

Summary of Consolidated Business Results for the Three Months Ended June 30, 2010

Tokyo, July 26, 2010 — Kao Corporation today announced its consolidated business results for the three months ended June 30, 2010, the first quarter of the fiscal year ending 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)

	Three months ended June 30			Fiscal 2009, ended	
	2010	2009	Growth	2010	March 31, 2010
	Yen		%	U.S. dollars	Yen
Net sales	289,969	287,213	1.0	3,277.2	1,184,384
Operating income	26,170	19,438	34.6	295.8	94,033
Ordinary income	25,409	19,931	27.5	287.2	93,572
Net income	12,476	11,800	5.7	141.0	40,506
Total assets	1,047,345	1,117,087	(6.2)	11,837.1	1,065,751
Total net assets	572,240	561,505	1.9	6,467.5	575,294
Net worth	561,434	552,027	1.7	6,345.3	565,133
Net worth ratio	53.6%	49.4%	-	53.6%	53.0%
Net worth per share (Yen/US\$)	1,047.40	1,029.90	1.7	11.84	1,054.31
Net income per share (Yen/US\$)	23.28	22.02	5.7	0.26	75.57
Net income per share, fully diluted (Yen/US\$)	23.27	22.01	5.7	0.26	75.55
		Yen	%	U.S. dollars	Yen
Net cash provided by operating activities	13,270	33,525	-	150.0	172,284
Net cash used in investing activities	9,437	(11,639)	-	106.7	(44,220)
Net cash used in financing activities	(13,808)	(15,853)	-	(156.1)	(124,566)
Cash and cash equivalents, end of period	108,085	120,464	-	1,221.6	117,180

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 June 30, 2010; 540,143,701 shares as of March 31, 2010.
 - Number of shares of treasury stock:
4,118,684 shares as of June 30, 2010; 4,122,298 shares as of March 31, 2010.
6. Weighted average number of shares outstanding during the three months ended June 30 of each year:
536,025,575 shares for 2010; 536,009,049 shares for 2009.

Consolidated Results by Segment

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	131.3	134.2	(2.2)	(1.9)	1.8	0.3	1.5
Human Health Care	43.8	47.5	(7.8)	(8.2)	4.3	2.8	1.4
Fabric and Home Care	65.3	65.0	0.5	(0.1)	13.1	12.5	0.6
Consumer Products Total	240.6	246.8	(2.5)	(2.6)	19.3	15.7	3.6
Chemical	57.2	47.8	19.6	19.4	6.7	3.7	3.0
Total	297.8	294.7	1.1	0.9	26.1	19.4	6.7
Eliminations	(7.9)	(7.5)	-	-	0.0	0.0	0.0
Consolidated	289.9	287.2	1.0	0.9	26.1	19.4	6.7

Three months ended June 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	1,484.9	1,517.8	(2.2)	(1.9)	21.0	3.4	17.6
Human Health Care	495.6	537.4	(7.8)	(8.2)	49.0	32.5	16.4
Fabric and Home Care	738.8	735.1	0.5	(0.1)	148.9	141.6	7.3
Consumer Products Total	2,719.4	2,790.3	(2.5)	(2.6)	218.9	177.6	41.3
Chemical	647.3	541.3	19.6	19.4	76.6	41.9	34.7
Total	3,366.6	3,331.6	1.1	0.9	295.5	219.5	76.0
Eliminations	(89.4)	(85.5)	-	-	0.3	0.2	0.1
Consolidated	3,277.2	3,246.1	1.0	0.9	295.8	219.7	76.1

Reference: Consolidated Results by Geographic Area

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Japan	221.3	225.3	(1.8)	(1.8)	19.5	16.5	3.0
Asia/Oceania	36.0	27.5	30.9	28.1	2.5	0.1	2.4
North America	20.1	20.2	(0.6)	2.4	1.8	0.6	1.1
Europe	28.4	25.8	10.1	9.3	2.4	1.0	1.4
Total	305.9	298.9	2.3	2.2	26.4	18.4	8.0
Eliminations	(15.9)	(11.7)	-	-	(0.2)	1.0	(1.2)
Consolidated	289.9	287.2	1.0	0.9	26.1	19.4	6.7

Three months ended June 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Japan	2,501.2	2,546.8	(1.8)	(1.8)	221.4	187.3	34.1
Asia/Oceania	408.0	311.6	30.9	28.1	28.8	1.7	27.1
North America	227.4	228.7	(0.6)	2.4	21.1	7.6	13.4
Europe	321.1	291.7	10.1	9.3	27.8	11.7	16.1
Total	3,457.7	3,378.9	2.3	2.2	299.1	208.3	90.8
Eliminations	(180.4)	(132.8)	-	-	(3.3)	11.3	(14.7)
Consolidated	3,277.2	3,246.1	1.0	0.9	295.8	219.7	76.1

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 three-month period ended June 30, 2010, 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.

Forecast of Consolidated Results for the Six Months Ending September 30, 2010 and the Year Ending March 31, 2011

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

	Six months ending September 30, 2010			Year ending March 31, 2011		
	Yen	% Growth	U.S. dollars	Yen	% Growth	U.S. dollars
Net sales	601.0	0.3	6,792.5	1,195.0	0.9	13,505.9
Operating income	49.0	7.5	553.8	97.0	3.2	1,096.3
Ordinary income	49.0	6.8	553.8	96.0	2.6	1,085.0
Net income	25.0	(0.9)	282.5	50.0	23.4	565.1
Net income per share (Yen/US\$)	46.64	-	0.53	93.28	-	1.05
Cash dividends per share (Yen/US\$)	29.00	-	0.33	58.00	-	0.66

Notes:

1. The forecasts for the six months ending September 30, 2010 and the fiscal year ending March 31, 2011 remain the same as announced on April 26, 2010.
2. Net income per share is computed based on the estimated weighted average number of shares outstanding during the six months and the fiscal year.

Notes for This News Release:

1. Yen amounts are rounded down to the nearest million.
2. U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2010, of 88.48 yen=US\$1, and are presented solely for the convenience of readers.

Forward-Looking Statements

This release contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Certain factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity, and fluctuations in currency exchange and interest rates, could cause actual results to differ materially from expectations.

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1. Qualitative Information on Business Results for the Three Months Ended June 30, 2010

(1) Qualitative Information on Consolidated Business Results

During the three months ended June 30, 2010, a moderate recovery trend was seen in the global economy, while the Japanese economy also steadily gained momentum, aided by moderate growth in exports and emergency economic measures. However, in the household and personal care products market in Japan, a key market for the Kao Group, sales were virtually unchanged on a value basis, but consumer purchase prices fell from the same period of the previous fiscal year with the purchasing behavior of budget-strapped consumers. The prestige cosmetics market in Japan continued to contract due to a shift in consumer preference to lower priced products despite 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 focused on rebuilding its prestige cosmetics business in Japan and promoting cost reduction activities.

**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 1.0% compared with the same quarter a year earlier to 289.9 billion yen. Sales decreased in the Beauty Care Business due to the impact of the contraction of the prestige cosmetics market in Japan, and in the Human Health Care Business due to the suspension of production and sale of *Econa* cooking oil and related products (*Econa* products) in September 2009. However, the Consumer Products Business in Asia and Oceania expanded and there was a recovery trend in sales volume in the Chemical Business.

Prices of raw materials, mainly natural oils and fats and petrochemicals, increased due to volatility in international market prices. However, in addition to the effect of increased overseas sales on profits, the Kao Group continued to work on measures including promotion of cost reduction activities and greater efficiency of advertising expenses. Consequently, operating income increased 6.7 billion yen compared with the same quarter a year earlier to 26.1 billion yen, and ordinary income increased 5.4 billion yen to 25.4 billion yen. The Kao Group incurred a loss of 1.6 billion yen related to application of accounting for asset retirement obligations in Japan in extraordinary loss. As a result of this and other factors, net income increased 0.6 billion yen to 12.4 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 34.7 billion yen, which is equivalent to 12.0 percent 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.

	First quarter
Yen/U.S. dollar	90.75 (95.20)
Yen/Euro	123.71 (123.20)

Note: Parentheses indicate the translation rate for the same period of the previous fiscal year.

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Summary of Segment Information

Consolidated Results by Segment

Consumer Products Business

Sales decreased 2.5% compared with the same quarter a year earlier to 240.6 billion yen.

In Japan, sales decreased 3.8% to 197.5 billion yen, although the Kao Group took various measures in an intensely competitive market, including launching new products that respond to changing lifestyles and strengthening proposal-based sales capabilities and in-store merchandising activities.

In Asia and Oceania, sales increased 14.0% to 20.3 billion yen as the Kao Group further promoted integrated management of Asia including Japan, such as collaborations with retailers and other measures. Excluding the effect of currency translation, sales would have increased 10.0%.

In North America, although the market was flat, sales decreased 7.9% to 12.9 billion yen, due to the end of contribution of new products launched in the first quarter of the previous year and other factors. Excluding the effect of currency translation, sales would have decreased 3.7%.

In Europe, sales increased 6.3% to 15.1 billion yen, as the target market for hair care products remained flat, but new products performed well. Excluding the effect of currency translation, sales would have increased 5.4%.

Operating income increased 3.6 billion yen to 19.3 billion yen, despite the decrease in sales, as a result of cost reduction activities.

Beauty Care Business

Sales decreased 2.2% compared with the same quarter a year earlier to 131.3 billion yen.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, decreased (a 3% decrease to approximately 62 billion yen) as the downtrend continued despite an emerging sense that Japan's cosmetics market was bottoming out. In Japan, amid continued consumer preference for lower priced products, the Kao Group strengthened in-store merchandising for self-selection brands such as *KATE* and *SALA*. In counseling cosmetics, the Kao Group nurtured and strengthened its megabrands with annual sales of

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more than 10 billion yen, with a focus on brands such as the *TWANY ESTHETUDE* total cosmetics line and the *COFFRET D'OR* makeup and *SOFINA beauté* skin care lines. In addition, the Kao Group carried out initiatives to rebuild the business such as creating new counseling methods in response to changes in consumer needs. In Asia, particularly China, the *freepius* skin care brand and other brands performed well.

In premium skin care products, sales in Japan decreased, given a tough year-on-year comparison due to special demand for hand-washing products to prevent the spread of H1N1 influenza in the same quarter a year earlier. Sales in Asia increased as a result of factors including solid growth in sales of the *Men's Bioré* skin care brand.

Sales of premium hair care products were virtually unchanged in Japan as sales of *Merit* and *Segreta* shampoos and conditioners were solid, but sales of hair coloring agents stabilized after rising sharply with the launch of new products in the same quarter a year earlier. In Asia, the Kao Group launched the improved *Asience* hair care brand, and expanded sales in Taiwan and Malaysia in particular. In North America, sales decreased overall, but sales of the *Goldwell* professional hair care brand increased. In Europe, sales increased mainly due to strong sales of the *John Frieda* premium hair care brand.

Operating income increased 1.5 billion yen to 1.8 billion yen, despite the decrease in sales, due to more efficient use of expenses and other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 1.3 billion yen to 10.4 billion yen, which is equivalent to 7.9% of sales.

Human Health Care Business

Sales decreased 7.8% compared with the same quarter a year earlier to 43.8 billion yen, generally in line with the Kao Group's plan, primarily because of the suspension of production and sale of *Econa* products in September 2009.

Sales of sanitary products were virtually unchanged. In Japan, sales of *Laurier* sanitary napkins decreased amid intense competition, but sales of *Merries* baby diapers increased. In Asia, particularly in China and Thailand, sales of *Laurier* expanded. Sales of personal health products increased, as *Megurhythm Steam Eye Mask* and *Bub* bath additives contributed to growth.

Mainly due to cost reduction activities, operating income increased 1.4 billion yen to 4.3 billion yen.

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Fabric and Home Care Business

Sales increased 0.5% compared with the same quarter a year earlier to 65.3 billion yen.

In fabric care products, Kao continued its efforts to nurture sales of *Attack Neo* ultra-concentrated liquid laundry detergent in Japan, and sales of *Humming Flair* fabric softener and *Wide Hailer EX Power* fabric bleach for color garments were solid. In Asia, sales of *Attack Easy* laundry detergent for washing by hand increased with the support of consumers in Indonesia and other countries. In home care products in Japan, the addition of a new item contributed to solid sales of *Bath Magiclean* cleaner. However, dishwashing detergents faced intense competition.

Operating income increased 0.6 billion yen to 13.1 billion yen due to cost reduction activities and other factors, which offset an increase in raw material prices.

Chemical Business

The Chemical Business operates globally, and a recovery of demand in customer industries fueled strong growth in sales in Asia, while sales in Japan, Europe and North America also recovered moderately. As a result, Chemical Business sales increased 19.6% to 57.2 billion yen.

Sales volume of oleo chemicals and performance chemicals increased due to the recovery of demand in customer industries. The Kao Group also made efforts to adjust selling prices to reflect the rise in prices of natural oils and fats. Sales of specialty chemicals, primarily toner and toner binder for copiers and printers, recovered in Japan, Europe and North America.

Operating income increased 3.0 billion yen to 6.7 billion yen due to the recovery in sales volume.

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(2) Qualitative Information on Consolidated Financial Condition**Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	Q1/FY2010 Jun. 30, 2010	FY2009 Mar. 31, 2009	Incr./ (Dcr.)	Q1/FY2010 Jun. 30, 2010
Total assets	1,047.3	1,065.7	(18.4)	11,837.1
Total net assets	572.2	575.2	(3.0)	6,467.5
Net worth ratio	53.6%	53.0%	-	-
Net worth per share (Yen/US\$)	1,047.40	1,054.31	(6.91)	11.84
Total debt	183.4	182.6	0.8	2,073.3

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	2010	2009	Incr./ (Dcr.)	2010
Three months ended June 30	2010	2009	Incr./ (Dcr.)	2010
Net cash provided by operating activities	13.2	33.5	(20.2)	150.0
Net cash used in investing activities	(9.4)	(11.6)	2.2	(106.7)
Free cash flow *	3.8	21.8	(18.0)	43.3
Net cash used in financing activities	(13.8)	(15.8)	2.0	(156.1)

* Free cash flow is the sum of net cash provided by operating activities and net cash used in investing activities.

Total assets decreased 18.4 billion yen from the previous fiscal year-end to 1,047.3 billion yen. The principal increase in assets was a 5.1 billion yen increase in notes and accounts receivable – trade. The principal decreases in assets were an 8.8 billion yen decrease in short-term investments and a 10.3 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 15.3 billion yen from the previous fiscal year-end to 475.1 billion yen. The principal increase in liabilities was a 4.0 billion yen increase in notes and accounts payable – trade. The principal decrease in liabilities was a 15.4 billion yen decrease in income taxes payable due to payment of income taxes.

Total net assets decreased 3.0 billion yen from the previous fiscal year-end to 572.2 billion yen. The principal increase in net assets was net income for the first quarter totaling 12.4 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 15.5 billion yen.

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As a result, the net worth ratio (defined as net worth divided by total assets) was 53.6% compared with 53.0% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 13.2 billion yen. The principal increases in net cash were income before income taxes and minority interests of 23.1 billion yen and depreciation and amortization of 20.2 billion yen. The principal decreases in net cash were change in inventories of 5.1 billion yen and income taxes paid of 20.1 billion yen.

Net cash used in investing activities totaled 9.4 billion yen. This primarily consisted of purchase of property, plant and equipment of 8.3 billion yen and increase in intangible assets of 1.0 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 3.8 billion yen. This was a decrease of 18.0 billion yen from the same quarter a year earlier, mainly due to an increase in income taxes paid and an increase in working capital as a result of sales expansion.

Net cash used in financing activities totaled 13.8 billion yen. This primarily consisted of 14.4 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at June 30, 2010 decreased 12.3 billion yen compared with the end of the first quarter of the previous fiscal year to 108.0 billion yen. The decrease was 9.0 billion yen compared with the end of the previous fiscal year.

(3) Qualitative Information on Forecast of Consolidated Results

A moderate recovery has become apparent in the global economy, but employment conditions in Japan, Europe and North America are still severe, and there are lingering concerns about an economic downturn, mainly in Europe. As a result, uncertainty persists in the outlook, and at present, consumers' willingness to spend has not yet recovered. Moreover, international market prices of crude oil and other raw materials have been rising, and there is no sense of stability of the prices because of factors including concerns about the economic outlook in Europe.

Amid these circumstances, 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 in the Consumer Products Business by continuing to promote products with high added value. In Japan, the Kao Group will accelerate rebuilding

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the prestige cosmetics business. In Asia, the Kao Group aims to raise the level of sales with aggressive launches of new products. In the Chemical Business, the Kao Group will work to strengthen global operations and focus on expanding sales through measures such as developing new materials using unique, environmentally conscious technologies.

Through these activities, the Kao Group aims to achieve its forecast of results. Consequently, the forecasts for the six months ending September 30, 2010 and the fiscal year ending March 31, 2011 remain the same as announced on April 26, 2010.

The main exchange rates used in the forecast of consolidated results are 90 yen per U.S. dollar and 114 yen per euro.

2. Other

(1) Significant changes in subsidiaries: None

(2) Application of simplified accounting procedures and special accounting procedures

(a) Simplified accounting procedures:

(i) Valuation of inventories

Inventories at the end of the first 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

(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 three-month period ended June 30, 2010, 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 three-month period ended June 30, 2010, 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.

Consolidated Balance Sheets

Millions of yen

	Q1/FY2010 Jun 30, 2010	FY2009 Mar 31, 2010
Assets		
Current assets		
Cash and time deposits	68,969	70,185
Notes and accounts receivable - trade	132,748	127,592
Short-term investments	37,265	46,071
Merchandise and finished goods	77,275	73,167
Work in process	10,993	11,246
Raw materials and supplies	23,535	22,177
Other	40,994	44,738
Allowance for doubtful receivables	(1,212)	(1,208)
Total current assets	390,568	393,971
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,105,460	1,100,252
Accumulated depreciation	(855,693)	(848,407)
Total property, plant and equipment	249,767	251,844
Intangible assets		
Goodwill	191,864	195,754
Trademarks	84,630	89,357
Other	27,116	28,822
Total intangible assets	303,611	313,934
Investments and other assets		
Investments and other assets	103,660	106,430
Allowance for doubtful receivables	(261)	(430)
Total investments and other assets	103,398	105,999
Total fixed assets	656,777	671,779
Total assets	1,047,345	1,065,751
Liabilities		
Current liabilities		
Notes and accounts payable - trade	103,960	99,937
Short-term debt	8,452	7,528
Current portion of bonds	50,000	-
Current portion of long-term debt	24,955	24,382
Income taxes payable	4,942	20,346
Other	119,734	127,380
Total current liabilities	312,045	279,575
Long-term liabilities		
Bonds	49,997	99,997
Long-term debt	50,045	50,693
Liability for employee retirement benefits	38,319	38,416
Other	24,697	21,774
Total long-term liabilities	163,059	210,881
Total liabilities	475,105	490,456
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	439,200	442,272
Treasury stock, at cost	(10,965)	(10,977)
Total shareholders' equity	623,220	626,280
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	1,927	2,291
Deferred gain (loss) on derivatives under hedge accounting	(2)	(0)
Foreign currency translation adjustments	(63,172)	(62,992)
Other	(539)	(445)
Total adjustments for valuation, foreign currency translation and others	(61,786)	(61,146)
Stock acquisition rights	1,017	1,022
Minority interests	9,788	9,139
Total net assets	572,240	575,294
Total liabilities and net assets	1,047,345	1,065,751

Consolidated Statements of Income

Millions of yen

	Q1/FY2010 <u>Apr '10 - Jun '10</u>	Q1/FY2009 <u>Apr '09 - Jun '09</u>
Net sales	289,969	287,213
Cost of sales	118,837	119,648
Gross profit	171,132	167,564
Selling, general and administrative expenses	144,961	148,126
Operating income	26,170	19,438
Non-operating income		
Interest income	165	289
Dividend income	98	90
Equity in earnings of nonconsolidated subsidiaries and affiliates	261	479
Foreign currency exchange gain	-	254
Other	1,006	679
Total non-operating income	1,531	1,794
Non-operating expenses		
Interest expense	837	1,143
Foreign currency exchange loss	1,261	-
Other	193	158
Total non-operating expenses	2,292	1,301
Ordinary income	25,409	19,931
Extraordinary gain		
Gain on sales of fixed assets	82	29
Other	6	10
Total extraordinary gain	89	39
Extraordinary loss		
Loss on sales/disposals of fixed assets	582	579
Loss on application of accounting standard for asset retirement obligations	1,633	-
Other	140	64
Total extraordinary loss	2,356	643
Income before income taxes and minority interests	23,142	19,326
Income taxes		
Income taxes - current	5,254	5,246
Income taxes - deferred	5,096	2,038
Total income taxes	10,350	7,284
Income before minority interests	12,792	12,042
Minority interests	315	241
Net income	12,476	11,800

Major items of consolidated selling, general and administrative expenses

<i>Millions of yen</i>	Q1/FY2010	Q1/FY2009
	<u>Apr '10 - Jun '10</u>	<u>Apr '09 - Jun '09</u>
Freight/warehouse	16,314	17,059
Advertising	20,978	23,461
Sales promotion	15,371	15,473
Salaries and bonuses	31,383	30,413
Research and development	11,147	11,234

Consolidated Statements of Cash Flows

Millions of yen

	Q1/FY2010 <u>Apr '10 - Jun '10</u>	Q1/FY2009 <u>Apr '09 - Jun '09</u>
Operating activities:		
Income before income taxes and minority interests	23,142	19,326
Adjustments for:		
Depreciation and amortization	20,267	20,255
Interest and dividend income	(263)	(380)
Interest expense	837	1,143
Unrealized foreign currency exchange (gain) loss	511	13
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(261)	(479)
(Gain) loss on sales and retirement of fixed assets	499	550
Change in trade receivables	(4,771)	2,322
Change in inventories	(5,177)	3,343
Change in trade payables	3,856	2,438
Change in liability for retirement benefits	(1)	(607)
Other, net	(5,239)	(1,715)
Subtotal	33,399	46,211
Interest and cash dividends received	1,039	597
Interest paid	(987)	(1,111)
Income taxes paid	(20,181)	(12,172)
Net cash provided by operating activities	13,270	33,525
Investing activities:		
Purchase of property, plant and equipment	(8,373)	(8,226)
Increase in intangible assets	(1,048)	(1,547)
Payments for long-term prepaid expenses	(998)	(1,144)
Change in short-term loans, net	(154)	(68)
Payments for long-term loans	(298)	(465)
Other, net	1,434	(188)
Net cash used in investing activities	(9,437)	(11,639)
Financing activities:		
Change in short-term debt, net	825	(1,830)
Proceeds from long-term loans	0	89
Repayments of long-term loans	(73)	(153)
Purchase of treasury stock	(3)	(50)
Payments of cash dividends	(14,271)	(13,677)
Payments of cash dividends to minority shareholders	(191)	(5)
Other, net	(94)	(225)
Net cash used in financing activities	(13,808)	(15,853)
Translation adjustments on cash and cash equivalents	715	3,867
Net increase (decrease) in cash and cash equivalents	(9,261)	9,899
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	108,085	120,464

Consolidated Segment Information

Millions of yen

Q1/FY2010 Apr '10 - Jun '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	131,384	43,852	65,373	240,610	49,359	289,969	-	289,969
Intersegment sales	-	-	-	-	7,910	7,910	(7,910)	-
Total	131,384	43,852	65,373	240,610	57,269	297,880	(7,910)	289,969
Operating income	1,860	4,333	13,177	19,371	6,775	26,147	23	26,170
% of net sales	1.4	9.9	20.2	8.1	11.8	8.8	-	9.0

Q1/FY2009 Apr '09 - Jun '09	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	134,291	47,548	65,045	246,885	40,328	287,213	-	287,213
Intersegment sales	-	-	-	-	7,568	7,568	(7,568)	-
Total	134,291	47,548	65,045	246,885	47,897	294,782	(7,568)	287,213
Operating income	302	2,879	12,532	15,714	3,709	19,423	15	19,438
% of net sales	0.2	6.1	19.3	6.4	7.7	6.6	-	6.8

Note on Reportable Segments:

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.

The Beauty Care Business manufactures and sells prestige cosmetics, premium skin care products and premium hair care products; the Human Health Care Business manufactures and sells food and beverage products, sanitary products and personal health products; and the Fabric and Home Care Business manufactures and sells fabric care products and home care products. The Chemical Business manufactures and sells oleo chemicals, performance chemicals and specialty chemicals.

Consolidated Net Sales Composition

Millions of yen

	Q1/FY2010 <u>Apr '10 - Jun '10</u>	Q1/FY2009 <u>Apr '09 - Jun '09</u>	Growth <u>%</u>
Consumer Products Business			
Beauty Care Business	98,997	102,532	(3.4)
Human Health Care Business	39,853	43,884	(9.2)
Fabric and Home Care Business	58,711	58,973	(0.4)
Total Japan	197,562	205,390	(3.8)
Asia and Oceania	20,388	17,889	14.0
North America	12,987	14,102	(7.9)
Europe	15,196	14,292	6.3
Eliminations	(5,523)	(4,789)	-
Total	240,610	246,885	(2.5)
Chemical Business			
Japan	30,992	26,732	15.9
Asia	16,061	9,926	61.8
North America	7,171	6,158	16.5
Europe	13,242	11,526	14.9
Eliminations	(10,198)	(6,446)	-
Total	57,269	47,897	19.6
Total before Eliminations	297,880	294,782	1.1
Eliminations	(7,910)	(7,568)	-
Consolidated Net Sales	289,969	287,213	1.0

Note:

Beginning with the three-month period ended June 30, 2010, figures for North America and Europe are disclosed separately.