

Summary of Consolidated Business Results for the Six Months Ended September 30, 2010

Tokyo, October 26, 2010 — Kao Corporation today announced its consolidated business results for the six months ended September 30, 2010, the interim period 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)

	Six months ended September 30			Fiscal 2009, ended	
	2010	2009	Growth	2010	March 31, 2010
	Yen		%	U.S. dollars	Yen
Net sales	601,351	599,051	0.4	7,174.3	1,184,384
Operating income	57,873	45,584	27.0	690.4	94,033
Ordinary income	56,440	45,861	23.1	673.3	93,572
Net income	27,837	25,237	10.3	332.1	40,506
Total assets	1,051,581	1,129,577	(6.9)	12,545.7	1,065,751
Total net assets	573,304	581,250	(1.4)	6,839.7	575,294
Net worth	562,669	571,413	(1.5)	6,712.8	565,133
Net worth ratio	53.5%	50.6%	-	53.5%	53.0%
Net worth per share (Yen/US\$)	1,049.69	1,066.07	(1.5)	12.52	1,054.31
Net income per share (Yen/US\$)	51.93	47.08	10.3	0.62	75.57
Net income per share, fully diluted (Yen/US\$)	51.92	47.07	10.3	0.62	75.55
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	80,765	110,681	-	963.6	172,284
Net cash used in investing activities	(9,375)	(19,307)	-	(111.8)	(44,220)
Net cash used in financing activities	(39,552)	(61,663)	-	(471.9)	(124,566)
Cash and cash equivalents, end of period	145,802	145,125	-	1,739.5	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 September 30, 2010; 540,143,701 shares as of March 31, 2010.
 - Number of shares of treasury stock:
4,109,898 shares as of September 30, 2010; 4,122,298 shares as of March 31, 2010.
6. Weighted average number of shares outstanding during the six months ended September 30 of each year:
536,027,475 shares for 2010; 536,004,141 shares for 2009.

Consolidated Results by Segment

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	272.5	275.6	(1.1)	0.1	5.2	1.1	4.1
Human Health Care	89.2	97.9	(8.9)	(9.1)	8.6	4.5	4.0
Fabric and Home Care	141.0	141.0	(0.0)	(0.4)	31.4	31.7	(0.3)
Consumer Products Total	502.8	514.7	(2.3)	(1.8)	45.2	37.4	7.8
Chemical	115.0	100.6	14.3	16.6	12.5	8.0	4.5
Total	617.9	615.4	0.4	1.2	57.8	45.5	12.3
Eliminations	(16.5)	(16.3)	-	-	(0.0)	0.0	(0.0)
Consolidated	601.3	599.0	0.4	1.2	57.8	45.5	12.2

Six months ended September 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	3,252.1	3,289.2	(1.1)	0.1	62.6	13.5	49.1
Human Health Care	1,064.9	1,168.9	(8.9)	(9.1)	102.9	54.8	48.1
Fabric and Home Care	1,682.4	1,683.0	(0.0)	(0.4)	374.8	378.7	(3.9)
Consumer Products Total	5,999.3	6,141.2	(2.3)	(1.8)	540.3	447.0	93.2
Chemical	1,372.9	1,200.8	14.3	16.6	150.3	96.3	54.0
Total	7,372.2	7,342.0	0.4	1.2	690.6	543.4	147.2
Eliminations	(197.9)	(195.2)	-	-	(0.2)	0.4	(0.6)
Consolidated	7,174.3	7,146.9	0.4	1.2	690.4	543.8	146.6

Reference: Consolidated Results by Geographic Area

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Japan	462.3	470.5	(1.7)	(1.7)	46.6	41.4	5.2
Asia/Oceania	73.9	61.9	19.2	18.9	3.4	0.7	2.6
North America	41.7	40.2	3.8	8.3	4.0	0.6	3.3
Europe	55.3	52.8	4.8	12.5	3.9	1.8	2.1
Total	633.3	625.6	1.2	2.1	58.0	44.6	13.3
Eliminations	(32.0)	(26.5)	-	-	(0.1)	0.9	(1.0)
Consolidated	601.3	599.0	0.4	1.2	57.8	45.5	12.2

Six months ended September 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	5,515.6	5,613.7	(1.7)	(1.7)	556.5	494.4	62.0
Asia/Oceania	881.7	739.5	19.2	18.9	40.7	9.1	31.6
North America	498.5	480.0	3.8	8.3	47.9	7.4	40.5
Europe	660.9	630.7	4.8	12.5	47.4	21.8	25.6
Total	7,556.7	7,463.9	1.2	2.1	692.5	532.8	159.7
Eliminations	(382.3)	(317.0)	-	-	(2.0)	11.1	(13.1)
Consolidated	7,174.3	7,146.9	0.4	1.2	690.4	543.8	146.6

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.
4. Net sales to foreign customers were 26.2% of consolidated net sales compared with 23.9% for the same period a year earlier.

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

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

	Year ending March 31, 2011		
	Yen	% Growth	U.S. dollars
Net sales	1,185.0	0.1	14,137.4
Operating income	105.0	11.7	1,252.7
Ordinary income	103.0	10.1	1,228.8
Net income	53.0	30.8	632.3
Net income per share (Yen/US\$)	99.37	-	1.19
Cash dividends per share (Yen/US\$)	58.00	-	0.69

Notes:

1. Kao has revised the above forecasts from April 26, 2010, when it announced its results for the fiscal year ended March 31, 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.
3. Annual cash dividends per share: 58.00 yen
Interim dividend per share: 29.00 yen; year-end dividend per share: 29.00 yen.

Notes for This News Release:

1. Yen amounts are rounded down to the nearest.
2. U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2010, of 83.82 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 Six Months Ended September 30, 2010

(1) Qualitative Information on Consolidated Business Results

During the six months ended September 30, 2010, although a moderate recovery trend in the global economy continued, the pace of economic recovery in Japan weakened with the effects of deflation and the recent rapid appreciation of the yen. In the household and personal care products market in Japan, a key market for the Kao Group, consumer purchase prices fell from the same period of 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 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 promoted rebuilding of its cosmetics business in Japan and 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 0.4% compared with the same period a year earlier to 601.3 billion yen. Excluding the effect of currency translation, net sales would have increased 1.2%. Sales decreased in the Beauty Care Business due to the impact of the contraction of the 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 sales volume improved in the Chemical Business.

Prices of raw materials, mainly natural oils and fats, 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 rebuilding of its cosmetics business, promotion of cost reduction activities and greater efficiency of advertising expenses. Consequently, operating income increased 12.2 billion yen compared with the same period a year earlier to 57.8 billion yen, and ordinary income increased 10.5 billion yen to 56.4 billion yen. Deferred income taxes increased due to the reversal of deferred tax assets at consolidated subsidiaries. As a result of this and other factors, net income increased 2.6 billion yen

compared with the same period a year earlier to 27.8 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 75.1 billion yen, which is equivalent to 12.5% of net sales.

Economic Value Added (EVA*), a management metric used by the Kao Group, improved substantially compared with the same period a year earlier due to an increase in net operating profit after tax (NOPAT) resulting from higher net sales and the reduction of selling, general and administrative expenses.

* 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. For foreign subsidiaries and affiliates, the period of consolidation is from January to March for the first quarter and April to June for the second quarter.

	First quarter	Second quarter
Yen/U.S. dollar	90.75 (95.20)	91.29 (96.76)
Yen/Euro	123.71 (123.20)	114.83 (133.45)

Note: Figures in parentheses represent the exchange 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 2.3% compared with the same period a year earlier to 502.8 billion yen.

In Japan, sales decreased 3.2% to 415.4 billion yen due to the suspension of production and sale of *Econa* products, although the Kao Group took various measures in an intensely competitive market, including launching new products that respond to changing consumer lifestyles and strengthening proposal-based sales and in-store merchandising activities.

In Asia and Oceania, sales increased 8.8% to 41.5 billion yen. Excluding the effect of currency translation, sales would have increased 7.7%. Amid continued market growth in Asia and Oceania, 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 3.7% to 26.8 billion yen, but would have increased 1.4% excluding the effect of currency translation. The market showed a moderate recovery trend.

In Europe, sales decreased 0.1% to 29.5 billion yen, but would have increased 6.9% excluding the effect of currency translation. New products performed well despite the flat market.

Operating income increased 7.8 billion yen to 45.2 billion yen due to cost reduction activities, despite the decrease in sales.

Beauty Care Business

Sales decreased 1.1% compared with the same period a year earlier to 272.5 billion yen.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, decreased (a 3.0% decrease to 126.8 billion yen) due to an ongoing downtrend with the continuing impact of the consumer preference for lower priced products, despite an emerging sense that Japan's cosmetics market is bottoming out. For its self-selection cosmetics in Japan, the Kao Group added a multifunctional cream and a low-priced line of products to the *Fréshel* skin care brand, and leveraged the Group's 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

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more than 10 billion yen, with a focus on brands such as the *TWANY ESTHETUDE* total cosmetics line, *COFFRET D'OR* makeup 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. As a result of these activities, some areas have been showing an improvement trend. In Asia, the Kao Group performed well.

In premium skin care products, despite solid performance in Japan driven mainly by growth in sales of the *Bioré* UV care series, sales were flat given a tough year-on-year comparison due to special demand for hand-washing products with heightened awareness of H1N1 influenza prevention in the same period a year earlier. Sales in Asia increased primarily as a result of strong sales of the *Bioré* skin care brand in Taiwan and Indonesia.

Sales of premium hair care products were essentially unchanged in Japan as *Merit* and *Essential* shampoos and conditioners performed steadily, but sales of new hair coloring agents stabilized after rising sharply following their launches in the same period a year earlier. In Asia, sales increased due to factors including the strong performance of *Liese* hair color foam following its launch in Singapore and Hong Kong. In North America, sales of the *Goldwell* and *kms* professional hair care brands increased. In Europe, sales increased mainly due to strong sales of the *John Frieda* premium hair care brand.

Operating income increased 4.1 billion yen to 5.2 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 3.6 billion yen to 22.4 billion yen, which is equivalent to 8.2% of sales.

Human Health Care Business

Sales decreased 8.9% compared with the same period a year earlier to 89.2 billion yen.

Sales of food and beverage products declined due to the suspension of production and sale of *Econa* products in September 2009, but were generally in line with the Kao Group's expectations.

Sales of sanitary products were flat despite the addition of higher value to *Laurier* sanitary napkins, as intense market competition continued in Japan. In Asia, particularly in China, sales of *Laurier* expanded.

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

Operating income increased 4.0 billion yen to 8.6 billion yen, mainly due to cost reduction activities.

Fabric and Home Care Business

Sales were 141.0 billion yen, essentially unchanged from the same period a year earlier.

In fabric care products, the Kao Group continued its efforts in Japan to nurture sales of *Attack Neo* concentrated liquid laundry detergent, which focuses on environmental protection, and sales of *Humming Flair* fabric softener and *Wide Haiter EX Power* fabric bleach for color garments were solid. In Asia and Oceania, sales increased as *Attack Easy* laundry detergent for washing by hand gained the support of consumers in Indonesia and other countries.

In home care products, the addition of a new *Bath Magiclean* cleaner with anti-mildew properties and the launch of *Resesh* gel air freshener in Japan contributed to solid sales growth. However, dishwashing detergents faced intense competition.

Operating income decreased 0.3 billion yen to 31.4 billion yen despite cost reduction activities, due mainly to an increase in raw material prices.

Chemical Business

The Chemical Business further expanded its global business operations, and a recovery of demand in customer industries fueled strong growth in sales in Asia, while sales in Japan, North America and Europe also recovered moderately. As a result, Chemical Business sales increased 14.3% compared with the same period a year earlier to 115.0 billion yen.

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 of oleo chemicals to reflect the rise in prices of natural oils and fats. 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 4.5 billion yen to 12.5 billion yen due to the recovery in sales volume.

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

	Billions of yen			Millions of U.S. dollars
	1H/FY2010 Sep. 30, 2010	FY2009 Mar. 31, 2010	Incr./(Dcr.)	1H/FY2010 Sep. 30, 2010
Total assets	1,051.5	1,065.7	(14.1)	12,545.7
Total net assets	573.3	575.2	(1.9)	6,839.7
Net worth ratio	53.5%	53.0%	-	-
Net worth per share (Yen/US\$)	1,049.69	1,054.31	(4.62)	12.52
Total debt	158.6	182.6	(23.9)	1,892.4

Summary of Consolidated Cash Flows

Six months ended September 30	Billions of yen			Millions of U.S. dollars
	2010	2009	Incr./(Dcr.)	2010
Net cash provided by operating activities	80.7	110.6	(29.9)	963.6
Net cash used in investing activities	(9.3)	(19.3)	9.9	(111.8)
Free cash flow*	71.3	91.3	(19.9)	851.7
Net cash used in financing activities	(39.5)	(61.6)	22.1	(471.9)

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

Total assets decreased 14.1 billion yen from the previous fiscal year-end to 1,051.5 billion yen. The principal increase in assets was a 23.7 billion yen increase in short-term investments. The principal decreases in assets were a 21.6 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill, and a 10.8 billion yen decrease in investments and other assets.

Total liabilities decreased 12.1 billion yen from the previous fiscal year-end to 478.2 billion yen. The principal increase in liabilities was a 7.2 billion yen increase in notes and accounts payable – trade. The principal decrease in liabilities was a 23.6 billion yen decrease in the current portion of long-term debt.

Total net assets decreased 1.9 billion yen from the previous fiscal year-end to 573.3 billion yen. The principal increase in net assets was net income totaling 27.8 billion yen. The principal decreases in net assets were a 13.9 billion yen decrease in foreign currency translation adjustments and a 15.5 billion yen decrease in retained earnings due to payment of dividends.

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As a result, the net worth ratio (defined as net worth divided by total assets) was 53.5 % compared with 53.0% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 80.7 billion yen. The principal increases in net cash were income before income taxes and minority interests of 53.6 billion yen, depreciation and amortization of 40.5 billion yen and change in trade payables of 9.7 billion yen. The principal decrease in net cash was income taxes paid of 24.1 billion yen.

Net cash used in investing activities totaled 9.3 billion yen. This primarily consisted of purchase of property, plant and equipment of 10.6 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 71.3 billion yen. This was a decrease of 19.9 billion yen from the same period 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 39.5 billion yen. This primarily consisted of 24.2 billion yen in repayments of long-term loans and 15.7 billion yen for payments of cash dividends and payments of cash dividends to minority shareholders.

The balance of cash and cash equivalents at September 30, 2010 increased 0.6 billion yen compared with the end of the second quarter of the previous fiscal year to 145.8 billion yen. The increase was 28.6 billion yen compared with the end of the previous fiscal year.

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(3) Qualitative Information on Forecast of Consolidated Results**Revised Forecast of Consolidated Results for the Year Ending March 31, 2011**

	(Billions of yen, except where noted)				
	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Previous forecast (A)	1,195.0	97.0	96.0	50.0	93.28
Revised forecast (B)	1,185.0	105.0	103.0	53.0	99.37
Change (B-A)	(10.0)	8.0	7.0	3.0	6.09
Percentage change	(0.8%)	8.2%	7.3%	6.0%	6.5%
Actual results for the year ended March 31, 2010	1,184.3	94.0	93.5	40.5	75.57

Although the global economy is gradually recovering, the outlook remains uncertain, with concerns about the impact of the weakening force of measures to stimulate consumption on consumer spending in Japan and persistently severe employment conditions in North America and Europe. Moreover, there is no sense of stability, with the recent further rise in prices of natural oils and fats and the increase from the start of October in international market prices of crude oil, which had been steady until the second quarter.

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 globally in the Consumer Products Business by continuing to promote products with high added value. In Japan, the Kao Group will accelerate the rebuilding of its cosmetics business. In Asia and Oceania, the Kao Group aims to raise the level of sales with aggressive launches of products that meet local needs, such as a water-saving liquid laundry detergent. In the Chemical Business, the Kao Group will work to strengthen global operations and expand sales with a focus on developing environmentally conscious products using unique technologies.

Through these activities, the Kao Group aims to achieve its forecast of results. Since the Kao Group exceeded its initial forecast for the six months ended September 30, 2010, among other factors, the forecast for the fiscal year ending March 31, 2011 has been revised.

The main exchange rates used in the forecast of consolidated results are 88 yen per U.S. dollar and 116 yen per euro.

In addition, to improve capital efficiency and increase shareholder returns, the Board of Directors, at a meeting held today, resolved that Kao Corporation would purchase its own stock up to 8.5 million shares or 15 billion yen between October 27 and December 20, 2010.

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

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

(ii) Method of calculating depreciation of fixed assets

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

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

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

(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

	1H/FY2010 Sep 30, 2010	FY2009 Mar 31, 2010
Assets		
Current assets		
Cash and time deposits	73,703	70,185
Notes and accounts receivable - trade	127,162	127,592
Short-term investments	69,858	46,071
Merchandise and finished goods	73,532	73,167
Work in process	10,488	11,246
Raw materials and supplies	23,648	22,177
Other	40,713	44,738
Allowance for doubtful receivables	(990)	(1,208)
Total current assets	418,117	393,971
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,095,958	1,100,252
Accumulated depreciation	(850,101)	(848,407)
Total property, plant and equipment	245,857	251,844
Intangible assets		
Goodwill	187,102	195,754
Trademarks	79,978	89,357
Other	25,221	28,822
Total intangible assets	292,302	313,934
Investments and other assets		
Investments and other assets	95,537	106,430
Allowance for doubtful receivables	(232)	(430)
Total investments and other assets	95,304	105,999
Total fixed assets	633,464	671,779
Total assets	1,051,581	1,065,751
Liabilities		
Current liabilities		
Notes and accounts payable - trade	107,193	99,937
Short-term debt	7,874	7,528
Current portion of bonds	50,000	-
Current portion of long-term debt	717	24,382
Income taxes payable	15,380	20,346
Other	134,177	127,380
Total current liabilities	315,344	279,575
Long-term liabilities		
Bonds	49,998	99,997
Long-term debt	50,031	50,693
Liability for employee retirement benefits	39,301	38,416
Other	23,601	21,774
Total long-term liabilities	162,932	210,881
Total liabilities	478,277	490,456
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	454,559	442,272
Treasury stock, at cost	(10,937)	(10,977)
Total shareholders' equity	638,608	626,280
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	1,602	2,291
Deferred gain (loss) on derivatives under hedge accounting	(2)	(0)
Foreign currency translation adjustments	(76,920)	(62,992)
Other	(618)	(445)
Total adjustments for valuation, foreign currency translation and others	(75,939)	(61,146)
Stock acquisition rights	1,191	1,022
Minority interests	9,443	9,139
Total net assets	573,304	575,294
Total liabilities and net assets	1,051,581	1,065,751

Consolidated Statements of Income

Millions of yen

	1H/FY2010 Apr '10 - Sept '10	1H/FY2009 Apr '09 - Sept '09
Net sales	601,351	599,051
Cost of sales	248,502	251,152
Gross profit	352,849	347,899
Selling, general and administrative expenses	294,975	302,314
Operating income	57,873	45,584
Non-operating income		
Interest income	365	561
Dividend income	99	95
Equity in earnings of nonconsolidated subsidiaries and affiliates	521	1,101
Other	1,644	1,336
Total non-operating income	2,629	3,094
Non-operating expenses		
Interest expense	1,710	2,293
Foreign currency exchange loss	1,971	170
Other	380	353
Total non-operating expenses	4,062	2,817
Ordinary income	56,440	45,861
Extraordinary gain		
Gain on sales of fixed assets	102	65
Gain on sales of investment securities	155	3
Other	19	34
Total extraordinary gain	276	102
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,297	1,411
Loss on application of accounting standard for asset retirement obligations	1,633	-
Loss related to cooking oils	-	3,419
Other	181	536
Total extraordinary loss	3,112	5,366
Income before income taxes and minority interests	53,605	40,597
Income taxes		
Income taxes - current	19,515	21,042
Income taxes - deferred	5,770	(5,980)
Total income taxes	25,286	15,062
Income before minority interests	28,319	25,535
Minority interests	481	297
Net income	27,837	25,237

Major items of consolidated selling, general and administrative expenses

<i>Millions of yen</i>	1H/FY2010	1H/FY2009
	<u>Apr '10 - Sept '10</u>	<u>Apr '09 - Sept '09</u>
Freight/warehouse	34,018	36,246
Advertising	42,439	46,265
Sales promotion	33,535	33,187
Salaries and bonuses	62,370	61,485
Research and development	22,359	22,560

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2010	1H/FY2009
	Apr '10 - Sept '10	Apr '09 - Sept '09
Operating activities:		
Income before income taxes and minority interests	53,605	40,597
Adjustments for:		
Depreciation and amortization	40,500	41,439
Interest and dividend income	(464)	(656)
Interest expense	1,710	2,293
Unrealized foreign currency exchange (gain) loss	738	(519)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(521)	(1,101)
(Gain) loss on sales and retirement of fixed assets	1,195	1,345
Change in trade receivables	(4,539)	5,253
Change in inventories	(4,258)	10,637
Change in trade payables	9,725	11,114
Change in liability for retirement benefits	1,479	(2,324)
Other, net	6,163	16,106
Subtotal	105,336	124,186
Interest and cash dividends received	1,259	883
Interest paid	(1,693)	(2,331)
Income taxes paid	(24,136)	(12,057)
Net cash provided by operating activities	80,765	110,681
Investing activities:		
Purchase of property, plant and equipment	(10,661)	(16,462)
Increase in intangible assets	(1,463)	(2,562)
Payments for long-term prepaid expenses	(2,047)	(2,296)
Change in short-term loans, net	21	273
Payments for long-term loans	(554)	(1,061)
Proceeds from cancellation of derivatives	4,297	-
Other, net	1,032	2,801
Net cash used in investing activities	(9,375)	(19,307)
Financing activities:		
Change in short-term debt, net	648	(6,448)
Proceeds from long-term loans	0	13
Repayments of long-term loans	(24,282)	(39,685)
Purchase of treasury stock	(7)	(79)
Payments of cash dividends	(15,554)	(15,017)
Payments of cash dividends to minority shareholders	(191)	(5)
Other, net	(165)	(439)
Net cash used in financing activities	(39,552)	(61,663)
Translation adjustments on cash and cash equivalents	(3,381)	4,850
Net increase (decrease) in cash and cash equivalents	28,456	34,560
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	145,802	145,125

Consolidated Segment Information

Millions of yen

1H/FY2010 Apr '10 - Sept '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	272,587	89,258	141,015	502,861	98,490	601,351	-	601,351
Intersegment sales	-	-	-	-	16,584	16,584	(16,584)	-
Total	272,587	89,258	141,015	502,861	115,075	617,936	(16,584)	601,351
Operating income	5,244	8,626	31,415	45,286	12,599	57,886	(13)	57,873
% of net sales	1.9	9.7	22.3	9.0	10.9	9.4	-	9.6

1H/FY2009 Apr '09 - Sept '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	275,699	97,981	141,073	514,754	84,296	599,051	-	599,051
Intersegment sales	-	-	-	-	16,359	16,359	(16,359)	-
Total	275,699	97,981	141,073	514,754	100,655	615,410	(16,359)	599,051
Operating income	1,132	4,591	31,746	37,470	8,076	45,547	37	45,584
% of net sales	0.4	4.7	22.5	7.3	8.0	7.4	-	7.6

Note on Reportable Segments:

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)*.

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.

Consolidated Net Sales Composition

<i>Millions of yen</i>	1H/FY2010 <u>Apr '10 - Sept '10</u>	1H/FY2009 <u>Apr '09 - Sept '09</u>	<u>Growth %</u>
Consumer Products Business			
Beauty Care Business	206,589	210,540	(1.9)
Human Health Care Business	80,924	90,222	(10.3)
Fabric and Home Care Business	127,947	128,438	(0.4)
Total Japan	415,461	429,201	(3.2)
Asia and Oceania	41,541	38,186	8.8
North America	26,830	27,863	(3.7)
Europe	29,539	29,567	(0.1)
Eliminations	(10,512)	(10,064)	-
Total	502,861	514,754	(2.3)
Chemical Business			
Japan	61,793	55,960	10.4
Asia	33,309	24,407	36.5
North America	15,023	12,424	20.9
Europe	25,912	23,309	11.2
Eliminations	(20,964)	(15,446)	-
Total	115,075	100,655	14.3
Total before Eliminations	617,936	615,410	0.4
Eliminations	(16,584)	(16,359)	-
Consolidated Net Sales	601,351	599,051	0.4

Note:

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

Appendix

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	