Kao Corporation

News Release October 27, 2008

Summary of Consolidated Business Results for the Six Months Ended September 30, 2008

Tokyo, October 27, 2008 — Kao Corporation today announced its consolidated business results for the six months ended September 30, 2008, the second quarter of the year ending March 31, 2009. 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)

	Six months ended September 30			Fiscal 2007, ended March 31, 2008
	2008	2007	**2008**	
	Yen		U.S. Dollars	Yen
Net sales	**657,905**	654,464	**6,352.3**	1,318,513
Operating income	**54,742**	55,551	**528.6**	116,252
Ordinary income	**54,986**	55,034	**530.9**	114,223
Net income	**32,392**	29,316	**312.8**	66,561
Total assets	**1,211,911**	-	**11,701.4**	1,232,601
Total net assets	**589,489**	-	**5,691.7**	584,709
Net worth / Total assets	**47.7%**	-	**47.7%**	46.6%
Net worth per share (yen/US$)	**1,079.39**	-	**10.42**	1,070.67
Net income per share (yen/US$)	**60.42**	53.77	**0.58**	122.53
Net income per share, fully diluted (yen/US$)	**60.39**	53.72	**0.58**	122.41
Net cash provided by operating activities	**63,951**	88,612	**617.5**	180,322
Net cash used in investing activities	**(22,754)**	(25,781)	**(219.7)**	(52,389)
Net cash used in financing activities	**(34,331)**	(41,813)	**(331.5)**	(101,822)
Cash and cash equivalents at end of period	**114,794**	111,319	**1,108.4**	112,636

Notes:

1. *Percentage change is not presented because quarterly accounting standards, as defined and published by the Accounting Standards Board of Japan, are applied for the first time from the current fiscal year. For details, please refer to "Qualitative Information and Financial Statements – 4. Other" on page 11.*
2. *Number of shares outstanding at the end of the periods (including treasury stock): 540,143,701 shares as of September 30, 2008, 549,443,701 shares as of March 31, 2008.*
3. *Number of treasury stock at the end of the periods: 4,130,181 shares as of September 30, 2008, 13,296,218 shares as of March 31, 2008.*
4. *Weighted average number of shares outstanding during the six months ended September 30 of each year: 536,143,596 shares for 2008, 545,185,255 shares for 2007.*
5. *Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.*
6. *Yen amounts are rounded down to the nearest million.*
7. *U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2008, of 103.57 yen=US$1, and are presented solely for the convenience of readers.*

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News Release October 27, 2008

Forecast of Consolidated Results for the Year Ending March 31, 2009

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

	Year ending March 31, 2009		
	Yen	Year-on-year	U.S. Dollars
Net sales	1,330,000	+0.9%	12,841.6
Operating income	117,000	+0.6%	1,129.7
Ordinary income	115,000	+0.7%	1,110.4
Net income	69,000	+3.7%	666.2
Net income per share (yen/US$)	128.73	-	1.24
Cash dividends per share	56.00	-	0.54

Notes:

1. *Except net income per share, the forecasts for the fiscal year ending March 31, 2009 remain the same as on April 23, 2008, when Kao announced its results for the year ended March 31, 2008.*
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 2.8%.*
3. *Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.*
4. *U.S. dollar amounts represent translations using the approximate exchange rate on September 30, 2008, of 103.57 yen=US$1, and are presented solely for the convenience of readers*
5. *Annual cash dividend per share: 56.00 yen*
   Interim dividend per share: 28.00 yen, year-end dividend per share: 28.00 yen.

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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Kao Corporation

News Release October 27, 2008

Summary of Consolidated Business Results and Financial Condition for the Six Months Ended September 30, 2008

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Business Results

In the Kao Group's operating environment during the six-month period ended September 30, 2008, difficulties increased due to the economic slowdown stemming from turmoil in financial markets that originated in the United States and rising market prices globally for crude oil, agricultural products and other commodities.

Under these conditions, the Kao Group's performance was impacted by increases in raw material prices exceeding its forecast and cooling consumer sentiment. However, the Kao Group concentrated on launches of high-value-added products, sales price adjustments, cost reduction activities and cutbacks in expenditures. As a result, although sales were slightly lower than the Group's forecast announced on April 23, 2008 due to the strengthening yen, operating income, ordinary income and net income exceeded their respective forecasts.

Sales of the Consumer Products Business in Asia and Oceania and the Chemical Business were strong, and the Kao Group focused on adding higher value to products and strengthening its sales force even in the midst of a growing sense of a downturn in Japan, North America and Europe. As a result, net sales increased 0.5% compared with the same period a year earlier to 657.9 billion yen. Excluding the effect of currency translation, net sales would have increased 2.7%.

In terms of profit, rising prices for raw materials, mainly natural oils and fats and petrochemicals, had a significant impact on income. However, the Kao Group actively implemented measures such as sales price adjustments and cost reduction activities. As a result, operating income decreased 0.8 billion yen compared with the same period a year earlier to 54.7 billion yen, ordinary income decreased 47 million yen to 54.9 billion yen, and net income increased 3.0 billion yen to 32.3 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 73.7 billion yen, which is equivalent to 11.2% of net sales.

Economic value added (EVA) was almost in line with the Kao Group's plan, with growth in net operating profit after taxes.

Comparisons with the same period a year earlier in this qualitative information on consolidated business results are provided as a reference.

The main exchange rates used for translating the financial statement items (income and expenses) of foreign subsidiaries and affiliates were as follows:

	First quarter	Second quarter
Yen / U.S. dollar	103.79	105.44
Yen/Euro	158.34	164.77

Summary of Results by Business Segment

Consumer Products Business

Sales decreased 1.4% compared with the same period a year earlier to 536.7 billion yen. Excluding the effect of currency translation, sales would have increased 0.4%.

In the Japanese market, consumer sentiment cooled due to concerns about an economic slowdown, but the size of the cosmetics, household and personal care products markets and average consumer purchase prices in the major household and personal care products categories remained at almost the same levels as in the same period a year earlier.

The Kao Group’s efforts in Japan included launching new products that respond to changing consumer lifestyles and strengthening its sales system. Sales increased 0.2% to 434.7 billion yen. Compared with the same period a year earlier, the Kao Group increased its market share for the Consumer Products Business excluding prestige cosmetics.

In Asia and Oceania, economic expansion continued, and in the Kao Group’s activities, the benefits of joint initiatives with local retailers and integration of business operations in the region, including Japan, resulted in a 1.5% increase in sales to 42.7 billion yen. Excluding the effect of currency translation, sales would have increased 10.9%.

In North America and Europe, with the impact of cooling markets and intensifying competition, sales decreased 10.6% to 68.2 billion yen. Excluding the effect of currency translation, sales would have decreased 3.2%.

Operating income decreased 3.7 billion yen to 42.7 billion yen due to the decrease in sales compared with the same period a year earlier and the impact of higher raw material prices, particularly for natural oils and fats and petrochemicals.

Beauty Care Business

Sales decreased 3.7% compared with the same period a year earlier to 300.1 billion yen. Excluding the effect of currency translation, sales would have decreased 1.5%.

In Japan, sales decreased 1.2% to 221.6 billion yen. Despite growth in sales of high-priced brands, sales of prestige cosmetics decreased due to the impact of a sluggish market for mid-priced products ranging from 2,000 to 5,000 yen. At the Kao Group, in order to stimulate the market, Kanebo Cosmetics has been aggressively promoting the creation of mega brands with the launch of the *BLANCHIR SUPERIOR* whitening skin care counseling brand and the addition of items to the *COFFRET D'OR* counseling makeup brand, while Kao Sofina's measures to strengthen its brand included the launch of the *SOFINA Primavista* base makeup brand. Sales of premium skin care products increased steadily, with strong performance by new *Bioré* brand products. Sales of premium hair care products were flat, with robust sales of hair styling and coloring agents but a decline in sales of the *Segreta* hair care brand in comparison with the sales at the time of its launch in April 2007.

In Asia, sales were strong, with steady performance by the *Bioré* premium skin care brand, particularly in China and Indonesia, as a result of product line enhancements and other factors, and the launches in China and Thailand of *Asience*, a line of premium hair care products that the Kao Group is newly nurturing as a pan-Asian brand. In addition, the Kao Group concentrated on activities to raise the brand equity of its prestige cosmetics in China.

In North America and Europe, sales decreased with the impact of cooling consumer sentiment and intense competition, particularly due to the downturn in the U.S. market, together with the negative effect of exchange rate fluctuations. However, sales of the *John Frieda* and *Guhl* premium hair care brands were solid in the European market.

Operating income decreased 0.5 billion yen to 9.4 billion yen due mainly to the decrease in sales, despite reduced expenditures with the completion of amortization of goodwill related to the acquisition of Kao Brands Company (formerly The Andrew Jergens Company) and trademark rights for *Curél*, a premium skin care brand.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 28.3 billion yen, which is equivalent to 9.5% of net sales.

Sales of prestige cosmetics decreased 4.7% to 146.8 billion yen, and operating income decreased 1.8 billion yen to an operating loss of 8.6 billion yen. Excluding the effect of currency translation, sales would have decreased 4.1%.

Human Health Care Business

Sales increased 3.1% compared with the same period a year earlier to 97.6 billion yen. Excluding the effect of currency translation, sales would have increased 4.2%.

In Japan, sales increased 2.8% to 89.0 billion yen. In food and beverage products, intensifying competition caused sales to decrease, but this trend is coming to a halt due to rising awareness of health management. In order to promote the development and provision of health solution services, the Kao Group acquired all of the shares of Healthcare Committee Inc., a company with expertise and experience in preventive medicine. In sanitary products, sales of *Laurier* sanitary napkins were solid. Sales of *Merries* baby diapers increased, supported by a major improvement in breathability concurrently with an adjustment of product prices. Sales of personal health products increased with the contribution of *Success* men's products.

In Asia, sales grew on strong performance by *Laurier* sanitary napkins in China and Thailand.

Operating income increased 0.4 billion yen to 7.0 billion yen with efforts to respond to rising raw material prices for baby diapers including a price adjustment by reducing the number of units per package in tandem with a product improvement, as well as cost reductions.

Fabric and Home Care Business

Sales increased 0.9% compared with the same period a year earlier to 138.9 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In Japan, sales increased 0.8% to 124.0 billion yen. In fabric care products, the Kao Group worked to strengthen its laundry detergent brands by improving *Attack* with greater cleaning power and *New Beads* with an enhanced fabric softening effect. At the same time, the Kao Group implemented price increases through volume reductions.

However, sales were flat, mainly due to fierce market competition. In home care products, sales increased as the Kao Group worked to strengthen its brands with the launch of new products under brands including *CuCute* dishwashing detergent and *Resesh* fabric and air freshener.

In Asia and Oceania, sales grew as the Kao Group enhanced the *Attack* and *Magiclean* brands. Sales of *Attack Easy* laundry detergent in Thailand and Indonesia were particularly strong, and the Kao Group further strengthened its sales system in China.

Operating income decreased 3.6 billion yen to 26.2 billion yen. Despite efforts such as new and improved product launches, enhancements of the efficiency of marketing investments, and package volume and price adjustments in tandem with product improvements, the impact of rising raw material prices was substantial.

Chemical Business

Sales increased 11.4% compared with the same period a year earlier to 140.9 billion yen. Excluding the effect of currency translation, sales would have increased 15.3%.

In Japan, sales increased 13.2% to 69.9 billion yen amid a slowdown in customer industries, including weakening industrial production. In oleo chemicals and performance chemicals, the Kao Group adjusted sales prices in response to the increase in raw material prices. In specialty chemicals, the Kao Group worked to add further value to and expand sales volume of products such as ink and colorants for inkjet printers and cleaners for electronic parts.

In Asia, sales increased 26.1% to 42.8 billion yen. Excluding the effect of currency translation, sales would have increased 38.8%. For fatty alcohols, which are a core product, the Kao Group made significant efforts to adjust prices in response to rising raw material prices.

In North America and Europe, sales increased 8.4% to 53.7 billion yen. Excluding the effect of currency translation, sales would have increased 13.4%. Sales of tertiary amines and toner and toner binder for copiers and printers were strong.

Operating income increased 3.0 billion yen to 11.9 billion yen despite the impact of rising prices for natural oils and fats and other raw materials as the Kao Group worked to adjust prices, increase sales volume and reduce costs.

Summary of Results by Geographic Segment

Japan

Total sales in Japan, including intersegment sales, increased 1.2% compared with the same period a year earlier to 487.8 billion yen. Consumer sentiment cooled with the sense that the economy was slowing. However, the Kao Group aggressively launched high-value-added products, actively conducted in-store merchandising activities and adjusted prices in response to rising raw material prices.

Despite these measures and cost reduction activities, operating income decreased 3.7 billion yen to 46.4 billion yen due to the substantial impact of higher raw material prices.

Asia

Total sales in Asia and Oceania, including intersegment sales, increased 12.5% compared with the same period a year earlier to 84.4 billion yen. Excluding the effect of currency translation, sales would have increased 23.3%. The Consumer Products Business benefited from joint initiatives with local retailers and the integration of business operations in Asia, including Japan, while the Chemical Business concentrated on adjusting prices in response to rising raw material prices.

As a result, operating income increased 3.6 billion yen to 2.6 billion yen.

North America

Total sales in North America, including intersegment sales, decreased 8.4% compared with the same period a year earlier to 51.8 billion yen. Excluding the effect of currency translation, sales would have increased 4.6%. Particularly intense market competition continued in the Consumer Products Business, partly due to the worsening U.S. economy.

Operating income decreased 0.6 billion yen to 2.6 billion yen despite new product launches and other efforts to stimulate the market.

Europe

Total sales in Europe, including intersegment sales, increased 1.9% compared with the same period a year earlier to 75.6 billion yen. Excluding the effect of currency translation, sales would have increased 3.0%. Despite the impact of the economic slowdown, efforts to improve profitability led to a 0.7 billion yen increase in operating income to 2.9 billion yen.

2. Qualitative Information on Financial Condition

Total assets decreased 20.6 billion yen from the previous fiscal year-end to 1,211.9 billion yen. The principal factors increasing assets were a 5.6 billion yen increase in merchandise and finished goods due to the impact of rising raw material prices and a 4.4 billion yen increase in short-term investments. The principal factors reducing assets were a 20.2 billion yen decrease in intangible assets with the progress of amortization of intellectual property rights including trademarks and goodwill and a 6.1 billion yen decrease in investments and other assets.

Total liabilities decreased 25.4 billion yen from the previous fiscal year-end to 622.4 billion yen. The principal factor increasing liabilities was a 3.2 billion yen increase in notes and accounts payable – trade, reflecting the impact of higher raw material purchase prices. The principal factors reducing liabilities were a decrease of 20.4 billion yen due to repayment of debt and a 10.1 billion yen decrease in accrued income taxes due to payment of income taxes.

Net assets increased 4.7 billion yen from the previous fiscal year-end to 589.4 billion yen. The principal factor increasing net assets was net income for the period of 32.3 billion yen, and the principal factor reducing net assets was dividend payments of 14.4 billion yen and foreign currency translation adjustments (associated with the translation of the net assets of overseas subsidiaries into yen) totaling 11.8 billion yen. Kao Corporation retired 9.3 million shares of its own stock during the second quarter.

As a result, the net worth ratio was 47.7%, compared with 46.6% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 63.9 billion yen. Items increasing net cash included income before income taxes and minority interests of 53.7 billion yen and depreciation and amortization of 43.3 billion yen. Items decreasing net cash included income taxes paid of 31.0 billion yen, increase in trade receivables of 7.1 billion yen and increase in inventories of 7.9 billion yen.

Net cash used in investing activities totaled 22.7 billion yen. This primarily consisted of purchase of property, plant and equipment of 18.7 billion yen and purchase of intangible assets of 3.7 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 41.1 billion yen.

Net cash used in financing activities totaled 34.3 billion yen. This primarily consisted of 22.0 billion yen for repayment of long-term debt and 14.7 billion yen for payment of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at September 30, 2008 increased 2.1 billion yen compared with the end of the previous fiscal year to 114.7 billion yen.

3. Qualitative Information on Forecast of Consolidated Results

Amid a severe environment, results for the six-month period ended September 30, 2008 were generally in line with the Kao Group's forecast.

However, consumer sentiment is cooling further as a result of the global financial crisis that started in the United States and rising prices for petroleum-related products and other goods. Moreover, the economies of Japan and other countries are forecast to enter a period of economic recession and a severe operating environment.

On the other hand, international market prices for natural oils and fats and crude oil, which had been rising for several years, are trending downward due mainly to the economic downturn.

In order to absorb the impact of these factors in this environment, the Kao Group will work to accelerate its product development cycle, launch new and improved products with high added value, adjust sales prices to reflect higher costs and undertake other initiatives to strengthen the value of its brands. In addition, the Kao Group aims to achieve its initial forecast by further strengthening collaboration with retailers in ways such as offering in-store merchandising proposals that respond to consumer changes.

Therefore, the forecast of results for the fiscal year ending March 31, 2009 remains the same as announced on April 23, 2008, except for a minor adjustment to net income per share.

The main exchange rates are forecast to be 105 yen per U.S. dollar and 155 yen per euro.

4. Other

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None

(2) Application of the following accounting procedures:

(a) Simplified accounting procedures:

(i) Valuation of inventories

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

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

(ii) Method of calculating depreciation of fixed assets

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

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

(3) Changes in accounting principles and procedures as well as presentation methods related to preparation of quarterly consolidated financial statements

(a) Application of “Accounting Standard for Quarterly Financial Reporting” and related guidance

“Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan [ASBJ] Statement No. 12, March 14, 2007) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, March 14, 2007) are applied from the current fiscal year ending March 31, 2009. Quarterly financial statements are prepared in accordance with “Rules for Quarterly Consolidated Financial Statements.”

(b) Application of “Accounting Standard for Measurement of Inventories”

Inventories were previously stated at the lower of cost or market, determined principally by the average method. However, with the Company’s adoption of “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) from the first quarter ended June 30, 2008, inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses, determined principally by the average method. The impact of the change on operating income, ordinary income and income before income taxes and minority interests for the cumulative second-quarter period is immaterial.

(c) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"
"Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006) has been applied from the first quarter ended June 30, 2008 and necessary modifications have been made for consolidation. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the cumulative second-quarter period is immaterial.

(d) Application of "Accounting Standard for Lease Transactions" and related guidance
Finance lease transactions without title transfer were formerly accounted for as operating leases. On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued on June 17, 1993, and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued on January 18, 1994. The revised accounting standard is permitted to be adopted for fiscal years beginning on or after April 1, 2008. Accordingly, the Company has applied the revised accounting standard from the first quarter ended June 30, 2008. The revised accounting standard requires that all finance lease transactions shall be capitalized. In addition, leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value. The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the cumulative second-quarter period is immaterial.

(e) Changes of items related to the business year of consolidated subsidiaries
The fiscal year-end for Kanebo Cosmetics Inc. and its seven domestic subsidiaries, which was previously December 31, has been changed to March 31. Consequently, the results of these companies for the six months from April 1, 2008 to September 30, 2008 are consolidated in the cumulative second-quarter period ended September 30, 2008. Income for the three-month period from January 1, 2008 to March 31, 2008 is recorded in retained earnings. In the consolidated statements of cash flows, this change is stated as "Decrease in cash and cash equivalents resulting from change of fiscal term of subsidiaries."

Consolidated Balance Sheets

Millions of yen

	Q2/FY2008 Sep 30, 2008	FY2007 Mar 31, 2008
Assets		
Current assets	**443,348**	**435,566**
Cash and time deposits	51,504	53,785
Notes and accounts receivable-trade	147,355	154,201
Short-term investments	59,398	54,959
Merchandise and finished goods	89,469	83,778
Work in process	16,623	15,459
Raw materials and supplies	26,137	26,350
Other	54,827	49,425
Allowance for doubtful receivables	(1,967)	(2,394)
Fixed assets	**768,562**	**796,986**
Property, plant and equipment	1,125,009	1,119,875
Accumulated depreciation	(845,184)	(838,127)
Net property, plant and equipment	279,825	281,747
Goodwill	227,194	238,500
Trademarks	117,667	127,328
Other	35,929	35,258
Intangible assets	380,791	401,087
Investments and other assets	108,150	114,308
Allowance for doubtful receivables	(203)	(156)
Investments and other assets	107,946	114,151
Deferred assets	**-**	**48**
Total assets	**1,211,911**	**1,232,601**
Liabilities		
Current liabilities	**312,821**	**323,971**
Notes and accounts payable-trade	112,795	109,574
Short-term debt	22,793	21,828
Current portion of long-term debt	22,048	22,049
Accrued income taxes	19,181	29,344
Other	136,002	141,175
Long-term liabilities	**309,600**	**323,920**
Bonds	99,996	99,996
Long-term debt	148,378	169,764
Liability for employee retirement benefits	35,020	32,041
Other	26,204	22,117
Total liabilities	**622,421**	**647,891**
Net assets		
Shareholders' equity	**598,673**	**582,030**
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	414,791	426,206
Treasury stock, at cost	(11,103)	(39,161)
Adjustments for valuation, foreign currency translation and others	**(20,103)**	**(7,992)**
Unrealized gain on available-for-sale securities	3,565	3,394
Deferred gains or losses on hedges	191	-
Foreign currency translation adjustments	(23,211)	(11,386)
Other	(649)	-
Stock acquisition rights	**877**	**598**
Minority interests	**10,042**	**10,072**
Total net assets	**589,489**	**584,709**
Total liabilities and net assets	**1,211,911**	**1,232,601**

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Consolidated quarterly statements of income

Millions of yen

	(A) 1H/FY2008 Apr '08 - Sep '08	(B) 1H/FY2007 Apr '07 - Sep '07
Net sales	**657,905**	**654,464**
Cost of sales	286,321	272,851
Gross profit	**371,584**	**381,612**
Selling, general and administrative expenses	316,841	326,060
Operating income	**54,742**	**55,551**
Non-operating income	4,078	3,662
Interest income	1,274	1,444
Dividend income	113	110
Foreign currency exchange gain	-	453
Equity in earnings of nonconsolidated subsidiaries and affiliates	751	-
Other	1,938	1,654
Non-operating expenses	3,834	4,179
Interest expense	3,098	3,277
Foreign currency exchange loss	296	-
Equity in losses of nonconsolidated subsidiaries and affiliates	-	397
Other	438	504
Ordinary income	**54,986**	**55,034**
Extraordinary gain	395	297
Gain on sales of fixed assets	46	93
Reversal of allowance for doubtful receivables	286	-
Gain on sales of investment securities	-	4
Other	62	199
Extraordinary loss	1,620	1,420
Loss on sales/disposals of fixed assets	743	698
Loss on impairment of long-lived assets	561	380
Other	315	340
Income before income taxes and minority interests	**53,761**	**53,912**
Income taxes	20,719	24,035
Income taxes-current	21,472	24,395
Income taxes-deferred	(753)	(360)
Minority interests in earnings of consolidated subsidiaries	650	560
Net income	**32,392**	**29,316**

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Major items of consolidated SG&A expenses

Millions of yen

	1H/FY2008 Apr '08 - Sep '08	**1H/FY2007 Apr '07 - Sep '07**
Freight/warehouse	37,986	36,881
Advertising	47,367	52,719
Sales promotion	35,746	39,460
Salaries and wages	64,904	64,274
Research and development	23,024	22,611

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Consolidated Statements of Cash Flows

Millions of yen

	1H/FY2008 Apr '08 - Sep '08	1H/FY2007 Apr '07 - Sep '07
Operating activities:		
Income before income taxes and minority interests	53,761	53,912
Adjustments for:		
Depreciation and amortization	43,352	45,438
Loss on impairment of long-lived assets	561	-
Interest and dividend income	(1,387)	(1,554)
Interest expense	3,098	3,277
Unrealized foreign currency exchange gain (loss)	(110)	(84)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(751)	397
Loss (gain) on sales and retirement of fixed assets	696	605
Change in trade receivables	(7,151)	(1,747)
Change in inventories	(7,984)	(11,512)
Change in prepaid pension cost	-	3,197
Change in trade payables	8,160	8,616
Change in other payables and accrued expense	-	10,883
Change in liability for retirement benefits	2,456	501
Other, net	1,818	(7,253)
Subtotal	96,521	104,677
Interest and cash dividends received	1,591	1,666
Interest paid	(3,083)	(3,308)
Income taxes paid	(31,078)	(14,422)
Net cash provided by operating activities	**63,951**	**88,612**
Investing activities:		
Purchase of property, plant and equipment	(18,788)	(19,663)
Proceeds from sales of property, plant and equipment	-	316
Increase in intangible assets	(3,754)	(1,666)
Purchase of marketable securities and investment securities	-	(2,036)
Proceeds from the redemption and sales of marketable securities and investment securities	-	1,020
Payments for long-term prepaid expenses	(2,484)	(2,595)
Change in short-term loans, net	136	(671)
Payments for long-term loans	(1,579)	(812)
Change in other investments	3,716	327
Net cash used in investing activities	**(22,754)**	**(25,781)**
Financing activities:		
Change in short-term debt, net	2,132	3,832
Proceeds from long-term loans	759	-
Repayments of long-term loans	(22,093)	(30,906)
Purchase of treasury stock	(908)	(586)
Payments of cash dividends	(14,488)	(14,179)
Payments of cash dividends to minority shareholders	(224)	(791)
Other, net	493	818
Net cash used in financing activities	**(34,331)**	**(41,813)**
Translation adjustments on cash and cash equivalents	**(4,696)**	**2,148**
Net increase (decrease) in cash and cash equivalents	**2,169**	**23,165**
Cash and cash equivalents at beginning of period	**112,636**	**88,154**
Cash and cash equivalents from newly consolidated subsidiary, increase	**338**	**-**
Decrease in cash and cash equivalents resulting from change of fiscal term of subsidiaries	**(349)**	**-**
Cash and cash equivalents at end of period	**114,794**	**111,319**

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Segment Information by Business

Millions of yen

1H/FY2008 **Apr '08 - Sep '08**	Consumer Products Business							
	Beauty Care Business	Human Health Care Business	Fabric & Home Care Business	Total	Chemical Business	Total	Corporate/ Eliminations	Consolidated
Net sales								
Sales to customers	300,134	97,670	138,987	536,792	121,113	657,905	-	657,905
Intersegment sales	-	-	-	-	19,802	19,802	(19,802)	-
Total	**300,134**	**97,670**	**138,987**	**536,792**	**140,916**	**677,708**	**(19,802)**	**657,905**
Operating expenses	**290,659**	**90,655**	**112,743**	**494,057**	**128,916**	**622,974**	**(19,811)**	**603,163**
Operating income	**9,475**	**7,015**	**26,244**	**42,735**	**11,999**	**54,734**	**8**	**54,742**

1H/FY2007 **Apr '07 - Sep '07**	Consumer Products Business							
	Beauty Care Business	Human Health Care Business	Fabric & Home Care Business	Total	Chemical Business	Total	Corporate/ Eliminations	Consolidated
Net sales								
Sales to customers	311,690	94,739	137,795	544,225	110,238	654,464	-	654,464
Intersegment sales	-	-	-	-	16,292	16,292	(16,292)	-
Total	**311,690**	**94,739**	**137,795**	**554,225**	**126,530**	**670,756**	**(16,292)**	**654,464**
Operating expenses	**301,628**	**88,190**	**107,889**	**497,708**	**117,594**	**615,303**	**(16,390)**	**598,912**
Operating income	**10,061**	**6,549**	**29,906**	**46,517**	**8,936**	**55,453**	**97**	**55,551**

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Consolidated Segment Information by Geography

Millions of yen

1H/FY2008
Apr '08 - Sep '08

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	477,788	61,414	51,407	67,294	657,905	-	657,905
Intersegment sales	10,037	22,996	478	8,345	41,857	(41,857)	-
Total	**487,826**	**84,411**	**51,885**	**75,639**	**699,763**	**(41,857)**	**657,905**
Operating expenses	**441,349**	**81,809**	**49,270**	**72,648**	**645,078**	**(41,914)**	**603,163**
Operating income	**46,477**	**2,601**	**2,615**	**2,991**	**54,685**	**57**	**54,742**

1H/FY2007
Apr '07 - Sep '07

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	472,409	59,758	56,217	66,079	654,464	-	654,464
Intersegment sales	9,664	15,249	453	8,131	33,498	(33,498)	-
Total	**482,073**	**75,007**	**56,670**	**74,211**	**687,962**	**(33,498)**	**654,464**
Operating expenses	**431,834**	**76,085**	**53,412**	**71,950**	**633,282**	**(34,369)**	**598,912**
Operating income	**50,239**	**(1,077)**	**3,257**	**2,260**	**54,680**	**871**	**55,551**

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Sales to Foreign Customers

Millions of yen

1H/FY2008 Apr '08 - Sep '08	**Asia/Oceania**	**Americas**	**Europe**	**Total**
Total sales to foreign customers	69,217	53,479	63,901	186,598
Consolidated net sales				657,905
Percentage of sales to foreign customers to consolidated net sales	10.6%	8.1%	9.7%	28.4%

1H/FY2007 Apr '07 - Sep '07	**Asia/Oceania**	**North America**	**Europe**	**Total**
Total overseas sales	66,462	57,929	63,135	187,527
Consolidated net sales				654,464
Percentage of overseas sales to consolidated net sales	10.2%	8.9%	9.6%	28.7%

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Sales Composition

Millions of yen

	1H/FY2008 Apr '08 - Sep '08	1H/FY2007 Apr '07 - Sep '07
Consumer Products Business		
Beauty Care Business	221,675	224,367
Human Health Care Business	89,042	86,621
Fabric and Home Care Business	124,020	123,053
Total Japan	434,739	434,042
Asia and Oceania	42,767	42,127
North America and Europe	68,219	76,287
Eliminations	(8,933)	(8,231)
Total	**536,792**	**544,225**
Chemical Business		
Japan	69,919	61,777
Asia	42,821	33,949
North America and Europe	53,759	49,557
Eliminations	(25,584)	(18,773)
Total	**140,916**	**126,530**
Total before Eliminations	**677,708**	**670,756**
Eliminations	(19,802)	16,292
Consolidated Net Sales	**657,905**	**654,464**

Note: The results for the first half of FY2007, ended September 30, 2007, are stated using figures disclosed under the guidelines of the Tokyo Stock Exchange effective at the time of announcement for reference purposes only. The said guidelines differ from the quarterly accounting standards defined and published by Accounting Standards Board of Japan that are applied for the first time from the current fiscal year.

Kao Corporation
October 27, 2008

[Appendix]

Major Products by Business Segment

<table>
<tr><th colspan="2">Business Segment</th><th colspan="2">Major Products</th></tr>
<tr><td rowspan="8">Consumer products business</td><td rowspan="3">Beauty care business</td><td>Prestige cosmetics</td><td>Counseling cosmetics, self-selection cosmetics</td></tr>
<tr><td>Premium skin care products</td><td>Soaps, facial cleansers, body cleansers</td></tr>
<tr><td>Premium hair care products</td><td>Shampoos, conditioners, hair styling agents, hair coloring agents</td></tr>
<tr><td rowspan="3">Human health care business</td><td>Food and beverage products</td><td>Cooking oils, beverages</td></tr>
<tr><td>Sanitary products</td><td>Sanitary napkins, baby diapers</td></tr>
<tr><td>Personal health products</td><td>Bath additives, oral care products, men’s products</td></tr>
<tr><td rowspan="2">Fabric and home care business</td><td>Fabric care products</td><td>Laundry detergents, fabric treatments</td></tr>
<tr><td>Home care products</td><td>Kitchen cleaning products, house cleaning products, paper cleaning products, commercial-use products</td></tr>
<tr><td colspan="2" rowspan="3">Chemical business</td><td>Oleo chemicals</td><td>Fatty alcohols, fatty amines, fatty acids, glycerin, commercial-use edible fats and oils</td></tr>
<tr><td>Performance chemicals</td><td>Surfactants, plastics additives, superplasticizers for concrete admixtures</td></tr>
<tr><td>Specialty chemicals</td><td>Toner and toner binder for copiers and printers, ink and colorants for inkjet printers, fragrances and aroma chemicals</td></tr>
</table>