

Summary of Consolidated Business Results for the Nine Months Ended December 31, 2011

Tokyo, January 30, 2012 — Kao Corporation today announced its consolidated business results for the nine months ended December 31, 2011, the third quarter of the fiscal year ending March 31, 2012. 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 2010, ended |
|--|-------------------------------|-----------|--------|------------------|--------------------|
| | 2011 | 2010 | Growth | 2011 | March 31, 2011 |
| | Yen | | % | U.S. dollars | Yen |
| Net sales | 934,804 | 914,444 | 2.2 | 12,024.7 | 1,186,831 |
| Operating income | 94,068 | 100,228 | (6.1) | 1,210.0 | 104,591 |
| Ordinary income | 95,976 | 98,696 | (2.8) | 1,234.6 | 103,336 |
| Net income | 49,376 | 51,211 | (3.6) | 635.1 | 46,737 |
| Comprehensive income | 38,403 | 35,931 | 6.9 | 494.0 | 25,558 |
| Total assets | 988,957 | 1,046,026 | (5.5) | 12,721.3 | 1,022,799 |
| Total net assets | 546,744 | 565,120 | (3.3) | 7,033.0 | 539,564 |
| Net worth | 535,524 | 554,261 | (3.4) | 6,888.7 | 528,894 |
| Net worth ratio | 54.2% | 53.0% | - | 54.2% | 51.7% |
| Net worth per share (Yen/US\$) | 1,026.30 | 1,047.85 | (2.1) | 13.20 | 1,013.05 |
| Net income per share (Yen/US\$) | 94.59 | 95.70 | (1.2) | 1.22 | 87.69 |
| Net income per share, fully diluted (Yen/US\$) | 94.56 | 95.68 | (1.2) | 1.22 | 87.67 |
| | Yen | | % | U.S. dollars | Yen |
| Net cash provided by operating activities | 79,525 | 104,473 | - | 1,023.0 | 151,298 |
| Net cash used in investing activities | (35,038) | (20,091) | - | (450.7) | (31,777) |
| Net cash used in financing activities | (82,909) | (69,780) | - | (1,066.5) | (87,323) |
| Cash and cash equivalents, end of period | 101,180 | 127,137 | - | 1,301.5 | 143,143 |

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:
526,212,501 shares as of December 31, 2011; 540,143,701 shares as of March 31, 2011.
 - Number of shares of treasury stock:
4,410,880 shares as of December 31, 2011; 18,063,790 shares as of March 31, 2011.
6. Weighted average number of shares outstanding during the nine months ended December 31 of each year:
521,979,009 shares for 2011; 535,103,791 shares for 2010.

Consolidated Results by Segment

| Nine months ended December 31 | Net sales | | | | Operating income | | |
|-------------------------------|-----------------|--------|---------------|------|------------------|-------|--------|
| | Billions of yen | | % Growth | | Billions of yen | | |
| | 2011 | 2010 | Like-for-like | | 2011 | 2010 | Change |
| Beauty Care | 410.7 | 409.6 | 0.3 | 1.9 | 15.4 | 14.4 | 1.0 |
| Human Health Care | 138.3 | 135.2 | 2.4 | 2.9 | 12.5 | 14.3 | (1.7) |
| Fabric and Home Care | 223.6 | 220.4 | 1.5 | 1.9 | 47.2 | 51.7 | (4.5) |
| Consumer Products Total | 772.7 | 765.2 | 1.0 | 2.1 | 75.2 | 80.5 | (5.2) |
| Chemical | 191.0 | 175.3 | 8.9 | 12.2 | 18.8 | 19.6 | (0.8) |
| Total | 963.7 | 940.6 | 2.5 | 4.0 | 94.0 | 100.2 | (6.1) |
| Reconciliations | (28.9) | (26.1) | - | - | (0.0) | 0.0 | (0.0) |
| Consolidated | 934.8 | 914.4 | 2.2 | 3.8 | 94.0 | 100.2 | (6.1) |

| Nine months ended December 31 | Net sales | | | | Operating income | | |
|-------------------------------|--------------------------|----------|---------------|------|--------------------------|---------|--------|
| | Millions of U.S. dollars | | % Growth | | Millions of U.S. dollars | | |
| | 2011 | 2010 | Like-for-like | | 2011 | 2010 | Change |
| Beauty Care | 5,283.2 | 5,269.7 | 0.3 | 1.9 | 198.8 | 185.9 | 12.9 |
| Human Health Care | 1,780.2 | 1,739.1 | 2.4 | 2.9 | 161.9 | 184.2 | (22.3) |
| Fabric and Home Care | 2,876.6 | 2,835.1 | 1.5 | 1.9 | 607.5 | 666.3 | (58.8) |
| Consumer Products Total | 9,940.1 | 9,843.9 | 1.0 | 2.1 | 968.2 | 1,036.4 | (68.2) |
| Chemical | 2,457.2 | 2,255.8 | 8.9 | 12.2 | 241.9 | 252.6 | (10.8) |
| Total | 12,397.3 | 12,099.7 | 2.5 | 4.0 | 1,210.1 | 1,289.0 | (78.9) |
| Reconciliations | (372.5) | (336.9) | - | - | (0.1) | 0.3 | (0.3) |
| Consolidated | 12,024.7 | 11,762.9 | 2.2 | 3.8 | 1,210.0 | 1,289.3 | (79.2) |

Reference: Consolidated Results by Geographic Area

| Nine months ended December 31 | Net sales | | | | Operating income | | |
|-------------------------------|-----------------|--------|---------------|------|------------------|-------|--------|
| | Billions of yen | | % Growth | | Billions of yen | | |
| | 2011 | 2010 | Like-for-like | | 2011 | 2010 | Change |
| Japan | 712.1 | 708.4 | 0.5 | 0.5 | 77.6 | 83.1 | (5.5) |
| Asia/Oceania | 132.7 | 111.7 | 18.8 | 25.5 | 7.9 | 5.5 | 2.3 |
| North America | 66.3 | 61.4 | 7.9 | 19.0 | 3.1 | 5.6 | (2.4) |
| Europe | 89.5 | 82.6 | 8.4 | 11.7 | 5.8 | 6.3 | (0.4) |
| Total | 1,000.8 | 964.3 | 3.8 | 5.5 | 94.5 | 100.6 | (6.0) |
| Reconciliations | (66.0) | (49.8) | - | - | (0.5) | (0.3) | (0.1) |
| Consolidated | 934.8 | 914.4 | 2.2 | 3.8 | 94.0 | 100.2 | (6.1) |

| Nine months ended December 31 | Net sales | | | | Operating income | | |
|-------------------------------|--------------------------|----------|---------------|------|--------------------------|---------|--------|
| | Millions of U.S. dollars | | % Growth | | Millions of U.S. dollars | | |
| | 2011 | 2010 | Like-for-like | | 2011 | 2010 | Change |
| Japan | 9,161.1 | 9,113.6 | 0.5 | 0.5 | 998.6 | 1,069.8 | (71.2) |
| Asia/Oceania | 1,707.8 | 1,437.1 | 18.8 | 25.5 | 101.9 | 71.1 | 30.8 |
| North America | 853.7 | 791.0 | 7.9 | 19.0 | 40.2 | 72.3 | (32.1) |
| Europe | 1,151.6 | 1,062.7 | 8.4 | 11.7 | 75.8 | 81.2 | (5.4) |
| Total | 12,874.2 | 12,404.4 | 3.8 | 5.5 | 1,216.5 | 1,294.4 | (77.9) |
| Reconciliations | (849.5) | (641.5) | - | - | (6.4) | (5.1) | (1.3) |
| Consolidated | 12,024.7 | 11,762.9 | 2.2 | 3.8 | 1,210.0 | 1,289.3 | (79.2) |

Notes:

1. Like-for-like growth rates exclude the currency translation effect related to translation of local currencies into Japanese yen.
2. Information on consolidated results by geographic area is for reference.
3. Net sales to foreign customers were 26.8% of consolidated net sales compared with 25.6% for the same period a year earlier.

Forecast of Consolidated Results for the Year Ending March 31, 2012

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

| | Year ending March 31, 2012 | | |
|-------------------------------------|----------------------------|----------|--------------|
| | Yen | % Growth | U.S. dollars |
| Net sales | 1,235.0 | 4.1 | 15,886.3 |
| Operating income | 108.0 | 3.3 | 1,389.2 |
| Ordinary income | 108.0 | 4.5 | 1,389.2 |
| Net income | 53.0 | 13.4 | 681.8 |
| Net income per share (Yen/US\$) | 101.57 | - | 1.31 |
| Cash dividends per share (Yen/US\$) | 58.00 | - | 0.75 |

Notes:

1. Kao has revised net income and net income per share from October 25, 2011, when it announced its results for the six months ended September 30, 2011, to reflect the impact of a reversal of deferred tax assets and liabilities in connection with a revision of the Japanese tax code.
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 to the nearest.
U.S. dollar amounts represent translations using the approximate exchange rate on December 31, 2011 of 77.74 yen=US\$1, and are presented solely for the convenience of readers.

Forward-Looking Statements

Forward-looking statements such as earnings forecasts and other projections contained in this release is based on information available at this time and assumptions that management believes to be reasonable. Actual results may differ materially from those expectations due to various factors.

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1. Qualitative Information on Business Results for the Nine Months Ended December 31, 2011

(1) Qualitative Information on Consolidated Business Results

During the nine months ended December 31, 2011, the pace of recovery slowed in North America and Europe, and in addition uncertainty about the outlook for the global economy grew due to financial turmoil in Europe. In the Japanese economy, there were signs of recovery in some sectors although conditions remained severe due to the effects of the March 11 Great East Japan Earthquake (the “Earthquake”) as well as deflation and the appreciation of the yen. The household and personal care products market in Japan, a key market for the Kao Group, remained unchanged on a value basis compared with the same period of the previous fiscal year, although consumer purchase prices fell with the purchasing behavior of budget-strapped consumers. The cosmetics market in Japan continued to contract due to a shift in consumer preference to lower-priced products.

Under these circumstances, the Kao Group made all-out efforts to carry out stable supply of products after the Earthquake as the mission of a manufacturer of daily necessities, and worked to launch and nurture products with high added value based on its concept of “Yoki-Monozukuri.”* The Kao Group also continued to focus on rebuilding its prestige cosmetics business in Japan and promoting 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. In Japanese, “Yoki” literally means “good/excellent,” and “Monozukuri” means “development/manufacturing of products.”*

Net sales increased 2.2% compared with the same period a year earlier to 934.8 billion yen. Excluding the effect of currency translation, net sales would have increased 3.8%. In the Beauty Care Business, new products performed well outside Japan. Sales increased in the Human Health Care Business and the Fabric and Home Care Business. In the Chemical Business, sales outside Japan increased as the Kao Group adjusted its selling prices in response to fluctuations in raw material prices.

In addition to the impact of increased sales on profits, the Kao Group continued to work on measures including promotion of cost reduction activities and efforts to curtail expenses. However, raw material prices increased due to fluctuations in international market prices, mainly for natural oils and fats and petrochemicals. As a result, operating income decreased 6.1 billion yen compared with the same period a year earlier to 94.0 billion yen. Ordinary income decreased 2.7 billion yen to 95.9 billion yen, and net income decreased 1.8 billion yen

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to 49.3 billion yen, in part because the Kao Group recorded an extraordinary loss of 1.9 billion yen for loss related to the Great East Japan Earthquake, and a reversal of deferred tax assets and liabilities in connection with a revision of the Japanese tax code.

Operating income before amortization of goodwill and other items related to acquisitions (EBITA) decreased 6.8 billion yen compared with the same period a year earlier to 119.2 billion yen, which is equivalent to 12.8% 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 for the first quarter is from January to March, the period of consolidation for the second quarter is from April to June, and the period of consolidation for the third quarter is from July to September.

| | First quarter | Second quarter | Third quarter |
|-----------------|-----------------|-----------------|-----------------|
| Yen/U.S. dollar | 82.33 (90.75) | 81.23 (91.29) | 77.08 (85.03) |
| Yen/Euro | 113.77 (123.71) | 118.29 (114.83) | 108.74 (111.45) |

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

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Summary of Segment Information

Consolidated Results by Segment

Consumer Products Business

Sales increased 1.0% compared with the same period a year earlier to 772.7 billion yen. Excluding the effect of currency translation, sales would have increased 2.1%.

In Japan, sales increased 0.9% to 642.1 billion yen. Although sales were impacted by the Earthquake, intensified market competition and deflation, the Kao Group took measures including proposing environmentally conscious products, launching new products in response to changing consumer lifestyles and enhancing proposal-based sales and in-store merchandising activities.

In Asia and Oceania, sales increased 5.6% to 65.1 billion yen. Excluding the effect of currency translation, sales would have increased 10.6%. Although intense market competition continued, the Kao Group carried out aggressive measures, including collaborations with retailers and introduction of new products amid continued market growth.

In North America, sales decreased 2.0% to 38.3 billion yen. Excluding the effect of currency translation, sales would have increased 8.6%. The market recovered, albeit gradually, and new products contributed to sales, but currency translation exerted an impact on results.

In Europe, sales increased 4.4% to 45.8 billion yen. Excluding the effect of currency translation, sales would have increased 7.9%. In a market that remained flat, new products launched in 2010 performed well.

Operating income decreased 5.2 billion yen to 75.2 billion yen due to increased raw material prices, although the Kao Group conducted cost reduction activities.

Beauty Care Business

Sales increased 0.3% compared with the same period a year earlier to 410.7 billion yen. Excluding the effect of currency translation, sales would have increased 1.9%.

Sales of prestige cosmetics, which consist of self-selection and counseling cosmetics, increased 0.4% to 197.2 billion yen with the launch of new products, although the downtrend continued in Japan's cosmetics market with the impact of the Earthquake in addition to the shift in consumer preference toward lower-priced products. In Japan, the Kao Group

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enhanced in-store merchandising for self-selection brands such as *KATE* makeup and *EVITA* total cosmetics. In counseling cosmetics, the Kao Group nurtured and strengthened its megabrands with annual sales of more than 10 billion yen, including making improvements to the *BLANCHIR SUPERIOR* whitening skin care and *SOFINA beauté* skin care brands, and adding a new product line for *SOFINA Primavista* base makeup. In addition, the Kao Group carried out reform of sales methods including optimization of counseling in response to changes in consumer needs and increased its share in a contracting market. Sales outside Japan expanded steadily.

Sales of premium skin care products grew in Japan as the Kao Group launched products that use new cleansing technology to wash away dirt with the least possible damage to the skin from the *Bioré* facial cleanser and *Bioré U* body cleanser brands, and continued to make proposals for dry and sensitive skin with the *Curél* brand. Sales in Asia increased, with strong performance by *Bioré* in Hong Kong, Taiwan and Indonesia. In North America, *Jergens* performed well in the hand and body lotion category.

Sales of premium hair care products decreased in Japan. Sales of *Merit* shampoo and conditioner were steady, but sales of hair coloring products were weak due to market contraction and intensifying competition. Sales in Asia increased, with strong performance by hair color products in markets where *Liese* foam hair color is sold, including Taiwan and Thailand. In North America and Europe, strong sales of foam hair color, hair styling products and other new *John Frieda* products drove substantial sales growth.

Operating income increased 1.0 billion yen to 15.4 billion yen due to ongoing efforts to rebuild the prestige cosmetics business in Japan and other factors, even though the Kao Group invested aggressively in advertising expenses for new products in North America and Europe. Operating income before amortization of goodwill and other items related to acquisitions (EBITA) increased 0.3 billion yen to 40.5 billion yen, which is equivalent to 9.9% of sales.

Human Health Care Business

Sales increased 2.4% compared with the same period a year earlier to 138.3 billion yen. Excluding the effect of currency translation, sales would have increased 2.9%.

In food and beverage products, *Healthy Green Tea* functional drink gained support from consumers and sales were firm.

Sales of sanitary products declined from the same period a year earlier. Sales of sanitary napkins grew steadily in Japan, aided by the launch of improved *Laurier F*, and also increased

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in Asian countries. Sales of baby diapers were impacted by market contraction and competition in Japan, although market share recovered. In Taiwan, China and Russia, baby diapers performed strongly.

Sales of personal health products increased, as toothpastes, *Bub* bath additives and *Megurhythm* steam thermo sheets and eye masks performed well in Japan.

Operating income decreased 1.7 billion yen to 12.5 billion yen with the impact of increased raw material prices and market competition, although the Kao Group conducted cost reduction activities.

Fabric and Home Care Business

Sales increased 1.5% compared with the same period a year earlier to 223.6 billion yen. Excluding the effect of currency translation, sales would have increased 1.9%.

Sales of fabric care products increased. In Japan, the Kao Group worked to highlight the reduced laundry time and environmental appeal of conserving water, electricity and resources with the *Neo* series, and additionally launched *Attack Neo Antibacterial EX Power* ultra-concentrated liquid laundry detergent, which suppresses odor-causing bacteria in laundry. *Wide Haiter EX Power* fabric bleach for color garments and new *Flair Fragrance* fabric softener performed steadily. In Asia, consumer support led to increased sales of *Attack Instant Clean Liquid* laundry detergent in China and *Attack Easy* laundry detergent in Indonesia and other countries.

In home care products in Japan, there was a steady increase in sales of *CuCute* dishwashing detergent, *Toilet Quickle* cleaning wipes, *Quickle Wiper* dust mop kits following a product renewal, and *Resesh Aroma Charge* fabric and air freshener.

Operating income decreased 4.5 billion yen to 47.2 billion yen with the impact of increased raw material prices, although the Kao Group conducted cost reduction activities and other measures.

Chemical Business

In the Chemical Business, although sales in Japan were affected by decreased demand in customer industries due to the Earthquake, the strong yen, flooding in Thailand and other factors, sales grew substantially outside Japan. As a result, sales increased 8.9% compared with the same period a year earlier to 191.0 billion yen. Excluding the effect of currency translation, sales would have increased 12.2%.

In oleo chemicals, the Kao Group made efforts to adjust selling prices in response to fluctuations in prices of natural oils and fats and petrochemicals. In performance chemicals, the Kao Group worked to develop and expand sales of high-value-added products with reduced environmental impact. Sales of specialty chemicals, primarily toner and toner binder for copiers and printers, were firm.

Operating income decreased 0.8 billion yen to 18.8 billion yen due to the impact of the appreciation of the yen and increased raw material prices, despite efforts to adjust selling prices and cost reduction activities.

Note: The Company is organized into four reportable segments: 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.

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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/FY2011 Dec. 31, 2011 | FY2010 Mar. 31, 2011 | Incr./ (Dcr.) | 3Q/FY2011 Dec. 31, 2011 |
| Total assets | 988.9 | 1,022.7 | (33.8) | 12,721.3 |
| Total net assets | 546.7 | 539.5 | 7.1 | 7,033.0 |
| Net worth ratio | 54.2% | 51.7% | - | 54.2% |
| Net worth per share (Yen/US\$) | 1,026.30 | 1,013.05 | 13.25 | 13.20 |
| Total debt | 103.9 | 156.8 | (52.9) | 1,336.6 |

Summary of Consolidated Cash Flows

| | Billions of yen | | | Millions of U.S. dollars |
|---|-----------------|--------|---------------|--------------------------|
| | 2011 | 2010 | Incr./ (Dcr.) | 2011 |
| Nine months ended December 31 | 2011 | 2010 | Incr./ (Dcr.) | 2011 |
| Net cash provided by operating activities | 79.5 | 104.4 | (24.9) | 1,023.0 |
| Net cash used in investing activities | (35.0) | (20.0) | (14.9) | (450.7) |
| Free cash flow* | 44.4 | 84.3 | (39.8) | 572.3 |
| Net cash used in financing activities | (82.9) | (69.7) | (13.1) | (1,066.5) |

* Free cash flow is the sum of net cash provided by operating activities and net cash used in investing activities.

Total assets decreased 33.8 billion yen from the previous fiscal year-end to 988.9 billion yen. The principal increases in assets were a 36.1 billion yen increase in notes and accounts receivable – trade and a 16.3 billion yen increase in merchandise and finished goods. The principal decreases in assets were a 30.3 billion yen decrease in cash and time deposits, an 11.4 billion yen decrease in short-term investments and a 27.1 billion yen decrease in intangible assets due to the progress of amortization of trademarks and other intellectual property rights and goodwill.

Total liabilities decreased 41.0 billion yen from the previous fiscal year-end to 442.2 billion yen. The principal increase in liabilities was a 12.7 billion yen increase in notes and accounts payable – trade. The principal decrease in liabilities was a 50.0 billion yen decrease in the current portion of bonds.

Total net assets increased 7.1 billion yen from the previous fiscal year-end to 546.7 billion yen. The principal increase in net assets was net income totaling 49.3 billion yen. The principal decreases in net assets were payments of dividends from retained earnings totaling 30.2 billion yen and foreign currency translation adjustments of 11.5 billion yen. In May 2011,

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the Company retired 13,931 thousand shares of treasury stock at a cost of 32.4 billion yen through a reversal of retained earnings.

As a result, the net worth ratio (defined as net worth divided by total assets) was 54.2% compared with 51.7% at the end of the previous fiscal year.

Net cash provided by operating activities totaled 79.5 billion yen. The principal increases in net cash were income before income taxes and minority interests of 92.4 billion yen and depreciation and amortization of 59.3 billion yen. The principal decreases in net cash were income taxes paid of 35.5 billion yen, change in inventories of 21.0 billion yen and change in trade receivables of 40.9 billion yen.

Net cash used in investing activities totaled 35.0 billion yen. This primarily consisted of purchase of property, plant and equipment of 28.5 billion yen and payments for long-term prepaid expenses 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 44.4 billion yen. This was a decrease of 39.8 billion yen compared with the same period a year earlier, mainly due to increases in inventories, trade receivables and payments for purchase of property, plant and equipment.

Net cash used in financing activities totaled 82.9 billion yen. This primarily consisted of 50.0 billion yen for redemption of bonds and 29.5 billion yen for payments of cash dividends, including to minority shareholders. The Kao Group also refinanced 20.0 billion yen in long-term loans while market interest rates were low.

As a result, the balance of cash and cash equivalents at December 31, 2011 decreased 25.9 billion yen compared with the end of the third quarter of the previous fiscal year to 101.1 billion yen. The decrease was 41.9 billion yen compared with the end of the previous fiscal year.

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(3) Qualitative Information on Forecast of Consolidated Results**Revised Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2012**

(Billions of yen, except where noted)

| | Net Sales | Operating Income | Ordinary Income | Net Income | Net Income per Share (Yen) |
|--|-----------|---------------------|--------------------|------------|----------------------------------|
| Previous forecast (A) | 1,235.0 | 108.0 | 108.0 | 57.0 | 109.24 |
| Revised forecast (B) | 1,235.0 | 108.0 | 108.0 | 53.0 | 101.57 |
| Change (B-A) | 0.0 | 0.0 | 0.0 | (4.0) | - |
| Percentage change | 0.0% | 0.0% | 0.0% | (7.0%) | - |
| Reference: Actual results for the fiscal year ended March 31, 2011 | 1,186.8 | 104.5 | 103.3 | 46.7 | 87.69 |

There are concerns about the risk of a downturn in the global economy, with persistently high unemployment rates in North America and Europe and growing uncertainty about the outlook there, including public finance problems. In Japan, where deflation is continuing, the outlook for the operating environment remains unclear, with the impact of the appreciation of the yen. Moreover, a sense of stability is lacking in market prices of natural oils and fats and 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 continues to aim to achieve profitable growth in the Consumer Products Business by promoting products with high added value. In Japan, the Kao Group will accelerate rebuilding the prestige cosmetics business. In Asia, the Kao Group aims to raise the level of sales with aggressive launches of new products. In the Chemical Business, the Kao Group will work to strengthen global operations and focus on expanding sales through measures such as developing products with a reduced environmental impact.

In the Kao Group's forecast of consolidated results for the fiscal year ending March 31, 2012, only net income and net income per share have been revised to reflect the impact of a reversal of deferred tax assets and liabilities in connection with a revision of the Japanese tax code.

The main exchange rates used in the forecast of consolidated results are 80 yen per U.S. dollar and 111 yen per euro.

2. Other

(1) Changes in material subsidiaries during this quarterly period: None

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

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements: None

(4) Note on significant changes in the amount of shareholders' equity

Based on a resolution of the meeting of the Board of Directors held on April 26, 2011, the Company retired its treasury stock on May 20, 2011. As a result of this retirement and other factors, treasury stock decreased 31,892 million yen during the nine months ended December 31, 2011, and totaled 9,083 million yen as of December 31, 2011.

Consolidated Balance Sheets

Millions of yen

| | Q3/FY2011 Dec 31, 2011 | FY2010 Mar 31, 2011 |
|---|---------------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and time deposits | 80,403 | 110,761 |
| Notes and accounts receivable - trade | 157,252 | 121,093 |
| Short-term investments | 23,604 | 35,028 |
| Merchandise and finished goods | 89,559 | 73,189 |
| Work in process | 11,375 | 9,994 |
| Raw materials and supplies | 25,908 | 26,153 |
| Other | 37,678 | 41,693 |
| Allowance for doubtful receivables | (1,211) | (1,080) |
| Total current assets | 424,570 | 416,833 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Property, plant and equipment | 1,097,775 | 1,098,641 |
| Accumulated depreciation | (861,904) | (853,917) |
| Total property, plant and equipment | 235,871 | 244,724 |
| Intangible assets | | |
| Goodwill | 168,571 | 179,225 |
| Trademarks | 57,973 | 71,176 |
| Other | 19,312 | 22,556 |
| Total intangible assets | 245,857 | 272,958 |
| Investments and other assets | | |
| Investments and other assets | 82,713 | 88,503 |
| Allowance for doubtful receivables | (54) | (220) |
| Total investments and other assets | 82,658 | 88,283 |
| Total fixed assets | 564,387 | 605,966 |
| Total assets | 988,957 | 1,022,799 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 116,830 | 104,044 |
| Short-term debt | 3,869 | 6,776 |
| Current portion of bonds | - | 50,000 |
| Current portion of long-term debt | 30,000 | 30,008 |
| Income taxes payable | 10,696 | 18,784 |
| Liability for loss related to the Great East Japan Earthquake | 190 | 2,657 |
| Other | 144,169 | 135,922 |
| Total current liabilities | 305,756 | 348,195 |
| Long-term liabilities | | |
| Bonds | 49,998 | 49,998 |
| Long-term debt | 20,043 | 20,047 |
| Liability for employee retirement benefits | 44,060 | 42,316 |
| Other | 22,353 | 22,677 |
| Total long-term liabilities | 136,456 | 135,039 |
| Total liabilities | 442,213 | 483,234 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 85,424 | 85,424 |
| Capital surplus | 109,561 | 109,561 |
| Retained earnings | 444,561 | 457,917 |
| Treasury stock, at cost | (9,083) | (40,976) |
| Total shareholders' equity | 630,462 | 611,926 |
| Accumulated other comprehensive income | | |
| Unrealized gain on available-for-sale securities | 1,806 | 1,860 |
| Deferred gain (loss) on derivatives under hedge accounting | (0) | (2) |
| Foreign currency translation adjustments | (96,026) | (84,429) |
| Post retirement liability adjustments for foreign consolidated subsidiaries | (718) | (460) |
| Total | (94,938) | (83,032) |
| Stock acquisition rights | 1,262 | 1,143 |
| Minority interests | 9,957 | 9,526 |
| Total net assets | 546,744 | 539,564 |
| Total liabilities and net assets | 988,957 | 1,022,799 |

Consolidated Statements of Income

Millions of yen

| | Q3/FY2011 Apr '11 - Dec '11 | Q3/FY2010 Apr '10 - Dec '10 |
|---|--------------------------------|--------------------------------|
| Net sales | 934,804 | 914,444 |
| Cost of sales | 399,474 | 375,781 |
| Gross profit | 535,330 | 538,662 |
| Selling, general and administrative expenses | 441,262 | 438,433 |
| Operating income | 94,068 | 100,228 |
| Non-operating income | | |
| Interest income | 659 | 573 |
| Dividend income | 159 | 159 |
| Equity in earnings of nonconsolidated subsidiaries and affiliates | 1,969 | 1,185 |
| Other | 1,904 | 2,255 |
| Total non-operating income | 4,692 | 4,173 |
| Non-operating expenses | | |
| Interest expense | 1,708 | 2,515 |
| Foreign currency exchange loss | 388 | 2,607 |
| Other | 687 | 582 |
| Total non-operating expenses | 2,783 | 5,706 |
| Ordinary income | 95,976 | 98,696 |
| Extraordinary gain | | |
| Gain on sales of fixed assets | 171 | 123 |
| Gain on sales of investment securities | - | 161 |
| Other | 79 | 65 |
| Total extraordinary gain | 250 | 350 |
| Extraordinary loss | | |
| Loss on sales/disposals of fixed assets | 1,481 | 1,561 |
| Loss related to the Great East Japan Earthquake | 1,941 | - |
| Loss on application of accounting standard for asset retirement obligations | - | 1,633 |
| Other | 307 | 192 |
| Total extraordinary loss | 3,730 | 3,387 |
| Income before income taxes and minority interests | 92,497 | 95,659 |
| Income taxes | | |
| Income taxes - current | 28,740 | 30,606 |
| Income taxes - deferred | 12,739 | 12,968 |
| Total income taxes | 41,479 | 43,574 |
| Income before minority interests | 51,017 | 52,084 |
| Minority interests | 1,641 | 873 |
| Net income | 49,376 | 51,211 |

Consolidated Statements of Comprehensive Income

| Millions of yen | Q3/FY2011 <u>Apr '11 - Dec '11</u> | Q3/FY2010 <u>Apr '10 - Dec '10</u> |
|---|---|---|
| Income before minority interests | 51,017 | 52,084 |
| Other comprehensive income | | |
| Unrealized gain (loss) on available-for-sale securities | (2) | (381) |
| Foreign currency translation adjustments | (12,159) | (15,550) |
| Share of other comprehensive income in affiliates | (193) | (26) |
| Post retirement liability adjustments for foreign consolidated subsidiaries | (257) | (195) |
| Total other comprehensive income | (12,613) | (16,153) |
| Comprehensive income | <u>38,403</u> | <u>35,931</u> |
| Comprehensive income attribute to: | | |
| Shareholders of Kao Corporation | 37,470 | 35,215 |
| Minority interests | 933 | 716 |

Major Items of Consolidated Selling, General and Administrative Expenses

| Millions of yen | Q3/FY2011 <u>Apr '11 - Dec '11</u> | Q3/FY2010 <u>Apr '10 - Dec '10</u> |
|--------------------------|---|---|
| Freight/warehouse | 52,624 | 51,452 |
| Advertising | 65,144 | 62,564 |
| Sales promotion | 46,458 | 47,647 |
| Salaries and bonuses | 91,817 | 92,784 |
| Research and development | <u>35,527</u> | <u>33,580</u> |

Consolidated Statements of Cash Flows

Millions of yen

| | <u>Q3/FY2011</u> <u>Apr '11 - Dec '11</u> | <u>Q3/FY2010</u> <u>Apr '10 - Dec '10</u> |
|---|--|--|
| Operating activities: | | |
| Income before income taxes and minority interests | 92,497 | 95,659 |
| Adjustments for: | | |
| Depreciation and amortization | 59,301 | 60,781 |
| Interest and dividend income | (818) | (733) |
| Interest expense | 1,708 | 2,515 |
| Unrealized foreign currency exchange (gain) loss | 689 | 794 |
| Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates | (1,969) | (1,185) |
| (Gain) loss on sales and retirement of fixed assets | 1,309 | 1,438 |
| Change in trade receivables | (40,950) | (33,484) |
| Change in inventories | (21,070) | (4,990) |
| Change in trade payables | 15,219 | 12,383 |
| Change in liability for retirement benefits | 2,033 | 2,826 |
| Other, net | 7,661 | 7,911 |
| Subtotal | 115,610 | 143,919 |
| Interest and cash dividends received | 1,441 | 1,518 |
| Interest paid | (2,025) | (2,720) |
| Income taxes paid | (35,500) | (38,243) |
| Net cash provided by operating activities | 79,525 | 104,473 |
| Investing activities: | | |
| Purchase of property, plant and equipment | (28,576) | (18,061) |
| Purchase of intangible assets | (2,802) | (2,283) |
| Payments for long-term prepaid expenses | (3,737) | (3,245) |
| Change in short-term loans, net | (111) | (196) |
| Payments for long-term loans | (1,103) | (1,144) |
| Proceeds from cancellation of derivatives | - | 4,297 |
| Other, net | 1,293 | 542 |
| Net cash used in investing activities | (35,038) | (20,091) |
| Financing activities: | | |
| Change in short-term debt, net | (2,764) | 468 |
| Proceeds from long-term loans | 20,000 | 0 |
| Repayments of long-term loans | (20,011) | (24,920) |
| Redemption of bonds | (50,000) | - |
| Purchase of treasury stock | (7) | (15,072) |
| Payments of cash dividends | (29,091) | (29,840) |
| Payments of cash dividends to minority shareholders | (469) | (191) |
| Other, net | (565) | (224) |
| Net cash used in financing activities | (82,909) | (69,780) |
| Translation adjustments on cash and cash equivalents | (3,540) | (4,809) |
| Net increase (decrease) in cash and cash equivalents | (41,962) | 9,791 |
| Cash and cash equivalents, beginning of period | 143,143 | 117,180 |
| Cash and cash equivalents from newly consolidated subsidiary, increase | - | 166 |
| Cash and cash equivalents, end of period | 101,180 | 127,137 |

Consolidated Segment Information

Millions of yen

| Q3/FY2011 Apr '11 - Dec '11 | Consumer Products Business | | | | Chemical Business | Total | Reconciliations | Consolidated |
|--------------------------------|----------------------------|-------------------------------|----------------------------------|----------------|----------------------|----------------|-----------------|----------------|
| | Beauty Care Business | Human Health Care Business | Fabric and Home Care Business | Total | | | | |
| Net sales | | | | | | | | |
| Sales to customers | 410,716 | 138,396 | 223,627 | 772,740 | 162,064 | 934,804 | - | 934,804 |
| Intersegment sales | - | - | - | - | 28,962 | 28,962 | (28,962) | - |
| Total | 410,716 | 138,396 | 223,627 | 772,740 | 191,026 | 963,766 | (28,962) | 934,804 |
| Operating income | 15,452 | 12,588 | 47,227 | 75,268 | 18,804 | 94,073 | (5) | 94,068 |
| % of net sales | 3.8 | 9.1 | 21.1 | 9.7 | 9.8 | 9.8 | - | 10.1 |

| Q3/FY2010 Apr '10 - Dec '10 | Consumer Products Business | | | | Chemical Business | Total | Reconciliations | 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 |
| % of net sales | 3.5 | 10.6 | 23.5 | 10.5 | 11.2 | 10.7 | - | 11.0 |

Note: Reconciliation of operating income includes elimination of intersegment inventory transactions.

Consolidated Net Sales Composition

Millions of yen

| | Q3/FY2011 <u>Apr '11 - Dec '11</u> | Q3/FY2010 <u>Apr '10 - Dec '10</u> | Growth <u>%</u> |
|-----------------------------------|---------------------------------------|---------------------------------------|--------------------|
| Consumer Products Business | | | |
| Beauty Care Business | 311,776 | 312,417 | (0.2) |
| Human Health Care Business | 125,849 | 122,959 | 2.4 |
| Fabric and Home Care Business | 204,539 | 201,338 | 1.6 |
| Total Japan | 642,166 | 636,715 | 0.9 |
| Asia and Oceania | 65,113 | 61,681 | 5.6 |
| North America | 38,365 | 39,141 | (2.0) |
| Europe | 45,818 | 43,869 | 4.4 |
| Eliminations | (18,723) | (16,141) | - |
| Total | 772,740 | 765,266 | 1.0 |
| Chemical Business | | | |
| Japan | 95,640 | 95,251 | 0.4 |
| Asia | 69,885 | 51,652 | 35.3 |
| North America | 28,112 | 22,469 | 25.1 |
| Europe | 43,860 | 38,839 | 12.9 |
| Eliminations | (46,472) | (32,845) | - |
| Total | 191,026 | 175,366 | 8.9 |
| Total before Eliminations | 963,766 | 940,632 | 2.5 |
| Eliminations | (28,962) | (26,188) | - |
| Net Sales | 934,804 | 914,444 | 2.2 |

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 |