

Summary of Consolidated Business Results for the Three Months Ended June 30, 2011

Tokyo, July 25, 2011 — Kao Corporation today announced its consolidated business results for the three months ended June 30, 2011, the first quarter of the fiscal year ending March 31, 2012. 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 2010, ended
	2011	2010	Growth	2011	March 31, 2011
	Yen		%	U.S. dollars	Yen
Net sales	294,939	289,969	1.7	3,653.4	1,186,831
Operating income	29,245	26,170	11.7	362.3	104,591
Ordinary income	30,019	25,409	18.1	371.8	103,336
Net income	15,183	12,476	21.7	188.1	46,737
Comprehensive income	24,159	12,530	92.8	299.3	25,558
Total assets	994,699	1,047,345	(5.0)	12,321.3	1,022,799
Total net assets	548,538	572,240	(4.1)	6,794.7	539,564
Net worth	537,072	561,434	(4.3)	6,652.7	528,894
Net worth ratio	54.0%	53.6%	-	54.0%	51.7%
Net worth per share (Yen/US\$)	1,028.72	1,047.40	(1.8)	12.74	1,013.05
Net income per share (Yen/US\$)	29.08	23.28	24.9	0.36	87.69
Net income per share, fully diluted (Yen/US\$)	29.07	23.27	24.9	0.36	87.67
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	1,583	13,270	-	19.6	151,298
Net cash used in investing activities	(16,883)	(9,437)	-	(209.1)	(31,777)
Net cash used in financing activities	(43,365)	(13,808)	-	(537.2)	(87,323)
Cash and cash equivalents, end of period	86,516	108,085	-	1,071.7	143,143

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:
526,212,501 shares as of June 30, 2011; 540,143,701 shares as of March 31, 2011.
 - Number of shares of treasury stock:
4,133,169 shares as of June 30, 2011; 18,063,790 shares as of March 31, 2011.
6. Weighted average number of shares outstanding during the three months ended June 30 of each year:
522,079,804 shares for 2011; 536,025,575 shares for 2010.

Consolidated Results by Segment

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Beauty Care	130.7	131.3	(0.5)	1.8	5.1	1.8	3.3
Human Health Care	43.0	43.8	(1.9)	(1.4)	4.4	4.3	0.1
Fabric and Home Care	65.5	65.3	0.3	0.7	12.7	13.1	(0.4)
Consumer Products Total	239.3	240.6	(0.5)	0.9	22.3	19.3	2.9
Chemical	64.8	57.2	13.2	17.9	6.9	6.7	0.1
Total	304.1	297.8	2.1	4.2	29.2	26.1	3.1
Reconciliations	(9.2)	(7.9)	-	-	(0.0)	0.0	(0.0)
Consolidated	294.9	289.9	1.7	3.8	29.2	26.1	3.0

Three months ended June 30	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	1,619.5	1,627.4	(0.5)	1.8	64.0	23.0	40.9
Human Health Care	532.9	543.2	(1.9)	(1.4)	55.1	53.7	1.4
Fabric and Home Care	812.0	809.8	0.3	0.7	157.6	163.2	(5.6)
Consumer Products Total	2,964.4	2,980.4	(0.5)	0.9	276.7	239.9	36.8
Chemical	803.0	709.4	13.2	17.9	86.1	83.9	2.2
Total	3,767.4	3,689.8	2.1	4.2	362.9	323.9	39.0
Reconciliations	(114.0)	(98.0)	-	-	(0.6)	0.3	(0.9)
Consolidated	3,653.4	3,591.8	1.7	3.8	362.3	324.2	38.1

Reference: Consolidated Results by Geographic Area

Three months ended June 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Japan	217.9	221.3	(1.5)	(1.5)	20.6	19.5	1.0
Asia/Oceania	43.1	36.0	19.5	25.0	3.4	2.5	0.8
North America	23.1	20.1	15.0	26.1	2.5	1.8	0.6
Europe	30.8	28.4	8.7	18.0	2.4	2.4	(0.0)
Total	315.1	305.9	3.0	5.2	29.0	26.4	2.5
Reconciliations	(20.2)	(15.9)	-	-	0.1	(0.2)	0.4
Consolidated	294.9	289.9	1.7	3.8	29.2	26.1	3.0

Three months ended June 30	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2011	2010	Like-for-like		2011	2010	Change
Japan	2,700.1	2,741.3	(1.5)	(1.5)	255.3	242.6	12.7
Asia/Oceania	534.5	447.1	19.5	25.0	42.3	31.6	10.7
North America	286.6	249.2	15.0	26.1	31.7	23.1	8.6
Europe	382.5	351.9	8.7	18.0	30.4	30.5	(0.0)
Total	3,903.8	3,789.6	3.0	5.2	359.8	327.8	32.0
Reconciliations	(250.4)	(197.8)	-	-	2.5	(3.6)	6.1
Consolidated	3,653.4	3,591.8	1.7	3.8	362.3	324.2	38.1

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Information on consolidated results by geographic area is for reference.
3. Net sales to foreign customers were 29.3% of consolidated net sales compared with 27.0% for the same period a year earlier.

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	620.0	3.1	7,679.9	1,235.0	4.1	15,297.9
Operating income	58.0	0.2	718.4	108.0	3.3	1,337.8
Ordinary income	60.0	6.3	743.2	108.0	4.5	1,337.8
Net income	32.0	15.0	396.4	57.0	22.0	706.1
Net income per share (Yen/US\$)	61.29	-	0.76	109.18	-	1.35
Cash dividends per share (Yen/US\$)	29.00	-	0.36	58.00	-	0.72

Notes:

1. Kao has revised the above forecasts from April 26, 2011, when it announced its results for the fiscal year ended March 31, 2011.
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, 2011 of 80.73 yen=US\$1, and are presented solely for the convenience of readers.

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.

For further information, please contact:

Sadanao Kawashima
Vice President
Investor Relations
Tel: +81-3-3660-7101
Fax: +81-3-3660-8978
E-mail: ir@kao.co.jp

1. Qualitative Information on Business Results for the Three Months Ended June 30, 2011

(1) Qualitative Information on Consolidated Business Results

During the three months ended June 30, 2011, a moderate recovery trend was seen in the global economy. In the Japanese economy, however, conditions remained severe for employment and consumer spending, due in part to the effects of deflation and the March 11 Great East Japan Earthquake (the “Earthquake”). The household and personal care products market in Japan, a key market for the Kao Group, contracted 1% on a value basis and consumer purchase prices also fell from the same period of the previous fiscal year with the purchasing behavior of budget-strapped consumers. The cosmetics market in Japan continued to contract due to a shift in consumer preference to lower-priced products.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value based on its concept of “*Yoki-Monozukuri*.”* In addition, the Kao Group made all-out efforts to carry out stable supply of products after the Earthquake as the mission of a manufacturer of daily necessities. The Kao Group also continued to focus 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. In Japanese, “Yoki” literally means “good/excellent,” and “Monozukuri” means “development/manufacturing of products.”*

Net sales, which had been forecast to decrease due to the impact of the Great East Japan Earthquake, increased 1.7% compared with the same quarter a year earlier to 294.9 billion yen with a faster-than-expected market recovery, the rapid restoration of the supply chain and other factors. Excluding the effect of currency translation, net sales would have increased 3.8%. In the Beauty Care Business, new products performed well in North America and Europe, but sales were impacted by the contraction of the cosmetics market in Japan. Sales also decreased in the Human Health Care Business due to market competition. In the Chemical Business, sales outside Japan were strong.

The cost of raw materials, mainly natural oils and fats and petrochemicals, increased due to volatility in international market prices. However, in addition to the impact of increased sales on profits, the Kao Group continued to work on measures including promotion of cost reduction activities and efforts to curtail expenses. As a result, operating income increased 3.0 billion yen compared with the same quarter a year earlier to 29.2 billion yen, and ordinary income increased 4.6 billion yen to 30.0 billion yen. After recording an extraordinary loss of

News Release

1.0 billion yen for loss related to the Great East Japan Earthquake, net income increased 2.7 billion yen to 15.1 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 2.8 billion yen compared with the same quarter a year earlier to 37.6 billion yen, which is equivalent to 12.8 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	82.33 (90.75)
Yen/Euro	113.77 (123.71)

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

(Remainder of page intentionally left blank.)

Summary of Segment Information

Consolidated Results by Segment

Consumer Products Business

Sales decreased 0.5% compared with the same quarter a year earlier to 239.3 billion yen. Excluding the effect of currency translation, sales would have increased 0.9%.

In Japan, sales decreased 1.4% to 194.6 billion yen. Sales were impacted by the Earthquake, intensified market competition and deflation, although the Kao Group took measures including proposing environmentally conscious products, launching new products in response to changing consumer lifestyles and enhancing proposal-based sales and in-store merchandising activities.

In Asia and Oceania, sales increased 5.1% to 21.4 billion yen. Excluding the effect of currency translation, sales would have increased 9.7%. The Kao Group carried out aggressive measures, including collaborations with retailers and introduction of new products amid continued market growth.

In North America, sales increased 9.0% to 14.1 billion yen. Excluding the effect of currency translation, sales would have increased 20.1%. The market recovered, albeit gradually, and new products contributed to sales.

In Europe, sales increased 1.8% to 15.4 billion yen. Excluding the effect of currency translation, sales would have increased 10.3%. Although the market was flat, new products launched last year performed well.

Operating income increased 2.9 billion yen to 22.3 billion yen due mainly to cost reduction activities.

Beauty Care Business

Sales decreased 0.5% compared with the same quarter a year earlier to 130.7 billion yen. Excluding the effect of currency translation, sales would have increased 1.8%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, decreased 2.3% to 60.7 billion yen as the downtrend continued in Japan's cosmetics market, with the impact of the Earthquake in addition to the shift in consumer preference toward lower priced products. In Japan, the Kao Group enhanced in-store merchandising for

News Release

self-selection brands such as *KATE* makeup and *ururi* skin care. In counseling cosmetics, the Kao Group launched a new anti-aging care product from the *GRACE SOFINA* brand and nurtured and strengthened its megabrands with annual sales of more than 10 billion yen, with a focus on brands such as the *COFFRET D'OR* makeup and *SOFINA beauté* skin care lines. In addition, the Kao Group carried out reform of sales methods including optimization of counseling in response to changes in consumer needs, which showed its effects in certain improvements. Sales outside Japan expanded steadily.

In premium skin care products, sales in Japan increased, reflecting the steady performance of *Curél* sensitive skin care products, *Bioré* skin care products and *Bioré U* body cleanser. Sales in Asia increased, with strong performance by *Bioré* in Taiwan and Indonesia. In North America, *Jergens* expanded its share of the hand and body lotion market.

Sales of premium hair care products decreased in Japan as intensified competition impacted sales of hair coloring products, although sales of *Merit* and *Essential* shampoos and conditioners were steady. In Asia, sales increased due to the strong performance of *Liese* foam hair color in Taiwan and Thailand. In North America and Europe, sales grew substantially, with strong sales of *John Frieda* foam hair color.

Operating income increased 3.3 billion yen to 5.1 billion yen due to ongoing efforts to rebuild the prestige cosmetics business in Japan and other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 3.1 billion yen to 13.5 billion yen, which is equivalent to 10.4% of sales.

Human Health Care Business

Sales decreased 1.9% compared with the same quarter a year earlier to 43.0 billion yen. Excluding the effect of currency translation, sales would have decreased 1.4%.

In food and beverage products, *Healthya Green Tea* functional drink gained support from consumers and performed well, but sales were weak overall due to sluggish sales of *Healthya Sparkling*.

Sales of sanitary products declined from the same quarter a year earlier. Sales of *Laurier* sanitary napkins increased in Japan, Indonesia, Thailand and China, but sales of baby diapers were impacted by market contraction due to the declining birth rate and market competition in Japan.

Sales of personal health products increased, as toothpastes gained market share and *Bub* bath

News Release

additives performed well in Japan.

Operating income increased 0.1 billion yen to 4.4 billion yen, reflecting efforts to curtail expenses and cost reduction activities.

Fabric and Home Care Business

Sales increased 0.3% compared with the same quarter a year earlier to 65.5 billion yen. Excluding the effect of currency translation, sales would have increased 0.7%.

In fabric care products in Japan, sales increased as the Kao Group continued to highlight the reduced laundry time and environmental appeal of conserving water and electricity with the *Neo* series, which includes *Attack Neo* ultra-concentrated liquid laundry detergent, and *Wide Haiter EX Power* fabric bleach for color garments performed steadily. In Asia, consumer support led to increased sales of *Attack Easy* laundry detergent in Indonesia and other countries, and *Attack Instant Clean Liquid* in China. In home care products in Japan, sales increased with the strong performance of *Kitchen Haiter* foam-type kitchen bleach, and *CuCute* dishwashing detergent.

Operating income decreased 0.4 billion yen to 12.7 billion yen with the impact of an increase in raw material prices, despite cost reduction activities and other factors.

Chemical Business

In the Chemical Business, although demand in customer industries in Japan decreased following the Earthquake, sales grew substantially outside Japan. As a result, sales increased 13.2% compared with the same quarter a year earlier to 64.8 billion yen. Excluding the effect of currency translation, sales would have increased 17.9%.

In oleo chemicals, the Kao Group made efforts to adjust selling prices to reflect the rise in prices of natural oils and fats and petrochemicals. In performance chemicals, the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact. Sales of specialty chemicals, primarily toner and toner binder for copiers and printers, were firm.

Operating income increased 0.1 billion yen to 6.9 billion yen due to efforts to adjust selling prices and cost reduction activities, despite the impact of higher raw material prices.

Note: The Company is organized into four reportable segments: the Beauty Care Business, the

News Release

Human Health Care Business, and the Fabric and Home Care Business (collectively, the Consumer Products Business) and the Chemical Business.

(Remainder of page intentionally left blank.)

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

	Billions of yen			Millions of U.S. dollars
	Q1/FY2011 Jun. 30, 2011	FY2010 Mar. 31, 2011	Incr./ (Dcr.)	Q1/FY2011 Jun. 30, 2011
Total assets	994.6	1,022.7	(28.0)	12,321.3
Total net assets	548.5	539.5	8.9	6,794.7
Net worth ratio	54.0%	51.7%	-	-
Net worth per share (Yen/US\$)	1,028.72	1,013.05	15.67	12.74
Total debt	127.7	156.8	(29.0)	1,582.7

Summary of Consolidated Cash Flows

Three months ended June 30	Billions of yen			Millions of U.S. dollars
	2011	2010	Incr./ (Dcr.)	2011
Net cash provided by operating activities	1.5	13.2	(11.6)	19.6
Net cash used in investing activities	(16.8)	(9.4)	(7.4)	(209.1)
Free cash flow *	(15.3)	3.8	(19.1)	(189.5)
Net cash used in financing activities	(43.3)	(13.8)	(29.5)	(537.2)

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

Total assets decreased 28.0 billion yen from the previous fiscal year-end to 994.6 billion yen. The principal increases in assets were a 14.3 billion yen increase in notes and accounts receivable – trade and a 13.1 billion yen increase in merchandise and finished goods. The principal decreases in assets were a 32.7 billion yen decrease in cash and time deposits, a 20.8 billion yen decrease in short-term investments and a 7.2 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 37.0 billion yen from the previous fiscal year-end to 446.1 billion yen. The principal increases in liabilities were a 24.9 billion yen increase in commercial paper and an 8.7 billion yen increase in notes and accounts payable – trade. The principal decreases in liabilities were a 50.0 billion yen decrease in the current portion of bonds and an 11.2 billion yen decrease in income taxes payable due to payment of income taxes.

Total net assets increased 8.9 billion yen from the previous fiscal year-end to 548.5 billion

News Release

yen. The principal increases in net assets were net income for the first quarter totaling 15.1 billion yen and foreign currency translation adjustments of 8.0 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 15.1 billion yen. The Company retired 13,931 thousand shares of treasury stock in May 2011.

As a result, the net worth ratio (defined as net worth divided by total assets) was 54.0% compared with 51.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 1.5 billion yen. The principal increases in net cash were income before income taxes and minority interests of 28.3 billion yen and depreciation and amortization of 19.4 billion yen. The principal decreases in net cash were income taxes paid of 18.1 billion yen, change in inventories of 15.5 billion yen and change in trade receivables of 11.1 billion yen.

Net cash used in investing activities totaled 16.8 billion yen. This primarily consisted of purchase of property, plant and equipment of 7.9 billion yen and payments for investment in capital of nonconsolidated subsidiaries of 5.8 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was negative 15.3 billion yen. This was a decrease of 19.1 billion yen compared with the same quarter a year earlier, mainly due to increases in inventories and trade receivables.

Net cash used in financing activities totaled 43.3 billion yen. The principal increase in net cash was a net increase in commercial paper of 24.9 billion yen, while principal decreases in net cash were 50.0 billion yen for redemption of bonds and 13.9 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at June 30, 2011 decreased 21.5 billion yen compared with the end of the first quarter of the previous fiscal year to 86.5 billion yen. The decrease was 56.6 billion yen compared with the end of the previous fiscal year.

(Remainder of page intentionally left blank.)

(3) Qualitative Information on Forecast of Consolidated Results**Revised Forecast of Consolidated Results for the Six Months Ending September 30, 2011**

(Billions of yen, except where noted)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (Yen)
Previous forecast (A)	604.0	45.0	45.0	23.0	44.05
Revised forecast (B)	620.0	58.0	60.0	32.0	61.29
Change (B-A)	16.0	13.0	15.0	9.0	-
Percentage change	2.6%	28.9%	33.3%	39.1%	-
Actual results for the six months ended September 30, 2010	601.3	57.8	56.4	27.8	51.93

Revised 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)
Previous forecast (A)	1,228.0	105.0	104.0	53.0	101.52
Revised forecast (B)	1,235.0	108.0	108.0	57.0	109.18
Change (B-A)	7.0	3.0	4.0	4.0	-
Percentage change	0.6%	2.9%	3.8%	7.5%	-
Actual results for the fiscal year ended March 31, 2011	1,186.8	104.5	103.3	46.7	87.69

The recovery of the global economy has moderated and there are concerns about the risk of a downturn. In Japan, where deflation is continuing, the outlook for the operating environment remains unclear, with the impact of the Earthquake and restrictions on electrical power supply. Moreover, market prices of natural oils and fats and crude oil remain stable at high levels due to rising demand primarily in developing countries, and foreign exchange rates have become unstable.

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 the prestige cosmetics business. In Asia, the Kao Group aims to raise the level of sales with

News Release

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 environmentally conscious products.

The Kao Group will aim to achieve its forecast of results through these activities. However, because the Kao Group exceeded its initial forecast for the three months ended June 30, 2011, the forecasts of consolidated results for the six months ending September 30, 2011 and the fiscal year ending March 31, 2012 have been revised as shown above.

The main exchange rates used in the forecast of consolidated results are 81 yen per U.S. dollar and 114 yen per euro.

2. Other

(1) Changes in material subsidiaries during this quarterly period: None

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

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements: None

(4) Note on significant changes in the amount of shareholders' equity

Based on a resolution of the meeting of the Board of Directors held on April 26, 2011, the Company retired its treasury stock on May 20, 2011. As a result of this retirement and other factors, treasury stock decreased 32,458 million yen during the three months ended June 30, 2011, and totaled 8,518 million yen as of June 30, 2011.

Consolidated Balance Sheets

Millions of yen

	Q1/FY2011 Jun 30, 2011	FY2010 Mar 31, 2011
Assets		
Current assets		
Cash and time deposits	77,984	110,761
Notes and accounts receivable - trade	135,418	121,093
Short-term investments	14,166	35,028
Merchandise and finished goods	86,327	73,189
Work in process	11,459	9,994
Raw materials and supplies	29,149	26,153
Other	37,608	41,693
Allowance for doubtful receivables	(1,146)	(1,080)
Total current assets	390,969	416,833
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,108,699	1,098,641
Accumulated depreciation	(864,431)	(853,917)
Total property, plant and equipment	244,268	244,724
Intangible assets		
Goodwill	177,277	179,225
Trademarks	66,775	71,176
Other	21,701	22,556
Total intangible assets	265,755	272,958
Investments and other assets		
Investments and other assets	93,893	88,503
Allowance for doubtful receivables	(186)	(220)
Total investments and other assets	93,706	88,283
Total fixed assets	603,730	605,966
Total assets	994,699	1,022,799
Liabilities		
Current liabilities		
Notes and accounts payable - trade	112,815	104,044
Short-term debt	2,716	6,776
Commercial paper	24,993	-
Current portion of bonds	-	50,000
Current portion of long-term debt	30,009	30,008
Income taxes payable	7,515	18,784
Liability for loss related to the Great East Japan Earthquake	1,553	2,657
Other	130,270	135,922
Total current liabilities	309,873	348,195
Long-term liabilities		
Bonds	49,998	49,998
Long-term debt	20,051	20,047
Liability for employee retirement benefits	43,242	42,316
Other	22,995	22,677
Total long-term liabilities	136,288	135,039
Total liabilities	446,161	483,234
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	425,500	457,917
Treasury stock, at cost	(8,518)	(40,976)
Total shareholders' equity	611,968	611,926
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,849	1,860
Deferred gain (loss) on derivatives under hedge accounting	0	(2)
Foreign currency translation adjustments	(76,331)	(84,429)
Post retirement liability adjustments for foreign consolidated subsidiaries	(414)	(460)
Total	(74,895)	(83,032)
Stock acquisition rights	1,128	1,143
Minority interests	10,337	9,526
Total net assets	548,538	539,564
Total liabilities and net assets	994,699	1,022,799

Consolidated Statements of Income

Millions of yen

	Q1/FY2011 Apr '11 - Jun '11	Q1/FY2010 Apr '10 - Jun '10
Net sales	294,939	289,969
Cost of sales	124,527	118,837
Gross profit	170,411	171,132
Selling, general and administrative expenses	141,166	144,961
Operating income	29,245	26,170
Non-operating income		
Interest income	208	165
Dividend income	93	98
Equity in earnings of nonconsolidated subsidiaries and affiliates	795	261
Other	697	1,006
Total non-operating income	1,794	1,531
Non-operating expenses		
Interest expense	703	837
Foreign currency exchange loss	120	1,261
Other	196	193
Total non-operating expenses	1,020	2,292
Ordinary income	30,019	25,409
Extraordinary gain		
Gain on sales of fixed assets	20	82
Other	70	6
Total extraordinary gain	91	89
Extraordinary loss		
Loss on sales/disposals of fixed assets	544	582
Loss related to the Great East Japan Earthquake	1,002	-
Loss on application of accounting standard for asset retirement obligations	-	1,633
Other	207	140
Total extraordinary loss	1,754	2,356
Income before income taxes and minority interests	28,356	23,142
Income taxes		
Income taxes - current	6,719	5,254
Income taxes - deferred	5,986	5,096
Total income taxes	12,705	10,350
Income before minority interests	15,650	12,792
Minority interests	467	315
Net income	15,183	12,476

Consolidated Statements of Comprehensive Income

Millions of yen	Q1/FY2011	Q1/FY2010
	<u>Apr '11 - Jun '11</u>	<u>Apr '10 - Jun '10</u>
Income before minority interests	15,650	12,792
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(4)	(416)
Foreign currency translation adjustments	8,453	180
Share of other comprehensive income in affiliates	13	67
Post retirement liability adjustments for foreign consolidated subsidiaries	46	(93)
Total other comprehensive income	8,508	(261)
Comprehensive income	24,159	12,530
Comprehensive income attribute to:		
Shareholders of Kao Corporation	23,319	11,836
Minority interests	839	693

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen	Q1/FY2011	Q1/FY2010
	<u>Apr '11 - Jun '11</u>	<u>Apr '10 - Jun '10</u>
Freight/warehouse	16,530	16,314
Advertising	19,869	20,978
Sales promotion	13,581	15,371
Salaries and bonuses	30,636	31,383
Research and development	11,645	11,147

Consolidated Statements of Cash Flows

Millions of yen

	Q1/FY2011 <u>Apr '11 - Jun '11</u>	Q1/FY2010 <u>Apr '10 - Jun '10</u>
Operating activities:		
Income before income taxes and minority interests	28,356	23,142
Adjustments for:		
Depreciation and amortization	19,408	20,267
Interest and dividend income	(302)	(263)
Interest expense	703	837
Unrealized foreign currency exchange (gain) loss	322	511
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(795)	(261)
(Gain) loss on sales and retirement of fixed assets	523	499
Change in trade receivables	(11,148)	(4,771)
Change in inventories	(15,507)	(5,177)
Change in trade payables	7,040	3,856
Change in liability for retirement benefits	648	(1)
Other, net	(9,429)	(5,239)
Subtotal	19,820	33,399
Interest and cash dividends received	920	1,039
Interest paid	(969)	(987)
Income taxes paid	(18,188)	(20,181)
Net cash provided by operating activities	1,583	13,270
Investing activities:		
Purchase of property, plant and equipment	(7,900)	(8,373)
Increase in intangible assets	(910)	(1,048)
Payments for long-term prepaid expenses	(1,307)	(998)
Change in short-term loans, net	(179)	(154)
Payments for long-term loans	(506)	(298)
Payments for investment in capital of nonconsolidated subsidiaries	(5,825)	-
Other, net	(253)	1,434
Net cash used in investing activities	(16,883)	(9,437)
Financing activities:		
Change in short-term debt, net	(4,204)	825
Change in commercial paper, net	24,993	-
Repayments of long-term loans	(0)	(73)
Redemption of bonds	(50,000)	-
Purchase of treasury stock	(2)	(3)
Payments of cash dividends	(13,926)	(14,271)
Payments of cash dividends to minority shareholders	(31)	(191)
Other, net	(194)	(94)
Net cash used in financing activities	(43,365)	(13,808)
Translation adjustments on cash and cash equivalents	2,038	715
Net increase (decrease) in cash and cash equivalents	(56,627)	(9,261)
Cash and cash equivalents, beginning of period	143,143	117,180
Cash and cash equivalents from newly consolidated subsidiary, increase	-	166
Cash and cash equivalents, end of period	86,516	108,085

Consolidated Segment Information

Millions of yen

Q1/FY2011 Apr '11 - Jun '11	Consumer Products Business				Chemical Business	Total	Reconciliations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	130,746	43,020	65,549	239,316	55,622	294,939	-	294,939
Intersegment sales	-	-	-	-	9,201	9,201	(9,201)	-
Total	130,746	43,020	65,549	239,316	64,823	304,140	(9,201)	294,939
Operating income	5,163	4,448	12,727	22,340	6,954	29,294	(49)	29,245
% of net sales	3.9	10.3	19.4	9.3	10.7	9.6	-	9.9

Q1/FY2010 Apr '10 - Jun '10	Consumer Products Business				Chemical Business	Total	Reconciliations	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

Note: Reconciliation of operating income includes elimination of intersegment inventory transactions.

Consolidated Net Sales Composition

<i>Millions of yen</i>	Q1/FY2011 <u>Apr '11 - Jun '11</u>	Q1/FY2010 <u>Apr '10 - Jun '10</u>	Growth <u>%</u>
Consumer Products Business			
Beauty Care Business	96,932	98,997	(2.1)
Human Health Care Business	38,546	39,853	(3.3)
Fabric and Home Care Business	59,220	58,711	0.9
Total Japan	194,698	197,562	(1.4)
Asia and Oceania	21,418	20,388	5.1
North America	14,153	12,987	9.0
Europe	15,471	15,196	1.8
Eliminations	(6,425)	(5,523)	-
Total	239,316	240,610	(0.5)
Chemical Business			
Japan	31,467	30,992	1.5
Asia	22,402	16,061	39.5
North America	9,025	7,171	25.8
Europe	15,462	13,242	16.8
Eliminations	(13,534)	(10,198)	-
Total	64,823	57,269	13.2
Total before Eliminations	304,140	297,880	2.1
Eliminations	(9,201)	(7,910)	-
Net Sales	294,939	289,969	1.7