

Summary of Consolidated Business Results for the Six Months Ended September 30, 2011

Tokyo, October 25, 2011 — Kao Corporation today announced its consolidated business results for the six months ended September 30, 2011, the interim period 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)

	Six months ended September 30			Fiscal 2010, ended	
	2011	2010	Growth	2011	March 31, 2011
	Yen		%	U.S. dollars	Yen
Net sales	614,885	601,351	2.3	8,022.0	1,186,831
Operating income	57,507	57,873	(0.6)	750.3	104,591
Ordinary income	58,895	56,440	4.3	768.4	103,336
Net income	30,742	27,837	10.4	401.1	46,737
Comprehensive income	36,595	13,481	171.4	477.4	25,558
Total assets	1,009,047	1,051,581	(4.0)	13,164.3	1,022,799
Total net assets	560,157	573,304	(2.3)	7,308.0	539,564
Net worth	548,692	562,669	(2.5)	7,158.4	528,894
Net worth ratio	54.4%	53.5%	-	54.4%	51.7%
Net worth per share (Yen/US\$)	1,051.54	1,049.69	0.2	13.72	1,013.05
Net income per share (Yen/US\$)	58.89	51.93	13.4	0.77	87.69
Net income per share, fully diluted (Yen/US\$)	58.87	51.92	13.4	0.77	87.67
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	62,586	80,765	-	816.5	151,298
Net cash used in investing activities	(29,817)	(9,375)	-	(389.0)	(31,777)
Net cash used in financing activities	(69,116)	(39,552)	-	(901.7)	(87,323)
Cash and cash equivalents, end of period	108,871	145,802	-	1,420.4	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 September 30, 2011; 540,143,701 shares as of March 31, 2011.
 - Number of shares of treasury stock:
4,412,158 shares as of September 30, 2011; 18,063,790 shares as of March 31, 2011.
6. Weighted average number of shares outstanding during the six months ended September 30 of each year:
522,068,080 shares for 2011; 536,027,475 shares for 2010.

Consolidated Results by Segment

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Beauty Care	271.7	272.5	(0.3)	1.4	7.0	5.2	1.7
Human Health Care	90.6	89.2	1.6	2.1	8.2	8.6	(0.4)
Fabric and Home Care	143.3	141.0	1.6	2.0	28.8	31.4	(2.5)
Consumer Products Total	505.7	502.8	0.6	1.7	44.0	45.2	(1.2)
Chemical	128.1	115.0	11.3	14.8	13.4	12.5	0.8
Total	633.8	617.9	2.6	4.1	57.5	57.8	(0.3)
Reconciliations	(19.0)	(16.5)	-	-	(0.0)	(0.0)	(0.0)
Consolidated	614.8	601.3	2.3	3.8	57.5	57.8	(0.3)

Six months ended September 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	3,545.7	3,556.3	(0.3)	1.4	91.4	68.4	23.0
Human Health Care	1,183.2	1,164.5	1.6	2.1	107.1	112.5	(5.4)
Fabric and Home Care	1,869.5	1,839.7	1.6	2.0	376.1	409.8	(33.7)
Consumer Products Total	6,598.4	6,560.5	0.6	1.7	574.7	590.8	(16.1)
Chemical	1,671.6	1,501.3	11.3	14.8	176.0	164.4	11.6
Total	8,270.0	8,061.8	2.6	4.1	750.8	755.2	(4.4)
Reconciliations	(248.0)	(216.4)	-	-	(0.5)	(0.2)	(0.3)
Consolidated	8,022.0	7,845.4	2.3	3.8	750.3	755.0	(4.8)

Reference: Consolidated Results by Geographic Area

Six months ended September 30	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2011	2010	Like-for-like		2011	2010	Change
Japan	463.2	462.3	0.2	0.2	45.1	46.6	(1.4)
Asia/Oceania	91.6	73.9	24.1	30.7	6.3	3.4	2.9
North America	45.5	41.7	9.0	20.4	2.7	4.0	(1.2)
Europe	61.0	55.3	10.3	13.7	4.2	3.9	0.2
Total	661.5	633.3	4.4	6.3	58.5	58.0	0.5
Reconciliations	(46.6)	(32.0)	-	-	(1.0)	(0.1)	(0.8)
Consolidated	614.8	601.3	2.3	3.8	57.5	57.8	(0.3)

Six months ended September 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	6,043.7	6,031.6	0.2	0.2	589.1	608.5	(19.4)
Asia/Oceania	1,196.2	964.1	24.1	30.7	83.1	44.5	38.5
North America	594.3	545.1	9.0	20.4	36.4	52.4	(16.0)
Europe	796.9	722.7	10.3	13.7	55.3	51.8	3.5
Total	8,631.1	8,263.5	4.4	6.3	763.9	757.2	6.7
Reconciliations	(609.2)	(418.1)	-	-	(13.7)	(2.2)	(11.4)
Consolidated	8,022.0	7,845.4	2.3	3.8	750.3	755.0	(4.8)

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 27.7% of consolidated net sales compared with 26.2% for the same period a year earlier.

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

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

	Year ending March 31, 2012		
	Yen	% Growth	U.S. dollars
Net sales	1,235.0	4.1	16,112.2
Operating income	108.0	3.3	1,409.0
Ordinary income	108.0	4.5	1,409.0
Net income	57.0	22.0	743.6
Net income per share (Yen/US\$)	109.24	-	1.43
Cash dividends per share (Yen/US\$)	58.00	-	0.76

Notes:

1. Except net per share, the forecasts for the fiscal year ending March 31, 2012 remain the same as on July 25, 2011, when Kao announced its results for the three months ended June 30, 2011.
2. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.
3. Annual cash dividends per share: 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, 2011 of 76.65 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.

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1. Qualitative Information on Business Results for the Six Months Ended September 30, 2011

(1) Qualitative Information on Consolidated Business Results

During the six months ended September 30, 2011, uncertainty about the outlook for the global economy grew due to the slowing pace of recovery in North America and Europe. In the Japanese economy, there were signs of recovery in some sectors although conditions remained severe due to the effects of the March 11 Great East Japan Earthquake (the “Earthquake”) as well as deflation and the rapid appreciation of the yen. 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 made all-out efforts to carry out stable supply of products after the Earthquake as the mission of a manufacturer of daily necessities, and worked to launch and nurture products with high added value based on its concept of “Yoki-Monozukuri.”* 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 increased 2.3% compared with the same period a year earlier to 614.8 billion yen. Excluding the effect of currency translation, net sales would have increased 3.8%. In the Beauty Care Business, sales were impacted by contraction of the cosmetics market in Japan, but new products performed well in North America and Europe. Sales increased in the Human Health Care Business and the Fabric and Home Care Business. In the Chemical Business, sales outside Japan were strong as the Kao Group adjusted its selling prices in response to rising raw material prices.

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. However, the cost of raw materials, mainly natural oils and fats and petrochemicals, increased due to volatility in international market prices. As a result, operating income decreased 0.3 billion yen compared with the same period a year earlier to 57.5 billion yen. Ordinary income increased 2.4 billion yen to 58.8 billion yen, and although the Kao Group recorded an

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extraordinary loss of 1.7 billion yen for loss related to the Great East Japan Earthquake, net income increased 2.9 billion yen to 30.7 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 0.8 billion yen compared with the same period a year earlier to 74.3 billion yen, which is equivalent to 12.1% of net sales.

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

	First quarter	Second quarter
Yen/U.S. dollar	82.33 (90.75)	81.23 (91.29)
Yen/Euro	113.77 (123.71)	118.29 (114.83)

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 increased 0.6% compared with the same period a year earlier to 505.7 billion yen. Excluding the effect of currency translation, sales would have increased 1.7%.

In Japan, sales increased 0.4% to 416.9 billion yen. Although sales were impacted by the Earthquake, intensified market competition and deflation, 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 5.2% to 43.7 billion yen. Excluding the effect of currency translation, sales would have increased 10.0%. Although intense market competition continued, the Kao Group carried out aggressive measures, including collaborations with retailers and introduction of new products amid continued market growth.

In North America, sales decreased 1.1% to 26.5 billion yen. Excluding the effect of currency translation, sales would have increased 9.9%. The market recovered, albeit gradually, and new products contributed to sales, but currency translation exerted an impact on results.

In Europe, sales increased 6.1% to 31.3 billion yen. Excluding the effect of currency translation, sales would have increased 9.5%. In a market that remained flat, new products launched last year performed well.

Operating income decreased 1.2 billion yen to 44.0 billion yen due to rising raw material prices, although the Kao Group conducted cost reduction activities.

Beauty Care Business

Sales decreased 0.3% compared with the same period a year earlier to 271.7 billion yen. Excluding the effect of currency translation, sales would have increased 1.4%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, decreased 1.3% to 125.2 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

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self-selection brands such as *KATE* makeup and *EVITA* total cosmetics. 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 *COFFRET D'OR* makeup, *SOFINA beauté* skin care 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 and increased its share in a contracting market. Sales outside Japan expanded steadily.

In premium skin care products in Japan, Kao launched new *Bioré* facial cleansers that use new cleansing technology to wash away dirt with the least possible damage to the skin, while *Bioré U* body cleanser and hand soap performed steadily for growth in sales together with *Curél* sensitive skin care products. Sales in Asia increased, with strong performance by *Bioré* in Hong Kong, Taiwan and Indonesia. In North America, *Jergens* performed well in the hand and body lotion category.

Sales of premium hair care products decreased in Japan. Sales of *Merit* and *Segreta* shampoos and conditioners were steady, but sales of hair coloring products were weak due to market contraction and intensifying competition. In Asia, sales increased due to the strong performance of *Liese* foam hair color in Taiwan and Thailand. In North America and Europe, strong sales of foam hair color and other new *John Frieda* products drove sales growth.

Operating income increased 1.7 billion yen to 7.0 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 1.3 billion yen to 23.7 billion yen, which is equivalent to 8.8% of sales.

Human Health Care Business

Sales increased 1.6% compared with the same period a year earlier to 90.6 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In food and beverage products, *Healthya Green Tea* and *Healthya Sparkling* functional drinks gained support from consumers and sales were firm.

Sales of sanitary products declined from the same period a year earlier. Sales of sanitary napkins grew steadily in Japan, aided by the launch of improved *Laurier F*, and also increased in Asian countries. However, sales of baby diapers in Japan were impacted by market contraction and competition, although market share recovered.

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Sales of personal health products increased, as toothpastes and *Bub* bath additives performed well in Japan.

Operating income decreased 0.4 billion yen to 8.2 billion yen with the impact of rising raw material prices and market competition, although the Kao Group conducted cost reduction activities.

Fabric and Home Care Business

Sales increased 1.6% compared with the same period a year earlier to 143.3 billion yen. Excluding the effect of currency translation, sales would have increased 2.0%.

In fabric care products in Japan, the Kao Group worked to highlight the reduced laundry time and environmental appeal of conserving water and electricity with the *Neo* series, and additionally launched *Attack Neo Antibacterial EX Power* ultra-concentrated liquid laundry detergent, which suppresses odor-causing bacteria in laundry. *Wide Haiter EX Power* fabric bleach for color garments performed steadily, and with the launch of *Flair Fragrance* fabric softener, overall sales of fabric care products in Japan were healthy. In Asia, consumer support led to increased sales of *Attack Instant Clean Liquid* laundry detergent in China and *Attack Easy* laundry detergent in Indonesia and other countries. In home care products in Japan, sales of *CuCute* dishwashing detergent and *Toilet Quickle* cleaning wipes increased steadily.

Operating income decreased 2.5 billion yen to 28.8 billion yen with the impact of rising raw material prices, although the Kao Group conducted cost reduction activities and other measures.

Chemical Business

In the Chemical Business, although demand in customer industries in Japan decreased due to the Earthquake, the strong yen and other factors, sales grew substantially outside Japan. As a result, sales increased 11.3% compared with the same period a year earlier to 128.1 billion yen. Excluding the effect of currency translation, sales would have increased 14.8%.

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.

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Operating income increased 0.8 billion yen to 13.4 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 Human Health Care Business, and the Fabric and Home Care Business (collectively, the Consumer Products Business) and the Chemical Business.

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

	Billions of yen			Millions of U.S. dollars
	1H/FY2011 Sept. 30, 2011	FY2010 Mar. 31, 2011	Incr./ (Dcr.)	1H/FY2011 Sept. 30, 2011
Total assets	1,009.0	1,022.7	(13.7)	13,164.3
Total net assets	560.1	539.5	20.5	7,308.0
Net worth ratio	54.4%	51.7%	-	54.4%
Net worth per share (Yen/US\$)	1,051.54	1,013.05	38.49	13.72
Total debt	103.7	156.8	(53.0)	1,353.7

Summary of Consolidated Cash Flows

	Billions of yen			Millions of U.S. dollars
	2011	2010	Incr./ (Dcr.)	2011
Six months ended September 30	2011	2010	Incr./ (Dcr.)	2011
Net cash provided by operating activities	62.5	80.7	(18.1)	816.5
Net cash used in investing activities	(29.8)	(9.3)	(20.4)	(389.0)
Free cash flow*	32.7	71.3	(38.6)	426.8
Net cash used in financing activities	(69.1)	(39.5)	(29.5)	(901.7)

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

Total assets decreased 13.7 billion yen from the previous fiscal year-end to 1,009.0 billion yen. The principal increases in assets were a 10.7 billion yen increase in notes and accounts receivable – trade and a 19.8 billion yen increase in merchandise and finished goods. The principal decreases in assets were a 25.2 billion yen decrease in cash and time deposits, a 6.5 billion yen decrease in short-term investments and a 16.9 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 34.3 billion yen from the previous fiscal year-end to 448.8 billion yen. The principal increase in liabilities was a 15.0 billion yen increase in notes and accounts payable – trade. The principal decrease in liabilities was a 50.0 billion yen decrease in the current portion of bonds.

Total net assets increased 20.5 billion yen from the previous fiscal year-end to 560.1 billion yen. The principal increases in net assets were net income totaling 30.7 billion yen and foreign currency translation adjustments of 4.7 billion yen. The principal decrease in net assets was payments of dividends from retained earnings totaling 15.1 billion yen. The

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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 54.4% compared with 51.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 62.5 billion yen. The principal increases in net cash were income before income taxes and minority interests of 55.8 billion yen and depreciation and amortization of 39.3 billion yen. The principal decreases in net cash were income taxes paid of 20.0 billion yen, change in inventories of 22.7 billion yen and change in trade receivables of 9.3 billion yen.

Net cash used in investing activities totaled 29.8 billion yen. This primarily consisted of purchase of property, plant and equipment of 21.1 billion yen and payments for investment in capital of nonconsolidated subsidiaries of 6.0 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 32.7 billion yen. This was a decrease of 38.6 billion yen compared with the same period a year earlier, mainly due to increases in inventories, trade receivables and payments for purchase of property, plant and equipment.

Net cash used in financing activities totaled 69.1 billion yen. This primarily consisted of 50.0 billion yen for redemption of bonds and 15.6 billion yen for payments of cash dividends, including to minority shareholders. The Kao Group also refinanced 20.0 billion yen in long-term loans while market interest rates were low.

As a result, the balance of cash and cash equivalents at September 30, 2011 decreased 36.9 billion yen compared with the end of the second quarter of the previous fiscal year to 108.8 billion yen. The decrease was 34.2 billion yen compared with the end of the previous fiscal year.

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(3) Qualitative Information on Forecast of Consolidated Results

There are concerns about the risk of a downturn in the global economy, with persistently high unemployment rates in North America and Europe and growing uncertainty about the outlook there, including public finance problems. In Japan, where deflation is continuing, the outlook for the operating environment remains unclear, with the impact of the appreciation of the yen. Moreover, although market prices of natural oils and fats and crude oil are trending downward at the moment, a sense of stability is lacking.

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 continues to aim to achieve profitable growth in the Consumer Products Business by promoting 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 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 products with a reduced environmental impact.

The Kao Group's forecast of consolidated results for the fiscal year ending March 31, 2012 remains unchanged from the forecast in the announcement of results for the first quarter on July 25, 2011. Please note that net income per share has changed with the change in the number of shares of treasury stock.

The main exchange rates used in the forecast of consolidated results are 79 yen per U.S. dollar and 111 yen per euro.

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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 31,889 million yen during the six months ended September 30, 2011, and totaled 9,086 million yen as of September 30, 2011.

Consolidated Balance Sheets

Millions of yen

	1H/FY2011 Sep 30, 2011	FY2010 Mar 31, 2011
Assets		
Current assets		
Cash and time deposits	85,559	110,761
Notes and accounts receivable - trade	131,879	121,093
Short-term investments	28,432	35,028
Merchandise and finished goods	93,035	73,189
Work in process	11,448	9,994
Raw materials and supplies	28,635	26,153
Other	41,338	41,693
Allowance for doubtful receivables	(1,052)	(1,080)
Total current assets	419,276	416,833
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,109,261	1,098,641
Accumulated depreciation	(866,103)	(853,917)
Total property, plant and equipment	243,157	244,724
Intangible assets		
Goodwill	173,391	179,225
Trademarks	62,374	71,176
Other	20,192	22,556
Total intangible assets	255,958	272,958
Investments and other assets		
Investments and other assets	90,731	88,503
Allowance for doubtful receivables	(75)	(220)
Total investments and other assets	90,655	88,283
Total fixed assets	589,771	605,966
Total assets	1,009,047	1,022,799
Liabilities		
Current liabilities		
Notes and accounts payable - trade	119,074	104,044
Short-term debt	3,716	6,776
Current portion of bonds	-	50,000
Current portion of long-term debt	30,001	30,008
Income taxes payable	19,881	18,784
Liability for loss related to the Great East Japan Earthquake	945	2,657
Other	138,398	135,922
Total current liabilities	312,018	348,195
Long-term liabilities		
Bonds	49,998	49,998
Long-term debt	20,047	20,047
Liability for employee retirement benefits	43,720	42,316
Other	23,104	22,677
Total long-term liabilities	136,871	135,039
Total liabilities	448,889	483,234
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	441,060	457,917
Treasury stock, at cost	(9,086)	(40,976)
Total shareholders' equity	626,958	611,926
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	1,823	1,860
Deferred gain (loss) on derivatives under hedge accounting	0	(2)
Foreign currency translation adjustments	(79,720)	(84,429)
Post retirement liability adjustments for foreign consolidated subsidiaries	(369)	(460)
Total	(78,266)	(83,032)
Stock acquisition rights	1,266	1,143
Minority interests	10,198	9,526
Total net assets	560,157	539,564
Total liabilities and net assets	1,009,047	1,022,799

Consolidated Statements of Income

Millions of yen

	1H/FY2011 Apr '11 - Sep '11	1H/FY2010 Apr '10 - Sep '10
Net sales	614,885	601,351
Cost of sales	263,501	248,502
Gross profit	351,384	352,849
Selling, general and administrative expenses	293,876	294,975
Operating income	57,507	57,873
Non-operating income		
Interest income	445	365
Dividend income	94	99
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,370	521
Other	1,394	1,644
Total non-operating income	3,305	2,629
Non-operating expenses		
Interest expense	1,227	1,710
Foreign currency exchange loss	259	1,971
Other	430	380
Total non-operating expenses	1,917	4,062
Ordinary income	58,895	56,440
Extraordinary gain		
Gain on sales of fixed assets	95	102
Gain on sales of investment securities	-	155
Other	79	19
Total extraordinary gain	175	276
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,160	1,297
Loss related to the Great East Japan Earthquake	1,753	-
Loss on application of accounting standard for asset retirement obligations	-	1,633
Other	302	181
Total extraordinary loss	3,215	3,112
Income before income taxes and minority interests	55,855	53,605
Income taxes		
Income taxes - current	20,783	19,515
Income taxes - deferred	3,407	5,770
Total income taxes	24,190	25,286
Income before minority interests	31,664	28,319
Minority interests	921	481
Net income	30,742	27,837

Consolidated Statements of Comprehensive Income

Millions of yen	1H/FY2011	1H/FY2010
	<u>Apr '11 - Sep '11</u>	<u>Apr '10 - Sep '10</u>
Income before minority interests	31,664	28,319
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(21)	(665)
Foreign currency translation adjustments	4,919	(13,968)
Share of other comprehensive income in affiliates	(59)	(30)
Post retirement liability adjustments for foreign consolidated subsidiaries	91	(173)
Total other comprehensive income	4,930	(14,837)
Comprehensive income	36,595	13,481
Comprehensive income attribute to:		
Shareholders of Kao Corporation	35,508	13,045
Minority interests	1,086	436

Major Items of Consolidated Selling, General and Administrative Expenses

Millions of yen	1H/FY2011	1H/FY2010
	<u>Apr '11 - Sep '11</u>	<u>Apr '10 - Sep '10</u>
Freight/warehouse	34,812	34,018
Advertising	43,717	42,439
Sales promotion	31,764	33,535
Salaries and bonuses	61,085	62,370
Research and development	23,573	22,359

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2011 Apr '11 - Sep '11	1H/FY2010 Apr '10 - Sep '10
Operating activities:		
Income before income taxes and minority interests	55,855	53,605
Adjustments for:		
Depreciation and amortization	39,304	40,500
Interest and dividend income	(540)	(464)
Interest expense	1,227	1,710
Unrealized foreign currency exchange (gain) loss	192	738
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,370)	(521)
(Gain) loss on sales and retirement of fixed assets	1,064	1,195
Change in trade receivables	(9,307)	(4,539)
Change in inventories	(22,786)	(4,258)
Change in trade payables	14,230	9,725
Change in liability for retirement benefits	1,197	1,479
Other, net	3,929	6,163
Subtotal	82,996	105,336
Interest and cash dividends received	1,149	1,259
Interest paid	(1,477)	(1,693)
Income taxes paid	(20,082)	(24,136)
Net cash provided by operating activities	62,586	80,765
Investing activities:		
Purchase of property, plant and equipment	(21,179)	(10,661)
Increase in intangible assets	(1,478)	(1,463)
Payments for long-term prepaid expenses	(2,317)	(2,047)
Change in short-term loans, net	(151)	21
Payments for long-term loans	(684)	(554)
Payments for investments in capital of nonconsolidated subsidiaries	(6,082)	-
Proceeds from cancellation of derivatives	-	4,297
Other, net	2,076	1,032
Net cash used in investing activities	(29,817)	(9,375)
Financing activities:		
Change in short-term debt, net	(3,122)	648
Proceeds from long-term loans	20,000	0
Repayments of long-term loans	(20,011)	(24,282)
Redemption of bonds	(50,000)	-
Purchase of treasury stock	(4)	(7)
Payments of cash dividends	(15,149)	(15,554)
Payments of cash dividends to minority shareholders	(469)	(191)
Other, net	(359)	(165)
Net cash used in financing activities	(69,116)	(39,552)
Translation adjustments on cash and cash equivalents	2,075	(3,381)
Net increase (decrease) in cash and cash equivalents	(34,272)	28,456
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	108,871	145,802

Consolidated Segment Information

Millions of yen

1H/FY2011 Apr '11 - Sep '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	271,775	90,690	143,300	505,766	109,118	614,885	-	614,885
Intersegment sales	-	-	-	-	19,009	19,009	(19,009)	-
Total	271,775	90,690	143,300	505,766	128,128	633,894	(19,009)	614,885
Operating income	7,008	8,213	28,830	44,052	13,492	57,545	(37)	57,507
% of net sales	2.6	9.1	20.1	8.7	10.5	9.1	-	9.4

1H/FY2010 Apr '10 - Sep '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	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

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

Consolidated Net Sales Composition

Millions of yen

	1H/FY2011 <u>Apr '11 - Sep '11</u>	1H/FY2010 <u>Apr '10 - Sep '10</u>	Growth <u>%</u>
Consumer Products Business			
Beauty Care Business	204,393	206,589	(1.1)
Human Health Care Business	82,041	80,924	1.4
Fabric and Home Care Business	130,498	127,947	2.0
Total Japan	416,933	415,461	0.4
Asia and Oceania	43,719	41,541	5.2
North America	26,548	26,830	(1.1)
Europe	31,341	29,539	6.1
Eliminations	(12,776)	(10,512)	-
Total	505,766	502,861	0.6
Chemical Business			
Japan	63,059	61,793	2.0
Asia	49,500	33,309	48.6
North America	19,085	15,023	27.0
Europe	29,854	25,912	15.2
Eliminations	(33,371)	(20,964)	-
Total	128,128	115,075	11.3
Total before Eliminations	633,894	617,936	2.6
Eliminations	(19,009)	(16,584)	-
Net Sales	614,885	601,351	2.3

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	