

Kao Corporation

News Release

July 22, 2003

Summary of Consolidated Business Results for the First Quarter Ended June 30, 2003

Tokyo, July 22, 2003 — Kao Corporation today announced consolidated business results for the three months ended June 30, 2003, the first quarter of the year ending March 31, 2004. The following summary of the business results that Kao submitted to the Tokyo Stock Exchange is unaudited and for reference only.

Ticker code: 4452

Consolidated Financial Highlights (Unaudited)

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

	First quarter ended June 30			Fiscal 2002, ended	
	2003	2002	Change	2003 (US\$)	March 31, 2003
	Yen		%	U.S. dollars	Yen
Net sales	¥212,420	¥208,844	1.7	\$1,773.1	¥865,247
Operating income	27,395	30,610	(10.5)	228.7	114,914
Ordinary income	28,522	31,642	(9.9)	238.1	117,487
Net income	15,167	16,889	(10.2)	126.6	62,462
Total assets	695,504	750,425	(7.3)	5,805.5	720,849
Total shareholders' equity	410,774	455,872	(9.9)	3,428.8	417,030
Shareholders' equity/total assets	59.1%	60.7%	-	-	57.9%
Shareholders' equity per share (yen/US\$)	742.17	779.19	(4.8)	6.20	744.56
Net income per share (yen/US\$)	27.31	28.74	(5.0)	0.23	108.05
Net income per share, diluted (yen/US\$)	26.17	27.59	(5.1)	0.22	103.69
Net cash provided by operating activities	3,258	-		27.2	134,179
Net cash used in investing activities	(6,021)	-		(50.3)	(77,568)
Net cash used in financing activities	(19,581)	-		(163.4)	(104,186)
Cash and cash equivalents	56,152	-		468.7	75,684

Notes:

1. Net income per share is computed based on the weighted average number of shares outstanding during the corresponding periods.
2. U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2003, of yen 119.80=US\$1, and are included solely for the convenience of readers.
3. Consolidated statements of cash flows for the first quarter of fiscal year 2002 are not available.
4. Yen amounts are rounded down to the nearest million.
5. Change in scope of consolidation:

Consolidated subsidiaries	(addition)	5
Equity method companies	(addition)	1

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Forecast of Consolidated Results for the Six Months Ending September 30, 2003 and the Year Ending March 31, 2004

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

	Six months ending September 30, 2003		Year ending March 31, 2004	
	Yen	U.S. dollars	Yen	U.S. dollars
Net sales	¥445,000	\$3,714.5	¥895,000	\$7,470.8
Ordinary income	59,000	492.5	118,000	985.0
Net income	31,000	258.8	64,000	534.2
Net income per share (yen/US\$)	-	-	116.65	0.97

Forecast of Non-consolidated Results for the Six Months Ending September 30, 2003 and the Year Ending March 31, 2004

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

	Six months ending September 30, 2003		Year ending March 31, 2004	
	Yen	U.S. dollars	Yen	U.S. dollars
Net sales	¥330,000	\$2,754.6	¥650,000	\$5425.7
Ordinary income	54,000	450.8	103,000	859.8
Net income	30,500	254.6	59,000	492.5
Net income per share (yen/US\$)	-	-	107.54	0.90

Notes:

1. The forecast for the six months ending September 30, 2003 and the year ending March 31, 2004 are unchanged from April 22, 2003. However, EPS has been adjusted to reflect a decrease in the number of shares outstanding due to the repurchase of additional shares during the current fiscal year.
2. Net income per share is computed based on the weighted average number of shares outstanding during the fiscal year.
3. U.S. dollar amounts represent translations using the approximate exchange rate on June 30, 2003, of yen 119.80=US\$1, and are included 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. 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.

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Summary of Consolidated Business Results for the First Quarter Ended June 30, 2003

Business Results

Consolidated net sales for the three months ended June 30, 2003, the first quarter of the year ending March 31, 2004, increased 1.7 percent, or 3.5 billion yen, from the same quarter a year earlier to 212.4 billion yen. In Japan, the economic slump and declining sales prices of consumer products negatively impacted sales. The appreciation of the yen exerted a negative effect on overseas sales when translated into yen totaling 2.3 billion yen, although acquisitions in the consumer products business in North America and Europe supported sales. Earnings reflected aggressive investment in marketing centered on new products launched during the spring in the Japanese consumer products market and higher prices for fatty alcohol raw materials. Operating income decreased by 3.2 billion yen to 27.3 billion yen. Ordinary income decreased 3.1 billion yen to 28.5 billion yen. Net income for the first quarter decreased 1.7 billion yen to 15.1 billion yen. These results are all in line with the forecasts announced on April 22, 2003.

Summary of Information by Business Segment

Consumer Products Business

Segment sales increased 1.3 percent from the same quarter a year earlier to 155.7 billion yen. Excluding the negative currency translation effect on overseas sales due to the appreciation of the yen, segment sales would have increased 2.4 percent from the same quarter a year earlier. Sales in Japan decreased 0.6 billion yen from the same quarter a year earlier. Overseas sales increased from the same quarter a year earlier because the benefit of acquisitions compensated for the negative effect of 1.7 billion yen in translating overseas sales into yen.

1. Japan

Sales in Japan decreased 0.6 percent from the same quarter a year earlier to 117.8 billion yen. Retail sales continued to decrease, while consumer spending remained weak. By sales channel, drugstore sales increased, while sales at general merchandise stores (GMS) and supermarkets continued to perform poorly. Sales at convenience stores and home improvement stores increased marginally. Kao's marketing and sales divisions continued to work in close cooperation to promote aggressive marketing activities at each chain store and in each region.

Personal Care Products: Moving to strengthen brand loyalty for *Bioré*, in spring 2003 Kao launched *Bioré Perfect Oil* makeup remover and *Bioré Mild-Acid UV Cut* sunscreen lotion. *Clear Clean Plus Whitening* toothpaste, which employs the power of malic acid and granules to lift away yellowish surface stains, generated higher sales than projected. Competition intensified in the

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shampoo, conditioner and hair coloring categories. Sales increased 1.5 percent from the same quarter a year earlier to 40.5 billion yen.

Fabric and Home Care: The spring 2003 launch of new *Attack with Bleach* laundry detergent, which is formulated to remove stains, whiten laundry and eliminate bacteria, fortified the *Attack* brand. Also, consumers responded well to the product features of *Allerclean* home hygiene spray. It is a daily-use cleaning spray for easy removal of minute dust particles and waste generated by mites, which is hard to eliminate by vacuuming or airing bedding. The laundry finishing category, including fabric softeners, was impacted by lower retail prices. Sales fell 3.9 percent from the same quarter a year earlier to 56.5 billion yen.

Feminine Care, Baby Care and Others: Sales increased 5.0 percent from the same quarter a year earlier to 20.8 billion yen. In the Feminine and Baby Care category, the *Laurier* sanitary napkin brand continued to perform well. Sales of *Relief* brand adult incontinence products outpaced overall market growth. In the disposable baby diaper category, Kao added value to the *Merries* brand with two-way diapers that can be fastened at the front or back to reduce the stress of changing diapers. In the Health Care (Functional Food) category, sales of the *Econa* lineup of healthy functional cooking oils and related products continued to expand firmly, with sales of *Econa Healthy Mayonnaise* meeting projections. Reception among consumers was enthusiastic for *Healthya Green Tea*, a bottled tea for which Kao received permission from the Ministry of Health, Labour and Welfare to label as a Food for Specified Health Use with the claim that the product is suitable for people who are concerned about body fat. *Healthya Green Tea* was launched late May 2003 in selected markets in Tokyo and surrounding areas.

2. Overseas

Attack laundry detergent and *Laurier* sanitary napkins performed well in China. The launch of skin care product *Bioré Bright White* in several ASEAN countries contributed to sales growth, and sales of *Laurier* in Thailand and *Attack* in Indonesia were solid. The markets of Hong Kong and Taiwan were sluggish, which affected sales.

Kao generated overall double-digit sales growth in North America and Europe, including the contribution of solid sales from John Frieda Professional Hair Care, Inc., which Kao acquired in September 2002. In February 2003, Kao also began test marketing *ENOVA (Econa Healthy Cooking Oil)* in Chicago and Atlanta in the United States.

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Prestige Cosmetics Business

In the cosmetics market, sales of low-priced cosmetics increased, while sales of high-priced prestige cosmetics were stagnant. Segment sales increased 0.5 percent from the same quarter a year earlier to 19.6 billion yen.

Given these market conditions, Kao generated solid sales growth by strengthening its products under the *Sofina* brand in ways such as improving the basic care products *UV Cut Milk/Cream*, the *Very Very* series and the foundation *Raycious*. Moreover, Kao strengthened marketing activities to acquire new customers for the *est* line of cosmetics sold only through department stores.

Chemical Products Business

Segment sales increased 2.6 percent from the same quarter a year earlier to 43.4 billion yen. Excluding the negative currency translation effect on overseas sales due to the appreciation of the yen, segment sales would have increased 3.8 percent from the same quarter a year earlier. Sales in Japan increased 2.7 percent from the same quarter a year earlier. Overseas sales grew steadily, although there was a 0.5 billion yen negative translation effect from the appreciation of the yen.

1. Japan

In the markets for existing oleochemicals and industrial-use chemical products, stagnant conditions among customer industries impacted sales. Kao concentrated on generating growth in sales of refrigerant oils for air conditioners and bulking agents for paper production. Customers responded favorably to newly developed products such as pigment auxiliary for color inkjet printer ink because of their outstanding product features, and slurries for use in polishing hard disks also contributed to sales growth because they meet customer needs. In the specialty chemical business, sales of toner and toner binder, including exports, increased solidly. As a result, sales increased 2.7 percent to 25.2 billion yen from the same quarter a year earlier.

2. Overseas

Sales of superplasticizers for raw concrete expanded in China and the ASEAN countries, where demand is brisk. In addition, the expansion of fatty alcohol production capacity in Malaysia during 2002 supported increased global sales of fatty alcohols. Sales of toner and toner binder and aroma chemicals in North America and Europe were firm.

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Financial Condition

As of June 30, 2003, total assets were 695.5 billion yen, a decrease of 25.3 billion yen compared to the end of the previous fiscal year on March 31, 2003. The main factor in this change was the 21.5 billion yen decrease caused by the sale of marketable securities, which was carried out primarily to cover payments of taxes and cash dividends, and the repurchase of approximately 6 million shares of the Company's stock. Moreover, shareholders' equity decreased 6.2 billion yen compared to March 31, 2003 to 410.7 billion yen because payments for cash dividends and the repurchase of the Company's stock exceeded net income for the first quarter. The shareholders' equity ratio increased from 57.9 percent to 59.1 percent.

In cash flows, operating activities included income before income taxes and minority interests of 28.8 billion yen and depreciation and amortization totaling 12.8 billion yen, although income taxes paid were 27.8 billion yen. In investing activities, purchase of tangible and intangible assets was 14.3 billion yen. In financing activities, Kao repurchased shares of the Company's stock valued at 14.0 billion yen as it continued to work to raise returns to shareholders and capital efficiency. As a result of these activities, the balance of cash and cash equivalents at the end of the first quarter was 56.1 billion yen, 19.5 billion yen less than the balance at the end of the previous fiscal year.

Forecast for the Fiscal Year Ending March 31, 2004

The operating environment remains challenging due to factors such as the deflationary environment in the Japanese consumer products market. Consolidated results for the first quarter were in line with Kao's plan and Kao expects to achieve its performance projections for the year ending March 31, 2004, which were announced on April 22, 2003. The same is true of projections of non-consolidated results.

Consolidated Balance Sheets

Kao Corporation
July 22, 2003

Millions of yen

	(A) Q1/FY2003	Composition	(B) FY2002	Composition	Inc/(Dec)	Q1/FY2002	Composition
	Jun 30, 2003	%	Mar 31, 2003	%	(A-B)	Jun 30, 2002	%
Assets							
Current assets	256,519	36.9	276,012	38.3	(19,493)	336,676	44.9
Cash and time deposits	32,446		36,245		(3,798)	28,829	
Notes and accounts receivable - trade	95,679		94,939		740	108,828	
Short-term investments	24,759		46,298		(21,539)	100,328	
Inventories	78,275		70,923		7,351	71,724	
Other	25,357		27,605		(2,247)	26,965	
Fixed assets	438,867	63.1	444,702	61.7	(5,835)	413,574	55.1
Tangible assets	273,834		275,420		(1,585)	293,146	
Intangible assets	105,629		104,115		1,514	59,091	
Other	59,403		65,167		(5,763)	61,337	
Deferred assets	117	0.0	133	0.0	(16)	174	0.0
Total assets	695,504	100.0	720,849	100.0	(25,344)	750,425	100.0
Liabilities							
Current liabilities	181,720	26.1	201,880	28.0	(20,159)	194,521	25.9
Notes and accounts payable - trade	65,015		60,597		4,418	69,415	
Short-term debt	15,258		13,164		2,094	17,463	
Accrued expenses	58,768		61,045		(2,277)	56,547	
Other	42,678		67,072		(24,394)	51,095	
Long-term liabilities	80,310	11.5	79,370	11.0	940	76,916	10.3
Long-term debt	35,639		35,606		32	35,891	
Liability for employee retirement benefits	32,097		31,506		590	25,697	
Other	12,574		12,257		317	15,328	
Total liabilities	262,031	37.6	281,250	39.0	(19,219)	271,437	36.2
Minority interests	22,697	3.3	22,567	3.1	130	23,115	3.1
Common stock	85,424	12.3	85,424	11.9	-	85,417	11.4
Capital surplus	108,888	15.7	108,888	15.1	-	108,881	14.5
Retained earnings	362,427	52.1	355,805	49.4	6,622	318,905	42.4
Unrealized gain on available-for-sale securities	2,181	0.3	1,710	0.2	470	2,867	0.4
Foreign currency translation adjustments	(29,680)	(4.3)	(30,460)	(4.2)	779	(21,824)	(2.9)
Treasury stock, at cost	(118,467)	(17.0)	(104,338)	(14.5)	(14,128)	(38,375)	(5.1)
Shareholders' equity	410,774	59.1	417,030	57.9	(6,255)	455,872	60.7
Total liabilities, minority interests & shareholders' equity	695,504	100.0	720,849	100.0	(25,344)	750,425	100.0

Consolidated Statements of Income

Millions of yen

	(A) Q1/FY2003	% to	(B) Q1/FY2002	% to	Inc/(Dec)	FY2002	% to
	Apr - Jun 2003	net sales	Apr - Jun 2002	net sales	(A-B)	Apr '02 - Mar '03	net sales
Net sales	212,420	100.0	208,844	100.0	3,576	865,247	100.0
Cost of sales	87,156	41.0	86,639	41.5	516	365,591	42.3
Gross profit	125,263	59.0	122,204	58.5	3,059	499,655	57.7
Selling, general and administrative expenses	97,868	46.1	91,593	43.8	6,275	384,740	44.4
Operating income	27,395	12.9	30,610	14.7	(3,215)	114,914	13.3
Non-operating income	1,546	0.7	1,616	0.8	(70)	5,597	0.6
Interest and dividend income	369		398		(29)	1,400	
Equity in earnings of nonconsolidated subsidiaries and affiliates	225		447		(222)	1,257	
Other	951		770		180	2,939	
Non-operating expenses	418	0.2	585	0.3	(166)	3,025	0.3
Interest expense	254		287		(32)	1,591	
Other	163		298		(134)	1,433	
Ordinary income	28,522	13.4	31,642	15.2	(3,119)	117,487	13.6
Extraordinary income	603	0.3	303	0.1	300	8,993	1.0
Extraordinary loss	313	0.1	364	0.2	(51)	13,908	1.6
Income before income taxes and minority interests	28,812	13.6	31,580	15.1	(2,767)	112,571	13.0
Income taxes	13,268	6.3	13,998	6.7	(730)	47,647	5.5
Minority interests in earnings of consolidated subsidiaries	376	0.2	691	0.3	(315)	2,461	0.3
Net income	15,167	7.1	16,889	8.1	(1,721)	62,462	7.2

Consolidated Statements of Cash Flows

Millions of yen

	Q1/FY2003 Apr - Jun 2003	FY2002 Apr '02 - Mar '03
Operating activities:		
Income before income taxes and minority interests	28,812	112,571
Adjustments for:		
Depreciation and amortization	12,889	58,310
Interest and dividend income	(369)	(1,400)
Interest expense	254	1,591
Change in trade receivables	(837)	11,868
Change in inventories	(6,126)	(1,309)
Change in trade payables	4,755	(8,869)
Change in liability for retirement benefits	522	8,327
Other, net	(8,930)	5,972
Sub-total	30,971	187,061
Interest and cash dividends received	411	1,836
Interest paid	(238)	(1,563)
Income taxes paid	(27,885)	(53,155)
Net cash provided by operating activities	3,258	134,179
Investing activities:		
Purchase of marketable securities and investment securities	(7)	(10,964)
Proceeds from the redemption and sales of marketable securities and investment securities	7,836	37,930
Purchase of property, plant and equipment	(9,443)	(43,319)
Proceeds from sales of property, plant and equipment	1,083	1,116
Increase in intangible assets	(4,940)	(46,185)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired	-	(13,509)
Increase in long-term loans receivable	(191)	(966)
Other, net	(358)	(1,671)
Net cash used in investing activities	(6,021)	(77,568)
Financing activities:		
Change in short-term debt	1,799	(4,225)
Repayments of medium-term notes	-	(2,575)
Purchase of treasury stock	(14,042)	(80,320)
Payments of cash dividends	(7,291)	(16,341)
Payments of cash dividends to minority interests	(221)	(723)
Other, net	173	-
Net cash used in financing activities	(19,581)	(104,186)
Translation adjustments on cash and cash equivalents	116	(2,656)
Net increase (decrease) in cash and cash equivalents	(22,227)	(50,232)
Cash and cash equivalents, beginning of year	75,684	124,921
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	2,695	995
Cash and cash equivalents, end of year	56,152	75,684

Note: Consolidated statements of cash flows for the first quarter of fiscal year 2002 are not available.

Segment Information

Millions of yen

Q1/FY2003

Apr - Jun 2003

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	155,779	19,652	36,988	212,420	-	212,420
Intersegment sales	-	-	6,425	6,425	(6,425)	-
Total	155,779	19,652	43,413	218,845	(6,425)	212,420
Operating income	19,659	2,691	4,892	27,242	152	27,395
% to sales	12.6	13.7	11.3	12.4	-	12.9

Q1/FY2002

Apr - Jun 2002

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	153,784	19,556	35,503	208,844	-	208,844
Intersegment sales	-	-	6,809	6,809	(6,809)	-
Total	153,784	19,556	42,312	215,653	(6,809)	208,844
Operating income	22,044	2,619	5,814	30,479	131	30,610
% to sales	14.3	13.4	13.7	14.1	-	14.7

FY2002

Apr '02 - Mar '03

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	646,413	75,832	143,001	865,247	-	865,247
Intersegment sales	-	-	27,934	27,934	(27,934)	-
Total	646,413	75,832	170,935	893,181	(27,934)	865,247
Operating income	90,351	5,274	18,203	113,829	1,085	114,914
% to sales	14.0	7.0	10.6	12.7	-	13.3

Sales Composition

Millions of yen

	Q1/FY2003	Q1/FY2002	Growth	FY2002
	Apr - Jun 2003	Apr - Jun 2002	%	Apr '02 - Mar '03
Consumer Products				
Personal Care	40,523	39,922	1.5	165,583
Fabric and Home Care	56,508	58,793	(3.9)	248,978
Feminine Care, Baby Care and Others	20,852	19,856	5.0	86,298
Total Japan	117,885	118,572	(0.6)	500,860
Asia and Oceania	15,077	16,141	(6.6)	64,172
North America and Europe	24,313	20,437	19.0	87,531
Eliminations	(1,497)	(1,367)	-	(6,150)
Total	155,779	153,784	1.3	646,413
Prestige Cosmetics	19,652	19,556	0.5	75,832
Chemical Products				
Japan	25,247	24,584	2.7	101,909
Asia	9,836	9,108	8.0	38,385
North America and Europe	13,754	13,201	4.2	51,296
Eliminations	(5,424)	(4,581)	-	(20,656)
Total	43,413	42,312	2.6	170,935
Total before Corporate/Eliminations	218,845	215,653	1.5	893,181
Corporate/Eliminations	(6,425)	(6,809)	-	(27,934)
Consolidated Net Sales	212,420	208,844	1.7	865,247

Consolidated Balance Sheets

Kao Corporation
July 22, 2003

Millions of US\$

	(A) Q1/FY2003	Composition	(B) FY2002	Composition	Inc/(Dec)	Q1/FY2002	Composition
	Jun 30, 2003	%	Mar 31, 2003	%	(A-B)	Jun 30, 2002	%
Assets							
Current assets	2,141.2	36.9	2,304.0	38.3	(162.8)	2,810.3	44.9
Cash and time deposits	270.8		302.5		(31.7)	240.6	
Notes and accounts receivable - trade	798.7		792.5		6.2	908.4	
Short-term investments	206.7		386.5		(179.8)	837.5	
Inventories	653.4		592.0		61.4	598.7	
Other	211.6		230.5		(18.9)	225.1	
Fixed assets	3,663.3	63.1	3,712.0	61.7	(48.7)	3,452.2	55.1
Tangible assets	2,285.8		2,299.0		(13.2)	2,447.0	
Intangible assets	881.7		869.1		12.6	493.2	
Other	495.8		543.9		(48.1)	512.0	
Deferred assets	1.0	0.0	1.1	0.0	(0.1)	1.5	0.0
Total assets	5,805.5	100.0	6,017.1	100.0	(211.6)	6,264.0	100.0
Liabilities							
Current liabilities	1,516.8	26.1	1,685.2	28.0	(168.4)	1,623.8	25.9
Notes and accounts payable - trade	542.7		505.8		36.9	579.4	
Short-term debt	127.4		109.9		17.5	145.8	
Accrued expenses	490.6		509.6		(19.0)	472.0	
Other	356.1		559.9		(203.8)	426.6	
Long-term liabilities	670.4	11.5	662.5	11.0	7.9	642.0	10.3
Long-term debt	297.5		297.2		0.3	299.6	
Liability for employee retirement benefits	267.9		263.0		4.9	214.5	
Other	105.0		102.3		2.7	127.9	
Total liabilities	2,187.2	37.6	2,347.7	39.0	(160.5)	2,265.8	36.2
Minority interests	189.5	3.3	188.3	3.1	1.2	192.9	3.1
Common stock	713.1	12.3	713.1	11.9	-	713.0	11.4
Capital surplus	908.9	15.7	908.9	15.1	-	908.9	14.5
Retained earnings	3,025.3	52.1	2,970.0	49.4	55.3	2,662.0	42.4
Unrealized gain on available-for-sale securities	18.2	0.3	14.3	0.2	3.9	23.9	0.4
Foreign currency translation adjustments	(247.7)	(4.3)	(254.3)	(4.2)	6.6	(182.2)	(2.9)
Treasury stock, at cost	(989.0)	(17.0)	(870.9)	(14.5)	(118.1)	(320.3)	(5.1)
Shareholders' equity	3,428.8	59.1	3,481.1	57.9	(52.3)	3,805.3	60.7
Total liabilities, minority interests & shareholders' equity	5,805.5	100.0	6,017.1	100.0	(211.6)	6,264.0	100.0

*Exchange rate: 119.80yen=US\$1 for reference only

Consolidated Statements of Income

Millions of US\$

	(A) Q1/FY2003	% to	(B) Q1/FY2002	% to	Inc/(Dec)	FY2002	% to
	Apr - Jun 2003	net sales	Apr - Jun 2002	net sales	(A-B)	Apr '02 - Mar '03	net sales
Net sales	1,773.1	100.0	1,743.3	100.0	29.8	7,222.4	100.0
Cost of sales	727.5	41.0	723.2	41.5	4.3	3,051.7	42.3
Gross profit	1,045.6	59.0	1,020.1	58.5	25.5	4,170.7	57.7
Selling, general and administrative expenses	816.9	46.1	764.6	43.8	52.3	3,211.5	44.4
Operating income	228.7	12.9	255.5	14.7	(26.8)	959.2	13.3
Non-operating income	12.9	0.7	13.5	0.8	(0.6)	46.7	0.6
Interest and dividend income	3.1		3.3		(0.2)	11.7	
Equity in earnings of nonconsolidated subsidiaries and affiliates	1.9		3.7		(1.8)	10.5	
Other	7.9		6.5		1.4	24.5	
Non-operating expenses	3.5	0.2	4.9	0.3	(1.4)	25.2	0.3
Interest expense	2.1		2.4		(0.3)	13.3	
Other	1.4		2.5		(1.1)	11.9	
Ordinary income	238.1	13.4	264.1	15.2	(26.0)	980.7	13.6
Extraordinary income	5.0	0.3	2.5	0.1	2.5	75.1	1.0
Extraordinary loss	2.6	0.1	3.0	0.2	(0.4)	116.1	1.6
Income before income taxes and minority interests	240.5	13.6	263.6	15.1	(23.1)	939.7	13.0
Income taxes	110.8	6.3	116.8	6.7	(6.0)	397.8	5.5
Minority interests in earnings of consolidated subsidiaries	3.1	0.2	5.8	0.3	(2.7)	20.5	0.3
Net income	126.6	7.1	141.0	8.1	(14.4)	521.4	7.2

*Exchange rate: 119.80yen=US\$1 for reference only

Consolidated Statements of Cash Flows

Millions of US\$

	Q1/FY2003 Apr - Jun 2003	FY2002 Apr '02 - Mar '03
Operating activities:		
Income before income taxes and minority interests	240.5	939.7
Adjustments for:		
Depreciation and amortization	107.6	486.7
Interest and dividend income	(3.1)	(11.7)
Interest expense	2.1	13.3
Change in trade receivables	(7.0)	99.1
Change in inventories	(51.1)	(10.9)
Change in trade payables	39.7	(74.0)
Change in liability for retirement benefits	4.4	69.5
Other, net	(74.6)	49.7
Sub-total	258.5	1,561.4
Interest and cash dividends received	3.4	15.3
Interest paid	(2.0)	(13.0)
Income taxes paid	(232.7)	(443.7)
Net cash provided by operating activities	27.2	1,120.0
Investing activities:		
Purchase of marketable securities and investment securities	(0.1)	(91.5)
Proceeds from the redemption and sales of marketable securities and investment securities	65.4	316.6
Purchase of property, plant and equipment	(78.8)	(361.6)
Proceeds from sales of property, plant and equipment	9.0	9.3
Increase in intangible assets	(41.2)	(385.5)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired	-	(112.8)
Increase in long-term loans receivable	(1.6)	(8.1)
Other, net	(3.0)	(13.9)
Net cash used in investing activities	(50.3)	(647.5)
Financing activities:		
Change in short-term debt	15.0	(35.3)
Repayments of medium-term notes	-	(21.5)
Purchase of treasury stock	(117.2)	(670.5)
Payments of cash dividends	(60.9)	(136.4)
Payments of cash dividends to minority interests	(1.8)	(6.0)
Other, net	1.5	-
Net cash used in financing activities	(163.4)	(869.7)
Translation adjustments on cash and cash equivalents	1.0	(22.1)
Net increase (decrease) in cash and cash equivalents	(185.5)	(419.3)
Cash and cash equivalents, beginning of year	631.7	1,042.8
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	22.5	8.3
Cash and cash equivalents, end of year	468.7	631.8

Note: Consolidated statements of cash flows for the first quarter of fiscal year 2002 are not available.

*Exchange rate: 119.80yen=US\$1 for reference only

Segment Information

Millions of US\$

Q1/FY2003

Apr - Jun 2003

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	1,300.3	164.0	308.8	1,773.1	-	1,773.1
Intersegment sales	-	-	53.7	53.7	(53.7)	-
Total	1,300.3	164.0	362.5	1,826.8	(53.7)	1,773.1
Operating income	164.1	22.5	40.8	227.4	1.3	228.7
% to sales	12.6	13.7	11.3	12.4	-	12.9

Q1/FY2002

Apr - Jun 2002

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	1,283.7	163.2	296.4	1,743.3	-	1,743.3
Intersegment sales	-	-	56.8	56.8	(56.8)	-
Total	1,283.7	163.2	353.2	1,800.1	(56.8)	1,743.3
Operating income	184.0	21.9	48.5	254.4	1.1	255.5
% to sales	14.3	13.4	13.7	14.1	-	14.7

FY2002

Apr '02 - Mar '03

	Consumer Products	Prestige Cosmetics	Chemical Products	Total	Corporate/ Eliminations	Consolidated
Net sales						
Sales to customers	5,395.8	633.0	1,193.6	7,222.4	-	7,222.4
Intersegment sales	-	-	233.2	233.2	(233.2)	-
Total	5,395.8	633.0	1,426.8	7,455.6	(233.2)	7,222.4
Operating income	754.2	44.0	152.0	950.2	9.0	959.2
% to sales	14.0	7.0	10.6	12.7	-	13.3

*Exchange rate: 119.80yen=US\$1 for reference only

Sales Composition

Millions of US\$

	Q1/FY2003	Q1/FY2002	Growth	FY2002
	Apr - Jun 2003	Apr - Jun 2002	%	Apr '02 - Mar '03
Consumer Products				
Personal Care	338.3	333.2	1.5	1,382.2
Fabric and Home Care	471.7	490.8	(3.9)	2,078.3
Feminine Care, Baby Care and Other	174.1	165.7	5.0	720.4
Total Japan	984.1	989.7	(0.6)	4,180.9
Asia and Oceania	125.9	134.7	(6.6)	535.7
North America and Europe	202.9	170.6	19.0	730.6
Eliminations	(12.6)	(11.3)	-	(51.4)
Total	1,300.3	1,283.7	1.3	5,395.8
Prestige Cosmetics	164.0	163.2	0.5	633.0
Chemical Products				
Japan	210.7	205.2	2.7	850.7
Asia	82.1	76.0	8.0	320.4
North America and Europe	114.8	110.2	4.2	428.2
Eliminations	(45.1)	(38.2)	-	(172.5)
Total	362.5	353.2	2.6	1,426.8
Total before Corporate/Eliminations	1,826.8	1,800.1	1.5	7,455.6
Corporate/Eliminations	(53.7)	(56.8)	-	(233.2)
Consolidated Net Sales	1,773.1	1,743.3	1.7	7,222.4

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