

# Highlights for 1<sup>st</sup> Half of FY2002



October 22, 2002

These are the translation of materials used for the analysts meeting of October 22, 2002 in Japan.

The presentation material in PDF format is available  
on our website:  
[http://www.kao.co.jp/e/ir\\_e/analystmtg/index.html](http://www.kao.co.jp/e/ir_e/analystmtg/index.html)

This presentation material contains forward-looking statements that are based on management's estimates, assumptions and projections as of October 22, 2002. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation, could cause actual results to differ materially from expectations.

(The figures in this presentation material are rounded down.)

# I. Management Policies



*For Profitable Growth*

- 1. Maintain/expand market share of core brands**
- 2. Develop new products creating new markets**
- 3. Develop and nurture new businesses**
- 4. Reinforce and expand overseas businesses**
- 5. Improve further management efficiency**

# Domestic Consumer Products Business

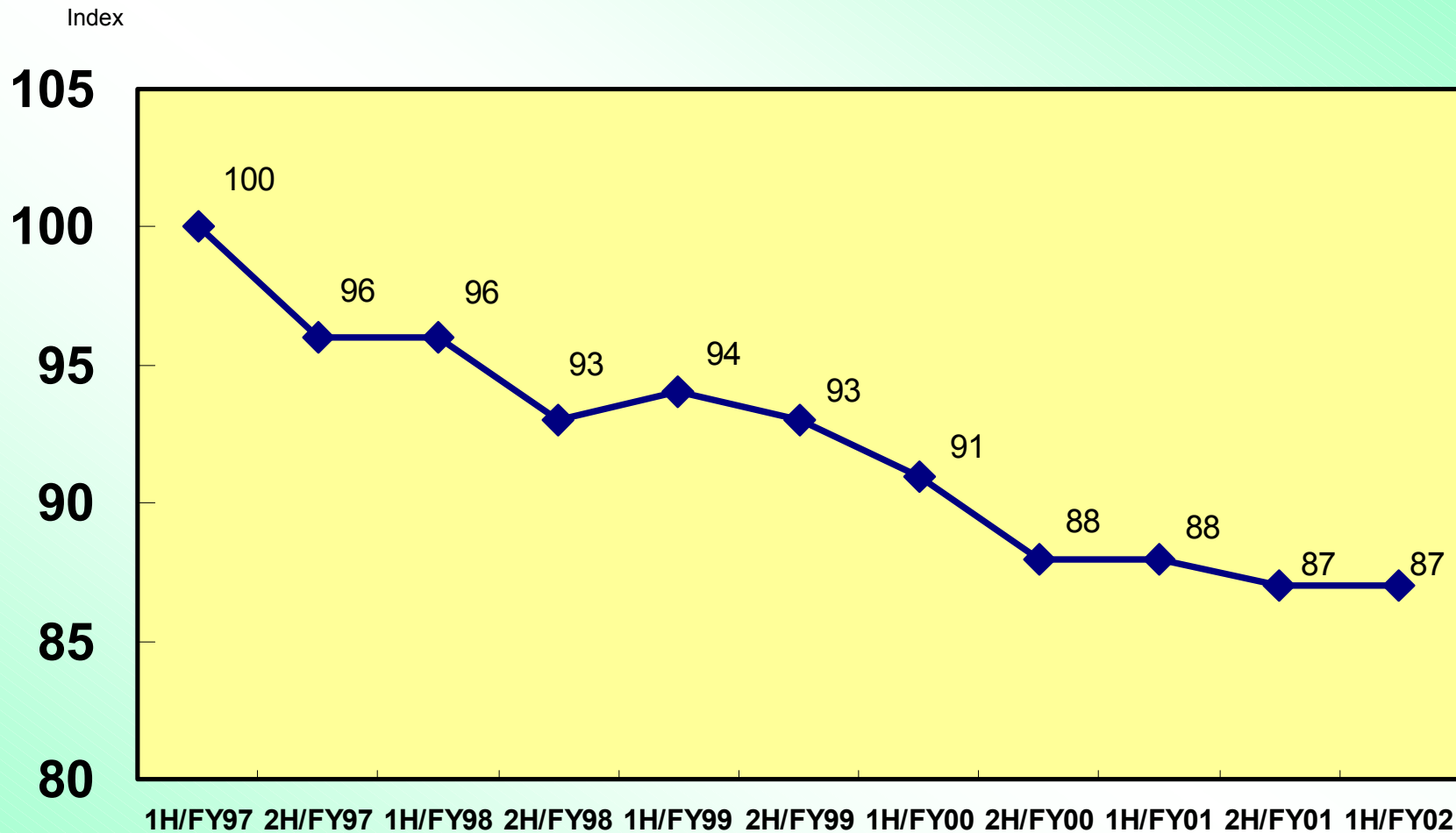


## *An Offensive Posture*

- 1. Aggressive spending for marketing and sales promotion**
- 2. Launch of new and value-added products**
- 3. Strengthen category management and retailer support activities**

# Average Consumer Purchase Price

Major 14 Categories (All manufactures)



(Data Source: Kao)

# Principal New Products - Japan



Attack  
Spray Foam



Family Pure  
Kitchen Cleaner



Humming Flare  
(fabric softener)



Quickle Wiper  
for the Carpet



Laurier sanitary napkins



Bub Chinese Quince  
Scented (bath additives)



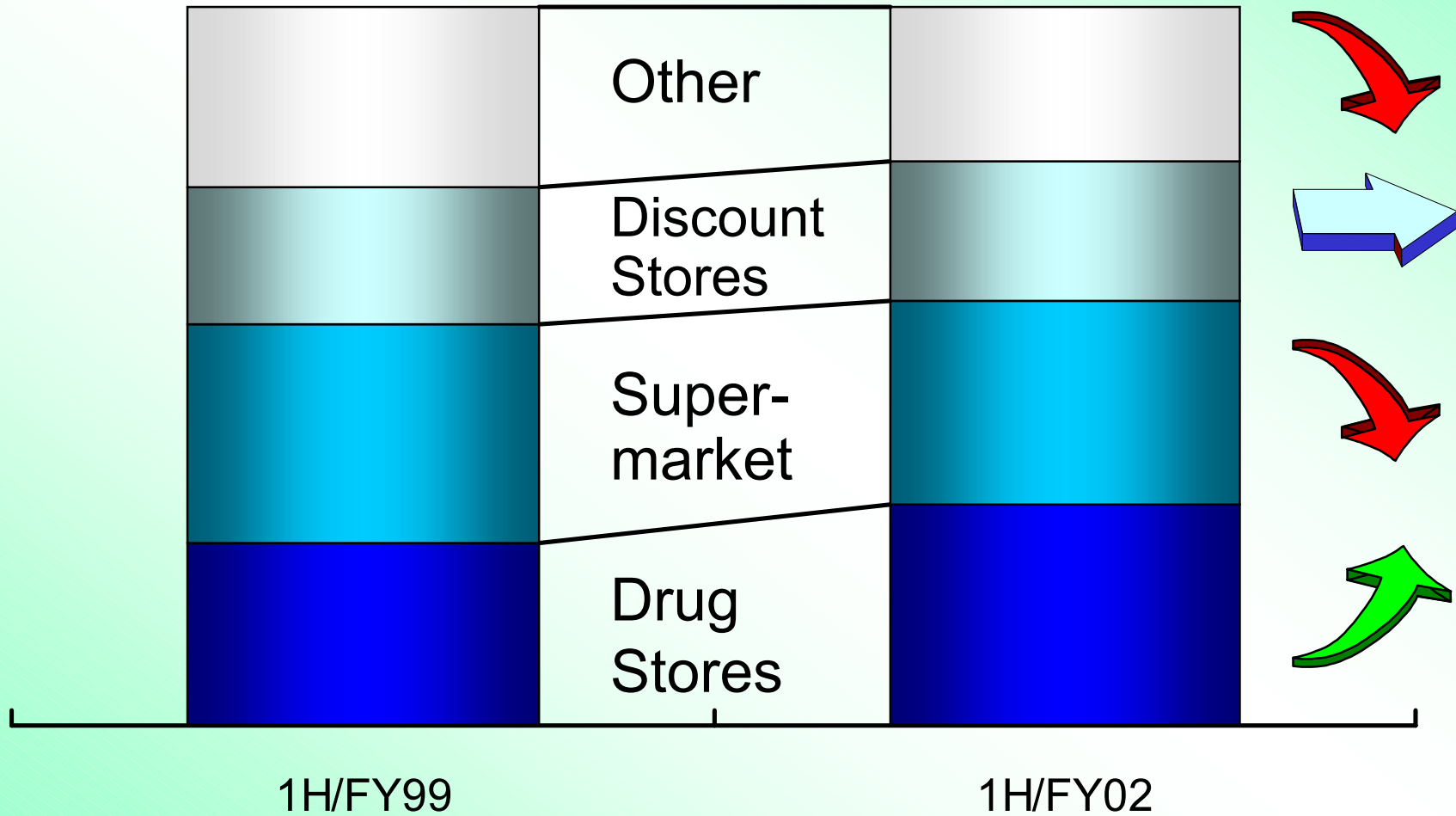
Clear Clean Plus  
(toothpaste)



Healthy Econa  
Mayonnaise

# Domestic Sales by Channel

(Kao's Consumer Products)





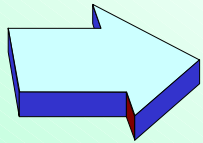
# Market Share in Japan

<Company Data / Existing Stores Only>



**Bath Additives, Toothpaste, Body Cleanser**  
**Bath Cleaner, Fabric Softener**  
**Dishwashing Detergent**  
**Adult Incontinence Products**

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**Shampoo**  
**Laundry Detergent**

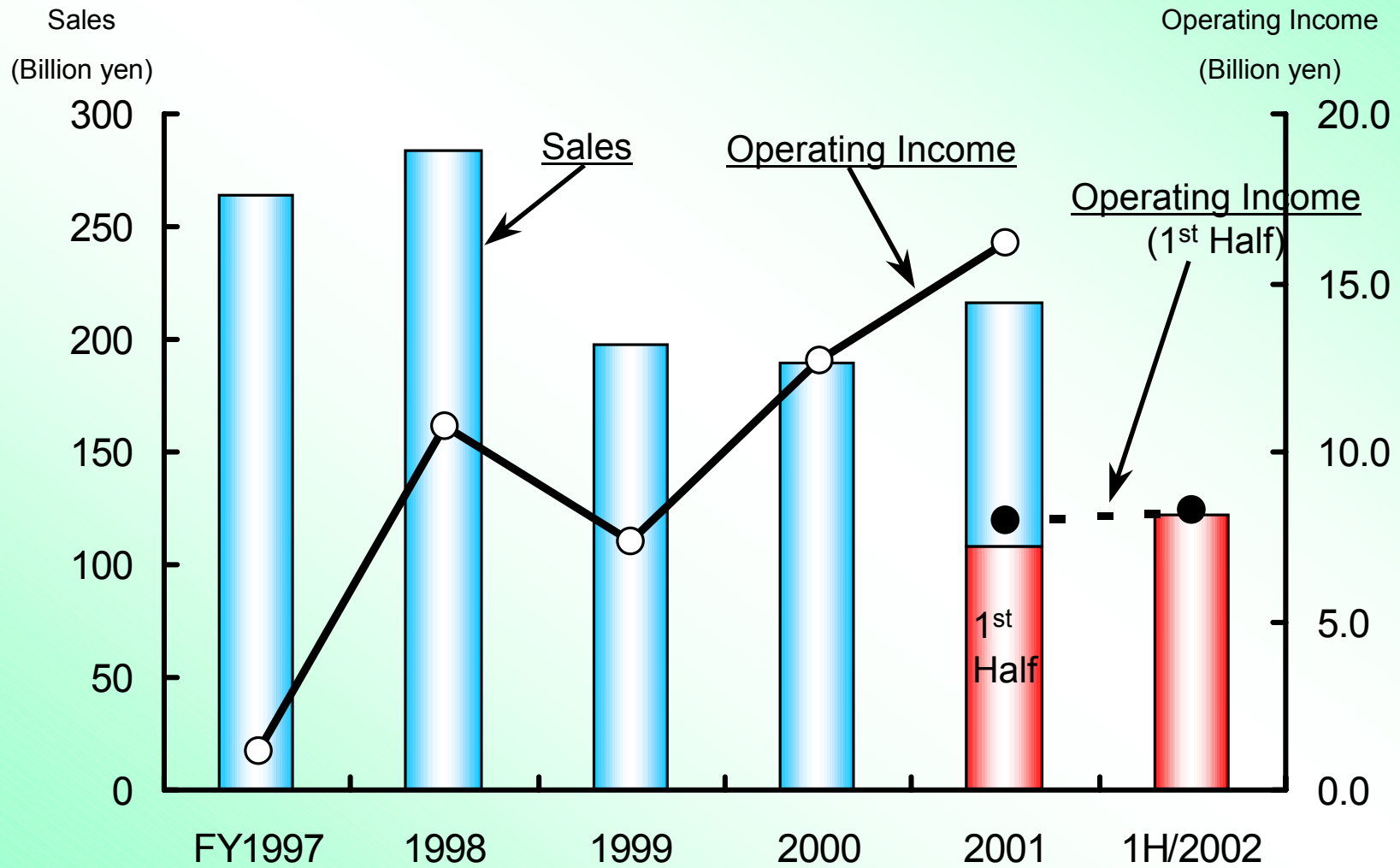
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**Hair Coloring Agents**  
**Sanitary Napkin, Disposable Baby Diaper**



# Overseas Operations – Sales & Profit



# Overseas Operations (1)

## *– Consumer Products –*

|      | M&A                             | Joint Venture/Other      |
|------|---------------------------------|--------------------------|
| 1988 | Andrew Jergens                  |                          |
| 1989 | Goldwell                        |                          |
| ⋮    | ⋮                               |                          |
| 1998 | Curél                           |                          |
| 1999 |                                 | Alliance with SC Johnson |
| 2000 | Ban                             |                          |
| 2001 |                                 | ADM Kao                  |
| 2002 | KMS Research Inc<br>John Frieda | Kao (China) Holding      |

# Principal New Products - Overseas

## Andrew Jergens



Biore Beyond Smooth Daily Facial Moisturizer



Ban Beautiful Smooth Soft Solid



Curél Smooth Legs Lotion



ELUMEN (hair coloring agents)



Feather



(shampoo and conditioner)



Sifone



## Newly acquired



KMS (professional hair care products)



John Frieda (premium hair care products)

# Chemical Products Business

1. Capacity increase of fatty alcohols plant with proprietary technology
2. Capacity increase of higher value added products such as toner/toner binder and aroma chemicals

|                 | <u>Japan/Asia</u> | <u>North America</u> | <u>Europe</u> |
|-----------------|-------------------|----------------------|---------------|
| Toner           | ◎                 | ◎                    | ◎             |
| Toner Binder    | ◎                 | ◎                    | ◎             |
| Aroma Chemicals | ◎                 |                      | ◎             |
| Fatty Alcohols  | ◎                 |                      |               |

◎: New/capacity increases



# Countermeasures to the changing business environment

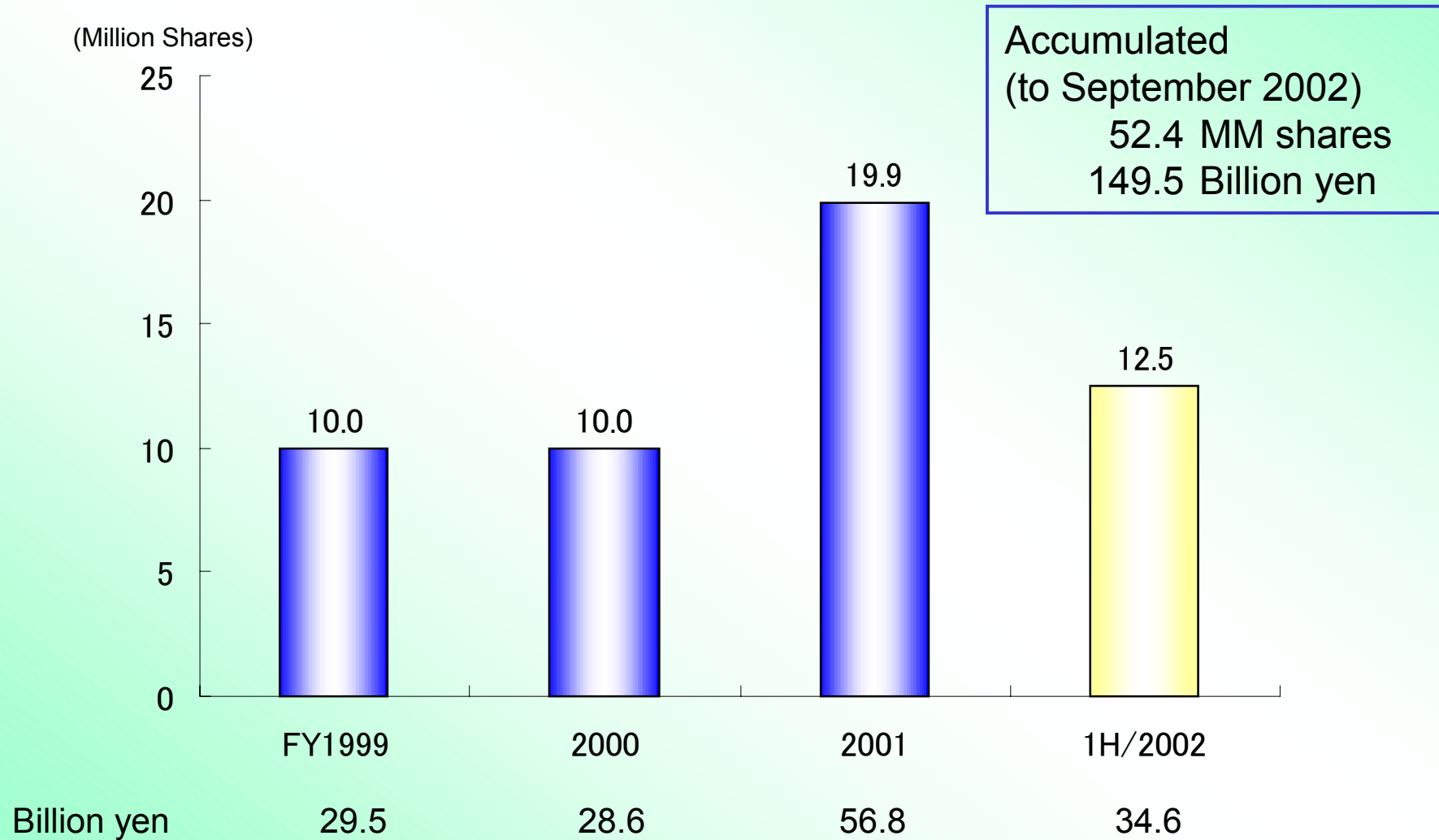
- 1. Taiwan:  
Production of sanitary napkins and chemical products discontinued**
- 2. Malaysia:  
Production of consumer products discontinued**
- 3. Kao Chemicals Americas:  
Textile chemical business divested**

## **II. Corporate Governance and Management Responsibilities**

- 1. Adoption of external directors and implementation of an executive officer system**
- 2. Expansion of the stock option plan**
- 3. Share repurchase**
- 4. Commitment to society and the environment**
- 5. Compliance with our code of ethics and corporate principles**



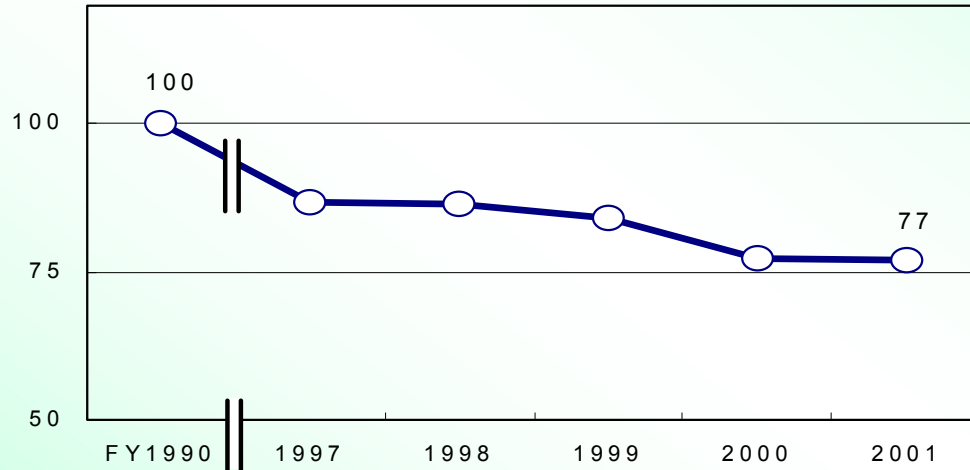
# Overseas Operations – Sales & Profit



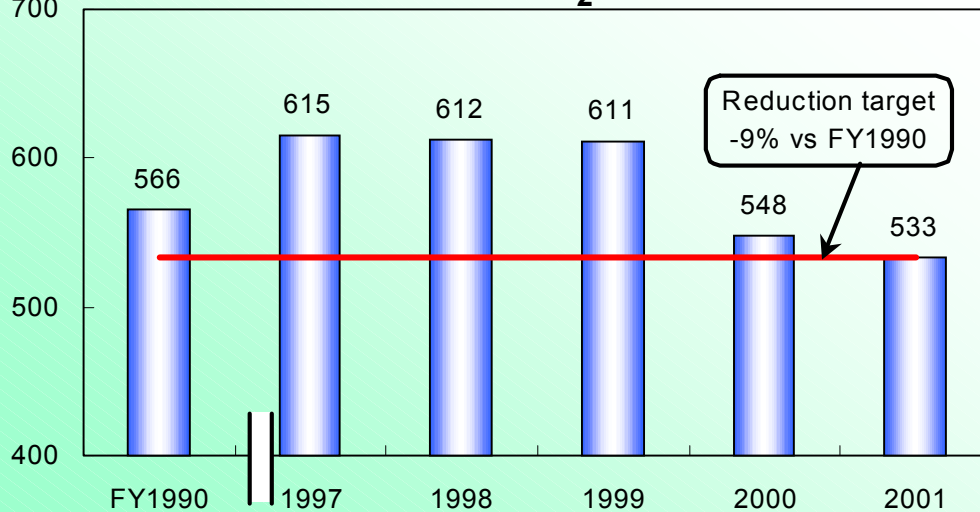


# Environmental Activities

**Trend in Energy Consumption**  
(Unit Value Added Index)



**Trend in CO<sub>2</sub> Emission**



**Emission levels of substances subject to PRTR law into the air**

