

Kao Corporation Reports Business Results

Tokyo, April 23, 2008 — Kao Corporation today announced its consolidated and non-consolidated business results for the fiscal year ended March 31, 2008. The following summary of the business results that Kao submitted to the Tokyo Stock Exchange is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights (Unaudited)

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

| | Year ended March 31 | | | |
|--|---------------------|-----------|--------|------------------|
| | 2008 | 2007 | Change | 2008 |
| | Yen | | % | U.S. Dollars |
| Net sales | 1,318,513 | 1,231,808 | 7.0 | 13,160.1 |
| Operating income | 116,252 | 120,858 | (3.8) | 1,160.3 |
| Ordinary income | 114,223 | 120,176 | (5.0) | 1,140.1 |
| Net income | 66,561 | 70,527 | (5.6) | 664.3 |
| ROE (Net income / Shareholders' equity) | 11.7% | 13.1% | - | 11.7% |
| ROA (Ordinary income / Total assets) | 9.2% | 9.7% | - | 9.2% |
| Operating income / Net sales | 8.8% | 9.8% | - | 8.8% |
| Total assets | 1,232,601 | 1,247,797 | (1.2) | 12,302.6 |
| Total net assets | 584,709 | 574,751 | 1.7 | 5,836.0 |
| Net worth / Total assets | 46.6% | 45.2% | - | 46.6% |
| Net worth per share (yen/US\$) | 1,070.67 | 1,035.66 | 3.4 | 10.69 |
| Net income per share (yen/US\$) | 122.53 | 129.41 | (5.3) | 1.22 |
| Net income per share, fully diluted (yen/US\$) | 122.41 | 129.29 | (5.3) | 1.22 |
| Net cash provided by operating activities | 180,322 | 164,977 | - | 1,799.8 |
| Net cash used in investing activities | (52,389) | (63,227) | - | (522.9) |
| Net cash used in financing activities | (101,822) | (83,665) | - | (1,016.3) |
| Cash and cash equivalents at end of period | 112,636 | 88,154 | - | 1,124.2 |

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2008, of 100.19 yen=US\$1, and are presented solely for the convenience of readers.
2. Yen amounts are rounded down to the nearest million.
3. Change in scope of consolidation during the current fiscal year: Kao Cosmetics Sales Co., Ltd. has been removed from the scope of consolidation due to its merger with Kao Hanbai Company, Ltd., which concurrently changed its name to Kao Customer Marketing Co., Ltd.
4. Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.

Dividend

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

| | Year ended March 31 | | |
|--|---------------------|--------|---------------|
| | 2008 | 2007 | 2008 |
| | Yen | | U.S. Dollars |
| Cash dividend per share (Yearly, yen/US\$) | 54.00 | 52.00 | 0.54 |
| Total dividend payment amount | 29,226 | 28,370 | 291.71 |
| Payout ratio (consolidated) | 44.1% | 40.2% | 44.1% |
| Cash dividends / Total net assets (consolidated) | 5.1% | 5.3% | 5.1% |

*Notes:**Interim dividend per share: 27.00 yen for 2008 and 26.00 yen for 2007**Year-end dividend per share: 27.00 yen for 2008 and 26.00 yen for 2007***Forecast of Consolidated Results for the Six Months Ending September 30, 2008 and the Year Ending March 31, 2009**

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

| | Six months ending September 30, 2008 | | | Year ending March 31, 2009 | | |
|---------------------------------|--------------------------------------|--------------|--------------|----------------------------|--------------|--------------|
| | Yen | Year-on-year | U.S. Dollars | Yen | Year-on-year | U.S. Dollars |
| Net sales | 660,000 | +0.8% | 6,587.5 | 1,330,000 | +0.9% | 13,274.8 |
| Operating income | 54,000 | (2.8%) | 539.0 | 117,000 | +0.6% | 1,167.8 |
| Ordinary income | 53,000 | (3.7%) | 529.0 | 115,000 | +0.7% | 1,147.8 |
| Net income | 31,000 | +5.7% | 309.4 | 69,000 | +3.7% | 688.7 |
| Net income per share (yen/US\$) | 57.82 | - | 0.58 | 128.70 | - | 1.28 |
| Cash dividends per share | 28.00 | - | 0.28 | 56.00 | - | 0.56 |

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2008, of 100.19 yen=US\$1, and are presented solely for the convenience of readers.
2. The Kao Group forecasts that net sales for the fiscal year ending March 31, 2009 will increase 0.9% year on year to 1,330.0 billion yen. On a like-for-like basis excluding the effect of currency translation, net sales are forecast to increase 2.0%.
3. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

Consolidated Segment Information by Business (Unaudited)

| Year ended March 31 | Billions of Yen | | | | | | |
|-------------------------|-----------------|---------|---------------|------|------------------|-------|--------------|
| | SALES | | | | OPERATING INCOME | | |
| | 2008 | 2007 | % change | | 2008 | 2007 | Incr./(Dcr.) |
| | | | Like-for-like | | | | |
| Beauty Care | 627.9 | 584.2 | 7.5 | 6.0 | 27.2 | 29.8 | (2.5) |
| Human Health Care | 191.2 | 183.6 | 4.2 | 3.7 | 13.1 | 11.8 | 1.3 |
| Fabric & Home Care | 274.6 | 269.5 | 1.9 | 1.0 | 56.0 | 57.8 | (1.7) |
| Consumer Products Total | 1,093.8 | 1,037.4 | 5.4 | 4.3 | 96.5 | 99.4 | (2.9) |
| Chemical | 258.6 | 223.6 | 15.7 | 11.9 | 19.6 | 21.1 | (1.4) |
| Corporate/Eliminations | (34.0) | (29.2) | - | - | 0.0 | 0.2 | (0.1) |
| Consolidated | 1,318.5 | 1,231.8 | 7.0 | 5.4 | 116.2 | 120.8 | (4.6) |

| Year ended March 31 | Millions of U.S. Dollars | | | | | | |
|-------------------------|--------------------------|----------|---------------|------|------------------|---------|--------------|
| | SALES | | | | OPERATING INCOME | | |
| | 2008 | 2007 | % change | | 2008 | 2007 | Incr./(Dcr.) |
| | | | Like-for-like | | | | |
| Beauty Care | 6,267.2 | 5,831.8 | 7.5 | 6.0 | 272.3 | 297.9 | (25.5) |
| Human Health Care | 1,909.4 | 1,832.6 | 4.2 | 3.7 | 131.3 | 117.9 | 13.4 |
| Fabric & Home Care | 2,741.4 | 2,690.1 | 1.9 | 1.0 | 559.5 | 577.1 | (17.5) |
| Consumer Products Total | 10,918.0 | 10,354.4 | 5.4 | 4.3 | 963.2 | 992.8 | (29.6) |
| Chemical | 2,581.8 | 2,231.8 | 15.7 | 11.9 | 196.5 | 211.4 | (14.9) |
| Corporate/Eliminations | (339.7) | (291.6) | - | - | 0.7 | 2.1 | (1.4) |
| Consolidated | 13,160.1 | 12,294.7 | 7.0 | 5.4 | 1,160.3 | 1,206.3 | (46.0) |

Consolidated Segment Information by Geography (Unaudited)

| Year ended March 31 | Billions of Yen | | | | | | |
|------------------------|-----------------|---------|---------------|------|------------------|-------|--------------|
| | SALES | | | | OPERATING INCOME | | |
| | 2008 | 2007 | % change | | 2008 | 2007 | Incr./(Dcr.) |
| | | | Like-for-like | | | | |
| Japan | 968.5 | 924.1 | 4.8 | 4.8 | 98.3 | 102.2 | (3.8) |
| Asia/Oceania | 158.2 | 125.9 | 25.6 | 18.2 | 1.0 | 2.5 | (1.4) |
| North America | 111.0 | 106.7 | 4.0 | 2.8 | 6.8 | 7.7 | (0.9) |
| Europe | 154.6 | 135.9 | 13.8 | 4.1 | 9.0 | 8.6 | 0.3 |
| Corporate/Eliminations | (74.0) | (61.0) | - | - | 0.9 | (0.3) | 1.3 |
| Consolidated | 1,318.5 | 1,231.8 | 7.0 | 5.4 | 116.2 | 120.8 | (4.6) |

| Year ended March 31 | Millions of U.S. Dollars | | | | | | |
|------------------------|--------------------------|----------|---------------|------|------------------|---------|--------------|
| | SALES | | | | OPERATING INCOME | | |
| | 2008 | 2007 | % change | | 2008 | 2007 | Incr./(Dcr.) |
| | | | Like-for-like | | | | |
| Japan | 9,667.6 | 9,224.4 | 4.8 | 4.8 | 981.7 | 1,020.3 | (38.5) |
| Asia/Oceania | 1,579.9 | 1,257.5 | 25.6 | 18.2 | 10.8 | 25.6 | (14.9) |
| North America | 1,108.1 | 1,065.3 | 4.0 | 2.8 | 68.3 | 77.4 | (9.1) |
| Europe | 1,543.5 | 1,356.6 | 13.8 | 4.1 | 90.0 | 86.7 | 3.3 |
| Corporate/Eliminations | (739.0) | (609.1) | - | - | 9.5 | (3.7) | 13.2 |
| Consolidated | 13,160.1 | 12,294.7 | 7.0 | 5.4 | 1,160.3 | 1,206.3 | (46.0) |

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2008, of 100.19 yen=US\$1, and are presented solely for the convenience of readers.
2. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.

Non-consolidated Financial Highlights (Unaudited)

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

| | Year ended March 31 | | | |
|--|---------------------|-----------|--------|----------------|
| | 2008 | 2007 | Change | 2008 |
| | Yen | | % | U.S. Dollars |
| Net sales | 734,307 | 709,554 | 3.5 | 7,329.1 |
| Operating income | 77,628 | 78,613 | (1.3) | 774.8 |
| Ordinary income | 85,473 | 84,951 | 0.6 | 853.1 |
| Net income | 48,877 | 57,653 | (15.2) | 487.8 |
| Total assets | 994,160 | 1,008,757 | (1.4) | 9,922.7 |
| Total net assets | 493,964 | 503,741 | (1.9) | 4,930.3 |
| Net worth / Total assets | 49.6% | 49.9% | - | - |
| Total net assets per share (yen/US\$) | 919.25 | 922.64 | (0.4) | 9.18 |
| Net income per share (yen/US\$) | 89.88 | 105.68 | (15.0) | 0.90 |
| Net income per share, fully diluted (yen/US\$) | 89.79 | 105.58 | (15.0) | 0.90 |

Notes:

1. U.S. dollar amounts represent translations using the approximate exchange rate on March 31, 2008, of 100.19 yen=US\$1, and are presented solely for the convenience of readers.
2. Yen amounts are rounded down to the nearest million.

Forecast of Non-consolidated Results for the Six Months Ending September 30, 2008 and the Year Ending March 31, 2009

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

| | Six months ending September 30, 2008 | | Year ending March 31, 2009 | |
|---------------------------------|--------------------------------------|--------------|----------------------------|--------------|
| | Yen | U.S. Dollars | Yen | U.S. Dollars |
| Net sales | 370,000 | 3,693.0 | 745,000 | 7,435.9 |
| Operating income | 40,000 | 399.2 | 80,000 | 798.5 |
| Ordinary income | 44,000 | 439.2 | 86,000 | 858.4 |
| Net income | 26,000 | 259.5 | 52,000 | 519.0 |
| Net income per share (yen/US\$) | 48.44 | 0.48 | 96.89 | 0.97 |

Note: Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.

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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Qualitative Information and Financial Statements

1. Business Results

(1) Analysis of Business Results

Business Results for the Fiscal Year

1. Overall Business Trends during the Fiscal Year

During the fiscal year ended March 31, 2008, the Japanese economy continued on a recovery trajectory during the first half, supported by private-sector demand, with improvement in corporate earnings and growth in capital investment. However, the recovery has stalled, with a perceived slowdown in the improvement in corporate earnings and capital investment due to the sharp rise in crude oil and raw material prices up to the end of the period and the impact of currency translation on exporters. Overseas, there were concerns about an economic slowdown in North America and Europe due to the spreading subprime mortgage crisis in addition to rising prices for crude oil, grain and other commodities, although expansion continued in China and other Asian countries. In this environment, the Kao Group aimed to stimulate the market by promoting products with high added value and achieve profitable growth globally.

Net sales rose 86.7 billion yen to 1,318.5 billion yen, a 7.0% increase compared with the previous fiscal year, with generally solid performance in each business segment due to the contribution of new products, higher sales volume of existing products and other factors. In addition, Kanebo Cosmetics was included in consolidation for one month longer than in the previous fiscal year. Excluding the positive currency translation effect of 20.2 billion yen on overseas sales, net sales would have increased 5.4%.

Cost of sales increased 50.8 billion yen from 503.2 billion yen in the previous fiscal year to 554.1 billion yen. The increase in cost of sales was due to growth in sales volume, in addition to factors including a substantial rise in prices for raw materials, mainly natural oils and fats and petrochemicals, although the Kao Group promoted further cost reduction activities. Consequently, gross profit was 764.3 billion yen, an increase of 4.9%, or 35.8 billion yen, from the previous fiscal year.

Selling, general and administrative (SG&A) expenses were 648.1 billion yen, a year-on-year increase of 6.7%, or 40.4 billion yen. The main factors in the increase were strategic investment in marketing, freight and warehouse expenses associated with higher sales volume and rising fuel costs, and the impact of the longer period of consolidation of Kanebo Cosmetics compared with the previous fiscal year.

As a result of the above factors, operating income was 116.2 billion yen, a decrease of 3.8%, or 4.6 billion yen, from 120.8 billion yen in the previous fiscal year.

Non-operating income and expenses resulted in net non-operating expenses of 2.0 billion yen, compared with 0.6 billion yen for the previous fiscal year. The main factors in the change were an increase in interest expense on borrowings and bonds, and a shift to a foreign currency exchange loss from a gain in the previous fiscal year.

As a result, ordinary income decreased 5.9 billion yen, or 5.0%, from 120.1 billion yen in the previous fiscal year to 114.2 billion yen.

Extraordinary gain and loss totaled a net loss of 3.8 billion yen, compared with 3.0 billion yen in the previous fiscal year. Consequently, income before income taxes and minority interests decreased 6.7 billion yen year on year to 110.3 billion yen.

The effective tax rate after application of tax effect accounting was 38.7%, compared with 38.5% in the previous fiscal year. As a result, net income was 66.5 billion yen, a decrease of 3.9 billion yen from the previous fiscal year. Net income per share was 122.53 yen, a 6.88 yen decrease from 129.41 yen in the previous fiscal year.

EVA* (Economic Value Added), which the Kao Group uses as a management metric, decreased from the previous fiscal year due to a decrease in NOPAT (Net Operating Profit After Tax) resulting from the impact of a substantial increase in raw material prices.

**EVA is a registered trademark of Stern Stewart & Co.*

The translation rates of major foreign currencies used to calculate income and expenses for consolidated subsidiaries and other companies outside Japan for the fiscal year were one U.S. dollar to 117.71 yen and one euro to 161.99 yen.

2. Trends by Business Segment

Consumer Products Business Segment

Sales increased 5.4% compared with the previous fiscal year to 1,093.8 billion yen.

In the Japanese market, consumer purchase prices for major products in this segment increased compared with the previous fiscal year with the launch of higher-priced products. Under these conditions, the Kao Group launched new, high-value-added products and extended the product lines of its brands in response to changes in market needs, increased its ability to make comprehensive proposals to retailers by merging its sales companies for consumer products and for *Kao Sofina* prestige cosmetics, and strengthened its sales system in ways such as building a new business model for in-store merchandising. As a result, sales in Japan increased 4.5% to 868.4 billion yen.

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In Asia and Oceania, sales increased 18.5% to 85.3 billion yen, as the Kao Group realized the benefits of integrating business operations in Asia, including Japan, in the contribution of new products and the strengthening of joint initiatives with retailers. Excluding the effect of currency translation, sales in Asia and Oceania would have increased 11.3%.

In North America and Europe, despite greater competition, sales increased 5.0% to 156.2 billion yen. Excluding the effect of currency translation, sales in North America and Europe would have increased 0.2%.

Operating income was 96.5 billion yen, down 2.9 billion yen from the previous fiscal year. Profits were strongly affected by rising prices for raw materials, mainly natural oils and fats and petrochemicals, although new products contributed to sales growth in Japan and overseas, and the Kao Group continued its cost reduction activities and other initiatives.

Beauty Care Business

Sales increased 7.5% compared with the previous fiscal year to 627.9 billion yen.

Sales in Japan increased 7.8% to 448.6 billion yen. In a flat market for prestige cosmetics, product launches included *DEW SUPERIOR*, *COFFRET D'OR* and *SOFINA beauté*, each of which got off to a strong start. At the same time, department store brands such as *Impress* and *est*, and self-selection brands such as *KATE* and *EVITA* also performed well. In premium skin care products, the *Bioré* brand and the *Curél* brand for sensitive skin performed strongly with launches of new and improved products. Sales of premium hair care products grew with the launch of the new *Segreta* brand and a renewal of *Asience*.

Sales in Asia were also strong. In prestige cosmetics, the Kao Group aggressively expanded business in the department store and high-end drugstore channels in China. Moreover, in premium skin care products, sales of *Bioré* brand body cleanser expanded to other countries in the ASEAN region, and in premium hair care products, a new moisturizing line was added to the *Asience* brand in Taiwan and Hong Kong.

Sales in North America and Europe were essentially unchanged from the previous fiscal year, excluding the effect of currency translation. *Jergens*, *Curél* and other premium skin care brands added new products. The *John Frieda* premium hair care brand also launched new and improved products, and growth was steady in Europe, but slower in the U.S. due to the impact of intensifying competition, and brands for beauty salons were essentially flat. The *Molton Brown* prestige cosmetics brand performed well, mainly in the U.K. market.

Although profits rose in tandem with the increase in sales, operating income decreased 2.5 billion yen year on year to 27.2 billion yen due to factors including strategic investments for future growth.

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Sales increased 4.2% compared with the previous fiscal year to 191.2 billion yen.

In Japan, sales increased 2.6% to 174.4 billion yen. In food and beverage products, however, sales decreased, due in part to diversifying consumer preferences in the beverage market. The Kao Group worked to attract new customers by extending the *Healthya* brand functional drink lineup with *Healthya Green Tea Mellow Flavor*, which is less bitter and astringent than original *Healthya Green Tea*. In sanitary products, the Kao Group achieved an order-made custom-fit feel with improved *Laurier Super Guard* sanitary napkins. Sales of baby diapers increased with continued consumer support due to marketing activities that base the products' appeal on their increased gentleness on the skin. Personal health product sales increased substantially with an extension of the *Medicated Pyuora* lineup in the oral care category, the addition of new *Success Medicated Shampoo with Double Conditioning Effects* to the *Success Medicated Shampoo* lineup in the men's products category, and the launch of *Megurism Steam Eye Mask*.

In Asia, overall sales expanded as *Laurier* sanitary napkins sold strongly in Thailand, Malaysia, China and other countries.

Operating income increased 1.3 billion yen year on year to 13.1 billion yen, mainly due to higher sales.

Fabric and Home Care Business

Sales increased 1.9% compared with the previous fiscal year to 274.6 billion yen.

In Japan, sales were essentially unchanged at 245.2 billion yen. In fabric care products, the Kao Group stimulated the market by launching *Attack Biogel* liquid detergent, which delivers high cleaning efficiency even when using the increasingly prevalent method of washing with a small amount of water relative to the load size. However, in the laundry detergent category, although the decline in retail prices appears to be bottoming out, sales of fabric care products decreased slightly as market competition remained severe and the gift market substantially contracted. In fabric softeners, sales grew with the launch of *Floral Humming*, whose pleasant scents linger even when a garment is being worn due to its blend of long-lasting fragrances. Sales of home care products increased, with high-value-added product line extensions such as *CuCute Power Gel* dishwasher detergent and *Resesh Antiseptic EX* fabric freshener.

Sales in Asia and Oceania increased. In Thailand, the Kao Group added *Attack Soft Plus* laundry detergent with a fabric softening effect to strong-selling laundry detergent *Attack Easy*. The Kao Group also launched *Attack Easy* in Indonesia in December. Moreover, in China the Group launched *Attack Softener-in* in regions where it has been selling *Attack* and began sales of the *Attack* series in Beijing and elsewhere in northern China.

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Although sales increased and the Kao Group promoted higher added value in its products and cost reduction activities, operating income decreased 1.7 billion yen year on year to 56.0 billion yen due to the impact of higher raw material prices.

Chemical Business Segment

Sales of the Chemical business increased 15.7% compared the previous fiscal year to 258.6 billion yen. The Kao Group worked to adjust sales prices for both oleo chemicals and performance chemicals in response to rising prices for natural oils and fats and petrochemical raw materials.

In Japan, sales increased 10.6% to 129.3 billion yen. In oleo chemicals, fatty alcohols and tertiary amines posted strong sales. In performance chemicals, sales of plastics additives increased. In specialty chemicals, while sales of cleaners for electronic parts and polishing agents for hard disks were affected by inventory adjustments in their target industries, sales for polishing agents for hard disks and ink colorants for inkjet printers increased.

In Asia, sales increased 34.7% to 75.1 billion yen. Excluding the effect of currency translation, sales would have increased 27.1%. Sales of fatty alcohols increased substantially, as sales volume increased due to production capacity expansion at a plant in the Philippines to meet growing demand while the Kao Group worked to adjust sales prices.

In North America and Europe, sales increased 19.2% to 98.8 billion yen. Excluding the effect of currency translation, sales would have increased 11.5%. Fatty alcohols, tertiary amines and toner and toner binder for copiers and printers performed well.

Operating income decreased 1.4 billion yen year on year to 19.6 billion yen due to the impact of rising raw material prices for natural oils and fats and petrochemicals, despite the Kao Group's continued efforts to adjust sales prices and reduce costs.

Forecast for the Fiscal Year Ending March 31, 2009**1. Forecast of Overall Business Results for the Fiscal Year Ending March 31, 2009**

The Japanese economy remains on a growth track, although the increase in exports will only be gradual. However, there are concerns about the possibility of entering a recessionary phase due to the U.S. economic slowdown, trends in international commodities markets, including the price of crude oil, and conditions in financial markets. Overseas, although Asian economies remain firm, North American and European economies are uncertain due to factors including the effects of financial turmoil stemming from the U.S. subprime mortgage crisis and weakening personal consumption in the U.S.

Under these conditions, in order to accurately respond to various changes in its operating environment as well as to speedily and forcefully implement its consumer-driven growth

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strategy, the Kao Group aims to achieve profitable growth by continuing to promote products with high added value. To do so, the Group will further strengthen its product development capabilities as the source of products and brands of excellent value for consumer satisfaction, and concentrate management resources on core brands in conducting aggressive new product launches and marketing and sales activities. The Kao Group forecasts net sales to increase 0.9% year on year to 1,330.0 billion yen including the negative effect of currency translation on overseas businesses. Excluding the effect of currency translation, the Kao Group forecasts an increase of 2.0%. Increases in prices of raw materials such as natural oils and fats and petrochemicals, which continued throughout the past fiscal year, are expected to exert an even greater effect in the fiscal year ending March 31, 2009. By working to increase sales and further reduce costs in order to absorb higher costs due to rising raw material prices, the Kao Group will aim to increase profit in this challenging environment, with a targeted 0.6% increase in operating income to 117.0 billion yen. Ordinary income is expected to grow 0.7% to 115.0 billion yen, and net income is forecast to increase 3.7% to 69.0 billion yen.

Although the Kao Group will work to further reduce costs and increase the efficiency of capital employed, EVA is expected to remain essentially unchanged compared with the fiscal year ended March 31, 2008 due to rising prices for raw materials such as natural oils and fats.

2. Forecast by Business Segment for the Fiscal Year Ending March 31, 2009

In the Consumer Products business, the Kao Group will further demonstrate the results of the integration of its sales companies for consumer products and prestige cosmetics in Japan by reinforcing its ability to make proposals to retailers and to set up in-store displays and shelves. In Asia, while leveraging the benefits of integration of business operations throughout the region, including Japan, the Kao Group will share brands and carry out practices tailored to the characteristics of each market. In North America and Europe, the Kao Group will work to enhance its product development and marketing capabilities.

In the Beauty Care business, the Kao Group will revitalize the market by adding greater value to products and proposing the originality and appeal unique to the Group, while assessing changes in consumer attitudes toward beauty and lifestyle habits. Throughout all beauty care categories, the Kao Group in Japan will further promote the creation of strong brands through initiatives including launches of distinctive new products tailored to various changes among consumers, with the aim of a 1.4% year-on-year increase in sales. Overseas, the Kao Group will strengthen business, particularly in Asia, based on its brand strategy focused on key regions. For example, the Group aims to nurture the *Asience* hair care brand as a pan-Asian brand by expanding sales in Shanghai, China and Bangkok, Thailand, which started in spring 2008, in addition to the existing sales territories of Taiwan, Hong Kong and Singapore. However, given the appreciation of the yen against the U.S. dollar, sales after currency translation are expected to be flat, especially in the U.S. and Asian regions with currencies linked to the U.S. dollar. The Kao Group will work to increase profitability by pursuing

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synergies throughout the entire Group including Kanebo Cosmetics, as well as by improving distribution efficiency in Japan and supply chain management overseas and other measures.

As a result, the Kao Group forecasts that sales of this business will remain essentially flat year on year at 628.0 billion yen.

In the Human Health Care business, the Kao Group will use its differentiated food and beverage products that deliver the high level of functional value for health unique to products approved as Foods for Specified Health Uses (FOSHU) in Japan in order to further expand its base of loyal users in association with the start of specific health examinations and guidance during the fiscal year. However, competition for beverages is expected to further intensify, and sales are forecast to decrease. The Kao Group also aims to create sanitary products that are gentle on the skin and that offer greater comfort and a sense of reassurance. For personal health products, Kao will continue to make original new proposals with products that are part of a healthy day-to-day lifestyle in order to raise its brand value even higher.

As a result, the Kao Group forecasts a 0.7% year-on-year decrease in sales of this business to 190.0 billion yen.

In the Fabric and Home Care business, where rising raw material prices are expected to exert an increasing impact, the Kao Group will strengthen its brand and offer proposals for improved lifestyles, developing high-value products that grasp diversifying consumer needs to offer cleanliness, comfort and enjoyment in a variety of lifestyle situations.

As a result, the Kao Group forecasts a 2.7% year-on-year increase in sales of this business to 282.0 billion yen.

In the Chemical business, the Kao Group will work to strengthen global operations by fully leveraging the characteristics of each of its product fields of oleo chemicals, performance chemicals and specialty chemicals. Group initiatives will include price adjustments, sales expansion and the speedy introduction of new high-value-added products in response to further price increases for raw materials including natural oils and fats and petrochemicals. In addition, the Kao Group will make aggressive capital investments based on accurate anticipation of market trends in regard to the Group's distinctive products, and will aim to expand business by realizing high product functionality and low-cost operations.

As a result, the Kao Group forecasts a 2.4% year-on-year increase in sales of this business to 265.0 billion yen.

3. Underlying Assumptions of the Forecast for the Fiscal Year Ending March 31, 2009

The above forecast was made assuming translation rates of one U.S. dollar to 110 yen and one euro to 160 yen. The estimated impact of exchange rate fluctuations, including for these major

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currencies, is a 14.0 billion yen decrease in net sales, but the impact on operating income is not expected to be material.

Please note that the outlook for price trends for natural oils and fats and petrochemical raw materials remains uncertain. Raw material price assumptions are based on available information as of the date of publication.

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(2) Analysis of Financial Condition**Analysis of Assets, Liabilities, Net Assets and Cash Flow****1. Status of Assets, Liabilities, Net Assets and Cash Flow for the Year Ended March 31, 2008*****Summarized Financial Condition (Unaudited)***

| As of March 31 | Billions of Yen | | | Millions of U.S. Dollars |
|---------------------------------------|-----------------|----------|--------------|--------------------------|
| | 2008 | 2007 | Incr./(Dcr.) | 2008 |
| Total assets | 1,232.6 | 1,247.7 | (15.1) | 12,302.6 |
| Total net assets | 584.7 | 574.7 | 9.9 | 5,836.0 |
| Net worth / Total assets | 46.6% | 45.2% | - | - |
| Total net assets per share (yen/US\$) | 1,070.67 | 1,035.66 | 35.01 | 10.7 |

Summarized Financial Cash Flows (Unaudited)

| Year ended March 31 | Billions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|--------|--------------|--------------------------|
| | 2008 | 2007 | Incr./(Dcr.) | 2008 |
| Net cash provided by operating activities | 180.3 | 164.9 | 15.3 | 1,799.8 |
| Net cash used in investing activities | (52.3) | (63.2) | 10.8 | (522.9) |
| Net cash used in financing activities | (101.8) | (83.6) | (18.1) | (1,016.3) |
| Translation adjustments on cash and cash equivalents | (1.6) | 2.5 | (4.1) | (16.2) |
| Net increase (decrease) in cash and cash equivalents | 24.4 | 20.6 | 3.8 | 244.4 |
| Cash and cash equivalents, beginning of year | 88.1 | 67.5 | 20.6 | 879.9 |
| Cash and cash equivalents at end of period | 112.6 | 88.1 | 24.4 | 1,124.2 |
| Total debt | 313.6 | 355.7 | (42.0) | 3,130.4 |

Total assets decreased 15.1 billion yen from the previous fiscal year-end to 1,232.6 billion yen. Principal factors increasing assets were a 13.4 billion yen increase in inventories due to business expansion and higher raw material prices, and an 18.7 billion yen increase in marketable securities. The principal factor decreasing assets was a 41.3 billion yen decrease in intangible fixed assets associated with depreciation and amortization.

Total liabilities decreased 25.1 billion yen from the previous fiscal year-end to 647.8 billion yen. The principal factor increasing liabilities was accrued income taxes totaling 17.6 billion yen, and the principal factor decreasing liabilities was repayment of bank borrowings totaling 42.0 billion yen. The balance of bank borrowings and bonds as of March 31, 2008 was 313.6 billion yen.

Net assets increased 9.9 billion yen compared with the previous fiscal year-end to 584.7 billion yen. While retained earnings increased 37.6 billion yen, treasury stock increased 29.1 billion yen due to the repurchase of the Company's shares. As a result, the net worth ratio was 46.6%, compared to 45.2% a year earlier.

Net cash provided by operating activities increased 15.3 billion yen compared with the previous fiscal year to 180.3 billion yen. Income before income taxes and minority interests for the fiscal year was 110.3 billion yen, and depreciation and amortization totaled 93.4 billion yen. Income taxes paid totaled 29.9 billion yen.

Net cash used in investing activities decreased 10.8 billion yen compared with the previous fiscal year to 52.3 billion yen. This primarily consisted of 38.1 billion yen for capital expenditures and other purchases of property, plant and equipment.

Net cash used in financing activities increased 18.1 billion yen compared with the previous fiscal year to 101.8 billion yen. This primarily consisted of 42.0 billion yen for repayment of long-term debt, 30.9 billion yen in share repurchases and 29.6 billion yen for payment of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at March 31, 2008 was 112.6 billion yen, an increase of 24.4 billion yen from the end of the previous fiscal year. Free cash flow, calculated as cash flows from operating activities minus cash flows from investing activities, increased 26.1 billion yen from 101.7 billion yen in the previous fiscal year to 127.9 billion yen.

2. Forecast of Assets, Liabilities, Net Assets and Cash Flow for the Fiscal Year Ending March 31, 2009

Net cash provided by operating activities is expected to decrease compared with the previous fiscal year. Although income before income taxes and minority interests is expected to increase slightly, depreciation and amortization expenses are expected to decrease.

In net cash used in investing activities, the Kao Group plans capital expenditures of about 65.0 billion yen, including capital investment in Japan and overseas to expand production capacity, promote streamlining and improve distribution efficiency.

In net cash used in financing activities, the Company will allocate funds mainly for payment of dividends and repayment of borrowings.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2009 is forecast to be approximately 110.0 billion yen.

Cash Flow Indices

| | Year ended March 31 | | | | |
|---|---------------------|-------|-------|-------|-------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Net worth / Total assets (%) | 46.6 | 45.2 | 41.8 | 65.1 | 59.1 |
| Market capitalization / Total assets (%) | 122.9 | 150.7 | 138.4 | 195.2 | 179.8 |
| Interest-bearing debt / Operating cash flow (years) | 1.8 | 2.2 | 3.6 | 0.3 | 0.5 |
| Operating cash flow / Interest paid (times) | 27.2 | 36.0 | 82.1 | 120.1 | 91.3 |

Notes:

- 1. All indices are computed based on consolidated data.*
- 2. Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.*
- 3. Market capitalization equals the stock price at the end of the period multiplied by the number of shares outstanding at the end of the period (excluding treasury stock).*
- 4. Operating cash flow is stated in the consolidated statements of cash flows. Interest-bearing debt is all debt included in the consolidated balance sheets on which interest is paid.*

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(3) Basic Policies Regarding Distribution of Profits and Dividends for the Period

In order to achieve profitable growth, Kao Corporation sets policies regarding allocation of profits between its internal reserve for growth and dividends from a medium-to-long-term management perspective. Considering it important to provide shareholders with stable, continuous dividends, the Company currently has a target payout ratio of approximately 40% of consolidated net income. In order to increase earnings per share and dividends over the long term, the Company will consider flexibly implementing share repurchases as a measure for shareholder returns from a long-term perspective, taking into account both fund requirements such as capital investment for growth and acquisition initiatives, and capital efficiency improvement.

In accordance with these policies, the Company plans to increase the year-end dividend for the fiscal year ended March 31, 2008 by 1.00 yen compared with the previous fiscal year to 27.00 yen per share, the same as the interim dividend. As a result, dividends for the fiscal year will increase by 2.00 yen per share compared with the previous fiscal year, for a total of 54.00 yen per share, and a consolidated payout ratio of 44.1%. To increase capital efficiency, the Company also repurchased 9,315,000 shares during the fiscal year ended March 31, 2008 for a total of approximately 30.0 billion yen, based on a resolution of the Board of Directors. These dividend payments and share repurchases represent a return to shareholders of 58.9 billion yen, or 89% of net income.

In addition, for the fiscal year ending March 31, 2009, the Company plans to increase total dividends by 2.00 yen to 56.00 yen per share, taking into account achievement of its income forecast based on these Basic Policies, resulting in a projected consolidated payout ratio of 43.5%.

This release contains forward-looking statements that are based on management's estimates, assumptions and projections as of April 23, 2008. 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.

3. Management Policies

(1) Basic Management Policies of the Company

The Kao Group's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally through its core domains of cleanliness, beauty, health and chemicals. Fully committed to this mission, all members of the Group work together with passion to provide products and brands of excellent value created from the perspective of consumers and customers and to share joy with them.

The Kao Group aims to be a global group of companies that is closest to consumers and customers in each of its markets. In addition to earning the respect and trust of its shareholders and all other stakeholders, the Kao Group consistently augments its corporate value based on profitable growth.

The corporate philosophy that forms the basis of these activities is "The Kao Way," which clearly expresses the Kao Group's unique corporate culture and the essence of its corporate spirit, and is shared and practiced by all employees. Furthermore, from the standpoint of corporate social responsibility (CSR), the Group strives to act in good faith based on high ethical standards, and will contribute to the sustainable development of society by conducting its activities with consideration for environmental impact and conservation of resources.

(2) Management Metric Used as a Target

EVA, which is used to measure true profit by factoring in the cost of invested capital, is the Kao Group's principal management metric. Continuous growth in EVA is linked to increased corporate value, which means long-term profits not only for shareholders, but for all Kao Group stakeholders as well. While working to expand its business scale, the Kao Group views EVA growth as a primary focus of operating activity. The Kao Group also uses this metric to determine the direction of long-term management strategies, to assess specific businesses, to evaluate acquisitions and capital investment, and to develop performance targets for each fiscal year.

(3) Medium- and Long-Term Management Strategies

In the Consumer Products business area, which consists of the three businesses of Beauty Care, Human Health Care, and Fabric and Home Care, and the Chemical business area, the Kao Group will emphasize research and development to make high-quality, innovative products geared to consumers and customers, a concept referred to within the Group as "Yoki-Monozukuri*," and will conduct activities oriented toward the following three key business objectives in order to achieve profitable growth by increasing the added value of its products.

** 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*

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competitors. In Japanese, “Yoki” literally means “good/excellent,” and “Monozukuri” means “development/manufacturing of products.”

1) Accelerate Growth in the Beauty Care and Human Health Care* Businesses

The Kao Group will position the businesses of Beauty Care and Human Health Care, which have high growth potential and in which the Group can take advantage of its strengths, as growth drivers and will concentrate investment of management resources in these businesses. In particular, the Kao Group will develop and strengthen its Beauty Care business, in addition to its existing business, by linking diverse brands that are sold globally, such as *Kanebo* and *Molton Brown*, a prestige cosmetics brand sold mainly in Europe and the United States.

**The scope of “Human Health Care” does not include pharmaceuticals.*

2) Further Strengthen and Develop Fabric and Home Care, a Core Business

In the Fabric and Home Care business, the Kao Group will work to develop products that promote greater cleanliness, comfort and enjoyment. The Group will also seek to develop products that build new markets by deeply understanding changes in actual lifestyle conditions and trends, and by accommodating consumer emphasis on hygiene, safety and the environment.

3) Further Enhance the Chemical Business Globally and Locally with Distinctive Products That Meet Customer Needs

The Chemical business will work to accurately understand customer needs, and will deepen and evolve the Kao Group’s core technologies to develop and supply unique products that meet the expectations and earn the trust of customers. The Group is simultaneously conducting global business closely linked to each company in the three regions of Asia including Japan, Europe and North America, and optimizing regional operations under local leadership tailored to conditions in each country and region.

At the same time, the Kao Group will fully demonstrate its comprehensive strengths by innovating its research, manufacturing, sales and other functional divisions in response to various changes, and by promoting the Group’s characteristic matrix management of businesses and functions.

(4) Issues for Management

The Kao Group’s operating environment remains challenging due to factors including a substantial increase in raw material prices due to price hikes for natural fats and oils and crude oil, and slowing growth due to the maturity of the Japanese market.

In these circumstances, in order to achieve profitable growth driven by high-value-added products, the Kao Group plans to do the following:

1. Respond to changes in the marketing environment, particularly changes in the consumer’s sense of values and product needs, by working to create and provide high-value-added products that increase emotional value in addition to functional value.

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2. Enhance further research and development in areas such as research into fundamental technologies and product development.
3. Promote the integration of business operations in Asia, including Japan, in the Consumer Products business area in order to accelerate global growth, particularly growth in Asia.

Executive Appointments

(Scheduled effective date: June 27, 2008)

1. Members of the Board to be newly nominated

| Name | Current Position* |
|---------------------|--|
| Shinichiro Hiramine | Executive Officer Chairman of Board of Directors and Chief Executive Officer, Kao (China) Holding Co., Ltd. Chairman of Board of Directors and Chief Executive Officer, Kao Corporation Shanghai Chairman of Board of Directors and Chief Executive Officer, Kao Commercial (Shanghai) Co., Ltd. Chairman of Board of Directors, Kao (China) Research and Development Center Co., Ltd. |
| Ken Hashimoto | Executive Officer Vice President, Global Procurement |
| Michitaka Sawada | Executive Officer Vice President, Global Research & Development Vice President, Global Research & Development, Human Health Care |

2. Corporate Auditor to be newly nominated

| Name | Occupation |
|-------------|-----------------------------|
| Yutaka Yogo | Certified Public Accountant |

3. Members of the Board to retire

| Name | Current Position* |
|-------------------|--|
| Takuya Goto | Chairman of the Board |
| Toshio Hoshino | Representative Director, Senior Executive Vice President In charge of Corporate Functions and EVA Promotion |
| Toshio Takayama** | Member of the Board Representative Director, Chairman, Kanebo Cosmetics Inc. |

4. Corporate Auditor to retire

| Name | Current Position* |
|-------------|---------------------------|
| Satoshi Ito | Outside Corporate Auditor |

*News Release***5. Member of the Board to be promoted**

| Name | |
|------------------|--|
| Takuo Goto | Representative Director, Senior Executive Vice President <Current Position*> Member of the Board, Executive Vice President Senior Vice President, Global Production & Engineering Vice President, Environment & Safety Management In charge of Global Procurement, Product Quality Management, TCR promotion and Global Logistics |
| Hiroshi Kanda | Representative Director, Executive Vice President <Current Position*> Member of the Board, Executive Vice President In charge of Global Consumer Products Vice President, Global Marketing Development In charge of Kao Professional Services Co., Ltd. |
| Tatsuo Takahashi | Member of the Board, Executive Vice President <Current Position*> Member of the Board, Executive Officer Representative Director, President and Chief Executive Officer, Kao Customer Marketing Co., Ltd. |
| Toshiharu Numata | Member of the Board, Executive Vice President <Current Position*> Member of the Board, Executive Officer Senior Vice President, Global Research & Development |

6. New Executive Officers to assume office

| Name | Current Position* |
|------------------|--|
| Mikio Nakano | Corporate Associate Officer Member of the Board, Senior Executive Vice President, Kao Customer Marketing Co., Ltd. President, Prestige Cosmetics Sales, Kao Customer Marketing Co., Ltd. |
| Akira Yoshimatsu | Corporate Associate Officer Vice President, Global Research & Development, Fabric & Home Care Vice President, Global Research & Development, Techno-Chemical |

7. Executive Officer to retire

| Name | Current Position* |
|-------------------|--|
| Yoshiiku Hirai*** | Executive Officer Vice President, Global Lifestyle Research |

* Current Position as of April 23, 2008

** Mr. Toshio Takayama, a Member of the Board to retire, is expected to remain in his position, Representative Director, Chairman, Kanebo Cosmetics Inc.

*** Mr. Yoshiiku Hirai, an Executive Officer to retire, is expected to assume the position of Corporate Associate Officer and remain in his position, Vice President, Global Lifestyle Research.

News Release**New Members of the Board, Corporate Auditors and Executive Officers**

(Scheduled effective date: June 27, 2008)

After the approval of Annual General Meeting of Shareholders and the Meeting of the Board of Directors scheduled on June 27, 2008, new Members of the Board, Corporate Auditors and Executive Officers of Kao Corporation will be as follows:

Members of the Board

| | |
|---------------------|--|
| Motoki Ozaki | Representative Director, President and Chief Executive Officer |
| Takuo Goto | Representative Director, Senior Executive Vice President |
| Hiroshi Kanda | Representative Director, Executive Vice President |
| Norihiko Takagi | Member of the Board, Executive Vice President |
| Shunichi Nakagawa | Member of the Board, Executive Vice President |
| Tatsuo Takahashi | Member of the Board, Executive Vice President |
| Toshiharu Numata | Member of the Board, Executive Vice President |
| Toshihide Saito | Member of the Board, Executive Officer |
| Shinichi Mita | Member of the Board, Executive Officer |
| Masato Hirota | Member of the Board, Executive Officer |
| Shinichiro Hiramine | Member of the Board, Executive Officer |
| Ken Hashimoto | Member of the Board, Executive Officer |
| Michitaka Sawada | Member of the Board, Executive Officer |
| Atsushi Takahashi* | Member of the Board |
| Osamu Shoda* | Member of the Board |

*Outside Director

Corporate Auditors

| | |
|-------------------|-----------------------------|
| Shoichi Otake | Full time Corporate Auditor |
| Takashi Matsuzaka | Full time Corporate Auditor |
| Tadashi Oe* | Corporate Auditor |
| Yutaka Yogo* | Corporate Auditor |

*Outside Corporate Auditor

Executive Officer

Yoshitaka Nakatani
 Hisao Mitsui
 Shigeru Koshiba
 Shoji Kobayashi
 Takuji Yasukawa
 Yasushi Aoki
 Masumi Natusaka
 William J. Gentner
 Katsuhiko Yoshida
 Naohisa Kure
 Mikio Nakano
 Akira Yoshimatsu

Consolidated Balance Sheets
Millions of yen

| | (A) FY2007 Mar 31, 2008 | Composition % | (B) FY2006 Mar 31, 2007 | Composition % | Inc/(Dec) (A-B) |
|---|----------------------------|------------------|----------------------------|------------------|--------------------|
| Assets | | | | | |
| Current assets | 435,566 | 35.3 | 402,219 | 32.2 | 33,346 |
| Cash and time deposits | 53,785 | | 49,910 | | 3,874 |
| Notes and accounts receivable - trade | 154,201 | | 158,497 | | (4,295) |
| Short-term investments | 54,959 | | 36,247 | | 18,711 |
| Inventories | 125,588 | | 112,114 | | 13,474 |
| Prepaid expenses | 5,491 | | 5,735 | | (244) |
| Deferred income taxes | 22,218 | | 20,643 | | 1,574 |
| Other | 21,715 | | 21,464 | | 251 |
| Allowance for doubtful receivables | (2,394) | | (2,394) | | 0 |
| Fixed assets | 796,986 | 64.7 | 845,518 | 67.8 | (48,532) |
| Tangible assets | 281,747 | | 289,016 | | (7,269) |
| Buildings and structures | 92,840 | | 96,445 | | (3,604) |
| Machinery, equipment and vehicles | 97,293 | | 101,369 | | (4,075) |
| Tools, furniture and fixtures | 14,000 | | 13,930 | | 69 |
| Land | 68,575 | | 69,625 | | (1,049) |
| Construction in progress | 9,036 | | 7,645 | | 1,391 |
| Intangible assets | 401,087 | | 442,469 | | (41,382) |
| Goodwill | 238,500 | | 256,326 | | (17,826) |
| Trademarks | 127,328 | | 147,880 | | (20,551) |
| Other | 35,258 | | 38,262 | | (3,004) |
| Investments and other assets | 114,151 | | 114,032 | | 119 |
| Investment securities | 16,250 | | 17,291 | | (1,041) |
| Long-term loans | 2,113 | | 1,792 | | 320 |
| Long-term prepaid expenses | 13,304 | | 12,207 | | 1,096 |
| Deferred income taxes | 54,829 | | 50,535 | | 4,293 |
| Other | 27,811 | | 32,326 | | (4,515) |
| Allowance for doubtful receivables | (156) | | (121) | | (34) |
| Deferred assets | 48 | 0.0 | 58 | 0.0 | (10) |
| Total assets | 1,232,601 | 100.0 | 1,247,797 | 100.0 | (15,195) |
| Liabilities | | | | | |
| Current liabilities | 323,971 | 26.3 | 308,646 | 24.7 | 15,325 |
| Notes and accounts payable - trade | 109,574 | | 110,158 | | (583) |
| Short-term debt | 21,828 | | 21,877 | | (49) |
| Current portion of long-term debt | 22,049 | | 22,062 | | (12) |
| Accounts payable - other | 32,714 | | 28,930 | | 3,784 |
| Accrued expenses | 85,583 | | 85,796 | | (213) |
| Accrued income taxes | 29,344 | | 11,673 | | 17,670 |
| Other | 22,876 | | 28,148 | | (5,271) |
| Long-term liabilities | 323,920 | 26.3 | 364,399 | 29.2 | (40,479) |
| Bonds | 99,996 | | 99,995 | | 0 |
| Long-term debt | 169,764 | | 211,774 | | (42,009) |
| Liability for employee retirement benefits | 32,041 | | 30,987 | | 1,053 |
| Liability for director and corporate auditor retirement benefits | 163 | | 163 | | - |
| Other | 21,954 | | 21,478 | | 475 |
| Total liabilities | 647,891 | 52.6 | 673,046 | 53.9 | (25,154) |
| Shareholders' equity | 582,030 | 47.2 | 573,541 | 46.0 | 8,488 |
| Common stock | 85,424 | 6.9 | 85,424 | 6.9 | - |
| Capital surplus | 109,561 | 8.9 | 109,565 | 8.8 | (4) |
| Retained earnings | 426,206 | 34.6 | 388,585 | 31.1 | 37,620 |
| Treasury stock, at cost | (39,161) | (3.2) | (10,033) | (0.8) | (29,128) |
| Adjustments for valuation, foreign currency translation and others | (7,992) | (0.6) | (9,010) | (0.7) | 1,017 |
| Unrealized gain on available-for-sale securities | 3,394 | 0.3 | 4,649 | 0.4 | (1,254) |
| Foreign currency translation adjustments | (11,386) | (0.9) | (13,659) | (1.1) | 2,272 |
| Stock acquisition right | 598 | 0.0 | 301 | 0.0 | 297 |
| Minority interests | 10,072 | 0.8 | 9,917 | 0.8 | 154 |
| Total net assets | 584,709 | 47.4 | 574,751 | 46.1 | 9,958 |
| Total liabilities and total net assets | 1,232,601 | 100.0 | 1,247,797 | 100.0 | (15,195) |

Consolidated Statements of Income

Millions of yen

| | (A) FY2007 Apr '07 - Mar '08 | % to net sales | (B) FY2006 Apr '06 - Mar '07 | % to net sales | Inc/(Dec) (A-B) |
|---|---------------------------------|-------------------|---------------------------------|-------------------|--------------------|
| Net sales | 1,318,513 | 100.0 | 1,231,808 | 100.0 | 86,705 |
| Cost of sales | 554,153 | 42.0 | 503,271 | 40.9 | 50,881 |
| Gross profit | 764,360 | 58.0 | 728,536 | 59.1 | 35,823 |
| Selling, general and administrative expenses | 648,107 | 49.2 | 607,678 | 49.3 | 40,429 |
| Operating income | 116,252 | 8.8 | 120,858 | 9.8 | (4,605) |
| Non-operating income | 6,702 | 0.5 | 6,273 | 0.5 | 428 |
| Interest income | 2,949 | | 2,175 | | |
| Dividend income | 171 | | 121 | | |
| Foreign currency exchange gain | - | | 504 | | |
| Other | 3,580 | | 3,471 | | |
| Non-operating expenses | 8,731 | 0.6 | 6,955 | 0.5 | 1,775 |
| Interest expense | 6,626 | | 5,032 | | |
| Equity in losses of nonconsolidated subsidiaries and affiliates | 648 | | 703 | | |
| Foreign currency exchange loss | 478 | | - | | |
| Other | 977 | | 1,219 | | |
| Ordinary income | 114,223 | 8.7 | 120,176 | 9.8 | (5,952) |
| Extraordinary gain | 547 | 0.0 | 1,851 | 0.1 | (1,303) |
| Gain on sales of fixed assets | 130 | | 682 | | |
| Gain on sales of investment securities | 17 | | 7 | | |
| Reversal of prior-year depreciation at overseas subsidiaries | - | | 264 | | |
| Insurance received | - | | 443 | | |
| Other | 399 | | 452 | | |
| Extraordinary loss | 4,373 | 0.3 | 4,900 | 0.4 | (526) |
| Loss on sales/disposals of fixed assets | 1,852 | | 2,772 | | |
| Loss on impairment of long-lived assets | 1,313 | | 1,245 | | |
| Loss on business restructuring | 537 | | - | | |
| Other | 670 | | 882 | | |
| Income before income taxes and minority interests | 110,397 | 8.4 | 117,127 | 9.5 | (6,729) |
| Income taxes | 42,769 | 3.3 | 45,122 | 3.7 | (2,353) |
| Income taxes - current | 46,880 | | 37,268 | | |
| Income taxes - deferred | (4,110) | | 7,854 | | |
| Minority interests in earnings of consolidated subsidiaries | 1,066 | 0.1 | 1,476 | 0.1 | (410) |
| Net income | 66,561 | 5.0 | 70,527 | 5.7 | (3,965) |

Consolidated Statements of Changes in Total Net Assets

Millions of yen

FY2007
Apr '07 - Mar '08

| | Shareholders' equity | | | | Adjustments for valuation, foreign currency translation and others | | | Stock acquisition right | Minority interests | Total net assets | |
|--|----------------------|-----------------|-------------------|----------------|--|--|--|-------------------------|--------------------|------------------|--|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity | Unrealized gain on available-for-sale securities | Foreign currency translation adjustments | | | | Total Adjustments for valuation, foreign currency translation and others |
| Balance at the end of previous period | 85,424 | 109,565 | 388,585 | (10,033) | 573,541 | 4,649 | (13,659) | (9,010) | 301 | 9,917 | 574,751 |
| Changes of items during the period | | | | | | | | | | | |
| Cash dividends | | | (28,892) | | (28,892) | | | | | | (28,892) |
| Net income | | | 66,561 | | 66,561 | | | | | | 66,561 |
| Purchase of treasury stock | | | | (30,958) | (30,958) | | | | | | (30,958) |
| Retirement of treasury stock | | (4) | (48) | 1,830 | 1,777 | | | | | | 1,777 |
| Net changes of items other than shareholders' equity during the period | | | | | | (1,254) | 2,272 | 1,017 | 297 | 154 | 1,469 |
| Total changes of items during the period | - | (4) | 37,620 | (29,128) | 8,488 | (1,254) | 2,272 | 1,017 | 297 | 154 | 9,958 |
| Balance at the end of period | 85,424 | 109,561 | 426,206 | (39,161) | 582,030 | 3,394 | (11,386) | (7,992) | 598 | 10,072 | 584,709 |

Consolidated Statements of Cash Flows

Millions of yen

| | FY2007 Apr '07 - Mar '08 | FY2006 Apr '06 - Mar '07 |
|---|-----------------------------|-----------------------------|
| Operating activities: | | |
| Income before income taxes and minority interests | 110,397 | 117,127 |
| Adjustments for: | | |
| Depreciation and amortization | 93,444 | 92,171 |
| Loss on impairment of long-lived assets | 1,313 | 1,245 |
| Loss on sales or disposals of property, plant and equipment, net | 1,722 | 2,089 |
| Interest and dividend income | (3,121) | (2,297) |
| Interest expense | 6,626 | 5,032 |
| Unrealized foreign currency exchange (gain) loss | (376) | (1,256) |
| Equity in (earnings) losses of non-consolidated subsidiaries and affiliates | 648 | 703 |
| Change in trade receivables | 5,686 | (24,308) |
| Change in inventories | (13,177) | (3,189) |
| Change in prepaid pension cost | 5,984 | (10,163) |
| Change in trade payables | (752) | 11,315 |
| Change in liability for retirement benefits | 1,106 | 1,219 |
| Other, net | 3,506 | 19,034 |
| Sub-total | 213,010 | 208,725 |
| Interest and cash dividends received | 3,906 | 3,100 |
| Interest paid | (6,625) | (4,578) |
| Income taxes paid | (29,969) | (42,269) |
| Net cash provided by operating activities | 180,322 | 164,977 |
| Investing activities: | | |
| Purchase of property, plant and equipment | (38,146) | (49,588) |
| Proceeds from sales of property, plant and equipment | 704 | 2,078 |
| Increase in intangible assets | (5,444) | (15,881) |
| Purchase of investment securities | (4,132) | (1,638) |
| Proceeds from the redemption and sales of investment securities | 3,100 | 11 |
| Payments for long-term prepaid expenses | (6,044) | (6,283) |
| Change in short-term loans, net | (328) | 11,928 |
| Payments for long-term loans | (2,553) | (1,550) |
| Other, net | 455 | (2,302) |
| Net cash used in investing activities | (52,389) | (63,227) |
| Financing activities: | | |
| Change in short-term debt, net | (892) | (146,728) |
| Proceeds from long-term loans | - | 30,638 |
| Repayments of long-term loans | (42,034) | (38,228) |
| Proceeds from bonds | - | 99,676 |
| Purchase of treasury stock | (30,958) | (1,085) |
| Payments of cash dividends | (28,914) | (27,806) |
| Payments of cash dividends to minority shareholders | (781) | (1,339) |
| Other, net | 1,759 | 1,208 |
| Net cash used in financing activities | (101,822) | (83,665) |
| Translation adjustments on cash and cash equivalents | (1,628) | 2,542 |
| Net increase (decrease) in cash and cash equivalents | 24,482 | 20,627 |
| Cash and cash equivalents, beginning of year | 88,154 | 67,527 |
| Cash and cash equivalents, end of period | 112,636 | 88,154 |

Segment Information by Business

Millions of yen

| FY2007 Apr '07 - Mar '08 | Consumer Products Business | | | | Chemical Business | Corporate/ Eliminations | Consolidated |
|---|----------------------------|-------------------------------|--------------------------------|------------------|----------------------|----------------------------|------------------|
| | Beauty Care Business | Human Health Care Business | Fabric & Home Care Business | Total | | | |
| Net sales | | | | | | | |
| Sales to customers | 627,914 | 191,299 | 274,656 | 1,093,871 | 224,642 | - | 1,318,513 |
| Intersegment sales | - | - | - | - | 34,030 | (34,030) | - |
| Total | 627,914 | 191,299 | 274,656 | 1,093,871 | 258,673 | (34,030) | 1,318,513 |
| Operating expenses | 600,630 | 178,143 | 218,595 | 997,370 | 238,988 | (34,098) | 1,202,260 |
| Operating income | 27,283 | 13,155 | 56,061 | 96,500 | 19,684 | 67 | 116,252 |
| % to sales | 4.3 | 6.9 | 20.4 | 8.8 | 7.6 | - | 8.8 |
| Total Assets | 742,856 | 93,949 | 119,858 | 956,664 | 223,339 | 52,597 | 1,232,601 |
| Depreciation and amortization | 58,224 | 9,598 | 10,606 | 78,428 | 15,015 | - | 93,444 |
| Loss on impairment of long-lived assets | 321 | 188 | 239 | 750 | 563 | - | 1,313 |
| Capital expenditure | 18,478 | 7,816 | 8,394 | 34,690 | 14,354 | - | 49,044 |
| FY2006 Apr '06 - Mar '07 | | | | | | | |
| | Consumer Products Business | | | | | | |
| | Beauty Care Business | Human Health Care Business | Fabric & Home Care Business | Total | Chemical Business | Corporate/ Eliminations | Consolidated |
| Net sales | | | | | | | |
| Sales to customers | 584,284 | 183,607 | 269,519 | 1,037,411 | 194,396 | - | 1,231,808 |
| Intersegment sales | - | - | - | - | 29,212 | (29,212) | - |
| Total | 584,284 | 183,607 | 269,519 | 1,037,411 | 223,609 | (29,212) | 1,231,808 |
| Operating expenses | 554,441 | 171,795 | 211,703 | 937,940 | 202,429 | (29,419) | 1,110,949 |
| Operating income | 29,842 | 11,811 | 57,816 | 99,470 | 21,180 | 207 | 120,858 |
| % to sales | 5.1 | 6.4 | 21.5 | 9.6 | 9.5 | - | 9.8 |
| Total Assets | 794,286 | 89,358 | 120,056 | 1,003,700 | 210,782 | 33,314 | 1,247,797 |
| Depreciation and amortization | 56,819 | 10,323 | 11,946 | 79,089 | 13,081 | - | 92,171 |
| Loss on impairment of long-lived assets | 111 | 118 | 879 | 1,108 | 137 | - | 1,245 |
| Capital expenditure | 35,168 | 6,860 | 9,907 | 51,936 | 18,206 | - | 70,143 |

Consolidated Segment Information by Geography

Millions of yen

| FY2007 Apr '07 - Mar '08 | | Japan | Asia/Oceania | North America | Europe | Total | Corporate/ Eliminations | Consolidated |
|-----------------------------|--|----------------|----------------|----------------|----------------|------------------|----------------------------|------------------|
| Net sales | | | | | | | | |
| Sales to customers | | 949,816 | 120,600 | 110,237 | 137,859 | 1,318,513 | - | 1,318,513 |
| Intersegment sales | | 18,778 | 37,695 | 779 | 16,787 | 74,040 | (74,040) | - |
| Total | | 968,594 | 158,295 | 111,016 | 154,647 | 1,392,554 | (74,040) | 1,318,513 |
| Operating expenses | | 870,234 | 157,215 | 104,169 | 145,630 | 1,277,250 | (74,989) | 1,202,260 |
| Operating income | | 98,360 | 1,079 | 6,846 | 9,016 | 115,303 | 949 | 116,252 |
| % to sales | | 10.2 | 0.7 | 6.2 | 5.8 | 8.3 | - | 8.8 |
| Assets | | 869,201 | 136,155 | 83,291 | 147,752 | 1,236,400 | (3,799) | 1,232,601 |

| FY2006 Apr '06 - Mar '07 | | Japan | Asia/Oceania | North America | Europe | Total | Corporate/ Eliminations | Consolidated |
|-----------------------------|--|----------------|----------------|----------------|----------------|------------------|----------------------------|------------------|
| Net sales | | | | | | | | |
| Sales to customers | | 906,790 | 99,737 | 106,246 | 119,033 | 1,231,808 | - | 1,231,808 |
| Intersegment sales | | 17,405 | 26,252 | 484 | 16,883 | 61,026 | (61,026) | - |
| Total | | 924,196 | 125,989 | 106,730 | 135,917 | 1,292,834 | (61,026) | 1,231,808 |
| Operating expenses | | 821,973 | 123,421 | 98,976 | 127,230 | 1,171,602 | (60,652) | 1,110,949 |
| Operating income | | 102,222 | 2,567 | 7,754 | 8,687 | 121,232 | (374) | 120,858 |
| % to sales | | 11.1 | 2.0 | 7.3 | 6.4 | 9.4 | - | 9.8 |
| Assets | | 908,196 | 122,118 | 86,293 | 144,360 | 1,260,968 | (13,171) | 1,247,797 |

Sales to Foreign Customers

Millions of yen

| FY2007 | Asia/Oceania | Americas | Europe | Total |
|---|---------------------|-----------------|---------------|--------------|
| Apr '07 - Mar '08 | | | | |
| Total overseas sales | 135,045 | 113,815 | 131,859 | 380,720 |
| Consolidated net sales | | | | 1,318,513 |
| Percentage of overseas sales to consolidated net sales | 10.3% | 8.6% | 10.0% | 28.9% |

| FY2006 | Asia/Oceania | Americas | Europe | Total |
|---|---------------------|-----------------|---------------|--------------|
| Apr '06 - Mar '07 | | | | |
| Total overseas sales | 112,274 | 108,684 | 114,557 | 335,516 |
| Consolidated net sales | | | | 1,231,808 |
| Percentage of overseas sales to consolidated net sales | 9.1% | 8.8% | 9.3% | 27.2% |

Sales Composition

| Millions of yen | FY2007 | FY2006 | Growth |
|-----------------------------------|-------------------|-------------------|-------------|
| | Apr '07 - Mar '08 | Apr '06 - Mar '07 | % |
| Consumer Products Business | | | |
| Beauty Care Business | 448,666 | 416,085 | 7.8 |
| Human Health Care Business | 174,466 | 170,008 | 2.6 |
| Fabric and Home Care Business | 245,289 | 245,255 | 0.0 |
| Total Japan | 868,422 | 831,348 | 4.5 |
| Asia and Oceania | 85,362 | 72,025 | 18.5 |
| North America and Europe | 156,213 | 148,710 | 5.0 |
| Eliminations | (16,126) | (14,673) | - |
| Total | 1,093,871 | 1,037,411 | 5.4 |
| Chemical Business | | | |
| Japan | 129,384 | 116,933 | 10.6 |
| Asia | 75,188 | 55,830 | 34.7 |
| North America and Europe | 98,823 | 82,935 | 19.2 |
| Eliminations | (44,723) | (32,089) | - |
| Total | 258,673 | 223,609 | 15.7 |
| Total before Eliminations | 1,352,544 | 1,261,020 | 7.3 |
| Eliminations | (34,030) | (29,212) | - |
| Consolidated Net Sales | 1,318,513 | 1,231,808 | 7.0 |

News Release

[Appendix]

Major Products by Business Segment

| Business Segment | | 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 care products, hair coloring agents |
| | Human health care business | Food and beverage products | Cooking oils, 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 | |

Major Products of Former Business Segments

| Business Segment | Product Category | Major Products |
|----------------------------|---|---|
| Consumer products business | Personal care products | Soaps, facial cleansers, body cleansers, shampoos, conditioners, hair care products, hair coloring agents, bath additives, oral care products, men's products |
| | Fabric and home care products | Laundry detergents, kitchen cleaning products, house cleaning products, fabric treatments, paper cleaning products |
| | Feminine care, baby care and other products | Sanitary napkins, baby diapers, cooking oils, beverages |
| Prestige cosmetics | Cosmetics | Counseling cosmetics, self-selection cosmetics |
| Chemical products business | Chemical products | Commercial-use edible fats and oils, fatty acids, fatty alcohols, glycerin, fatty amines, surfactants, polyurethane for shoe soles, plasticizers, toner and toner binder for copiers and printers, fragrances and aroma chemicals |