

Summary of Consolidated Business Results for the Nine Months Ended December 31, 2010

Tokyo, January 28, 2011 — Kao Corporation today announced its consolidated business results for the nine months ended December 31, 2010, the third quarter of the fiscal year ending March 31, 2011. 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 2009, ended
	2010	2009	Growth	2010	March 31, 2010
	Yen		%	U.S. dollars	Yen
Net sales	914,444	910,634	0.4	11,221.5	1,184,384
Operating income	100,228	84,787	18.2	1,229.9	94,033
Ordinary income	98,696	85,260	15.8	1,211.1	93,572
Net income	51,211	44,656	14.7	628.4	40,506
Total assets	1,046,026	1,119,945	(6.6)	12,836.2	1,065,751
Total net assets	565,120	574,736	(1.7)	6,934.8	575,294
Net worth	554,261	564,996	(1.9)	6,801.6	565,133
Net worth ratio	53.0%	50.4%	-	53.0%	53.0%
Net worth per share (Yen/US\$)	1,047.85	1,054.07	(0.6)	12.86	1,054.31
Net income per share (Yen/US\$)	95.70	83.31	14.9	1.17	75.57
Net income per share, fully diluted (Yen/US\$)	95.68	83.29	14.9	1.17	75.55
	Yen		%	U.S. dollars	Yen
Net cash provided by operating activities	104,473	129,128	-	1,282.0	172,284
Net cash used in investing activities	(20,091)	(29,750)	-	(246.5)	(44,220)
Net cash used in financing activities	(69,780)	(78,313)	-	(856.3)	(124,566)
Cash and cash equivalents, end of period	127,137	133,117	-	1,560.2	117,180

Notes:

1. Net worth is net assets, excluding minority interests and stock acquisition rights.
2. The net worth ratio is defined as net worth divided by total assets.
3. Net worth per share is computed based on the number of shares outstanding at the end of the periods excluding treasury stock.
4. Net income per share is computed based on the weighted average number of shares outstanding during each respective period.
5. Number of shares outstanding at the end of the periods (common stock):
 - Number of shares including treasury stock:
540,143,701 shares as of December 31, 2010; 540,143,701 shares as of March 31, 2010.
 - Number of shares of treasury stock:
11,190,492 shares as of December 31, 2010; 4,122,298 shares as of March 31, 2010.
6. Weighted average number of shares outstanding during the nine months ended December 31 of each year:
535,103,791 shares for 2010; 536,005,158 shares for 2009.

Consolidated Results by Segment

Nine months ended December 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	409.6	416.9	(1.8)	0.1	14.4	9.6	4.8
Human Health Care	135.2	143.2	(5.6)	(5.7)	14.3	8.1	6.1
Fabric and Home Care	220.4	219.5	0.4	0.2	51.7	52.5	(0.7)
Consumer Products Total	765.2	779.8	(1.9)	(0.9)	80.5	70.3	10.1
Chemical	175.3	155.6	12.6	16.3	19.6	14.3	5.2
Total	940.6	935.4	0.5	1.9	100.2	84.7	15.4
Eliminations	(26.1)	(24.8)	-	-	0.0	0.0	0.0
Consolidated	914.4	910.6	0.4	1.8	100.2	84.7	15.4

Nine months ended December 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Beauty Care	5,027.2	5,116.9	(1.8)	0.1	177.3	118.3	59.0
Human Health Care	1,659.1	1,757.8	(5.6)	(5.7)	175.7	100.1	75.6
Fabric and Home Care	2,704.6	2,694.7	0.4	0.2	635.6	645.1	(9.5)
Consumer Products Total	9,390.9	9,569.3	(1.9)	(0.9)	988.7	863.7	125.0
Chemical	2,152.0	1,910.4	12.6	16.3	241.0	176.7	64.4
Total	11,542.9	11,479.8	0.5	1.9	1,229.7	1,040.3	189.4
Eliminations	(321.4)	(305.0)	-	-	0.3	0.1	0.1
Consolidated	11,221.5	11,174.8	0.4	1.8	1,229.9	1,040.5	189.5

Reference: Consolidated Results by Geographic Area

Nine months ended December 31	Net sales				Operating income		
	Billions of yen		% Growth		Billions of yen		
	2010	2009	Like-for-like		2010	2009	Change
Japan	708.4	714.2	(0.8)	(0.8)	83.1	75.2	7.9
Asia/Oceania	111.7	95.8	16.5	17.7	5.5	1.8	3.6
North America	61.4	60.0	2.4	8.2	5.6	2.9	2.7
Europe	82.6	81.3	1.5	12.8	6.3	4.1	2.1
Total	964.3	951.6	1.3	2.8	100.6	84.1	16.4
Eliminations	(49.8)	(40.9)	-	-	(0.3)	0.6	(1.0)
Consolidated	914.4	910.6	0.4	1.8	100.2	84.7	15.4

Nine months ended December 31	Net sales				Operating income		
	Millions of U.S. dollars		% Growth		Millions of U.S. dollars		
	2010	2009	Like-for-like		2010	2009	Change
Japan	8,694.2	8,765.4	(0.8)	(0.8)	1,020.5	923.5	97.1
Asia/Oceania	1,371.0	1,176.6	16.5	17.7	67.8	22.9	45.0
North America	754.6	737.1	2.4	8.2	69.0	35.6	33.3
Europe	1,013.8	998.5	1.5	12.8	77.5	50.8	26.7
Total	11,833.6	11,677.7	1.3	2.8	1,234.8	1,032.8	202.0
Eliminations	(612.0)	(502.9)	-	-	(4.9)	7.6	(12.5)
Consolidated	11,221.5	11,174.8	0.4	1.8	1,229.9	1,040.5	189.5

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Beginning with the three-month period ended June 30, 2010, segment information is presented according to Kao's management approach based on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, issued March 27, 2009) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008).
3. Information on consolidated results by geographic area is for reference.
4. Net sales to foreign customers were 25.6% of consolidated net sales compared with 24.1% for the same period a year earlier.

Forecast of Consolidated Results for the Year Ending March 31, 2011

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

	Year ending March 31, 2011		
	Yen	% Growth	U.S. dollars
Net sales	1,185.0	0.1	14,541.7
Operating income	105.0	11.7	1,288.5
Ordinary income	103.0	10.1	1,264.0
Net income	53.0	30.8	650.4
Net income per share (Yen/US\$)	99.45	-	1.22
Cash dividends per share (Yen/US\$)	58.00	-	0.71

Notes:

- 1. The forecasts for the fiscal year ending March 31, 2011 remain the same as announced on October 26, 2010, except for a revision to net income per share for the fiscal year ending March 31, 2011 due to share repurchases.*
- 2. Net income per share is computed based on the estimated weighted average number of shares outstanding during the fiscal year.*
- 3. Annual cash dividends per share: 58.00 yen
Interim dividend per share: 29.00 yen; year-end dividend per share: 29.00 yen.*

Notes for This News Release:

- 1. Yen amounts are rounded down.*
- 2. U.S. dollar amounts represent translations using the approximate exchange rate on December 30, 2010, of 81.49 yen=US\$1, and are presented solely for the convenience of readers.*

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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1. Qualitative Information on Business Results for the Nine Months Ended December 31, 2010

(1) Qualitative Information on Consolidated Business Results

During the nine months ended December 31, 2010, although a moderate recovery trend in the global economy continued, there was no full-fledged economic recovery in Japan due to deflation, employment uncertainty and the effects of the rapid appreciation of the yen. In the household and personal care products market in Japan, a key market for the Kao Group, consumer purchase prices fell from the same period of the previous fiscal year as budget-strapped consumers continued their purchasing behavior, but the market grew 1% on a value basis due to an increase in volume. The cosmetics market in Japan continued to contract due to a shift in consumer preference to lower priced products despite a sense that the market is bottoming out.

Under these circumstances, the Kao Group worked to launch and nurture products with high added value based on its concept of “Yoki-Monozukuri”^{*} as it promoted rebuilding of its cosmetics business in Japan and cost reduction activities.

** The Kao Group defines “Yoki-Monozukuri” as a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction. This core concept distinguishes us from all our competitors. In Japanese, “Yoki” literally means “good/excellent,” and “Monozukuri” means “development/manufacturing of products.”*

Net sales increased 0.4% compared with the same period a year earlier to 914.4 billion yen. Excluding the effect of currency translation, net sales would have increased 1.8%. Net sales were impacted by the contraction of the Japanese cosmetics market in the Beauty Care Business and the suspension of production and sale of *Econa* cooking oil and related products (*Econa* products) from September 2009 in the Human Health Care Business. On the other hand, the Consumer Products Business in Asia and Oceania expanded, and sales volume recovered in the Chemical Business as it worked to adjust selling prices in response to higher raw material prices.

Prices of raw materials, mainly natural oils and fats, increased due to volatility in international market prices. However, in addition to the effect of increased overseas sales on profits, the Kao Group continued to work on measures including rebuilding of its cosmetics business, promotion of cost reduction activities and greater efficiency of advertising expenses. Consequently, operating income increased 15.4 billion yen compared with the same period a year earlier to 100.2 billion yen, and ordinary income increased 13.4 billion yen to 98.6

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billion yen. Deferred income taxes increased due to the reversal of deferred tax assets at consolidated subsidiaries. As a result of this and other factors, net income was 51.2 billion yen, an increase of 6.5 billion yen compared with the same period a year earlier.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) was 126.1 billion yen, which is equivalent to 13.8% 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	90.75 (95.20)	91.29 (96.76)	85.03 (92.81)
Yen/Euro	123.71 (123.20)	114.83 (133.45)	111.45 (132.97)

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

Summary of Segment Information**Consolidated Results by Segment****Consumer Products Business**

Sales decreased 1.9% compared with the same period a year earlier to 765.2 billion yen. Excluding the effect of currency translation, sales would have decreased 0.9%.

In Japan, sales decreased 2.0% to 636.7 billion yen due to the suspension of production and sale of *Econa* products, although results were in line with expectations as the Kao Group took various measures in an intensely competitive market including proposing environmentally conscious products, launching new products and improving core brands in response to changing consumer lifestyles, and strengthening proposal-based sales and in-store merchandising activities.

In Asia and Oceania, sales increased 5.0% to 61.6 billion yen. Excluding the effect of currency translation, sales would have increased 5.8%. Amid continued market growth in Asia, the Kao Group further promoted integration of business operations in Asia, including Japan, such as collaborations with retailers, and aggressively expanded new product launches and other measures.

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In North America, sales decreased 5.6% to 39.1 billion yen. Excluding the effect of currency translation, sales would have increased 0.7%. The market showed a moderate recovery trend.

In Europe, sales decreased 3.6% to 43.8 billion yen. Excluding the effect of currency translation, sales would have increased 6.6%. In the flat market, premium hair care products, mainly new products, performed well.

Operating income increased 10.1 billion yen to 80.5 billion yen despite the decrease in sales, due to factors including more efficient deployment of expenses and cost reduction activities.

Beauty Care Business

Sales decreased 1.8% compared with the same period a year earlier to 409.6 billion yen. Excluding the effect of currency translation, sales would have increased 0.1%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, decreased (a 2.5% decrease to 196.3 billion yen) due to the impact of an ongoing consumer preference for lower priced products in the cosmetics market, although the Kao Group's efforts to rebuild its cosmetics business in Japan have been proving effective. For its self-selection cosmetics in Japan, the Kao Group added a multifunctional cream and a low-priced line of products to the *Fréshel* skin care brand, and leveraged the Kao Group's comprehensive capabilities to strengthen in-store merchandising for other brands such as *KATE* makeup and *EVITA* total cosmetics. For its counseling cosmetics, the Kao Group nurtured and strengthened its megabrands with annual sales of more than 10 billion yen, with a focus on brands such as *SOFINA beauté* skin care products, *SOFINA Primavista* base makeup, and *COFFRET D'OR* makeup. In addition, the Kao Group carried out reform of sales methods including optimization of counseling in response to changes in consumer needs. As a result of these activities, a recovery trend has recently become apparent. In Asia, the Kao Group performed well.

In premium skin care products, despite solid performance driven mainly by growth in sales of the *Bioré* skin care series, particularly makeup remover and UV care, sales in Japan were flat given a tough year-on-year comparison due to special demand for hand-washing products with heightened awareness of H1N1 influenza prevention in the same period a year earlier. Sales in Asia increased primarily as a result of strong sales of the *Bioré* brand in Taiwan and Indonesia. In the United States, the Kao Group launched improved *Curél* skin care products.

Sales of premium hair care products were flat in Japan as *Merit* and *Essential* shampoos and

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conditioners performed steadily, but competition intensified for hair coloring agents. In Asia, sales increased due to factors including the strong performance of *Liese* hair color foam following its launch in Singapore and Hong Kong. In North America, sales of the *Goldwell* and *kms* professional hair care brands increased. In Europe, sales of the *John Frieda* premium hair care brand were strong.

Operating income increased 4.8 billion yen to 14.4 billion yen, despite the decrease in sales, due to more efficient use of expenses and other factors. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 4.1 billion yen to 40.2 billion yen, which is equivalent to 9.8% of sales.

Human Health Care Business

Sales decreased 5.6% compared with the same period a year earlier to 135.2 billion yen. Excluding the effect of currency translation, sales would have decreased 5.7%.

Sales of food and beverage products declined due to the suspension of production and sale of *Econa* products and the impact of market competition on *Healthya Sparkling* functional health drink as it entered the second year since its launch.

Sales of sanitary products were essentially unchanged, despite higher sales in Asia, due to market contraction in Japan as a result of price competition and a shrinking base of target consumers. The Kao Group added higher value to *Laurier* sanitary napkins by enhancing absorbency, and gained consumer support for *Merries* baby diapers by working to make them gentler on skin.

Sales of personal health products increased on strong sales of the thermal product *Megurhythm* steam eye mask and *Bub* bath additives.

Operating income increased 6.1 billion yen to 14.3 billion yen due to the addition of higher value to products and cost reduction activities, as well as the absence of expenses recorded in the same period a year earlier associated with the suspension of production and sale of *Econa* products.

Fabric and Home Care Business

Sales increased 0.4% compared with the same period a year earlier to 220.4 billion yen. Excluding the effect of currency translation, sales would have increased 0.2%.

In fabric care products, sales were firm. Amid intensifying price competition in Japan, the

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Kao Group worked to further nurture sales of *Attack Neo* concentrated liquid laundry detergent through product improvements and launched *Humming Neo* concentrated fabric softener in order to focus on environmental appeal. In Asia and Oceania, *Attack Instant Clean Liquid Detergent*, a laundry detergent that saves water by reducing the number of rinse cycles, was launched in China.

In home care products, the addition of a new *Bath Magiclean* cleaner with anti-mildew properties and the launch of paper cleaning product *Quickle Wiper* fluffy sheets contributed significantly to invigorating the market in Japan. However, sales were flat as kitchen detergents faced intense price competition.

Operating income decreased 0.7 billion yen to 51.7 billion yen despite cost reduction activities, due mainly to an increase in raw material prices.

Chemical Business

The Chemical Business further expanded its global business operations, growing along with the high economic growth in China and other Asian countries, and performing steadily in Japan, North America and Europe. As a result, Chemical Business sales increased 12.6% compared with the same period a year earlier to 175.3 billion yen. Excluding the effect of currency translation, sales would have increased 16.3%.

Sales volume of oleo chemicals and performance chemicals increased due to the recovery of demand from customer industries. The Kao Group also made efforts to adjust selling prices, particularly of oleo chemicals, in response to the sharp rise in the raw material price of natural oils and fats. Sales of specialty chemicals, primarily toner and toner binder for copiers and printers, were also strong in Japan, North America and Europe.

Operating income increased 5.2 billion yen to 19.6 billion yen due to the recovery in sales volume.

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

	Billions of yen			Millions of U.S. dollars
	3Q/FY2010 Dec. 31, 2010	FY2009 Mar. 31, 2010	Incr./ (Dcr.)	3Q/FY2010 Dec. 31, 2010
Total assets	1,046.0	1,065.7	(19.7)	12,836.2
Total net assets	565.1	575.2	(10.1)	6,934.8
Net worth ratio	53.0%	53.0%	-	-
Net worth per share (Yen/US\$)	1,047.85	1,054.31	(6.46)	12.86
Total debt	157.4	182.6	(25.1)	1,932.1

Summary of Consolidated Cash Flows

Nine months ended December 31	Billions of yen			Millions of U.S. dollars
	2010	2009	Incr./ (Dcr.)	2010
Net cash provided by operating activities	104.4	129.1	(24.6)	1,282.0
Net cash used in investing activities	(20.0)	(29.7)	9.6	(246.5)
Free cash flow	84.3	99.3	(14.9)	1,035.5
Net cash used in financing activities	(69.7)	(78.3)	8.5	(856.3)

Total assets decreased 19.7 billion yen from the previous fiscal year-end to 1,046.0 billion yen. The principal increases in assets were a 28.4 billion yen increase in notes and accounts receivable – trade and a 6.7 billion yen increase in short-term investments. The principal decreases in assets were a 31.0 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill, and a 12.4 billion yen decrease in investments and other assets.

Total liabilities decreased 9.5 billion yen from the previous fiscal year-end to 480.9 billion yen. The principal increase in liabilities was a 9.7 billion yen increase in notes and accounts payable – trade. The principal decreases in liabilities were a 24.3 billion yen decrease in the current portion of long-term debt and an 8.1 billion yen decrease in income taxes payable.

Total net assets decreased 10.1 billion yen from the previous fiscal year-end to 565.1 billion yen. The principal increase in net assets was net income totaling 51.2 billion yen. The principal decreases in net assets were a 14.9 billion yen purchase of treasury stock from the market, a 15.3 billion yen decrease in foreign currency translation adjustments and a 31.0 billion yen decrease in retained earnings due to payment of cash dividends.

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As a result, the net worth ratio (defined as net worth divided by total assets) was 53.0%, the same as at the end of the previous fiscal year.

Net cash provided by operating activities totaled 104.4 billion yen. The principal increases were income before income taxes and minority interests of 95.6 billion yen, depreciation and amortization of 60.7 billion yen and change in trade payables of 12.3 billion yen. The principal decreases were a change in trade receivables of 33.4 billion yen and income taxes paid of 38.2 billion yen.

Net cash used in investing activities totaled 20.0 billion yen. This primarily consisted of purchase of property, plant and equipment of 18.0 billion yen. Proceeds from cancellation of derivatives (foreign currency swaps) totaled 4.2 billion yen.

Free cash flow, the sum of net cash provided by operating activities and net cash used in investing activities, was 84.3 billion yen. This was a decrease of 14.9 billion yen from the same period a year earlier, mainly due to an increase in income taxes paid and an increase in working capital as a result of sales expansion.

Net cash used in financing activities totaled 69.7 billion yen. This primarily consisted of 24.9 billion yen in repayments of long-term loans, 15.0 billion yen for purchase of treasury stock and 30.0 billion yen for payments of cash dividends and payments of cash dividends to minority shareholders.

The balance of cash and cash equivalents at December 31, 2010 decreased 5.9 billion yen compared with the end of the third quarter of the previous fiscal year to 127.1 billion yen. Compared with the end of the previous fiscal year, the balance of cash and cash equivalents increased 9.9 billion yen.

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(3) Qualitative Information on Forecast of Consolidated Results

Although the global economy is recovering, supported by growth in emerging nations, the outlook remains uncertain, with concerns about the impact of the reduction of measures to stimulate consumption on consumer spending in Japan, persistently severe employment conditions in the United States and Europe, and unresolved concerns about the financial system in Europe. Moreover, there is no sense of stability, with a continuing rise in prices of natural oils and fats since autumn 2010 and a steepening increase in the price of crude oil.

Amid these circumstances, in order to accurately respond to various changes in its operating environment as well as to steadily implement its consumer-driven growth strategy, the Kao Group aims to achieve profitable growth globally in the Consumer Products Business by continuing to promote products with high added value. In Japan, the Kao Group will further accelerate the rebuilding of its cosmetics business. In Asia and Oceania, the Kao Group aims to raise the level of sales with aggressive launches of products that meet local needs, such as a water-saving liquid laundry detergent, and will take measures including new plant construction to expand business in China. In the Chemical Business, the Kao Group will work to strengthen global operations with a focus on adjusting selling prices in response to higher raw material prices and to expand sales with an emphasis on developing environmentally conscious products using unique technologies.

Other than the change in net income per share due to share repurchases, there is no change to the consolidated forecast of results announced on October 26, 2010 with the release of the Summary of Consolidated Business Results for the Six Months Ended September 30, 2010. The main exchange rates used in the forecast of consolidated results are 87 yen per U.S. dollar and 115 yen per euro.

In addition, to improve capital efficiency and increase shareholder returns, the Board of Directors, at a meeting held today, resolved that Kao Corporation would purchase its own stock up to 7.5 million shares or 15 billion yen between February 1 and March 23, 2011. Including previous share repurchases, Kao Corporation will thus provide shareholder returns through the purchase of its own stock of up to approximately 14.56 million shares or approximately 30 billion yen in the fiscal year ending March 31, 2011.

2. Other

(1) Significant changes in subsidiaries: None

(2) Application of simplified accounting procedures and special accounting procedures

(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

(a) Application of *Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method*

Beginning with the three-month period ended June 30, 2010, Kao Corporation applies *Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16 issued March 10, 2008)* and *Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24 issued March 10, 2008)*. The impact of this change on ordinary income and income before income taxes and minority interests for the period is immaterial.

(b) Application of accounting standard for asset retirement obligations

Beginning with the three-month period ended June 30, 2010, the Company applies

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Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18 issued March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21 issued March 31, 2008). The impact of this change on operating income, ordinary income and income before income taxes and minority interests for the period is immaterial.

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Consolidated Balance Sheets

Millions of yen

	Q3/FY2010	FY2009
	Dec 31, 2010	Mar 31, 2010
Assets		
Current assets		
Cash and time deposits	72,817	70,185
Notes and accounts receivable - trade	156,070	127,592
Short-term investments	52,800	46,071
Merchandise and finished goods	73,744	73,167
Work in process	10,498	11,246
Raw materials and supplies	23,836	22,177
Other	38,004	44,738
Allowance for doubtful receivables	(1,042)	(1,208)
Total current assets	426,730	393,971
Fixed assets		
Property, plant and equipment		
Property, plant and equipment	1,098,427	1,100,252
Accumulated depreciation	(855,641)	(848,407)
Total property, plant and equipment	242,785	251,844
Intangible assets		
Goodwill	183,419	195,754
Trademarks	75,576	89,357
Other	23,917	28,822
Total intangible assets	282,913	313,934
Investments and other assets		
Investments and other assets	93,807	106,430
Allowance for doubtful receivables	(211)	(430)
Total investments and other assets	93,596	105,999
Total fixed assets	619,296	671,779
Total assets	1,046,026	1,065,751
Liabilities		
Current liabilities		
Notes and accounts payable - trade	109,716	99,937
Short-term debt	7,382	7,528
Current portion of bonds	50,000	-
Current portion of long-term debt	33	24,382
Income taxes payable	12,184	20,346
Other	137,754	127,380
Total current liabilities	317,071	279,575
Long-term liabilities		
Bonds	49,998	99,997
Long-term debt	50,032	50,693
Liability for employee retirement benefits	40,702	38,416
Other	23,099	21,774
Total long-term liabilities	163,833	210,881
Total liabilities	480,905	490,456
Net assets		
Shareholders' equity		
Common stock	85,424	85,424
Capital surplus	109,561	109,561
Retained earnings	462,388	442,272
Treasury stock, at cost	(25,969)	(10,977)
Total shareholders' equity	631,405	626,280
Adjustments for valuation, foreign currency translation and others		
Unrealized gain on available-for-sale securities	1,886	2,291
Deferred gain (loss) on derivatives under hedge accounting	(0)	(0)
Foreign currency translation adjustments	(78,388)	(62,992)
Other	(641)	(445)
Total adjustments for valuation, foreign currency translation and others	(77,143)	(61,146)
Stock acquisition rights	1,162	1,022
Minority interests	9,697	9,139
Total net assets	565,120	575,294
Total liabilities and net assets	1,046,026	1,065,751

Consolidated Statements of Income*Millions of yen*

	Q3/FY2010 Apr '10 - Dec '10	Q3/FY2009 Apr '09 - Dec '09
Net sales	914,444	910,634
Cost of sales	375,781	375,454
Gross profit	538,662	535,179
Selling, general and administrative expenses	438,433	450,392
Operating income	100,228	84,787
Non-operating income		
Interest income	573	762
Dividend income	159	155
Equity in earnings of nonconsolidated subsidiaries and affiliates	1,185	1,706
Other	2,255	1,863
Total non-operating income	4,173	4,488
Non-operating expenses		
Interest expense	2,515	3,252
Foreign currency exchange loss	2,607	204
Other	582	557
Total non-operating expenses	5,706	4,015
Ordinary income	98,696	85,260
Extraordinary gain		
Gain on sales of fixed assets	123	84
Gain on sales of investment securities	161	3
Other	65	34
Total extraordinary gain	350	122
Extraordinary loss		
Loss on sales/disposals of fixed assets	1,561	1,863
Loss on application of accounting standard for asset retirement obligations	1,633	-
Loss related to cooking oils	-	5,644
Other	192	569
Total extraordinary loss	3,387	8,078
Income before income taxes and minority interests	95,659	77,304
Income taxes		
Income taxes - current	30,606	29,482
Income taxes - deferred	12,968	2,563
Total income taxes	43,574	32,046
Income before minority interests	52,084	45,258
Minority interests	873	602
Net income	51,211	44,656

Major Items of Consolidated Selling, General and Administrative Expenses

<i>Millions of yen</i>	Q3/FY2010	Q3/FY2009
	<u>Apr '10 - Dec '10</u>	<u>Apr '09 - Dec '09</u>
Freight/warehouse	51,452	54,152
Advertising	62,564	67,734
Sales promotion	47,647	48,150
Salaries and bonuses	92,784	92,435
Research and development	33,580	33,535

Consolidated Statements of Cash Flows*Millions of yen*

	Q3/FY2010 Apr '10 - Dec '10	Q3/FY2009 Apr '09 - Dec '09
Operating activities:		
Income before income taxes and minority interests	95,659	77,304
Adjustments for:		
Depreciation and amortization	60,781	62,910
Interest and dividend income	(733)	(917)
Interest expense	2,515	3,252
Unrealized foreign currency exchange (gain) loss	794	(477)
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates	(1,185)	(1,706)
(Gain) loss on sales and retirement of fixed assets	1,438	1,779
Change in trade receivables	(33,484)	(28,306)
Change in inventories	(4,990)	11,213
Change in trade payables	12,383	13,589
Change in liability for retirement benefits	2,826	53
Other, net	7,911	19,630
Subtotal	143,919	158,325
Interest and cash dividends received	1,518	1,106
Interest paid	(2,720)	(3,337)
Income taxes paid	(38,243)	(26,967)
Net cash provided by operating activities	104,473	129,128
Investing activities:		
Purchase of property, plant and equipment	(18,061)	(24,097)
Increase in intangible assets	(2,283)	(4,113)
Payments for long-term prepaid expenses	(3,245)	(3,430)
Change in short-term loans, net	(196)	173
Payments for long-term loans	(1,144)	(1,318)
Proceeds from cancellation of derivatives	4,297	-
Other, net	542	3,037
Net cash used in investing activities	(20,091)	(29,750)
Financing activities:		
Change in short-term debt, net	468	(9,141)
Proceeds from long-term loans	0	14
Repayments of long-term loans	(24,920)	(39,760)
Purchase of treasury stock	(15,072)	(84)
Payments of cash dividends	(29,840)	(28,677)
Payments of cash dividends to minority shareholders	(191)	(44)
Other, net	(224)	(619)
Net cash used in financing activities	(69,780)	(78,313)
Translation adjustments on cash and cash equivalents	(4,809)	1,487
Net increase (decrease) in cash and cash equivalents	9,791	22,552
Cash and cash equivalents, beginning of period	117,180	110,565
Cash and cash equivalents from newly consolidated subsidiary, increase	166	-
Cash and cash equivalents, end of period	127,137	133,117

Consolidated Segment Information

Millions of yen

Q3/FY2010 Apr '10 - Dec '10	Consumer Products Business				Chemical Business	Total	Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	409,664	135,200	220,401	765,266	149,178	914,444	-	914,444
Intersegment sales	-	-	-	-	26,188	26,188	(26,188)	-
Total	409,664	135,200	220,401	765,266	175,366	940,632	(26,188)	914,444
Operating income	14,449	14,319	51,798	80,567	19,640	100,207	21	100,228

Q3/FY2009 Apr '09 - Dec '09	Consumer Products Business				Chemical Business	Total	Eliminations	Consolidated
	Beauty Care Business	Human Health Care Business	Fabric and Home Care Business	Total				
Net sales								
Sales to customers	416,977	143,240	219,589	779,806	130,827	910,634	-	910,634
Intersegment sales	-	-	-	-	24,855	24,855	(24,855)	-
Total	416,977	143,240	219,589	779,806	155,682	935,489	(24,855)	910,634
Operating income	9,643	8,161	52,573	70,379	14,396	84,775	12	84,787

Note on Reportable Segments:

Beginning with the three-month period ended June 30, 2010, segment information is presented according to Kao's management approach based on *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17, issued March 27, 2009)* and *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20, issued March 21, 2008)*.

Kao Corporation's reportable segments are components of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the chief operating decision maker in order to determine allocation of resources and assess segment performance.

The Company is organized into four business operating units: the Beauty Care Business, the Human Health Care Business, and the Fabric and Home Care Business (collectively, the Consumer Products Business) and the Chemical Business. Each business operating unit plans comprehensive strategies for business in Japan and other countries, and conducts its own business activities.

Therefore, the Company has four reportable segments: the Beauty Care Business, the Human Health Care Business, the Fabric and Home Care Business and the Chemical Business.

Consolidated Net Sales Composition

<i>Millions of yen</i>	Q3/FY2010 <u>Apr '10 - Dec '10</u>	Q3/FY2009 <u>Apr '09 - Dec '09</u>	Growth <u>%</u>
Consumer Products Business			
Beauty Care Business	312,417	317,614	(1.6)
Human Health Care Business	122,959	131,684	(6.6)
Fabric and Home Care Business	201,338	200,150	0.6
Total Japan	636,715	649,449	(2.0)
Asia and Oceania	61,681	58,750	5.0
North America	39,141	41,441	(5.6)
Europe	43,869	45,502	(3.6)
Eliminations	(16,141)	(15,337)	-
Total	765,266	779,806	(1.9)
Chemical Business			
Japan	95,251	87,045	9.4
Asia	51,652	38,108	35.5
North America	22,469	18,721	20.0
Europe	38,839	35,895	8.2
Eliminations	(32,845)	(24,088)	-
Total	175,366	155,682	12.6
Total before Eliminations	940,632	935,489	0.5
Eliminations	(26,188)	(24,855)	-
Consolidated Net Sales	914,444	910,634	0.4

Note:

Beginning with the three-month period ended June 30, 2010, figures for North America and Europe are disclosed separately.

Appendix**Major Products by Reportable Segment**

Reportable Segments		Major Products	
Consumer Products Business	Beauty Care Business	Prestige cosmetics	Counseling cosmetics, self-selection cosmetics
		Premium skin care products	Soaps, facial cleansers, body cleansers
		Premium hair care products	Shampoos, conditioners, hair styling agents, hair coloring agents
	Human Health Care Business	Food and beverage products	Beverages
		Sanitary products	Sanitary napkins, baby diapers
		Personal health products	Bath additives, oral care products, men's products
	Fabric and Home Care Business	Fabric care products	Laundry detergents, fabric treatments
		Home care products	Kitchen cleaning products, house cleaning products, paper cleaning products, commercial-use products
	Chemical Business	Oleo chemicals	Fatty alcohols, fatty amines, fatty acids, glycerin, commercial-use edible fats and oils
Performance chemicals		Surfactants, plastics additives, superplasticizers for concrete admixtures	
Specialty chemicals		Toner and toner binder for copiers and printers, ink and colorants for inkjet printers, fragrances and aroma chemicals	