

**Kao Corporation: Announcement of Consolidated Business Results for the
Nine Months Ended December 31, 2008**

Summary of Teleconference Q&A Session

Teleconference Date: Thursday, January 29, 2009, Japan Time

- Q. Could you give us a breakdown of the 45 billion yen decline in the revised full-year sales forecast by business segment?
- A. The Beauty Care business: 13 billion yen; the Human Health Care business: 1 billion yen; the Fabric and Home Care business: 2 billion yen; and the Chemical business: 18 billion yen. In addition, eliminations positively contribute 3 billion yen. Within the Beauty Care business, the prestige cosmetics business projects reductions in sales of 10 billion yen in Japan and 5 billion yen in North America and Europe. Also, the Chemical business expects a 10 billion yen reduction in Japan.
- Q. What is the operating income level for the prestige cosmetics business?
- A. The comparison bases are different because the timing of the financial closing of Kanebo Cosmetics was changed from the January-September period in 2007 to the April-December period in 2008. In terms of absolute profit values, the numbers for both periods are about the same.
- Q. Could you give us a breakdown of the downward revision of 14 billion yen for operating income in the full-year forecast?
- A. The Beauty Care business: 6 billion yen; the Human Health Care business: 1 billion yen; the Fabric and Home Care business: 3 billion yen; and the Chemical business: 5 billion yen. In addition, eliminations have a positive impact of 1 billion yen.
- Q. The slide “Analysis of Revised FY2008 Operating Income Forecast” states that the 14 billion yen downward revision of operating income includes 4 billion yen from “Product mix and others.” Could you explain what this consists of?
- A. “Product mix and others” consists of various factors. One major factor is the negative impact from lower sales of higher-margin prestige cosmetics products.

- Q. How about downward sales price pressure from retailers by product category?
- A. There is no specific downward sales price pressure from retailers. However, as shown in the slide “Consumer Purchase Prices in Japan,” we have recently seen lower consumer purchase prices in product categories including shampoos, body cleansers and laundry detergents.
- Q. Do you expect a slight increase in Consumer Products sales in the next fiscal year?
- A. It is unclear whether or not the consumer products market will even remain flat compared with this fiscal year due to cooling consumer sentiment. The Kao Group would like to at least outpace market growth.
- Q. What is your outlook for the market environment in the next fiscal year?
- A. We expect to face challenging market conditions, especially for the Chemical business globally, reflecting the severe environment for its customer industries. In the Consumer Products business, we would like to at least outpace market growth with new product launches and proposals of high-value-added products, although consumer trends may impact Kao’s growth.

**This summary contains forward-looking statements that are based on management's estimates, assumptions and projections as of January 29, 2009. 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.*