

# Kao Corporation

News Release

January 22, 2004

## Summary of Consolidated Business Results for the Nine Months Ended December 31, 2003

Tokyo, January 22, 2004 — Kao Corporation today announced consolidated business results for the nine months ended December 31, 2003, the third 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)				
	Nine months ended December 31				Fiscal 2002, ended
	2003	2002	Change	2003	March 31, 2003
	Yen		%	U.S. dollars	Yen
Net sales	<b>697,111</b>	669,587	4.1	<b>6,507.2</b>	865,247
Operating income	<b>107,066</b>	104,322	2.6	<b>999.4</b>	114,914
Ordinary income	<b>109,524</b>	106,219	3.1	<b>1,022.3</b>	117,487
Net income	<b>60,115</b>	60,645	(0.9)	<b>561.1</b>	62,462
Total assets	<b>716,081</b>	751,415	(4.7)	<b>6,684.2</b>	720,849
Total shareholders' equity	<b>419,047</b>	440,137	(4.8)	<b>3,911.6</b>	417,030
Shareholders' equity/total assets	<b>58.5%</b>	58.6%	-	<b>58.5%</b>	57.9%
Shareholders' equity per share (Yen/US\$)	<b>770.86</b>	772.91	(0.3)	<b>7.20</b>	744.56
Net income per share (Yen/US\$)	<b>109.46</b>	104.42	4.8	<b>1.02</b>	108.05
Net income per share, diluted (Yen/US\$)	<b>104.75</b>	100.08	4.7	<b>0.98</b>	103.69
Net cash provided by operating activities	<b>71,792</b>	-		<b>670.1</b>	134,179
Net cash used in investing activities	<b>(21,707)</b>	-		<b>(202.6)</b>	(77,568)
Net cash used in financing activities	<b>(49,452)</b>	-		<b>(461.6)</b>	(104,186)
Cash and cash equivalents, end of term	<b>77,096</b>	-		<b>719.6</b>	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 December 31, 2003, of yen 107.13=US\$1, and are included solely for the convenience of readers.
3. Consolidated statements of cash flows for the nine months of fiscal year 2002 are not available.
4. Yen amounts are rounded down to the nearest million.

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## Forecast of Consolidated Results for the Year Ending March 31, 2004

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

	Year ending March 31, 2004	
	Yen	U.S. dollars
Net sales	900,000	8,401.0
Ordinary income	120,000	1,120.1
Net income	64,000	597.4
Net income per share (Yen/US\$)	116.62	1.09

## Forecast of Non-consolidated Results for the Year Ending March 31, 2004

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

	Year ending March 31, 2004	
	Yen	U.S. dollars
Net sales	660,000	6,160.7
Ordinary income	104,000	970.8
Net income	60,000	560.1
Net income per share (Yen/US\$)	109.32	1.02

### Notes:

1. Net income per share is computed based on the weighted average number of shares outstanding during the fiscal year.
2. U.S. dollar amounts represent translations using the approximate exchange rate on December 31, 2003, of yen 107.13=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.

For further information, please contact:

Katsuya Fujii

Vice President

Investor Relations

Tel: 81-3-3660-7101 / Fax: 81-3-3660-8978

E-mail: [ir@kao.co.jp](mailto:ir@kao.co.jp)

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## Summary of Consolidated Business Results for the Nine Months Ended December 31, 2003

### Business Results

Consolidated net sales for the nine months ended December 31, 2003, the third quarter of the year ending March 31, 2004, increased 4.1 percent, or 27.5 billion yen, from the same period a year earlier to 697.1 billion yen. The appreciation of the yen exerted a negative effect on overseas sales when translated into yen totaling 1.4 billion yen, while in Japan, the economic slump and declining sales prices of consumer products negatively impacted growth. However, new product launches in the domestic consumer products market and acquisitions in the consumer products business in North America and Europe supported sales. Increased expenses for aggressive marketing of new consumer products launched in the Japanese market and higher prices for fatty alcohol raw materials were offset by the increase in net sales and ongoing efforts to reduce costs. Operating income increased 2.7 billion yen to 107.0 billion yen and ordinary income increased 3.3 billion yen to 109.5 billion yen. Net income for the nine-month period decreased 0.5 billion yen to 60.1 billion yen, mainly due to the effect of gain on the return of the substituted portion of the employee pension fund in the same period a year earlier. These results are all in line with the forecast announced on October 22, 2003.

### Summary of Information by Business Segment

#### Consumer Products Business

Segment sales increased 3.5 percent from the same period a year earlier to 520.8 billion yen. Excluding the negative currency translation effect on overseas sales due to the appreciation of the yen, segment sales would have increased 3.9 percent. Sales in Japan increased 4.4 billion yen from the same period a year earlier. Overseas sales increased 12.5 billion yen from the same period a year earlier because the benefit of acquisitions compensated for the negative effect of 2.2 billion yen in translating overseas sales into yen.

#### 1. Japan

Sales in Japan increased 1.1 percent from the same period a year earlier to 402.5 billion yen. Retail prices 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 for each store chain and region.

**Personal Care Products:** Sales of new *Asience* shampoo, conditioner and hair treatment, launched this fall, were favorable. In addition, *Bioré Perfect Oil* makeup remover, *Bioré Mild-Acid UV Cut*

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sunscreen lotion and other products launched in spring 2003 continued to post solid sales. Segment sales increased 3.0 percent from the same period a year earlier to 132.1 billion yen.

**Fabric and Home Care:** Kao's efforts to energize the market included the introduction of new *Attack with Bleach* laundry detergent to fortify the *Attack* brand and the launch of *Allerclean* home hygiene spray. However, the laundry finishing category, including fabric softeners, was impacted by lower retail prices. Sales fell 3.5 percent from the same period a year earlier to 194.7 billion yen.

**Feminine Care, Baby Care and Others:** Sales increased 11.5 percent from the same period a year earlier to 75.5 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 were also solid. However, in the disposable baby diaper category, Kao made improvements to strengthen the *Merries* brand, but severe competition caused sales to decline substantially. Sales have been gradually recovering since a change in marketing strategy in the fall. In the Health Care (Functional Food) category, sales of the *Econa* lineup of healthy functional cooking oils and related products continued to expand strongly. In September, *Econa Healthy Mayonnaise* received approval from the Ministry of Health, Labour and Welfare for labeling as a Food for Specified Health Use. In addition, sales of *Healthya Green Tea*, which was well received as a bottled tea that is suitable for people concerned about body fat, were expanded to convenience stores in the Tokai, Hokuriku and Kinki regions in December.

## 2. Overseas

In Asia, the skin care product *Bioré Bright White*, which was launched in ASEAN countries, and *Attack* in China and Hong Kong, performed well. However, sales of *Feather* shampoo and *Attack* in Thailand, which had been solid in the previous year, were weak, and the overall market was soft due to the effect of SARS in Hong Kong and Taiwan. Sales decreased 4.9 percent from the same period a year earlier to 46.0 billion yen. In North America and Europe, sales increased 24.2 percent from the same period a year earlier to 76.2 billion yen on the strength of factors including the solid performance of John Frieda Professional Hair Care, Inc., which Kao acquired in September 2002.

## Prestige Cosmetics Business

In the cosmetics market, sales of low-priced cosmetics increased, while sales of high-priced prestige cosmetics were stagnant. However, improvements made to *Very Very*, *Rise*, *Vital Rich* and *Grace Sofina* basic care products and *Raycious* foundation strengthened their marketability. Kao received a favorable response to its ongoing marketing to attract new customers for the *est* line of cosmetics, which are sold exclusively through department stores. Sales increased 2.3 percent from the same period a year earlier to 60.4 billion yen.

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## **Chemical Products Business**

Sales increased 6.5 percent from the same period a year earlier to 136.8 billion yen. Excluding the currency translation effect on overseas sales, segment sales would have increased 5.8 percent.

### **1. Japan**

In the markets for existing oleochemicals and industrial-use chemical products, stagnant conditions among customer industries led to a decrease in sales from the same period in the previous year. Newly developed pigment auxiliary for color inkjet printer ink sold strongly, bolstered by enthusiastic customer response to its outstanding product features. Sales of slurries for use in polishing hard disks also expanded substantially because they quickly met customer needs. In the specialty chemical business, sales of color toner increased in tandem with the growth of color printers. Sales increased 1.5 percent from the same period a year earlier to 78.1 billion yen.

### **2. Overseas**

Efforts to increase sales of fatty alcohols in North America and Europe following the expansion of production capacity in Malaysia supported substantial sales growth. Sales of superplasticizers for raw concrete expanded in high-growth Asian countries, led by China. In the toner and toner binder business, which is based in Japan, the United States and Spain, sales growth was firm and Kao increased production capacity to further reinforce its global infrastructure. The scale of aroma chemical sales grew, supported by expansion of the product line with the May 2003 acquisition of business from a German chemical manufacturer. Sales increased 13.8 percent from the same period a year earlier to 74.8 billion yen.

## **Financial Condition**

As of December 31, 2003, total assets were 716.0 billion yen, a decrease of 4.7 billion yen compared to the end of the previous fiscal year on March 31, 2003. Shareholders' equity increased 2.0 billion yen compared to March 31, 2003 to 419.0 billion yen. The shareholders' equity ratio increased from 57.9 percent to 58.5 percent.

In cash flows, operating activities included income before income taxes and minority interests of 107.2 billion yen and depreciation and amortization totaling 41.3 billion yen, while income taxes paid were 51.6 billion yen, and investing activities included 35.5 billion yen in payments for purchase of tangible and intangible assets. In financing activities, Kao repurchased shares of the company's stock valued at 37.0 billion yen and paid dividends totaling 16.8 billion yen to raise returns to shareholders and capital efficiency. As a result, the balance of cash and cash equivalents at the end of the third

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quarter was 77.0 billion yen, 1.4 billion yen more 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 including the continuing deflationary environment in the Japanese consumer products market. Consolidated results for the third 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 with the release of interim results on October 22, 2003. The same is true of projections of non-consolidated results.

Because the cosmetics business consolidation with Kanebo, Ltd. is currently under negotiation, its effects are not included in the forecast.

**Consolidated Balance Sheets**

January 22, 2004

**Millions of yen**

	December 31, 2003 (A)	Composition %	March 31, 2003 (B)	Composition %	Inc/(Dec) (A-B)	December 31, 2002	Composition %
<b>Current assets</b>	<b>295,144</b>	<b>41.2</b>	<b>276,012</b>	<b>38.3</b>	<b>19,131</b>	<b>298,205</b>	<b>39.7</b>
Cash and time deposits	58,471		36,245		22,225	43,849	
Notes and accounts receivable - trade	126,145		94,939		31,205	123,326	
Short-term investments	18,870		46,298		(27,428)	30,166	
Inventories	68,966		70,923		(1,957)	70,089	
Other	22,690		27,605		(4,914)	30,772	
<b>Fixed assets</b>	<b>420,822</b>	<b>58.8</b>	<b>444,702</b>	<b>61.7</b>	<b>(23,880)</b>	<b>453,056</b>	<b>60.3</b>
Tangible assets	262,411		275,420		(13,008)	280,982	
Intangible assets	99,119		104,115		(4,995)	104,999	
Other	59,291		65,167		(5,876)	67,075	
<b>Deferred assets</b>	<b>114</b>	<b>0.0</b>	<b>133</b>	<b>0.0</b>	<b>(19)</b>	<b>153</b>	<b>0.0</b>
<b>Total assets</b>	<b>716,081</b>	<b>100.0</b>	<b>720,849</b>	<b>100.0</b>	<b>(4,767)</b>	<b>751,415</b>	<b>100.0</b>
<b>Current liabilities</b>	<b>203,585</b>	<b>28.5</b>	<b>201,880</b>	<b>28.0</b>	<b>1,704</b>	<b>211,109</b>	<b>28.1</b>
Notes and accounts payable - trade	68,367		60,597		7,769	68,370	
Short-term debt	16,690		13,164		3,526	16,898	
Accrued expenses	66,988		61,045		5,943	61,457	
Other	51,538		67,072		(15,534)	64,382	
<b>Long-term liabilities</b>	<b>70,272</b>	<b>9.8</b>	<b>79,370</b>	<b>11.0</b>	<b>(9,097)</b>	<b>76,949</b>	<b>10.2</b>
Long-term debt	35,413		35,606		(193)	35,621	
Liability for employee retirement benefits	25,481		31,506		(6,025)	26,109	
Other	9,378		12,257		(2,878)	15,218	
<b>Total liabilities</b>	<b>273,858</b>	<b>38.3</b>	<b>281,250</b>	<b>39.0</b>	<b>(7,392)</b>	<b>288,059</b>	<b>38.3</b>
<b>Minority interests</b>	<b>23,175</b>	<b>3.2</b>	<b>22,567</b>	<b>3.1</b>	<b>607</b>	<b>23,218</b>	<b>3.1</b>
Common stock	85,424	11.9	85,424	11.9	-	85,424	11.4
Capital surplus	108,888	15.2	108,888	15.1	-	108,888	14.5
Retained earnings	398,519	55.7	355,805	49.4	42,714	353,998	47.1
Unrealized gain on available-for-sale securities	3,232	0.5	1,710	0.2	1,521	1,786	0.2
Foreign currency translation adjustments	(36,195)	(5.1)	(30,460)	(4.2)	(5,735)	(29,236)	(3.9)
Treasury stock, at cost	(140,821)	(19.7)	(104,338)	(14.5)	(36,483)	(80,725)	(10.7)
<b>Shareholders' equity</b>	<b>419,047</b>	<b>58.5</b>	<b>417,030</b>	<b>57.9</b>	<b>2,016</b>	<b>440,137</b>	<b>58.6</b>
<b>Total liabilities, minority interests &amp; shareholders' equity</b>	<b>716,081</b>	<b>100.0</b>	<b>720,849</b>	<b>100.0</b>	<b>(4,767)</b>	<b>751,415</b>	<b>100.0</b>

\*Yen amounts are rounded down to the nearest million.

**Consolidated Statements of Income****Millions of yen**

	(A) 9 months/FY2003 <u>Apr - Dec 2003</u>	% to net sales	(B) 9 months/FY2003 <u>Apr - Dec 2002</u>	% to net sales	<u>Inc/(Dec)</u> <u>(A-B)</u>	<u>FY2002</u> <u>Apr '02 - Mar '03</u>	% to net sales
<b>Net sales</b>	<b>697,111</b>	<b>100.0</b>	<b>669,587</b>	<b>100.0</b>	<b>27,524</b>	<b>865,247</b>	<b>100.0</b>
Cost of sales	286,674	41.1	278,434	41.6	8,239	365,591	42.3
<b>Gross profit</b>	<b>410,437</b>	<b>58.9</b>	<b>391,153</b>	<b>58.4</b>	<b>19,284</b>	<b>499,655</b>	<b>57.7</b>
Selling, general and administrative expenses	303,371	43.5	286,830	42.8	16,540	384,740	44.4
<b>Operating income</b>	<b>107,066</b>	<b>15.4</b>	<b>104,322</b>	<b>15.6</b>	<b>2,743</b>	<b>114,914</b>	<b>13.3</b>
Non-operating income	3,944	0.5	4,212	0.6	(267)	5,597	0.6
Interest and dividend income	853		946		(92)	1,400	
Equity in earnings of nonconsolidated subsidiaries and affiliates	579		1,175		(596)	1,257	
Foreign currency exchange gain	489		-		489	-	
Other	2,021		2,089		(68)	2,939	
Non-operating expenses	1,486	0.2	2,315	0.3	(828)	3,025	0.3
Interest expense	966		1,006		(39)	1,591	
Foreign currency exchange loss	-		765		(765)	800	
Other	520		543		(23)	632	
<b>Ordinary income</b>	<b>109,524</b>	<b>15.7</b>	<b>106,219</b>	<b>15.9</b>	<b>3,304</b>	<b>117,487</b>	<b>13.6</b>
Extraordinary profit	2,348	0.4	9,013	1.3	(6,664)	8,993	1.0
Gain on return of substituted portion of employee pension fund	-		8,065		(8,065)	8,065	
Other	2,348		947		1,401	927	
Extraordinary loss	4,633	0.7	4,284	0.6	348	13,908	1.6
<b>Income before income taxes and minority interests</b>	<b>107,239</b>	<b>15.4</b>	<b>110,948</b>	<b>16.6</b>	<b>(3,708)</b>	<b>112,571</b>	<b>13.0</b>
Income taxes	44,920	6.5	47,547	7.1	(2,626)	47,647	5.5
Minority interests in earnings of consolidated subsidiaries	2,203	0.3	2,755	0.4	(551)	2,461	0.3
<b>Net income</b>	<b>60,115</b>	<b>8.6</b>	<b>60,645</b>	<b>9.1</b>	<b>(530)</b>	<b>62,462</b>	<b>7.2</b>

\*Yen amounts are rounded down to the nearest million.



**Consolidated Statements of Cash Flows***Millions of yen*

	<b>9 months/FY2003</b>	<b>FY2002</b>
	<b>Apr - Dec 2003</b>	<b>Apr '02 - Mar '03</b>
<b>Operating activities:</b>		
Income before income taxes and minority interests	107,239	112,571
Adjustments for:		
Depreciation and amortization	41,398	58,310
Interest and dividend income	(853)	(1,400)
Interest expense	966	1,591
Change in trade receivables	(32,924)	11,868
Change in inventories	1,854	(1,309)
Change in trade payables	8,698	(8,869)
Change in liability for retirement benefits	(5,956)	8,327
Other, net	2,471	5,972
Sub-total	122,894	187,061
Interest and cash dividends received	1,484	1,836
Interest paid	(981)	(1,563)
Income taxes paid	(51,604)	(53,155)
<b>Net cash provided by operating activities</b>	<b>71,792</b>	<b>134,179</b>
<b>Investing activities:</b>		
Purchase of marketable securities and investment securities	(19)	(10,964)
Proceeds from the redemption and sales of marketable securities and investment securities	11,797	37,930
Purchase of property, plant and equipment	(27,886)	(43,319)
Proceeds from sales of property, plant and equipment	4,056	1,116
Increase in intangible assets	(7,647)	(46,185)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired	-	(13,509)
Payment for acquisition of business	(1,584)	-
Increase in long-term loans	(668)	(966)
Other, net	245	(1,671)
<b>Net cash used in investing activities</b>	<b>(21,707)</b>	<b>(77,568)</b>
<b>Financing activities:</b>		
Change in short-term debt	3,580	(4,225)
Repayments of medium-term notes	-	(2,575)
Purchase of treasury stock	(37,085)	(80,320)
Payments of cash dividends	(15,742)	(16,341)
Payments of cash dividends to minority interests	(1,147)	(723)
Other, net	941	-
<b>Net cash used in financing activities</b>	<b>(49,452)</b>	<b>(104,186)</b>
<b>Transition adjustments on cash and cash equivalents</b>	<b>(1,915)</b>	<b>(2,656)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,283)</b>	<b>(50,232)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>75,684</b>	<b>124,921</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries, beginning of year</b>	<b>2,695</b>	<b>995</b>
<b>Cash and cash equivalents, end of term</b>	<b>77,096</b>	<b>75,684</b>

Note: Consolidated statements of cash flows for nine months of fiscal year 2002 are not available.

\*Yen amounts are rounded down to the nearest million.

**Segment Information by Business***Millions of yen***9 months/FY2003****Apr - Dec 2003**

	<b>Consumer Products</b>	<b>Prestige Cosmetics</b>	<b>Chemical Products</b>	<b>Total</b>	<b>Corporate/ Eliminations</b>	<b>Consolidated</b>
<b>Net sales</b>						
Sales to customers	520,840	60,404	115,866	697,111	-	697,111
Intersegment sales	-	-	20,973	20,973	(20,973)	-
<b>Total</b>	<b>520,840</b>	<b>60,404</b>	<b>136,839</b>	<b>718,084</b>	<b>(20,973)</b>	<b>697,111</b>
<b>Operating income</b>	<b>82,733</b>	<b>8,051</b>	<b>16,118</b>	<b>106,904</b>	<b>162</b>	<b>107,066</b>
% to sales	15.9	13.3	11.8	14.9	-	15.4

**9 months/FY2003****Apr - Dec 2002**

	<b>Consumer Products</b>	<b>Prestige Cosmetics</b>	<b>Chemical Products</b>	<b>Total</b>	<b>Corporate/ Eliminations</b>	<b>Consolidated</b>
<b>Net sales</b>						
Sales to customers	503,245	59,033	107,309	669,587	-	669,587
Intersegment sales	-	-	21,168	21,168	(21,168)	-
<b>Total</b>	<b>503,245</b>	<b>59,033</b>	<b>128,478</b>	<b>690,756</b>	<b>(21,168)</b>	<b>669,587</b>
<b>Operating income</b>	<b>82,442</b>	<b>5,880</b>	<b>15,371</b>	<b>103,694</b>	<b>628</b>	<b>104,322</b>
% to sales	16.4	10.0	12.0	15.0	-	15.6

**FY2002****Apr '02 - Mar '03**

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

\*Yen amounts are rounded down to the nearest million.

**Sales Composition**

Millions of yen

	9 months/FY2003 Apr - Dec 2003	9 months/FY2003 Apr - Dec 2002	Growth %	FY2002 Apr '02 - Mar '03
<b>Consumer Products</b>				
Personal Care	132,173	128,360	3.0	165,583
Fabric and Home Care	194,790	201,872	(3.5)	248,978
Feminine Care, Baby Care and Others	75,550	67,782	11.5	86,298
Total Japan	402,514	398,015	1.1	500,860
Asia and Oceania	46,069	48,455	(4.9)	64,172
North America and Europe	76,292	61,403	24.2	87,531
Eliminations	(4,035)	(4,628)	-	(6,150)
<b>Total</b>	<b>520,840</b>	<b>503,245</b>	<b>3.5</b>	<b>646,413</b>
<b>Prestige Cosmetics</b>	<b>60,404</b>	<b>59,033</b>	<b>2.3</b>	<b>75,832</b>
<b>Chemical Products</b>				
Japan	78,148	76,964	1.5	101,909
Asia	31,651	27,160	16.5	38,385
North America and Europe	43,189	38,610	11.9	51,296
Eliminations	(16,149)	(14,257)	-	(20,656)
<b>Total</b>	<b>136,839</b>	<b>128,478</b>	<b>6.5</b>	<b>170,935</b>
<b>Total before Corporate/Eliminations</b>	<b>718,084</b>	<b>690,756</b>	<b>4.0</b>	<b>893,181</b>
Corporate/Eliminations	(20,973)	(21,168)	-	(27,934)
<b>Consolidated Net Sales</b>	<b>697,111</b>	<b>669,587</b>	<b>4.1</b>	<b>865,247</b>

\*Yen amounts are rounded down to the nearest million.

Consolidated Balance Sheets

January 22, 2004

Millions of US\$

	December 31, 2003 (A)	Composition %	March 31, 2003 (B)	Composition %	Inc/(Dec) (A-B)	December 31, 2002	Composition %
<b>Current assets</b>	<b>2,755.0</b>	<b>41.2</b>	<b>2,576.4</b>	<b>38.3</b>	<b>178.6</b>	<b>2,783.6</b>	<b>39.7</b>
Cash and time deposits	545.8		338.3		207.5	409.3	
Notes and accounts receivable - trade	1,177.5		886.2		291.3	1,151.2	
Short-term investments	176.1		432.2		(256.1)	281.6	
Inventories	643.8		662.0		(18.2)	654.2	
Other	211.8		257.7		(45.9)	287.3	
<b>Fixed assets</b>	<b>3,928.1</b>	<b>58.8</b>	<b>4,151.1</b>	<b>61.7</b>	<b>(223.0)</b>	<b>4,229.0</b>	<b>60.3</b>
Tangible assets	2,449.5		2,570.9		(121.4)	2,622.8	
Intangible assets	925.2		971.9		(46.7)	980.1	
Other	553.4		608.3		(54.9)	626.1	
<b>Deferred assets</b>	<b>1.1</b>	<b>0.0</b>	<b>1.2</b>	<b>0.0</b>	<b>(0.1)</b>	<b>1.4</b>	<b>0.0</b>
<b>Total assets</b>	<b>6,684.2</b>	<b>100.0</b>	<b>6,728.7</b>	<b>100.0</b>	<b>(44.5)</b>	<b>7,014.0</b>	<b>100.0</b>
<b>Current liabilities</b>	<b>1,900.3</b>	<b>28.5</b>	<b>1,884.4</b>	<b>28.0</b>	<b>15.9</b>	<b>1,970.6</b>	<b>28.1</b>
Notes and accounts payable - trade	638.2		565.6		72.6	638.2	
Short-term debt	155.8		122.9		32.9	157.7	
Accrued expenses	625.3		569.8		55.5	573.7	
Other	481.0		626.1		(145.1)	601.0	
<b>Long-term liabilities</b>	<b>656.0</b>	<b>9.8</b>	<b>740.9</b>	<b>11.0</b>	<b>(84.9)</b>	<b>718.3</b>	<b>10.2</b>
Long-term debt	330.6		332.4		(1.8)	332.5	
Liability for employee retirement benefits	237.9		294.1		(56.2)	243.7	
Other	87.5		114.4		(26.9)	142.1	
<b>Total liabilities</b>	<b>2,556.3</b>	<b>38.3</b>	<b>2,625.3</b>	<b>39.0</b>	<b>(69.0)</b>	<b>2,688.9</b>	<b>38.3</b>
<b>Minority interests</b>	<b>216.3</b>	<b>3.2</b>	<b>210.7</b>	<b>3.1</b>	<b>5.6</b>	<b>216.7</b>	<b>3.1</b>
Common stock	797.4	11.9	797.4	11.9	-	797.4	11.4
Capital surplus	1,016.4	15.2	1,016.4	15.1	-	1,016.4	14.5
Retained earnings	3,720.0	55.7	3,321.2	49.4	398.8	3,304.4	47.1
Unrealized gain on available-for-sale securities	30.2	0.5	16.0	0.2	14.2	16.7	0.2
Foreign currency translation adjustments	(337.9)	(5.1)	(284.3)	(4.2)	(53.6)	(272.9)	(3.9)
Treasury stock, at cost	(1,314.5)	(19.7)	(974.0)	(14.5)	(340.5)	(753.6)	(10.7)
<b>Shareholders' equity</b>	<b>3,911.6</b>	<b>58.5</b>	<b>3,892.7</b>	<b>57.9</b>	<b>18.9</b>	<b>4,108.4</b>	<b>58.6</b>
<b>Total liabilities, minority interests &amp; shareholders' equity</b>	<b>6,684.2</b>	<b>100.0</b>	<b>6,728.7</b>	<b>100.0</b>	<b>(44.5)</b>	<b>7,014.0</b>	<b>100.0</b>

\*Foreign exchange rate: 107.13 yen=US\$1 for reference only

**Consolidated Statements of Income****Millions of US\$**

	(A) 9 months/FY2003 <u>Apr - Dec 2003</u>	% to net sales	(B) 9 months/FY2003 <u>Apr - Dec 2002</u>	% to net sales	<u>Inc/(Dec)</u> <u>(A-B)</u>	<u>FY2002</u> <u>Apr '02 - Mar '03</u>	% to net sales
<b>Net sales</b>	<b>6,507.2</b>	<b>100.0</b>	<b>6,250.2</b>	<b>100.0</b>	<b>257.0</b>	<b>8,076.6</b>	<b>100.0</b>
Cost of sales	2,676.0	41.1	2,599.0	41.6	77.0	3,412.6	42.3
<b>Gross profit</b>	<b>3,831.2</b>	<b>58.9</b>	<b>3,651.2</b>	<b>58.4</b>	<b>180.0</b>	<b>4,664.0</b>	<b>57.7</b>
Selling, general and administrative expenses	2,831.8	43.5	2,677.4	42.8	154.4	3,591.3	44.4
<b>Operating income</b>	<b>999.4</b>	<b>15.4</b>	<b>973.8</b>	<b>15.6</b>	<b>25.6</b>	<b>1,072.7</b>	<b>13.3</b>
Non-operating income	36.8	0.5	39.3	0.6	(2.5)	52.2	0.6
Interest and dividend income	8.0		8.8		(0.8)	13.1	
Equity in earnings of nonconsolidated subsidiaries and affiliates	5.4		11.0		(5.6)	11.7	
Foreign currency exchange gain	4.6		-		4.6	-	
Other	18.8		19.5		(0.7)	27.4	
Non-operating expenses	13.9	0.2	21.6	0.3	(7.7)	28.2	0.3
Interest expense	9.0		9.4		(0.4)	14.9	
Foreign currency exchange loss	-		7.1		(7.1)	7.5	
Other	4.9		5.1		(0.2)	5.8	
<b>Ordinary income</b>	<b>1,022.3</b>	<b>15.7</b>	<b>991.5</b>	<b>15.9</b>	<b>30.8</b>	<b>1,096.7</b>	<b>13.6</b>
Extraordinary profit	21.9	0.4	84.1	1.3	(62.2)	83.9	1.0
Gain on return of substituted portion of employee pension fund	-		75.3		(75.3)	75.3	
Other	21.9		8.8		13.1	8.6	
Extraordinary loss	43.2	0.7	40.0	0.6	3.2	129.8	1.6
<b>Income before income taxes and minority interests</b>	<b>1,001.0</b>	<b>15.4</b>	<b>1,035.6</b>	<b>16.6</b>	<b>(34.6)</b>	<b>1,050.8</b>	<b>13.0</b>
Income taxes	419.3	6.5	443.8	7.1	(24.5)	444.8	5.5
Minority interests in earnings of consolidated subsidiaries	20.6	0.3	25.7	0.4	(5.1)	23.0	0.3
<b>Net income</b>	<b>561.1</b>	<b>8.6</b>	<b>566.1</b>	<b>9.1</b>	<b>(5.0)</b>	<b>583.0</b>	<b>7.2</b>

\*Foreign exchange rate: 107.13 yen=US\$1 for reference only

**Consolidated Statements of Cash Flows***Millions of US\$*

	9 months/FY2003 Apr - Dec 2003	FY2002 Apr '02 - Mar '03
<b>Operating activities:</b>		
Income before income taxes and minority interests	1,001.0	1,050.8
Adjustments for:		
Depreciation and amortization	386.4	544.3
Interest and dividend income	(8.0)	(13.1)
Interest expense	9.0	14.9
Change in trade receivables	(307.3)	110.8
Change in inventories	17.3	(12.2)
Change in trade payables	81.2	(82.8)
Change in liability for retirement benefits	(55.6)	77.7
Other, net	23.1	55.7
Sub-total	1,147.1	1,746.1
Interest and cash dividends received	13.9	17.1
Interest paid	(9.2)	(14.6)
Income taxes paid	(481.7)	(496.1)
<b>Net cash provided by operating activities</b>	<b>670.1</b>	<b>1,252.5</b>
<b>Investing activities:</b>		
Purchase of marketable securities and investment securities	(0.2)	(102.3)
Proceeds from the redemption and sales of marketable securities and investment securities	110.1	354.1
Purchase of property, plant and equipment	(260.3)	(404.4)
Proceeds from sales of property, plant and equipment	37.9	10.4
Increase in intangible assets	(71.4)	(431.1)
Payment for purchase of newly consolidated subsidiaries, net of cash acquired	-	(126.1)
Payment for acquisition of business	(14.8)	-
Increase in long-term loans	(6.2)	(9.0)
Other, net	2.3	(15.7)
<b>Net cash used in investing activities</b>	<b>(202.6)</b>	<b>(724.1)</b>
<b>Financing activities:</b>		
Change in short-term debt	33.4	(39.4)
Repayments of medium-term notes	-	(24.0)
Purchase of treasury stock	(346.2)	(749.8)
Payments of cash dividends	(146.9)	(152.5)
Payments of cash dividends to minority interests	(10.7)	(6.8)
Other, net	8.8	-
<b>Net cash used in financing activities</b>	<b>(461.6)</b>	<b>(972.5)</b>
<b>Transition adjustments on cash and cash equivalents</b>	<b>(17.9)</b>	<b>(24.8)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(12.0)</b>	<b>(468.9)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>706.4</b>	<b>1,166.1</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries, beginning of year</b>	<b>25.2</b>	<b>9.3</b>
<b>Cash and cash equivalents, end of term</b>	<b>719.6</b>	<b>706.5</b>

Note: Consolidated statements of cash flows for nine months of fiscal year 2002 are not available.

\*Foreign exchange rate: 107.13 yen=US\$1 for reference only

**Segment Information by Business***Millions of US\$***9 months/FY2003****Apr - Dec 2003**

	<b>Consumer Products</b>	<b>Prestige Cosmetics</b>	<b>Chemical Products</b>	<b>Total</b>	<b>Corporate/ Eliminations</b>	<b>Consolidated</b>
<b>Net sales</b>						
Sales to customers	4,861.8	563.8	1,081.6	6,507.2	-	6,507.2
Intersegment sales	-	-	195.7	195.7	(195.7)	-
<b>Total</b>	<b>4,861.8</b>	<b>563.8</b>	<b>1,277.3</b>	<b>6,702.9</b>	<b>(195.7)</b>	<b>6,507.2</b>
<b>Operating income</b>	<b>772.3</b>	<b>75.2</b>	<b>150.4</b>	<b>997.9</b>	<b>1.5</b>	<b>999.4</b>
% to sales	15.9	13.3	11.8	14.9	-	15.4

**9 months/FY2003****Apr - Dec 2002**

	<b>Consumer Products</b>	<b>Prestige Cosmetics</b>	<b>Chemical Products</b>	<b>Total</b>	<b>Corporate/ Eliminations</b>	<b>Consolidated</b>
<b>Net sales</b>						
Sales to customers	4,697.5	551.0	1,001.7	6,250.2	-	6,250.2
Intersegment sales	-	-	197.6	197.6	(197.6)	-
<b>Total</b>	<b>4,697.5</b>	<b>551.0</b>	<b>1,199.3</b>	<b>6,447.8</b>	<b>(197.6)</b>	<b>6,250.2</b>
<b>Operating income</b>	<b>769.6</b>	<b>54.9</b>	<b>143.4</b>	<b>967.9</b>	<b>5.9</b>	<b>973.8</b>
% to sales	16.4	10.0	12.0	15.0	-	15.6

**FY2002****Apr '02 - Mar '03**

	<b>Consumer Products</b>	<b>Prestige Cosmetics</b>	<b>Chemical Products</b>	<b>Total</b>	<b>Corporate/ Eliminations</b>	<b>Consolidated</b>
<b>Net sales</b>						
Sales to customers	6,033.9	707.9	1,334.8	8,076.6	-	8,076.6
Intersegment sales	-	-	260.8	260.8	(260.8)	-
<b>Total</b>	<b>6,033.9</b>	<b>707.9</b>	<b>1,595.6</b>	<b>8,337.4</b>	<b>(260.8)</b>	<b>8,076.6</b>
<b>Operating income</b>	<b>843.4</b>	<b>49.2</b>	<b>169.9</b>	<b>1,062.5</b>	<b>10.2</b>	<b>1,072.7</b>
% to sales	14.0	7.0	10.6	12.7	-	13.3

\*Foreign exchange rate: 107.13 yen=US\$1 for reference only

**Sales Composition***Millions of US\$*

	9 months/FY2003 Apr - Dec 2003	9 months/FY2003 Apr - Dec 2002	Growth %	FY2002 Apr '02 - Mar '03
<b>Consumer Products</b>				
Personal Care	1,233.8	1,198.2	3.0	1,545.6
Fabric and Home Care	1,818.3	1,884.4	(3.5)	2,324.1
Feminine Care, Baby Care and Other	705.2	632.7	11.5	805.5
Total Japan	3,757.3	3,715.3	1.1	4,675.2
Asia and Oceania	430.0	452.3	(4.9)	599.0
North America and Europe	712.1	573.2	24.2	817.1
Eliminations	(37.6)	(43.3)	-	(57.4)
<b>Total</b>	<b>4,861.8</b>	<b>4,697.5</b>	<b>3.5</b>	<b>6,033.9</b>
<b>Prestige Cosmetics</b>	<b>563.8</b>	<b>551.0</b>	<b>2.3</b>	<b>707.9</b>
<b>Chemical Products</b>				
Japan	729.5	718.4	1.5	951.3
Asia	295.4	253.5	16.5	358.3
North America and Europe	403.1	360.4	11.9	478.8
Eliminations	(150.7)	(133.0)	-	(192.8)
<b>Total</b>	<b>1,277.3</b>	<b>1,199.3</b>	<b>6.5</b>	<b>1,595.6</b>
<b>Total before Corporate/Eliminations</b>	<b>6,702.9</b>	<b>6,447.8</b>	<b>4.0</b>	<b>8,337.4</b>
Corporate/Eliminations	(195.7)	(197.6)	-	(260.8)
<b>Consolidated Net Sales</b>	<b>6,507.2</b>	<b>6,250.2</b>	<b>4.1</b>	<b>8,076.6</b>

\*Foreign exchange rate: 107.13 yen=US\$1 for reference only