

Summary of Consolidated Business Results for the Nine Months Ended December 31, 2009

Tokyo, January 26, 2010 — Kao Corporation today announced its consolidated business results for the nine months ended December 31, 2009, the third quarter of the fiscal year ending March 31, 2010. The following summary of the business results is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights

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

	Nine months ended December 31				Fiscal 2008, ended
	2009	2008	Growth	2009	March 31, 2009
	Yen		%	U.S. dollars	Yen
Net sales	910,634	1,004,106	(9.3)	9,887.4	1,276,316
Operating income	84,787	91,413	(7.2)	920.6	96,800
Ordinary income	85,260	90,799	(6.1)	925.7	94,609
Net income	44,656	54,209	(17.6)	484.9	64,462
Total assets	1,119,945	1,202,881	(6.9)	12,160.1	1,119,676
Total net assets	574,736	582,866	(1.4)	6,240.3	554,194
Net worth ratio	50.4%	47.6%	-	50.4%	48.7%
Net worth per share (Yen/US\$)	1,054.07	1,067.66	(1.3)	11.44	1,017.19
Net income per share (Yen/US\$)	83.31	101.12	(17.6)	0.90	120.25
Net income per share, fully diluted (Yen/US\$)	83.29	101.08	(17.6)	0.90	120.22
	Yen			U.S. dollars	Yen
Net cash provided by operating activities	129,128	83,260	-	1,402.0	121,597
Net cash used in investing activities	(29,750)	(33,426)	-	(323.0)	(43,156)
Net cash used in financing activities	(78,313)	(49,300)	-	(850.3)	(64,704)
Cash and cash equivalents at end of period	133,117	105,287	-	1,445.4	110,565

Notes:

1. Number of outstanding shares (common stock):

- Number of shares outstanding at the end of the periods (including treasury stock):

540,143,701 shares as of December 31, 2009; 540,143,701 shares as of March 31, 2009.

- Number of shares of treasury stock at the end of the periods:

4,127,813 shares as of December 31, 2009; 4,128,568 shares as of March 31, 2009.

- Weighted average number of shares outstanding during the nine months ended December 31 of each year:

536,005,158 shares for 2009; 536,108,323 shares for 2008.

2. Net income per share is computed based on the weighted average number of shares outstanding during the nine months ended December 31 of each year.

3. The net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and adjustments for valuation, foreign currency translation and others.

Consolidated Results by Business Segment

Nine months ended December 31	Billions of yen					
	Net sales			Operating income		
	2009	2008	% Growth	2009	2008	Change
			Like-for-like			
Beauty Care	416.9	454.1	(8.2)	(4.4)	9.6	19.0 (9.4)
Human Health Care	143.2	151.0	(5.2)	(3.6)	8.1	12.4 (4.3)
Fabric & Home Care	219.5	218.5	0.5	2.3	52.5	42.0 10.5
Consumer Products Total	779.8	823.7	(5.3)	(2.4)	70.3	73.5 (3.1)
Chemical	155.6	211.3	(26.3)	(18.9)	14.3	17.8 (3.4)
Total	935.4	1,035.0	(9.6)	(5.8)	84.7	91.4 (6.6)
Corporate/Eliminations	(24.8)	(30.9)	-	-	0.0	(0.0) 0.0
Consolidated	910.6	1,004.1	(9.3)	(5.4)	84.7	91.4 (6.6)

Nine months ended December 31	Millions of U.S. dollars					
	Net sales			Operating income		
	2009	2008	% Growth	2009	2008	Change
			Like-for-like			
Beauty Care	4,527.4	4,930.9	(8.2)	(4.4)	104.7	207.0 (102.3)
Human Health Care	1,555.3	1,639.8	(5.2)	(3.6)	88.6	135.3 (46.7)
Fabric & Home Care	2,384.2	2,373.1	0.5	2.3	570.8	456.6 114.2
Consumer Products Total	8,466.9	8,943.8	(5.3)	(2.4)	764.2	798.9 (34.7)
Chemical	1,690.4	2,294.9	(26.3)	(18.9)	156.3	193.8 (37.5)
Total	10,157.3	11,238.7	(9.6)	(5.8)	920.5	992.7 (72.2)
Corporate/Eliminations	(269.9)	(336.3)	-	-	0.1	(0.2) 0.3
Consolidated	9,887.4	10,902.3	(9.3)	(5.4)	920.6	992.5 (71.9)

Consolidated Results by Geographic Segment

Nine months ended December 31	Billions of yen					
	Net sales			Operating income		
	2009	2008	% Growth	2009	2008	Change
			Like-for-like			
Japan	714.2	747.5	(4.4)	(4.4)	75.2	79.8 (4.5)
Asia/Oceania	95.8	127.9	(25.1)	(12.4)	1.8	3.5 (1.7)
North America	60.0	77.8	(22.9)	(11.2)	2.9	3.5 (0.6)
Europe	81.3	112.7	(27.8)	(10.9)	4.1	4.6 (0.4)
Total	951.6	1,066.2	(10.7)	(6.6)	84.1	91.5 (7.3)
Corporate/Eliminations	(40.9)	(62.0)	-	-	0.6	(0.1) 0.7
Consolidated	910.6	1,004.1	(9.3)	(5.4)	84.7	91.4 (6.6)

Nine months ended December 31	Millions of U.S. dollars					
	Net sales			Operating income		
	2009	2008	% Growth	2009	2008	Change
			Like-for-like			
Japan	7,755.7	8,116.8	(4.4)	(4.4)	817.1	866.8 (49.7)
Asia/Oceania	1,041.1	1,389.7	(25.1)	(12.4)	20.2	38.8 (18.6)
North America	652.2	845.6	(22.9)	(11.2)	31.5	38.4 (6.9)
Europe	883.5	1,224.4	(27.8)	(10.9)	45.0	50.0 (5.0)
Total	10,332.4	11,576.6	(10.7)	(6.6)	913.9	994.1 (80.2)
Corporate/Eliminations	(445.0)	(674.2)	-	-	6.7	(1.5) 8.3
Consolidated	9,887.4	10,902.3	(9.3)	(5.4)	920.6	992.5 (71.9)

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Associated with suspension of production and sale of Econa cooking oil and related products, 2.7 billion yen of inventory revaluation expenses are included in operating expenses for the business segment of the Human Health Care Business and mainly for the geographic segment of Japan for fiscal 2009.

Forecast of Consolidated Results for the Year Ending March 31, 2010

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

	Year ending March 31, 2010		
	Yen	Growth	U.S. dollars
Net sales	1,185.0	(7.2%)	12,866.4
Operating income	89.0	(8.1%)	966.3
Ordinary income	88.0	(7.0%)	955.5
Net income	41.0	(36.4%)	445.2
Net income per share (Yen/US\$)	76.49	(36.4%)	0.83
Cash dividends per share (Yen/US\$)	56.00	-	0.61

Notes:

1. The forecast of consolidated results for the fiscal year ending March 31, 2010 remains unchanged from October 27, 2009, when Kao announced its interim results.
2. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.
3. Annual cash dividends per share: 56.00 yen
Interim dividend per share: 28.00 yen; year-end dividend per share: 28.00 yen.

Notes for this News Release:

1. Significant changes in subsidiaries during the period (changes in specified subsidiaries with changes in the scope of consolidation): None
2. Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements: Please refer to "(2) Application of simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements" in "4. Other" on page 13 for details.
3. Changes in accounting principles, procedures and presentation methods used in the preparation of quarterly consolidated financial statements: None
4. U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2009, of 92.10 yen=US\$1, and are presented solely for the convenience of readers.
5. Yen amounts are rounded down to the nearest million.

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.

For further information, please contact:

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

Summary of Consolidated Business Results and Financial Condition for the Nine Months Ended December 31, 2009

1. Qualitative Information on Consolidated Business Results

During the nine months ended December 31, 2009, there was a sense of improvement in the economic environment as a result of aggressive government policy measures in major countries. However, in Japan, consumer prices continued to fall gradually with the purchasing behavior of budget-strapped consumers due to factors including severe employment and household income conditions, as well as price competition at stores.

Under these circumstances, the Kao Group worked to create products and brands of excellent value from the standpoint of consumers and customers, and to launch and nurture products with added value in balancing the areas of ecology and economy, in addition to its focus on cost reduction activities and cutbacks in expenses. The Kao Group also decided to suspend production and sale of *Econa* cooking oil and related products (*Econa* products) and to submit a new application for approval as a Food for Specified Health Uses (FOSHU) in order to give these products a new start so that consumers can use them with greater assurance.

Net sales decreased 9.3% compared with the same period a year earlier to 910.6 billion yen. Excluding the effect of currency translation, net sales would have decreased 5.4%. Sales in the Fabric and Home Care Business grew, but in the Chemical Business, despite a trend toward recovery in demand from customer industries, sales did not reach the level of the same period a year earlier, due in part to adjustments to selling prices reflecting a decline in raw material prices. In the Beauty Care Business, prestige cosmetics were affected by weak sales due to the impact of changes in the structure of the market. The effect of the strong yen on currency translation also had an impact on sales.

A decline in raw material prices, mainly for natural oils and fats and petrochemicals, contributed significantly to improving cost of sales. In addition, the Kao Group worked on measures including promotion of cost reduction activities and greater efficiency of marketing expenses. However, the decrease in sales had a substantial impact on profits. The Kao Group recorded a 2.7 billion yen loss on write-off of inventory included in cost of sales and an extraordinary loss of 5.6 billion yen related to other expenses associated with the suspension of production and sale of *Econa* products. Consequently, operating income decreased 6.6 billion yen compared with the same period a year earlier to 84.7 billion yen and ordinary income decreased 5.5 billion yen to 85.2 billion yen. Net income decreased 9.5 billion yen to 44.6 billion yen.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 111.4 billion yen, which is equivalent to 12.2% of net sales.

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

	First quarter	Second quarter	Third quarter
Yen/U.S. dollar	95.20 (103.79)	96.76 (105.44)	92.81 (107.02)
Yen/Euro	123.20 (158.34)	133.45 (164.77)	132.97 (159.47)

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

Summary of Segment Information

Consolidated Results by Business Segment

Consumer Products Business

Sales decreased 5.3% compared with the same period a year earlier to 779.8 billion yen. Excluding the effect of currency translation, sales would have decreased 2.4%.

In Japan, the cosmetics market contracted compared with the same period a year earlier due to a change in consumer purchasing sentiment with the effects of the weak economy and other factors, together with continued down-trading to lower priced products. In addition, although the household and personal care products market remained flat on a value basis, average consumer purchase prices in major product categories declined from the same period a year earlier.

Under these conditions, sales in Japan decreased 3.0% to 649.4 billion yen. The Kao Group worked to launch new products that respond to changing consumer lifestyles and to strengthen its proposal-based sales activities and in-store merchandising activities. As a result, sales of fabric and home care products were firm, but sales of prestige cosmetics were weak due mainly to changes in the structure of the market, and sales of *Econa* products decreased due to the suspension of production and sale.

In Asia and Oceania, although consumer spending has steadily increased as economic conditions improve, competition remained intense. Sales decreased 9.1% to 58.7 billion yen due to the effect of currency translation. However, on a local-currency basis, sales increased 6.4% as the Kao Group generated positive results from collaborations with retailers and integration of business operations in Asia, including Japan.

In North America and Europe, despite signs that the economies were bottoming out, the

News Release

conditions of high unemployment rates and weak markets persisted. With the added impact of currency translation, sales decreased 18.1% to 83.4 billion yen. Excluding the effect of currency translation, sales would have decreased 4.0%.

Although prices for raw materials, mainly natural oils and fats and petrochemicals, were lower compared with the same period a year earlier, operating income decreased 3.1 billion yen to 70.3 billion yen with the substantial impact of the decrease in sales.

Beauty Care Business

Sales decreased 8.2% compared with the same period a year earlier to 416.9 billion yen. Excluding the effect of currency translation, sales would have decreased 4.4%.

Sales of prestige cosmetics decreased 10.5% to 201.4 billion yen. Excluding the effect of currency translation, sales would have decreased 9.5%. In Japan, the Kao Group conducted aggressive initiatives to strengthen and increase its cosmetics megabrands with annual sales of more than 10 billion yen. These initiatives included the launch of a new line from the *suisai* counseling skin care brand and the addition of items to counseling cosmetics such as the *COFFRET D'OR* makeup and *SOFINA beauté* skin care brands. However, these efforts were impacted by a market trend toward lower prices and inventory reductions by retailers. In China, sales increased with aggressive initiatives.

Sales of premium skin care products increased in Japan, with solid performance by *Curél* premium skin care and *Bioré U* body cleanser. In Asia, *Bioré* performed well and sales grew on a local-currency basis. In North America and Europe, sales decreased due to the weak markets and the effect of currency translation.

In premium hair care products, sales in Japan grew as a result of factors including the launch of a hair treatment series in the *Asience* line. Sales in Asia increased on a local-currency basis, with the contribution of expanded roll-outs of the *Asience* and *Essential Damage Care* premium hair care brands in the region. Sales in North America and Europe decreased due to the weak markets and the effect of currency translation.

Operating income decreased 9.4 billion yen to 9.6 billion yen as a result of the decrease in sales of prestige cosmetics.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 11.3 billion yen to 36.1 billion yen, which is equivalent to 8.7% of sales.

Human Health Care Business

Sales decreased 5.2% compared with the same period a year earlier to 143.2 billion yen. Excluding the effect of currency translation, sales would have decreased 3.6%.

News Release

In food and beverage products, sales of food products decreased substantially as the Kao Group suspended production and sale of *Econa* products, but sales of beverage products increased as new *Healthya Sparkling*, the first carbonated functional health drink to promote body fat utilization, was launched and the number of loyal consumers grew. Sales of sanitary products were basically unchanged. In Japan, sales of *Laurier* sanitary napkins decreased in an intense competitive environment, but sales of *Merries* baby diapers were firm. In Asia, sales of *Laurier* increased on a local-currency basis. Sales of personal health products were flat, with strong sales of newly launched *Success Step Color* grooming for gray hair in men's products but a decrease in sales of bath additives.

Operating income decreased 4.3 billion yen to 8.1 billion yen, due mainly to the suspension of production and sale of *Econa* products.

Fabric and Home Care Business

Sales increased 0.5% compared with the same period a year earlier to 219.5 billion yen. Excluding the effect of currency translation, sales would have increased 2.3%.

Sales of fabric care products increased with the launch in Japan of new *Attack Neo* ultra-concentrated liquid laundry detergent. Based on Kao's proprietary technology, the product can reduce environmental impacts by conserving water and electricity and also shorten washing time. Solid sales of *Humming Flair* fabric softener and *Haiter* fabric bleach also contributed to the sales increase. In Asia and Oceania, *Attack* laundry detergent continued to perform well, contributing to sales growth on a local-currency basis. Sales of home care products increased due to the strong performance of *CuCute* dishwashing detergent and efforts to strengthen the *Haiter* house cleaning brand with the launch of new products including drain cleaner and washing machine cleaner.

Operating income increased 10.5 billion yen to 52.5 billion yen due to sales growth from active launches of new and improved products and improvement in cost of sales as a result of a decline in raw material prices.

Chemical Business

Although the Chemical Business is gradually recovering from decreased demand from customer industries due to the rapid worsening of economic conditions from autumn 2008, sales decreased 26.3% from the same period a year earlier to 155.6 billion yen, due in part to adjustments to selling prices reflecting a decline in raw material prices. Excluding the effect of currency translation, sales would have decreased 18.9%.

Oleo chemicals were impacted by a decrease in sales volume due to a fall in demand from customer industries and adjustments to selling prices reflecting a decline in raw material

News Release

prices. Performance chemicals, which Kao supplies to a wide range of industries, were affected by the economic slowdown as well. Specialty chemicals were also impacted by the economic slowdown, but demand from customer industries for polishing agents for hard disks and cleaners for electronic parts has recovered month by month after bottoming out during the January to March period of 2009.

Operating income decreased 3.4 billion yen to 14.3 billion yen due to the substantial decrease in sales.

Consolidated Results by Geographic Segment

Japan

Sales of Kao Group companies in Japan decreased 4.4% compared with the same period a year earlier to 714.2 billion yen. In the Consumer Products Business, the Kao Group introduced high-value-added products and strengthened its sales activities. The Fabric and Home Care Business performed well, but prestige cosmetics were affected mainly by changes in the structure of the market and sales of *Econa* products decreased with the suspension of production and sale. Chemical Business sales are recovering, but were affected by a decrease in demand from customer industries due to the rapid worsening of economic conditions from autumn 2008 and adjustments to selling prices reflecting a decline in raw material prices.

Despite cost reduction activities as well as measures to introduce high-value-added products and to strengthen sales activities, operating income decreased 4.5 billion yen to 75.2 billion yen due to factors including the decrease in sales.

Asia and Oceania

Sales of Kao Group companies in Asia and Oceania decreased 25.1% compared with the same period a year earlier to 95.8 billion yen. Excluding the effect of currency translation, sales would have decreased 12.4%. Sales of the Consumer Products Business increased on a local-currency basis as the Kao Group generated positive results from collaborations with retailers and integration of business operations in Asia, including Japan. Sales of the Chemical Business decreased due to adjustments to selling prices reflecting a decline in raw material prices and the effect of currency translation, despite the progress of inventory adjustments at customers as the economy recovered.

Operating income decreased 1.7 billion yen to 1.8 billion yen with the impact of the decrease in sales of the Chemical Business.

North America

Sales of Kao Group companies in North America decreased 22.9% compared with the same

News Release

period a year earlier to 60.0 billion yen. Excluding the effect of currency translation, sales would have decreased 11.2%. The Consumer Products Business took aggressive actions including new product launches amid continuing intense market competition. However, the weak market impacted both the Consumer Products Business and the Chemical Business.

Operating income decreased 0.6 billion yen to 2.9 billion yen, mainly due to the decrease in sales.

Europe

Sales of Kao Group companies in Europe decreased 27.8% compared with the same period a year earlier to 81.3 billion yen. Excluding the effect of currency translation, sales would have decreased 10.9%. Both the Consumer Products Business and the Chemical Business were impacted by the weak market.

Operating income decreased 0.4 billion yen to 4.1 billion yen, mainly due to the decrease in sales.

(Remainder of page intentionally left blank.)

2. Qualitative Information on Consolidated Financial Condition**Summary of Consolidated Financial Condition**

	Billions of yen			Millions of U.S. dollars
	Q3/FY2009 Dec 31, 2009	FY2008 Mar 31, 2009	Change	Q3/FY2009 Dec 31, 2009
Total assets	1,119.9	1,119.6	0.2	12,160.1
Total net assets	574.7	554.1	20.5	6,240.3
Net worth ratio	50.4%	48.7%	-	50.4%
Total net assets per share (Yen/US\$)	1,054.07	1,017.19	36.88	11.44
Total debt	227.0	275.4	(48.4)	2,465.0

Summary of Consolidated Cash Flows

Nine months ended December 31	Billions of yen			Millions of U.S. dollars
	2009	2008	Change	2009
Net cash provided by operating activities	129.1	83.2	45.8	1,402.0
Net cash used in investing activities	(29.7)	(33.4)	3.6	(323.0)
Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities	99.3	49.8	49.5	1,079.0
Net cash used in financing activities	(78.3)	(49.3)	(29.0)	(850.3)

Total assets increased 0.2 billion yen from the previous fiscal year-end to 1,119.9 billion yen. The principal increases in assets were a 26.2 billion yen increase in cash and cash equivalents and a 28.9 billion yen increase in notes and accounts receivable – trade. The principal decreases in assets were a 5.2 billion yen decrease in merchandise and finished goods, a 5.1 billion yen decrease in work in process, and a 26.4 billion yen decrease in intangible assets due to the progress of amortization of intellectual property rights including trademarks and goodwill.

Total liabilities decreased 20.2 billion yen from the previous fiscal year-end to 545.2 billion yen. The principal increase in liabilities was a 14.0 billion yen increase in notes and accounts payable – trade. The principal decrease in liabilities was a 39.7 billion yen decrease in long-term debt due to partial repayment and other factors.

Total net assets increased 20.5 billion yen from the previous fiscal year-end to 574.7 billion yen. The principal increase in net assets was net income for the nine-month period ended December 31, 2009 totaling 44.6 billion yen and a change in foreign currency translation adjustments, associated with the translation of the total net assets of overseas subsidiaries into

News Release

yen, totaling 3.1 billion yen. The principal decrease in total net assets was payments of dividends from retained earnings totaling 30.0 billion yen.

As a result, the net worth ratio (defined as net worth divided by total assets) was 50.4% compared with 48.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 129.1 billion yen. The principal increases in net cash were income before income taxes and minority interests of 77.3 billion yen, depreciation and amortization of 62.9 billion yen, an 11.2 billion yen decrease in inventories and a 13.5 billion yen increase in trade payables. The principal decreases in net cash were a 28.3 billion yen increase in trade receivables and income taxes paid of 26.9 billion yen.

Net cash used in investing activities totaled 29.7 billion yen. This primarily consisted of purchase of property, plant and equipment of 24.0 billion yen and a 4.1 billion yen increase in intangible assets.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 99.3 billion yen.

Net cash used in financing activities totaled 78.3 billion yen. This primarily consisted of 39.7 billion yen for repayment of a portion of long-term debt and 28.7 billion yen for payments of cash dividends, including to minority shareholders.

As a result, the balance of cash and cash equivalents at December 31, 2009 increased 22.5 billion yen compared with the end of the previous fiscal year to 133.1 billion yen. The increase was 27.8 billion yen compared with the end of the third quarter of the previous fiscal year.

(Remainder of page intentionally left blank.)

3. Qualitative Information on Forecast of Consolidated Results**Forecast of Consolidated Results for the Year Ending March 31, 2010**

	(Billions of yen, except where noted)				
	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Forecast for the year ending March 31, 2010	1,185.0	89.0	88.0	41.0	76.49
Actual results for the year ended March 31, 2009	1,276.3	96.8	94.6	64.4	120.25
Growth	(7.2%)	(8.1%)	(7.0%)	(36.4%)	(36.4%)

The global economy is gradually recovering, due in part to the effects of economic stimulus measures. However, employment conditions are weak and there is a risk of economic downturn. In Japan, although industrial production is picking up, deflation is advancing as prices of consumer goods continue to decline. In addition, international market prices of natural oils and fats and crude oil may rise with the expansion of demand as the global economy recovers.

Amid these circumstances, the Kao Group has set and is working to fulfill a new mission based on the medium- and long-term outlook: “Positioning ecology at the core of management, Kao aims to contribute to ‘the wholehearted satisfaction and enrichment of the lives of people globally’ in the fields of cleanliness, beauty and health.”

In the Consumer Products Business, based on an understanding of the changes arising among consumers and customers, the Kao Group will work to enhance brand value by launching new and improved high-value-added products with strengthened technological development that incorporates the perspective of reducing environmental load throughout the product lifecycle from procurement of raw materials to use and disposal. In addition, the Kao Group will further strengthen collaborations with retailers through measures including proposals that respond to changes in consumers and retailing in combination with the implementation of in-store merchandising. The Chemical Business will focus on contributing to industry worldwide by developing unique new environment-conscious materials and products that incorporate Kao technologies. Moreover, the Kao Group will use certain management resources that were being invested in the *Econa* business for development of promising businesses as it works to cover the decrease in sales due to the suspension of production and sale of *Econa* products.

The Kao Group aims to achieve its forecast of consolidated results for the fiscal year announced on October 27, 2009. Consequently, the forecast remains unchanged.

The main exchange rates used in the forecast of consolidated results for the full fiscal year are 95 yen per U.S. dollar and 130 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 simplified accounting procedures and accounting procedures specific to the preparation of quarterly consolidated financial statements:

(a) Simplified accounting procedures:

(i) Valuation of inventories

Inventories at the end of the third 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, procedures and presentation methods used in the preparation of quarterly consolidated financial statements: None

Consolidated Balance Sheets

Millions of yen

	Q3/FY2009	FY2008
	Dec 31, 2009	Mar 31, 2009
Assets		
Current assets		
Cash and time deposits	80,034	53,830
Notes and accounts receivable - trade	155,577	126,584
Short-term investments	52,749	54,714
Merchandise and finished goods	75,092	80,310
Work in process	11,169	16,344
Raw materials and supplies	21,403	21,393
Other	46,066	52,178
Allowance for doubtful receivables	(1,765)	(1,528)
<i>Total current assets</i>	440,327	403,826
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,093,067	1,084,360
Accumulated depreciation	(843,360)	(826,886)
<i>Total property, plant and equipment</i>	249,706	257,474
Intangible assets		
Goodwill	198,365	206,264
Trademarks	94,166	108,137
Other	29,485	34,043
<i>Total intangible assets</i>	322,017	348,445
Investments and other assets		
Investments and other assets	108,097	110,129
Allowance for doubtful receivables	(204)	(198)
<i>Total investments and other assets</i>	107,893	109,930
<i>Total fixed assets</i>	679,618	715,850
Total assets	1,119,945	1,119,676
Liabilities		
Current liabilities		
Notes and accounts payable - trade	109,109	95,036
Short-term debt	7,685	16,402
Current portion of long-term debt	22,179	22,183
Accrued income taxes	14,560	13,228
Other	136,963	123,889
<i>Total current liabilities</i>	290,498	270,741
Long-term liabilities		
Bonds	99,997	99,996
Long-term debt	97,159	136,900
Liability for employee retirement benefits	36,348	36,000
Other	21,204	21,842
<i>Total long-term liabilities</i>	254,710	294,741
Total liabilities	545,209	565,482
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	446,422	431,799
Treasury stock, at cost	(10,996)	(11,038)
<i>Total shareholders' equity</i>	630,412	615,745
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	1,969	2,090
Deferred gains or losses on hedges	(2)	(11)
Foreign currency translation adjustments	(66,977)	(70,134)
Other	(406)	(2,459)
<i>Total adjustments for valuation, foreign currency translation and others</i>	(65,415)	(70,515)
Stock acquisition rights	1,056	838
Minority interests	8,683	8,124
Total net assets	574,736	554,194
Total liabilities and net assets	1,119,945	1,119,676

Consolidated Statements of Income*Millions of yen*

	Q3/FY2009	Q3/FY2008
	Apr '09 - Dec '09	Apr '08 - Dec '08
Net sales	910,634	1,004,106
Cost of sales	375,454	438,344
Gross profit	535,179	565,762
Selling, general and administrative expenses	450,392	474,348
Operating income	84,787	91,413
Non-operating income		
Interest income	762	1,928
Dividend income	155	178
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,706	831
Other	1,863	2,536
<i>Total non-operating income</i>	<i>4,488</i>	<i>5,475</i>
Non-operating expenses		
Interest expense	3,252	4,448
Foreign currency exchange loss	204	977
Other	557	663
<i>Total non-operating expenses</i>	<i>4,015</i>	<i>6,089</i>
Ordinary income	85,260	90,799
Extraordinary gain		
Gain on sales of fixed assets	84	274
Reversal of allowance for doubtful receivables	-	209
Gain on transfer of business	-	495
Other	37	69
<i>Total extraordinary gain</i>	<i>122</i>	<i>1,049</i>
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,863	1,354
Loss on impairment of long-lived assets	456	564
Loss related to cooking oils	5,644	-
Other	112	566
<i>Total extraordinary loss</i>	<i>8,078</i>	<i>2,485</i>
Income before income taxes and minority interests	77,304	89,363
Income taxes		
Income taxes - current	29,482	30,028
Income taxes - deferred	2,563	4,079
<i>Total income taxes</i>	<i>32,046</i>	<i>34,107</i>
Minority interests in earnings of consolidated subsidiaries	602	1,045
Net income	44,656	54,209

Note:

Total expenses associated with suspension of production and sale of *Econa* cooking oil and related products in the amount of 8,418 million yen for fiscal 2009 consist of 2,773 million yen of inventory revaluation expenses included in cost of sales and 5,644 million yen of loss related to cooking oils in extraordinary loss.

Major items of consolidated selling, general and administrative expenses

<i>Millions of yen</i>	Q3/FY2009	Q3/FY2008
	<u>Apr '09 - Dec '09</u>	<u>Apr '08 - Dec '08</u>
Freight/warehouse	54,152	58,063
Advertising	67,734	71,027
Sales promotion	48,150	51,666
Salaries and bonuses	92,435	97,025
Research and development	33,535	34,403

Consolidated Statements of Cash Flows

Millions of yen

	Q3/FY2009	Q3/FY2008
	Apr '09 - Dec '09	Apr '08 - Dec '08
Operating activities:		
Income before income taxes and minority interests	77,304	89,363
Adjustments for:		
Depreciation and amortization	62,910	65,539
Loss on impairment of long-lived assets	456	564
Interest and dividend income	(917)	(2,106)
Interest expense	3,252	4,448
Unrealized foreign currency exchange (gain) loss	(477)	(57)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,706)	(831)
(Gain) loss on sales and retirement of fixed assets	1,779	1,079
Change in trade receivables	(28,306)	(40,887)
Change in inventories	11,213	(10,397)
Change in trade payables	13,589	20,773
Change in liability for retirement benefits	53	1,930
Other, net	19,173	5,902
<i>Subtotal</i>	158,325	135,319
Interest and cash dividends received	1,106	2,218
Interest paid	(3,337)	(4,220)
Income taxes paid	(26,967)	(50,056)
Net cash provided by operating activities	129,128	83,260
Investing activities:		
Purchase of property, plant and equipment	(24,097)	(26,370)
Increase in intangible assets	(4,113)	(5,138)
Payments for long-term prepaid expenses	(3,430)	(3,870)
Change in short-term loans, net	173	(58)
Payments for long-term loans	(1,318)	(2,814)
Other, net	3,037	4,824
Net cash used in investing activities	(29,750)	(33,426)
Financing activities:		
Change in short-term debt, net	(9,141)	1,751
Proceeds from long-term loans	14	759
Repayments of long-term loans	(39,760)	(22,179)
Purchase of treasury stock	(84)	(1,166)
Payments of cash dividends	(28,677)	(28,210)
Payments of cash dividends to minority shareholders	(44)	(224)
Other, net	(619)	(30)
Net cash used in financing activities	(78,313)	(49,300)
Translation adjustments on cash and cash equivalents	1,487	(7,871)
Net increase (decrease) in cash and cash equivalents	22,552	(7,338)
Cash and cash equivalents at beginning of period	110,565	112,636
Cash and cash equivalents from newly consolidated subsidiary, increase	-	338
Cash and cash equivalents resulting from change of fiscal term of subsidiaries, decrease	-	(349)
Cash and cash equivalents at end of period	133,117	105,287

Consolidated Segment Information by Business

Millions of yen

Q3/FY2009 Apr '09 - Dec '09	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	416,977	143,240	219,589	779,806	130,827	-	910,634
Intersegment sales	-	-	-	-	24,855	(24,855)	-
Total	416,977	143,240	219,589	779,806	155,682	(24,855)	910,634
Operating expenses	407,334	135,078	167,015	709,427	141,286	(24,867)	825,846
Operating income	9,643	8,161	52,573	70,379	14,396	12	84,787

Q3/FY2008 Apr '08 - Dec '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	454,139	151,026	218,558	823,724	180,382	-	1,004,106
Intersegment sales	-	-	-	-	30,977	(30,977)	-
Total	454,139	151,026	218,558	823,724	211,359	(30,977)	1,004,106
Operating expenses	435,076	138,564	176,505	750,146	193,509	(30,963)	912,692
Operating income	19,062	12,462	42,053	73,577	17,849	(14)	91,413

Note:

Associated with suspension of production and sale of *Econa* cooking oil and related products, 2,773 million yen of inventory revaluation expenses are included in operating expenses for the Human Health Care Business for fiscal 2009.

Consolidated Segment Information by Geography

Millions of yen

Q3/FY2009

Apr '09 - Dec '09

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	701,009	77,067	59,586	72,970	910,634	-	910,634
Intersegment sales	13,286	18,815	479	8,399	40,981	(40,981)	-
Total	714,296	95,882	60,066	81,370	951,615	(40,981)	910,634
Operating expenses	639,040	94,016	57,161	77,229	867,449	(41,602)	825,846
Operating income	75,255	1,865	2,904	4,140	84,166	621	84,787

Q3/FY2008

Apr '08 - Dec '08

	Japan	Asia/Oceania	North America	Europe	Total	Corporate/ Eliminations	Consolidated
Net sales							
Sales to customers	733,652	92,513	77,107	100,833	1,004,106	-	1,004,106
Intersegment sales	13,908	35,479	773	11,937	62,098	(62,098)	-
Total	747,561	127,992	77,880	112,770	1,066,205	(62,098)	1,004,106
Operating expenses	667,727	124,414	74,341	108,166	974,649	(61,956)	912,692
Operating income	79,834	3,577	3,539	4,604	91,555	(141)	91,413

Note:

Associated with suspension of production and sale of *Econa* cooking oil and related products, 2,773 million yen of inventory revaluation expenses are included in operating expenses mainly for Japan for fiscal 2009.

Consolidated Net Sales to Foreign Customers

Millions of yen

Q3/FY2009	<u>Asia/Oceania</u>	<u>North America</u>	<u>Europe</u>	<u>Total</u>
Apr '09 - Dec '09				
Net sales to foreign customers	87,688	61,450	70,195	219,334
Consolidated net sales				910,634
Percentage of net sales to foreign customers to consolidated net sales	9.6%	6.8%	7.7%	24.1%

Q3/FY2008	<u>Asia/Oceania</u>	<u>North America</u>	<u>Europe</u>	<u>Total</u>
Apr '08 - Dec '08				
Net sales to foreign customers	103,023	80,234	96,013	279,271
Consolidated net sales				1,004,106
Percentage of net sales to foreign customers to consolidated net sales	10.2%	8.0%	9.6%	27.8%

Consolidated Net Sales Composition

Millions of yen

	Q3/FY2009 <u>Apr '09 - Dec '09</u>	Q3/FY2008 <u>Apr '08 - Dec '08</u>	Growth <u>%</u>
Consumer Products Business			
Beauty Care Business	317,614	335,579	(5.4)
Human Health Care Business	131,684	137,941	(4.5)
Fabric and Home Care Business	200,150	196,350	1.9
Total Japan	649,449	669,871	(3.0)
Asia and Oceania	58,750	64,667	(9.1)
North America and Europe	83,492	101,913	(18.1)
Eliminations	(11,886)	(12,728)	-
Total	779,806	823,724	(5.3)
Chemical Business			
Japan	87,045	104,079	(16.4)
Asia	38,108	65,075	(41.4)
North America and Europe	53,414	80,983	(34.0)
Eliminations	(22,886)	(38,778)	-
Total	155,682	211,359	(26.3)
Total before Eliminations	935,489	1,035,083	(9.6)
Eliminations	(24,855)	(30,977)	-
Consolidated Net Sales	910,634	1,004,106	(9.3)

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 styling agents, 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	