

December 16, 2005

Advantage Partners, LLP
MKS Partners Limited
Unison Capital, Inc.

Announcement: Acquisition of Shares in Kanebo, Ltd.

Advantage Partners, LLP, MKS Partners Limited, and Unison Capital, Inc., together with Kao Corporation (hereafter, "Kao"), have been jointly participating in a bid for the disposal of equity in Kanebo, Ltd. (hereafter, "Kanebo") and Kanebo Cosmetics Inc. (hereafter, "Kanebo Cosmetics") held by the Industrial Revitalization Corporation of Japan (hereafter, "IRCJ").

Today, we have reached an agreement with IRCJ that the funds, capitalized by the three parties set forth hereinabove, (hereafter, "the 3 Funds") will acquire the shares of Kanebo, and Kao will acquire the shares of Kanebo Cosmetics. A share purchase agreement has been signed to this effect. Kanebo Class C Shares held by IRCJ will be acquired through Trinity Investment Co., Ltd. (hereafter, "Trinity"), an investment vehicle capitalized by the 3 Funds, at the end of January 2006. Kanebo Class C Shares held by Kanebo Cosmetics are also scheduled to be acquired through Trinity in mid-February 2006. UBS Securities Japan Ltd. is acting as Financial Advisor to the 3 Funds.

The 3 Funds are pioneers of private equity investment in Japan and have made numerous investments since 1990. In addition, the 3 Funds share the same profile as Japanese independent funds, having extensive experience in corporate revitalization and investments in consumer product-related companies.

Kanebo has remarkable product brands in each of their businesses, and it also has a strong competitive edge and growth potential. With the aim of turning Kanebo into a corporation which offers top-quality products and services to its consumers, business partners, and employees, the 3 Funds will take over the role as sponsor from IRCJ and provide necessary assistance for Kanebo's sustainable long-term growth.

We also believe that it is imperative to create and develop a corporate structure where employees can actively engage and participate in the restructuring process. Moreover, we are of the view that it is important to establish a structure that allows the three business sectors as a whole to focus on the completion of Kanebo's restructuring. We aim to proceed with further discussions on the management and organization structures in order to achieve such goals.