value-added products that incorporate its original technologies in the fields of prestige cosmetics, premium mass skin care and hair care, and professional hair care. In addition, to enhance linkage among its diverse brands, the Kao Group will carry out innovation of its operating structure with a focus on creating strong brands.

In the growth markets of Asia and other emerging nations, the Kao Group will use focal strategic brands in sizable product categories to develop products tailored to local lifestyles using its original technologies and expand business development by establishing its corporate identity.

3) Rapid Progress toward an Eco-Chemical Business

In the Chemical Business, the Kao Group will aim for rapid progress toward an eco-chemical business through innovations led by the Eco-Technology Research Center that

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will open in June 2011. Furthermore, through close cooperation among companies in the three regions of Asia, North America and Europe, the Chemical Business will leverage its experience and knowledge in conducting the Kao Group's most global business to aggressively expand operations in the BRICs countries and other rapidly growing emerging markets.

2.4. Issues for Management

With sharply rising raw material prices due to increases in prices of natural oils and fats and crude oil, as well as the impact of the Great East Japan Earthquake, the operating environment is severe and uncertain. Under these circumstances, the Kao Group will work toward a quick recovery from price revisions and the earthquake and focus on the following points.

- 1) Deflation is advancing in the household and personal care products market in Japan. In response, we are working to re-examine product value in light of changes in consumer attitudes in everyday life and the associated changes in purchasing attitudes. More specifically, we will work to enhance high-value-added products by considering environmental value in addition to functional value and emotional value. We will further utilize the comprehensive abilities of the Kao Group, including in marketing and sales activities.
- 2) In the cosmetics market in Japan, changes in consumer purchasing attitudes and associated changes in distribution channels are occurring, and the market continues to shrink. Moreover, due to the recent earthquake, consumers' budget-strapped purchasing behavior may become more pronounced in the short term. In response to these changes in its operating environment, the Kao Group will promote innovation of its brands, marketing and sales methods, and leverage synergies within the Group.
- 3) The global market is expected to grow in the future. In response, in order to achieve profitable growth, particularly in China, the Kao Group will focus on product categories with sizable markets including laundry detergents, while strengthening its prestige cosmetics business, where high profits can be expected. In addition, the Kao Group will work to advance to the next level of integration of its business operations in Asia, including Japan.

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

Consolidated Balance Sheets*Millions of yen*

	FY2010	FY2009
	Mar 31, 2011	Mar 31, 2010
Assets		
Current assets		
Cash and time deposits	110,761	70,185
Notes and accounts receivable - trade	121,093	127,592
Short-term investments	35,028	46,071
Merchandise and finished goods	73,189	73,167
Work in process	9,994	11,246
Raw materials and supplies	26,153	22,177
Prepaid expenses	5,289	5,488
Deferred tax assets	21,854	20,235
Other	14,549	19,013
Allowance for doubtful receivables	(1,080)	(1,208)
Total current assets	416,833	393,971
Fixed assets		
Property, plant and equipment		
Buildings and structures	321,040	314,808
Accumulated depreciation	(239,490)	(236,404)
Buildings and structures, net	81,550	78,403
Machinery, equipment and vehicles	617,071	623,326
Accumulated depreciation	(545,585)	(544,908)
Machinery, equipment and vehicles, net	71,486	78,418
Tools, furniture and fixtures	77,189	77,568
Accumulated depreciation	(65,660)	(65,152)
Tools, furniture and fixtures, net	11,528	12,416
Land	62,872	63,862
Lease assets	12,146	11,610
Accumulated depreciation	(3,181)	(1,942)
Lease assets, net	8,965	9,667
Construction in progress	8,321	9,075
Total property, plant and equipment	244,724	251,844
Intangible assets		
Goodwill	179,225	195,754
Trademarks	71,176	89,357
Other	22,556	28,822
Total intangible assets	272,958	313,934
Investments and other assets		
Investment securities	12,128	13,238
Long-term loans	1,757	1,907
Long-term prepaid expenses	12,224	13,402
Deferred tax assets	49,965	61,360
Other	12,427	16,521
Allowance for doubtful receivables	(220)	(430)
Total investments and other assets	88,283	105,999
Total fixed assets	605,966	671,779
Total assets	1,022,799	1,065,751

Consolidated Balance Sheets

Millions of yen

	FY2010 Mar 31, 2011	FY2009 Mar 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable - trade	104,044	99,937
Short-term debt	6,776	7,528
Current portion of bonds	50,000	-
Current portion of long-term debt	30,008	24,382
Accounts payable - other	47,769	27,649
Accrued expenses	68,413	76,695
Income taxes payable	18,784	20,346
Liability for loss related to the Great East Japan Earthquake	2,657	-
Other	19,740	23,034
Total current liabilities	348,195	279,575
Long-term liabilities		
Bonds	49,998	99,997
Long-term debt	20,047	50,693
Liability for employee retirement benefits	42,316	38,416
Other	22,677	21,774
Total long-term liabilities	135,039	210,881
Total liabilities	483,234	490,456
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	457,917	442,272
Treasury stock, at cost	(40,976)	(10,977)
Total shareholders' equity	611,926	626,280
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,860	2,291
Deferred gain (loss) on derivatives under hedge accounting	(2)	(0)
Foreign currency translation adjustments	(84,429)	(62,992)
Post retirement liability adjustments for foreign consolidated subsidiaries	(460)	(445)
Total accumulated other comprehensive income	(83,032)	(61,146)
Stock acquisition rights	1,143	1,022
Minority interests	9,526	9,139
Total net assets	539,564	575,294
Total liabilities and net assets	1,022,799	1,065,751

Consolidated Statements of Income

Millions of yen

	FY2010 Apr '10 - Mar '11	FY2009 Apr '09 - Mar '10
Net sales	1,186,831	1,184,384
Cost of sales	498,969	493,004
Gross profit	687,861	691,380
Selling, general and administrative expenses	583,269	597,347
Operating income	104,591	94,033
Non-operating income		
Interest income	829	968
Dividend income	160	155
Equity in earnings of nonconsolidated subsidiaries and affiliates	973	1,168
Other	3,194	2,667
Total non-operating income	5,157	4,960
Non-operating expenses		
Interest expense	3,342	4,232
Foreign currency exchange loss	2,233	369
Other	836	819
Total non-operating expenses	6,412	5,421
Ordinary income	103,336	93,572
Extraordinary gain		
Gain on sales of fixed assets	1,043	199
Gain on sales of investment securities	186	3
Other	118	437
Total extraordinary gain	1,348	640
Extraordinary loss		
Loss on sales/disposals of fixed assets	2,377	2,801
Loss related to the Great East Japan Earthquake	4,129	-
Effect of application of Accounting Standard for Asset Retirement Obligations	1,633	-
Loss related to cooking oils	-	5,290
Restructuring charges for prestige cosmetics subsidiary	-	1,290
Other	525	1,869
Total extraordinary loss	8,665	11,251
Income before income taxes and minority interests	96,018	82,961
Income taxes		
Income taxes - current	38,995	36,906
Income taxes - deferred	9,182	4,734
Total income taxes	48,177	41,640
Income before minority interests	47,841	41,320
Minority interests	1,103	814
Net income	46,737	40,506

Consolidated Statement of Comprehensive Income
Millions of yen

	FY2010	FY2009
	<u>Apr '10 - Mar '11</u>	<u>Apr '09 - Mar '10</u>
Income before minority interests	47,841	41,320
Other comprehensive income		
Adjustments for unrealized gains or losses on available-for-sale securities	(480)	123
Foreign currency translation adjustments	(21,865)	7,606
Share in other comprehensive income of associates applied for equity method	77	102
Post retirement liability adjustments for foreign consolidated subsidiaries	(14)	2,013
Other comprehensive income	(22,282)	9,845
Comprehensive income	25,558	51,166
Attributable to:		
Shareholders of Kao Corporation	24,852	49,874
Minority interests	705	1,291

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen

	FY2010	FY2009
	<u>Apr '10 - Mar '11</u>	<u>Apr '09 - Mar '10</u>
Freight/warehouse	66,923	70,029
Advertising	81,081	86,358
Sales promotion	64,655	65,452
Salaries and bonuses	124,347	124,528
Research and development	45,516	44,911

Consolidated Statements of Changes in Equity

Millions of yen

	FY2010 Apr '10 - Mar '11	FY2009 Apr '09 - Mar '10
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	442,272	431,799
Changes of items during the period		
Cash dividends	(31,089)	(30,016)
Net income	46,737	40,506
Disposal of treasury stock	(2)	(16)
Total changes of items during the period	15,645	10,473
Balance at the end of period	457,917	442,272
Treasury stock		
Balance at the end of previous period	(10,977)	(11,038)
Changes of items during the period		
Purchase of treasury stock	(30,093)	(88)
Disposal of treasury stock	94	149
Total changes of items during the period	(29,998)	60
Balance at the end of period	(40,976)	(10,977)
Total Shareholders' equity		
Balance at the end of previous period	626,280	615,745
Changes of items during the period		
Cash dividends	(31,089)	(30,016)
Net income	46,737	40,506
Purchase of treasury stock	(30,093)	(88)
Disposal of treasury stock	91	133
Total changes of items during the period	(14,353)	10,534
Balance at the end of period	611,926	626,280

Consolidated Statements of Changes in Equity

Millions of yen

	FY2010 Apr '10 - Mar '11	FY2009 Apr '09 - Mar '10
Other accumulative comprehensive income		
Unrealized gain on available-for-sale securities		
Balance at the end of previous period	2,291	2,090
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(431)	201
Total changes of items during the period	(431)	201
Balance at the end of period	1,860	2,291
Deferred gain (loss) on derivatives under hedge accounting		
Balance at the end of previous period	(0)	(11)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(2)	11
Total changes of items during the period	(2)	11
Balance at the end of period	(2)	(0)
Foreign currency translation adjustments		
Balance at the end of previous period	(62,992)	(70,134)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(21,436)	7,141
Total changes of items during the period	(21,436)	7,141
Balance at the end of period	(84,429)	(62,992)
Post retirement liability adjustments for foreign consolidated subsidiaries		
Balance at the end of previous period	(445)	(2,459)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(14)	2,013
Total changes of items during the period	(14)	2,013
Balance at the end of period	(460)	(445)
Total Adjustments for valuation, foreign currency translation and others		
Balance at the end of previous period	(61,146)	(70,515)
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	(21,885)	9,368
Total changes of items during the period	(21,885)	9,368
Balance at the end of period	(83,032)	(61,146)
Stock acquisition rights		
Balance at the end of previous period	1,022	838
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	121	183
Total changes of items during the period	121	183
Balance at the end of period	1,143	1,022
Minority interests		
Balance at the end of previous period	9,139	8,124
Changes of items during the period		
Net changes of items other than shareholders' equity during the period	387	1,014
Total changes of items during the period	387	1,014
Balance at the end of period	9,526	9,139
Total net assets		
Balance at the end of previous period	575,294	554,194
Changes of items during the period		
Cash dividends	(31,089)	(30,016)
Net income	46,737	40,506
Purchase of treasury stock	(30,093)	(88)
Disposal of treasury stock	91	133
Net changes of items other than shareholders' equity during the period	(21,376)	10,565
Total changes of items during the period	(35,729)	21,100
Balance at the end of period	539,564	575,294

Consolidated Statements of Cash Flows

Millions of yen

	FY2010 Apr '10 - Mar '11	FY2009 Apr '09 - Mar '10
Operating activities:		
Income before income taxes and minority interests	96,018	82,961
Adjustments for:		
Depreciation and amortization	81,380	84,777
(Gain) loss on sales and retirement of fixed assets	1,334	2,601
Interest and dividend income	(989)	(1,124)
Interest expense	3,342	4,232
Unrealized foreign currency exchange (gain) loss	455	(417)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(973)	(1,168)
Change in trade receivables	(642)	887
Change in inventories	(7,565)	13,072
Change in prepaid pension cost	(72)	3,848
Change in trade payables	7,793	3,776
Change in liability for retirement benefits	4,595	2,029
Other, net	8,246	7,844
Subtotal	192,923	203,321
Interest and cash dividends received	2,595	2,058
Interest paid	(3,332)	(4,270)
Income taxes paid	(40,888)	(28,824)
Net cash provided by operating activities	151,298	172,284
Investing activities:		
Purchase of property, plant and equipment	(27,725)	(35,164)
Proceeds from sales of property, plant and equipment	2,409	1,970
Increase in intangible assets	(4,001)	(5,274)
Payments for long-term prepaid expenses	(4,252)	(4,339)
Purchase of marketable securities and investment securities	(22)	(28)
Proceeds from the redemption and sales of marketable securities and investment securities	593	34
Change in short-term loans, net	90	(416)
Payments for long-term loans	(1,642)	(2,241)
Proceeds from cancellation of derivatives	4,297	-
Other, net	(1,525)	1,239
Net cash used in investing activities	(31,777)	(44,220)
Financing activities:		
Change in short-term debt, net	11	(9,484)
Proceeds from long-term loans	17	35
Repayments of long-term loans	(24,959)	(84,063)
Purchase of treasury stock	(30,093)	(88)
Payments of cash dividends	(31,115)	(30,038)
Payments of cash dividends to minority shareholders	(311)	(53)
Other, net	(872)	(871)
Net cash used in financing activities	(87,323)	(124,566)
Translation adjustments on cash and cash equivalents	(6,400)	3,116
Net increase (decrease) in cash and cash equivalents	25,797	6,614
Cash and cash equivalents, beginning of period	117,180	110,565
Cash and cash equivalents from newly consolidated subsidiary, increase	166	-
Cash and cash equivalents, end of period	143,143	117,180

Consolidated Segment Information

Millions of yen

FY2010 Apr '10 - Mar '11	Consumer Products Business				Chemical Business	Total	Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	533,514	175,761	279,007	988,283	198,547	1,186,831	-	1,186,831
Intersegment sales	-	-	-	-	33,449	33,449	(33,449)	-
Total	533,514	175,761	279,007	988,283	231,996	1,220,280	(33,449)	1,186,831
Operating income	5,536	15,283	59,659	80,479	24,100	104,579	11 ¹	104,591
% of net sales	1.0	8.7	21.4	8.1	10.4	8.6	-	8.8
Total assets	547,092	87,126	124,560	758,780	186,704	945,484	77,315 ²	1,022,799
Depreciation and amortization ³	39,185	7,902	9,438	56,526	12,347	68,873		68,873
Amortization of goodwill	12,506	-	-	12,506	-	12,506	-	12,506
Investment for affiliates applied for equity methods	1,602	935	1,019	3,557	1,483	5,041	-	5,041
Capital expenditure	16,275	8,870	12,223	37,370	11,730	49,100	-	49,100

FY2009 Apr '09 - Mar '10	Consumer Products Business				Chemical Business	Total	Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and 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 income	4,749	8,951	60,652	74,353	19,654	94,008	25 ¹	94,033
% of 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 ⁴	1,065,751
Depreciation and amortization ³	39,765	8,612	10,041	58,419	13,666	72,086	-	72,086
Amortization of goodwill	12,691	-	-	12,691	-	12,691	-	12,691
Investment for affiliates applied for equity methods	1,637	917	1,059	3,614	1,348	4,962	-	4,962
Capital expenditure	19,518	6,527	8,475	34,521	10,346	44,867	-	44,867

Note on Reportable Segments: Beginning with the fiscal year ended March 31, 2011, segment information is presented according to Kao's management approach based on *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, issued March 27, 2009)* and *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008)*.

Notes:

1. Includes elimination of intersegment transactions of inventory
2. Includes 81,192 million yen of Kao's financial assets and negative 3,877 million yen elimination of receivables among reportable segments
3. Excludes amortization of goodwill
4. Includes 54,819 million yen of Kao's financial assets and negative 4,206 million yen elimination of receivables among reportable segments

Consolidated Net Sales Composition

Millions of yen

	FY2010 Apr '10 - Mar '11	FY2009 Apr '09 - Mar '10	Growth %
Consumer Products Business			
Beauty Care Business	404,124	413,160	(2.2)
Human Health Care Business	159,588	167,633	(4.8)
Fabric and Home Care Business	253,550	250,692	1.1
Total Japan	817,263	831,487	(1.7)
Asia and Oceania	82,040	79,681	3.0
North America	51,033	54,140	(5.7)
Europe	60,722	62,725	(3.2)
Eliminations	(22,776)	(20,021)	-
Total	988,283	1,008,012	(2.0)
Chemical Business			
Japan	124,975	114,970	8.7
Asia	72,570	53,354	36.0
North America	29,462	25,201	16.9
Europe	51,524	48,477	6.3
Eliminations	(46,535)	(34,169)	-
Total	231,996	207,834	11.6
Total before Eliminations	1,220,280	1,215,847	0.4
Eliminations	(33,449)	(31,462)	-
Consolidated Net Sales	1,186,831	1,184,384	0.2

Note:

Beginning with the fiscal year ended March 31, 2011, figures for North America and Europe are disclosed separately.

Appendix

Note on Reportable Segments:

Beginning with the fiscal year ended March 31, 2011, segment information is presented according to Kao's management approach based on *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, issued March 27, 2009)* and *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008)*.

Kao Corporation's reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the chief operating decision maker in order to determine allocation of resources and assess segment performance.

The Company is organized into four business operating units: the Beauty Care Business, the Human Health Care Business, and the Fabric and Home Care Business (collectively, the Consumer Products Business) and the Chemical Business. Each business operating unit plans comprehensive strategies for business in Japan and other countries, and conducts its own business activities.

Therefore, the Company has four reportable segments: the Beauty Care Business, the Human Health Care Business, the Fabric and Home Care Business and the Chemical Business.

Major Products by Reportable Segment

Reportable Segments		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	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	