

Semi-Annual Financial Review

From April 1, 2002 to September 30, 2002



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

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.)

1. Consolidated Business Results

April 1, 2002 – September 30, 2002

1st Half/FY2002 Results (Consolidated)

Billion yen	<u>1H/FY00</u>	<u>1H/FY01</u>	<u>1H/FY02</u>		
Sales	411.6	421.5	434.9	Growth 3.2%	Changes +13.3
Operating Income	54.8	57.3	61.5	7.4%	+4.2
<i>Operating Margin</i>	13.3%	13.6%	14.2%		
Ordinary Income	57.4	57.6	62.6	8.8%	+5.0
Net Income	31.6	31.4	33.2	6.0%	+1.8
EBITDA	83.9	85.1	89.3	4.9%	+4.1
EPS (yen)	51.25	51.78	56.99	10.1%	+5.21

Consolidated Sales [1]

	1st Half - FY2001		1st Half - FY2002		
	Billion yen	% Growth	Billion yen	%	
				Growth	Like-for-like
Personal Care Products	87.2	-1.8	84.5	-3.1	-3.1
Laundry & Cleaning Products	123.0	-2.4	126.8	3.1	3.1
Hygiene & Other Products	41.1	9.9	41.8	1.8	1.8
Japan Total	251.3	-0.3	253.2	0.7	0.7
Asia & Oceania	28.4	16.7	32.2	13.3	4.2
North America & Europe	37.0	19.7	42.5	14.8	6.9
Elimination	-2.4		-3.2		
Consumer Products	314.4	3.0	324.8	3.3	1.6
Cosmetics (Sofina)	37.3	3.7	38.1	2.0	1.9

*Like-for-like: excludes currency translation impact

Consolidated Sales [2]

	1st Half - FY2001		1st Half - FY2002		
	Billion yen	% Growth	Billion yen	%	
				Growth	Like-for-like
Japan	49.5	-10.2	50.2	1.3	1.3
Asia	17.3	1.4	19.2	11.1	3.5
North America & Europe	23.2	14.3	26.3	13.2	4.9
Elimination	-8.4		-9.7		
Chemical Products	81.7	-3.0	86.0	5.3	1.9

Elimination	-12.0		-14.0		
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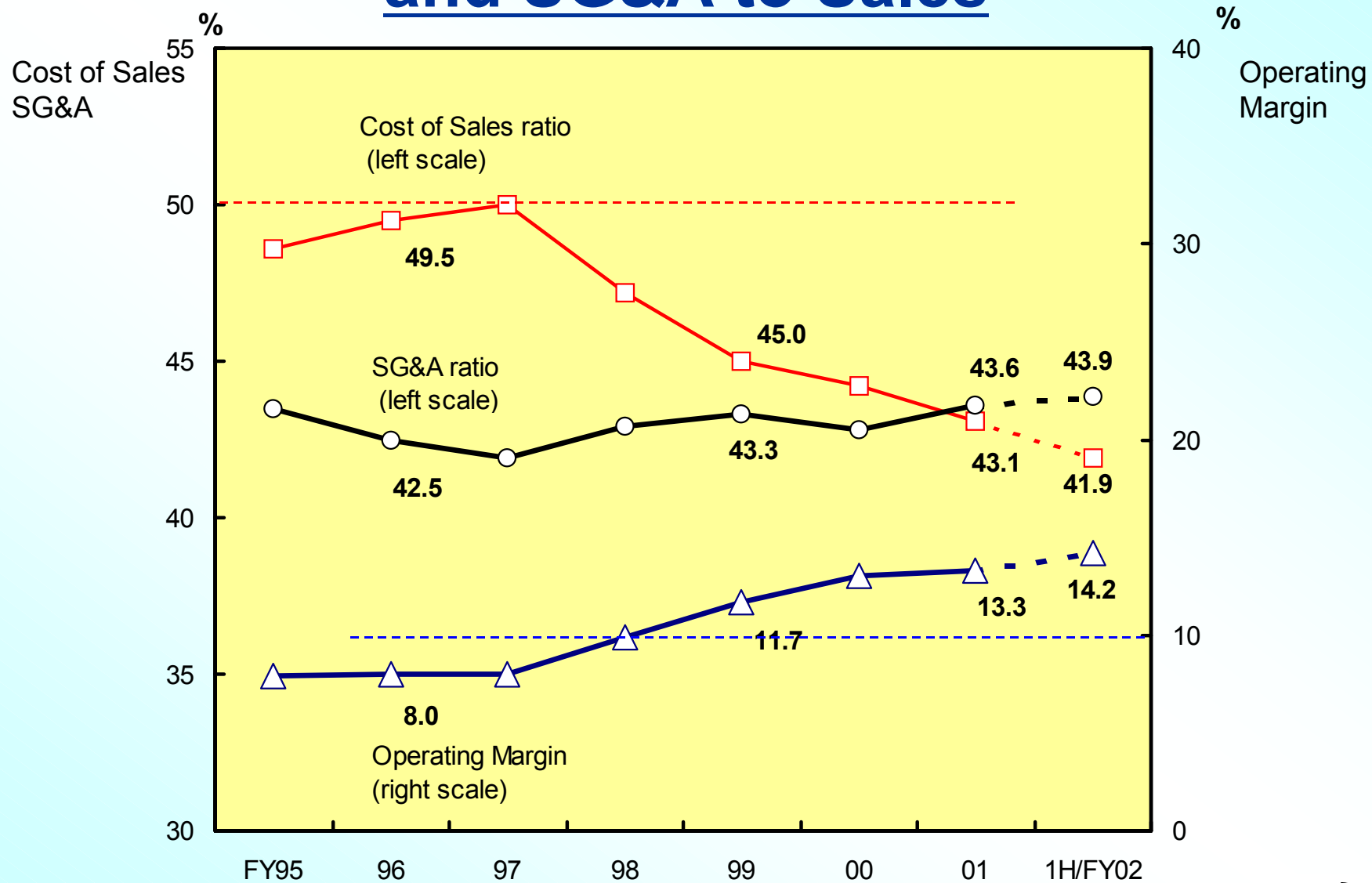
Consolidated Sales	421.5	2.4	434.9	3.2	1.3
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*Like-for-like: excludes currency translation impact

Consolidated Income Statements

	1H/FY2001		1H/FY2002		Changes
	Billion yen	%	Billion yen	%	
Sales	421.5	100.0	434.9	100.0	13.3
Cost of Sales	180.9	42.9	182.3	41.9	-1.4
Gross Profit	240.6	57.1	252.5	58.1	11.9
SG&A Expenses	183.2	43.5	190.9	43.9	-7.7
Operating Income	57.3	13.6	61.5	14.2	4.2
Non-operating Income/Expense	0.2	0.1	1.0	0.2	0.8
Ordinary Income	57.6	13.7	62.6	14.4	5.0
Extraordinary Gain & Loss	-1.5	-0.4	-2.0	-0.5	-0.5
Income Before Taxes	56.0	13.3	60.5	13.9	4.5
Income Taxes	23.8	5.7	25.9	5.9	-2.0
Equity Items & Others	-0.7	-0.2	-1.3	-0.3	-0.5
Net Income	31.4	7.4	33.2	7.7	1.8

Consolidated Cost of Sales and SG&A to Sales



*Business tax has been adjusted prior to FY97



Consolidated Breakdown of Expenses

	1H/FY01	1H/FY02	Changes
Total SG&A Expenses	183.2	190.9	-7.7




Shipping/Warehouse	22.8	22.5	0.2
Advertising	34.4	36.5	-2.1
Sales Promotion	19.1	21.4	-2.2
Salaries and Wages	32.6	34.8	-2.2
R&D	18.7	19.1	-0.4

Major attributes to changes: 7.7 billion yen

◆Currency impact





3.2 billion yen

Sales and Operating Income by Business

Billion yen	Net Sales			Operating Income		
	1H/FY01	1H/FY02	Changes	1H/FY01	1H/FY02	Changes
Consumer Products	314.4	324.8	10.3 3.3%	44.5 % to Sales 14%	48.1 15%	3.6 
Cosmetics (Sofina)	37.3	38.1	0.7 2.0%	2.8 % to Sales 8%	2.6 7%	-0.1 
Chemical Products	81.7	86.0	4.3 5.3%	9.8 % to Sales 12%	10.3 12%	0.4 

*Before elimination of intersegment transfers

Sales and Operating Income by Geography

Billion yen	Net Sales			Operating Income		
	1H/FY01	1H/FY02	Changes	1H/FY01	1H/FY02	Changes
Japan	327.9	329.5	1.6 0.5%	49.5 15%	53.0 16%	3.4 
Asia & Oceania	46.0	51.1	5.0 11.0%	4.6 10%	3.7 7%	-0.8 
North America	34.4	39.0	4.6 13.5%	2.7 8%	3.9 10%	1.2 
			After amortization of goodwill	2.2 7%	3.1 8%	0.8
Europe	27.9	32.3	4.3 15.7%	2.0 7%	2.3 7%	0.3 
			After amortization of goodwill	1.1 4%	1.3 4%	0.2

*Before elimination of intersegment transfers

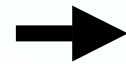


Consolidated Operating Income

1H/FY2001

1HF/Y2002

57.3



61.5

Billion yen

Change

+4.2 Billion yen 7.4%

Japan	3.4
Asia & Oceania	-0.8
North America	0.8
Europe	0.2
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Total	4.2

Consumer Products	3.6
Cosmetics (Sofina)	-0.1
Chemical Products	0.4
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Total	4.2

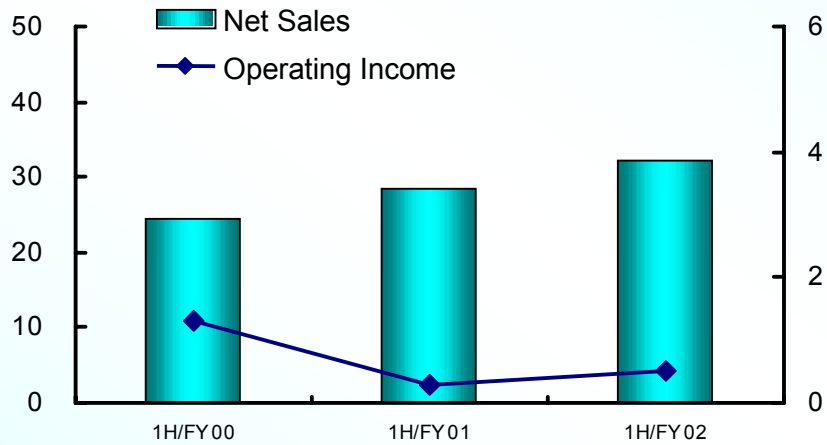
*The figures of each segment are before elimination.



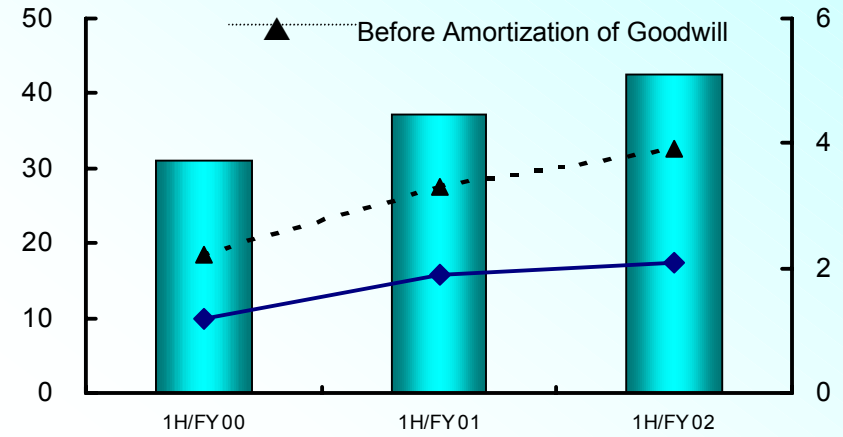
Consumer Products

Asia and Oceania

Sales (Billion yen)

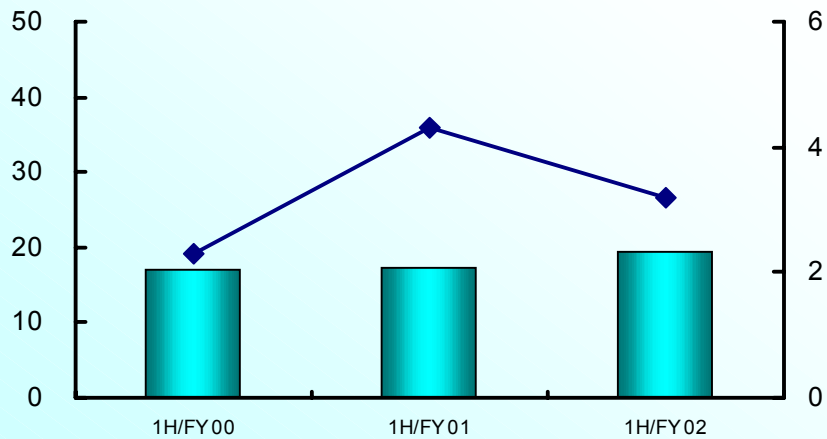


North America & Europe

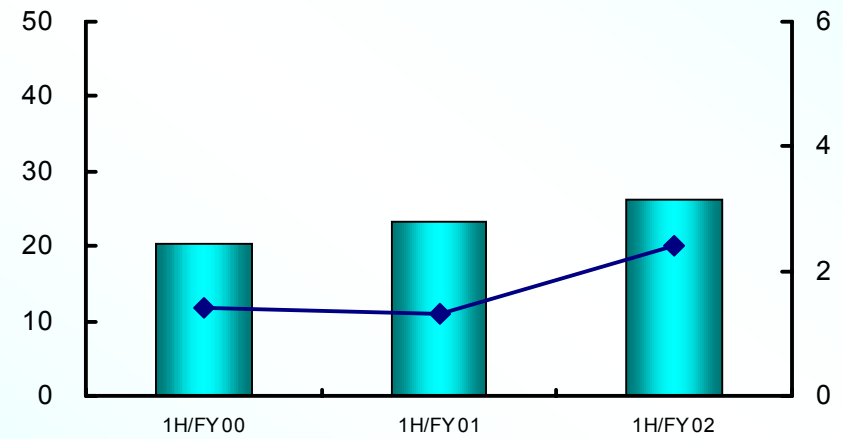


Chemical Products

Asia



North America & Europe



Consolidated Ordinary Income

1H/FY2001

1H/ FY2002

57.6



62.6

Billion yen

Change

+5.0

Billion yen

8.8%

1. Operating income	4.2
2. Equity earnings/losses	1.2
3. Exchange gains/losses	-0.7
4. Other non-operating items	0.3
<hr/> Total	<hr/> 5.0

Consolidated Balance Sheets

(Billion yen)

	Sep/02	Mar/02	Changes		Sep/02	Mar/02	Changes
Current Asset	290.7	352.7	-62.0	Current Liabilities	202.7	214.6	-11.9
Cash and Bank Deposits	41.1	26.6	14.4	Notes and Accounts Payable	63.9	68.0	-4.0
Notes and Accounts Receivable	97.0	103.7	-6.7	Short-term Debt (incl. Current Portion of Long-term Debt)	16.8	19.2	-2.4
Short-term Investments	56.8	129.4	-72.6	Other Accounts Payable	16.3	23.5	-7.2
Inventories	69.4	67.2	2.2	Accrued Expenses	57.4	60.2	-2.7
Other	26.2	25.6	0.6	Others	48.0	43.5	4.5
Fixed Assets	457.6	419.2	38.3	Long-term Liabilities	81.0	75.0	5.9
Tangible Assets	285.4	295.5	-10.1	Long-term Debt	35.6	36.6	-1.0
Intangible Assets	106.9	53.1	53.7	Others	45.3	38.3	7.0
Investments	65.1	70.4	-5.3	Total Liabilities	283.7	289.6	-5.9
Deferred Assets	0.1	0.1	0.0	Minority Interests	22.1	22.7	-0.5
				Shareholders' Equity	442.5	459.7	-17.1
				Common Stock	85.4	85.4	0.0
				Additional Paid in Capital	108.8	108.8	0.0
				Retained earnings	335.3	309.8	25.4
				Unrealized Gain on Available-for-sale Securities	3.4	2.5	0.9
				Foreign Currency Translation Adjustments	-31.2	-22.7	-8.5
				Treasury Stock	-59.2	-24.1	-35.1
Total Assets	748.4	772.1	-23.6	Total Liabilities, Minority Interests & Shareholders' Equity	748.4	772.1	-23.6

Statements of Cash Flows

<April-September Period>

(Billion yen)

	1H/FY00	1H/FY01	1H/FY02	Changes
Operating Activities	55.0	68.7	66.7	-1.9
Investing Activities	-52.7	-17.5	-74.8	-57.2
Financing Activities	-30.7	-52.3	-46.7	5.6
Translation Adjustment	2.0	0.9	-1.8	-2.7
Net Increase	-26.4	-0.2	-56.5	-56.3
Beginning balance of newly consolidated companies	0.0	0.9	0.9	0.0
Cash and Cash Equivalents	121.6	154.1	69.3	-84.8
Total Debt	72.0	59.4	52.4	-6.9

<Investing Activities>

Acquisition of John Frieda

Capital expenditure: New production equipment, capacity increases, expansion of distribution facilities and development of information system

<Financing Activities>

Share repurchase from the market: 12.5 million shares/34.6 billion yen

2. Forecast for FY 2002

Consolidated Sales and Profit Forecast

	FY2000		FY2001		FY2002(F)	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	821.6	-3.0	839.0	2.1	870.0	3.7
Operating Income	107.0	8.0	111.7	4.3	114.0	2.0
<% to Sales>	<13.0>		<13.3>		<13.1>	
Ordinary Income	111.8	14.1	113.5	1.5	114.0	0.4
<% to Sales>	<13.6>		<13.5>		<13.1>	
Net Income	59.4	14.0	60.2	1.4	63.0	4.5
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Net Income per Share (yen)	96.69	15.9	100.43	3.9	108.70*	8.2
ROE	12.7%		13.1%		13.9%*	
EBITDA (Operating Income + Depr. & Amort.)	165.9		170.2		170.3	
Dividend per Share (yen)	24.0		26.0		30.0	

*The calculation is based on the estimated average outstanding shares for FY2002.



Sales Outlook by Segment – FY2002

<Billion yen>

Consolidated Net Sales 870.0 +3.7%

By Geography

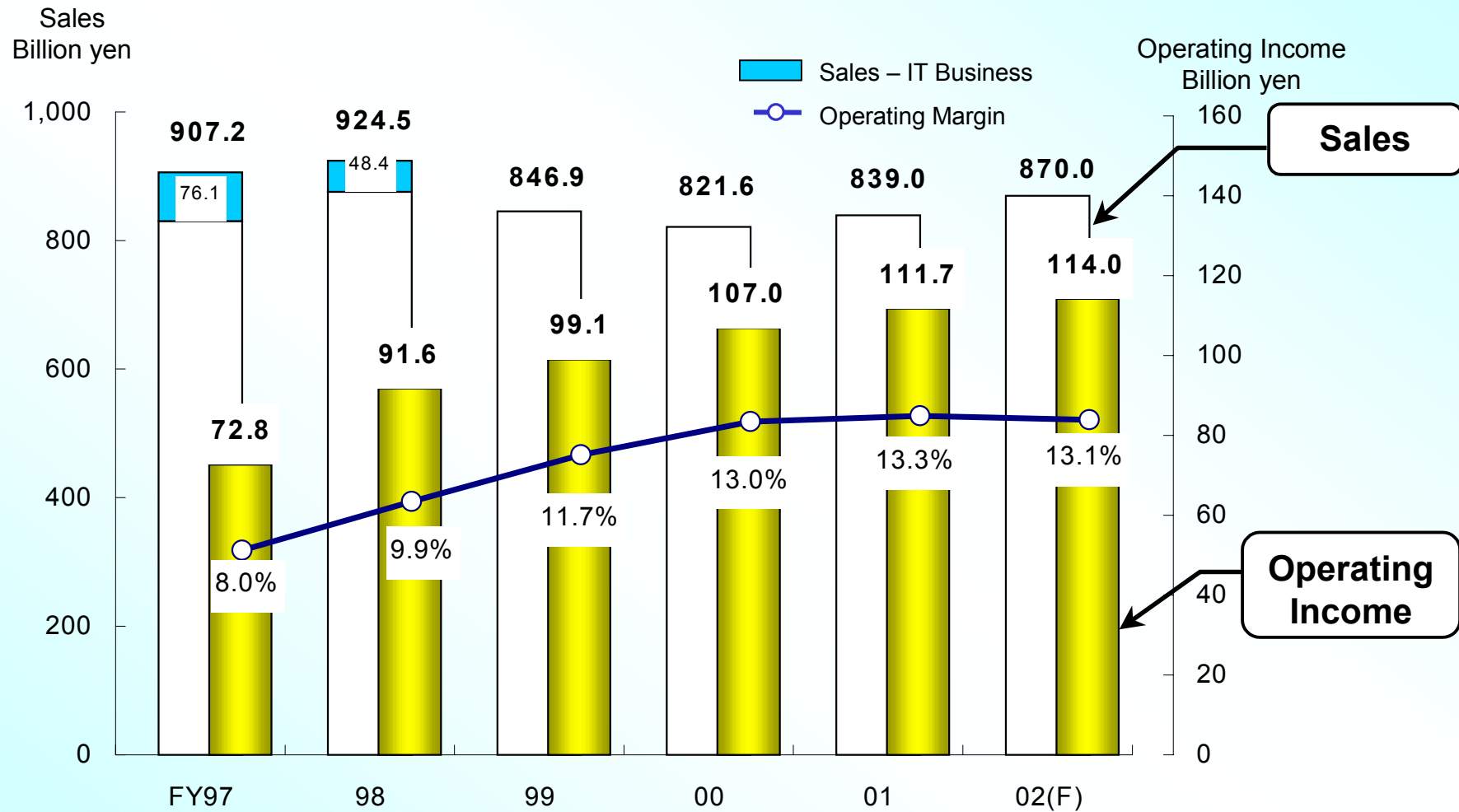
Japan	650.0	+0.3%
Asia & Oceania	102.0	+9.1%
North America	82.0	+16.7%
Europe	67.0	+16.3%

By Business

Consumer Products	651.0	+4.0%
Cosmetics (Sofina)	75.0	+1.1%
Chemical Products	170.0	+4.4%

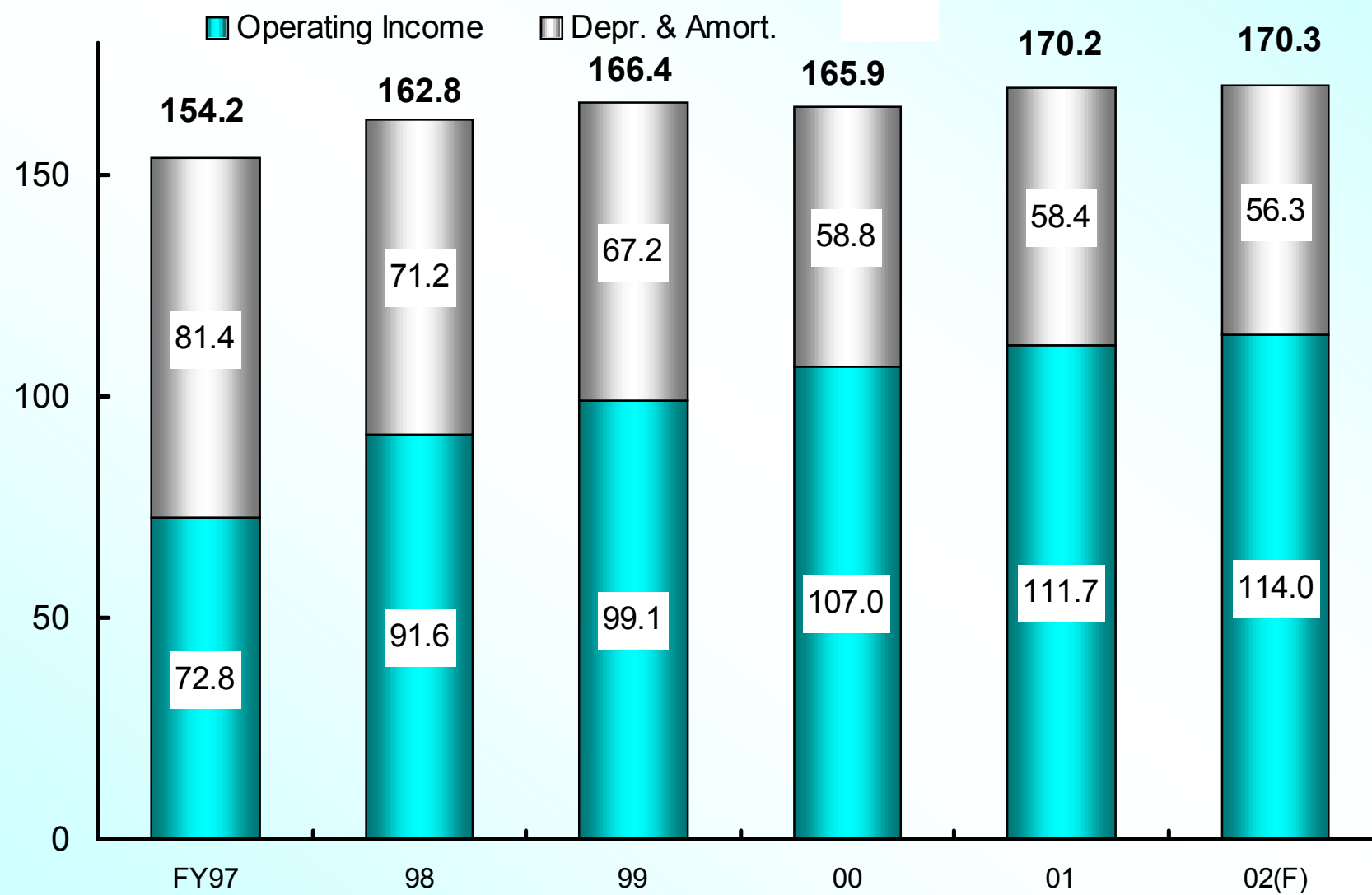
Consolidated Sales/Operating Margin

[Full Year]

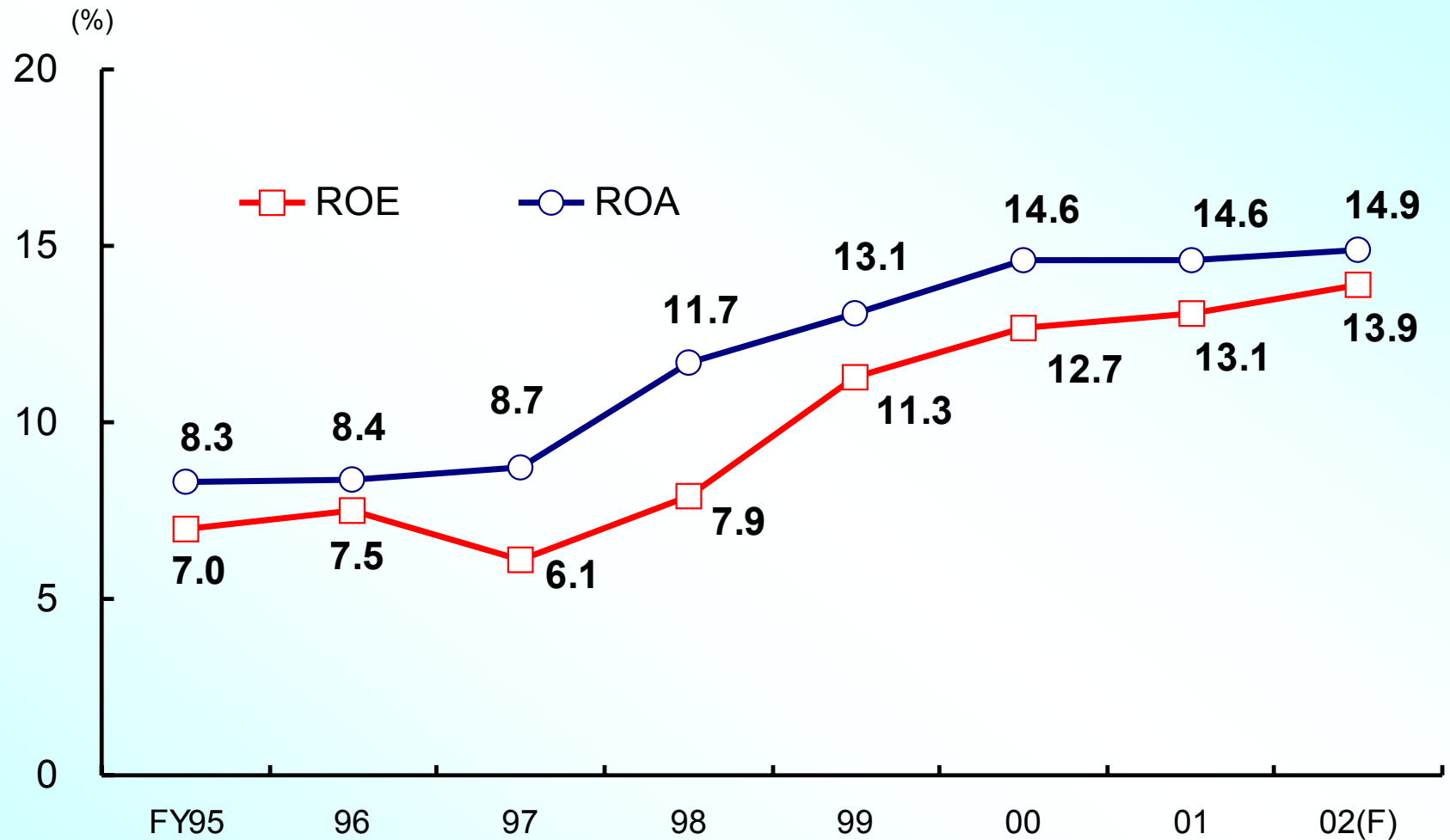


EBITDA

Billion yen



ROE & ROA

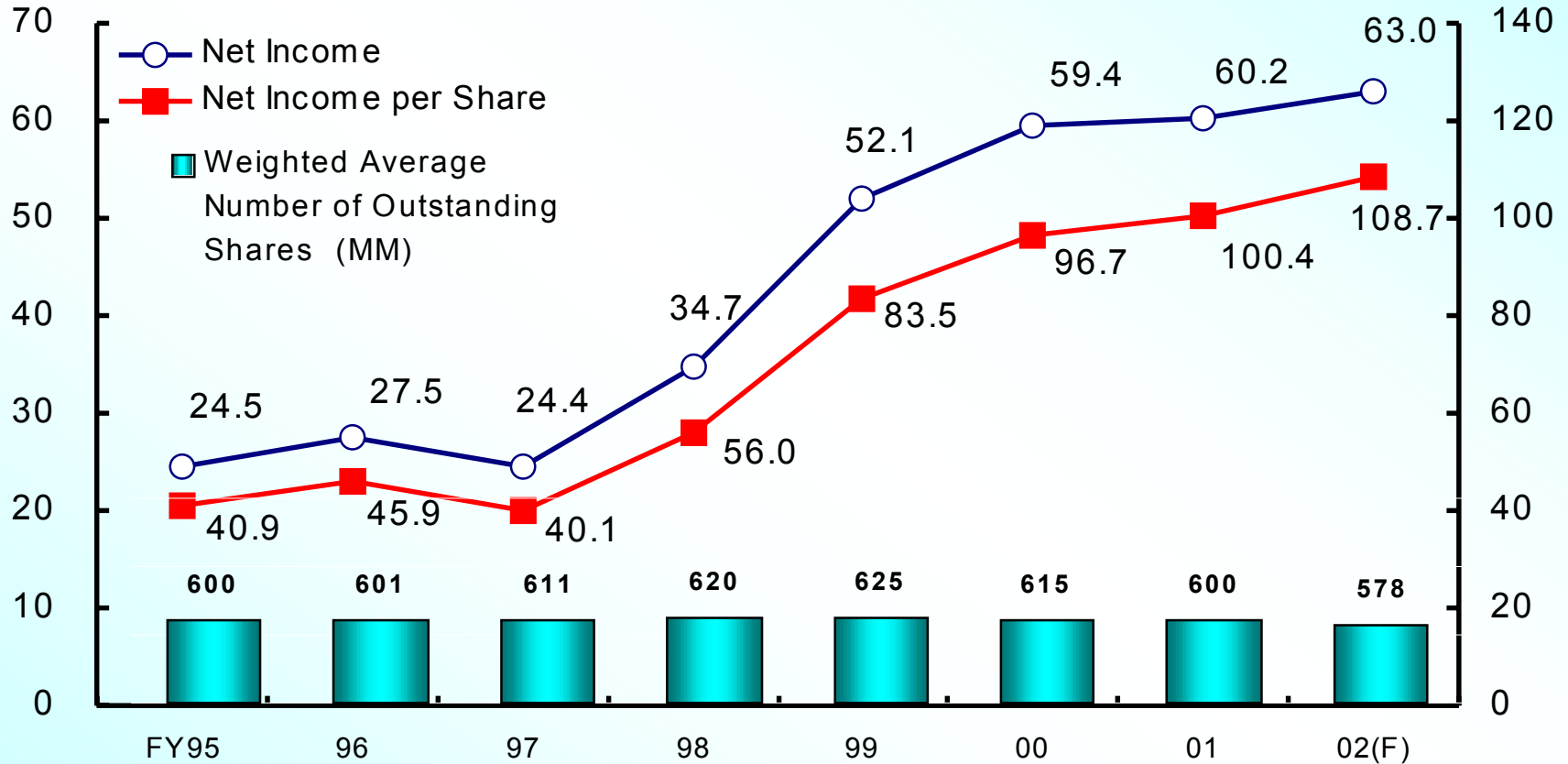


ROA: Ordinary Income / Total assets
Ordinary Income: Business tax has been adjusted prior to FY97

Net Income per Share (Consolidated)

Net Income
(Billion yen)

Net Income
per Share
(yen)

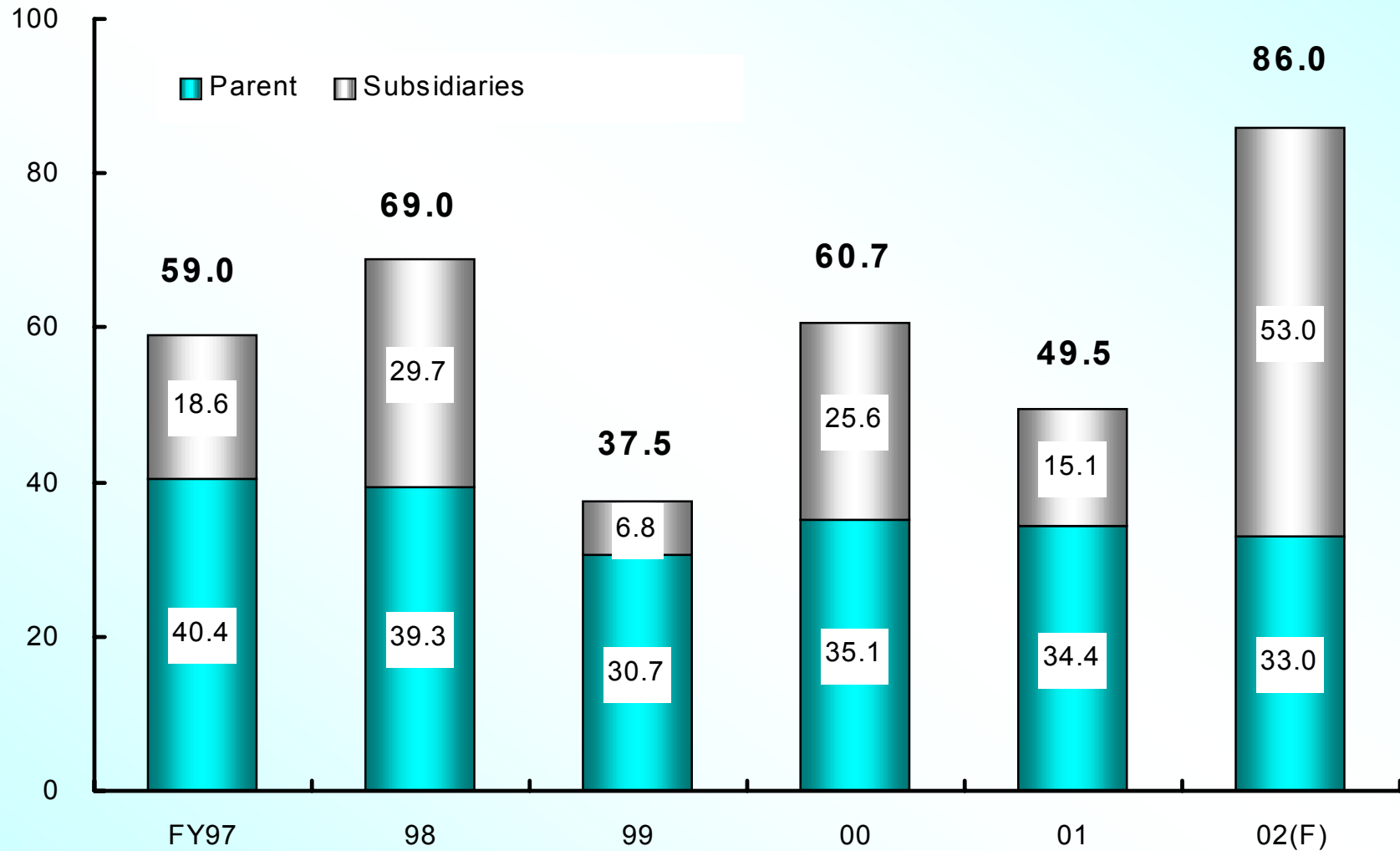


*Previous forecast

Net Income: 62.0 billion yen
 EPS: 105.1 yen
 # of Shares: 590 million

Consolidated Capital Expenditures

(Billion yen)



Non-consolidated Sales and Profit Forecast

	FY2000		FY2001		FY2002(F)	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	660.4	-1.0	654.1	-0.9	655.0	0.1
Operating Income <% to Sales>	92.3 <14.0>	1.4	92.4 <14.1>	0.1	94.0 <14.4>	1.7
Ordinary Income <% to Sales>	98.3 <14.9>	7.2	98.5 <15.1>	0.1	98.0 <15.0>	-0.5
Net Income <% to Sales>	52.2 <7.9>	22.9	55.5 <8.5>	6.3	56.0 <8.5>	0.9

Net Income per Share (yen)	84.72	24.6	92.25	8.9	96.50	4.6
ROE	11.1%		11.8%		12.2%	
EBITDA (Operating Income + Depr. & Amort.)	138.2		136.4		135.7	

