

# Annual Financial Review

From April 1, 2000 to March 31, 2001

Kao Corporation 

April 23, 2001

This presentation material contains forward-looking statements that are based on management's estimates, assumptions and projections as of April 23, 2001. 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.

# Consolidated Sales and Profit

	FY 1998		FY 1999		FY 2000	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	924.5	1.9	846.9	-8.4	821.6	-3.0
Operating Income	91.6	25.8	99.1	8.2	107.0	8.0
Ordinary Income	89.8	30.4	98.0	9.1	111.8	14.1
Net Income	34.7	41.7	52.1	50.2	59.4	14.0

Net Income per Share (Yen)	55.98	39.6	83.45	49.1	96.69	15.9
ROE (%)	7.9		11.3		12.7	
EBITDA (Operating Income + Dep. & Amort.)	162.9		166.4		165.9	

# Consolidated Income Statements

	FY 1999		FY 2000		Growth
	Billion yen	%	Billion yen	%	%
<b>Sales</b>	846.9	100.0	821.6	100.0	-3.0
Cost of Sales	381.1	45.0	363.1	44.2	-4.7
<b>Gross Profit</b>	465.7	55.0	458.5	55.8	-1.6
S, G & A Expenses	366.5	43.3	351.4	42.8	-4.1
<b>Operating Income</b>	99.1	11.7	107.0	13.0	8.0
Non-operating Income/Expense	-1.1	-0.1	4.7	0.6	
<b>Ordinary Income</b>	98.0	11.6	111.8	13.6	14.1
Extraordinary Gain and Loss	-4.8	-0.6	-9.9	-1.2	
<b>Income Before Taxes</b>	93.1	11.0	101.8	12.4	9.3
Income Taxes	40.5	4.8	41.1	5.0	
Equity Items and Others	-0.4	0.0	-1.2	-0.2	
<b>Net Income</b>	52.1	6.2	59.4	7.2	14.0

# Sales and Operating Income by Segment

(By Business)

(Billion yen)

	FY1999			FY2000			Sales Growth	Sales Growth <small>*Like-for like</small>	Operating Income Inc./Dec
	Sales	Operating Income (% to Sales)		Sales	Operating Income (% to Sales)				
Consumer Products	632.4	82.1	13.0%	607.8	86.1	14.2%	-3.9%	-0.3%	4.0
Cosmetic Products (Sofina)	70.8	2.1	3.1%	72.5	2.8	3.9%	2.4%	2.4%	0.6
Chemical Products	172.4	14.7	8.5%	167.8	17.7	10.6%	-2.6%	1.8%	2.9
Sub-total	875.7	99.0		848.2	106.6				7.6
Elimination	-28.7	0.1		-26.6	0.4				0.2
Consolidated Total	846.9	99.1	11.7%	821.6	107.0	13.0%	-3.0%	0.6%	7.9

(By Geography)

(Billion yen)

	FY1999			FY2000			Sales Growth	Sales Growth <small>*Like-for like</small>	Operating Income Inc./Dec
	Sales	Operating Income (% to Sales)		Sales	Operating Income (% to Sales)				
Japan	673.4	91.7	13.6%	655.4	94.3	14.4%	-2.7%	-0.9%	2.6
Asia	86.1	3.9	4.5%	84.1	6.8	8.1%	-2.4%	3.8%	2.8
Europe & Americas	111.0	3.4	3.1%	105.2	5.9	5.6%	-5.2%	7.4%	2.4
Sub-total	870.6	99.0		844.8	107.0				7.9
Elimination	-23.7	0.1		-23.2	0.0				0.0
Consolidated Total	846.9	99.1	11.7%	821.6	107.0	13.0%	-3.0%	0.6%	7.9

\*Like-for-like growth rates exclude both the effect of the new consolidation for the domestic consumer products sales company and the currency effect on overseas sales related translation of local currencies to Japanese yen.

# Consolidated Balance Sheets

(Billion yen)

	Mar/01	Mar/00		Mar/01	Mar/00
<b>Assets</b>			<b>Liabilities</b>		
<b>Current Assets</b>	366.2	331.3	<b>Current Liabilities</b>	230.5	206.3
Cash and Bank Deposits	16.6	21.0	Notes and Accounts Payable	70.7	74.3
Notes and Accounts Receivable	103.5	88.9	Short-term Debt (& Current Portion of Long-term Debt)	26.2	19.1
Short-term Investments	149.6	137.1	Other Accounts Payable	27.8	16.9
Inventories	69.9	67.8	Accrued Expenses	62.2	53.7
Others	26.5	16.3	Others	43.4	42.2
<b>Fixed Assets</b>	417.4	373.8	<b>Long-term Liabilities</b>	69.4	63.0
Tangible Assets	297.9	282.9	Long-term Debt	43.1	58.9
Intangible Assets	57.3	46.6	Others	26.3	4.0
Investments	62.1	44.3	<b>Total Liabilities</b>	300.0	269.3
<b>Foreign Currency Translation Adjustments</b>	0.0	44.8	<b>Minority Interests</b>	20.7	5.6
			<b>Shareholders' Equity</b>		
			Common Stock	85.4	85.1
			Additional Paid in Capital	407.5	389.8
			Cumulative Securities Holding Gain/Loss	6.0	0.0
			Foreign Currency Translation Adjustments	-35.6	0.0
			Treasury Stock	-0.3	0.0
			Retained Earnings	59.4	52.1
			<b>Total Shareholders' Equity</b>	462.9	474.9
<b>Total Assets</b>	783.7	750.0	<b>Total Liabilities, Minority Interests &amp; Shareholders' Equity</b>	783.7	750.0

# Statements of Cash Flows

(Billion yen)

	FY99	FY00	Changes
Operating Activities	157.6	122.9	-34.6
Investing Activities	-41.4	-67.3	-25.9
Financing Activities	-61.5	-52.1	9.4
Translation Adjustment	-4.0	1.9	6.0
Increase/Decrease	50.5	5.4	-45.1
Cash and Cash Equivalents	147.9	153.4	5.4
Balance of Debt	78.0	69.4	-8.6

Operating Activities: Increased income before tax, but decreased depreciation, taxes paid increased

Investing Activities: Increased capital spending, increased purchase of short-term securities

Financing Activities: Reduced repayment of debt

## Major Expenditures

Japan: Enhance Kawasaki Plant as a metropolitan supplier  
New production equipment for detergent and cooking oil products

Overseas: Increase production capacity for Chemicals

# Consolidated Breakdown of Expenses

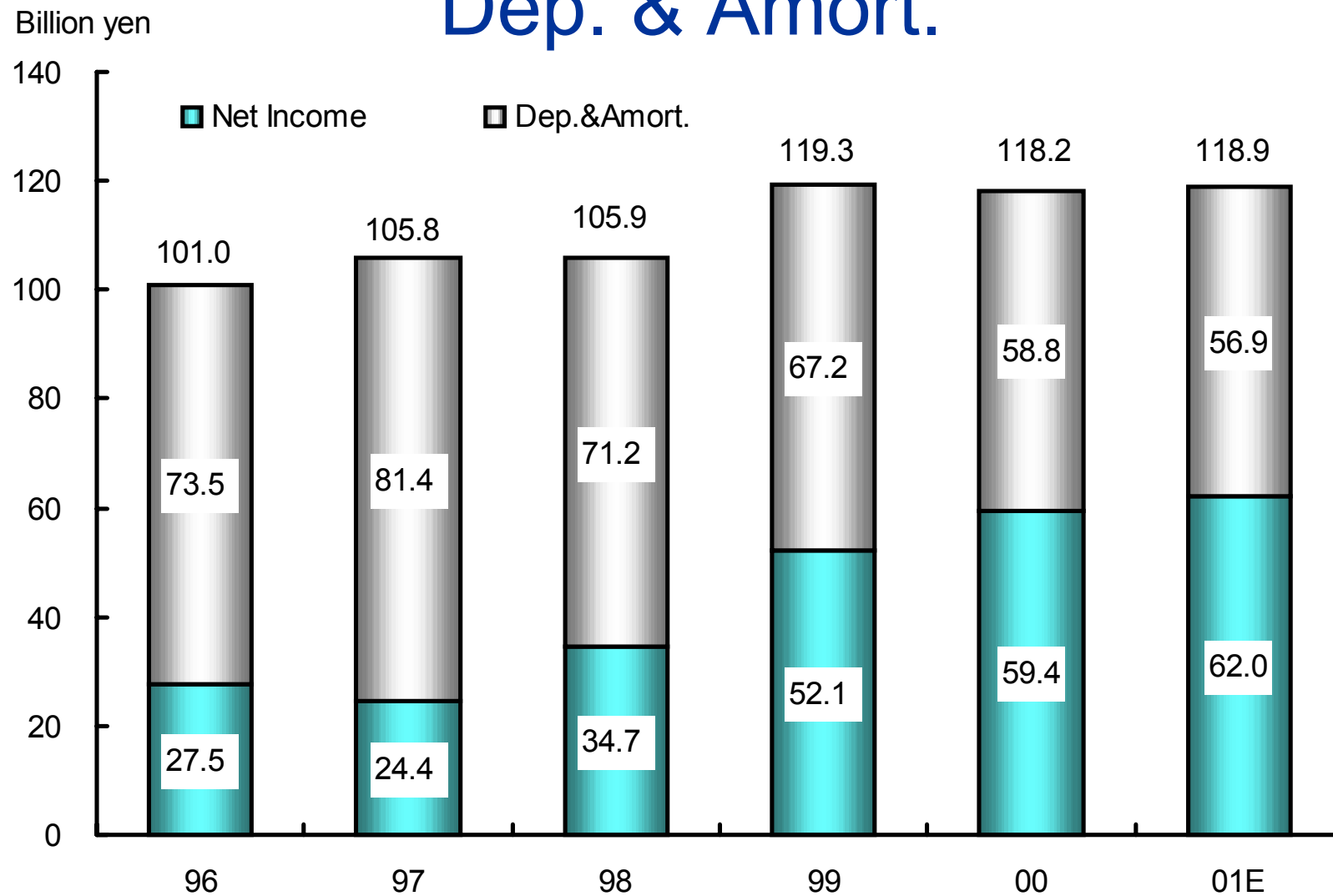
(Billion yen)

	FY98	FY99	FY00
Total SGA Expenses	396.4	366.5	351.4

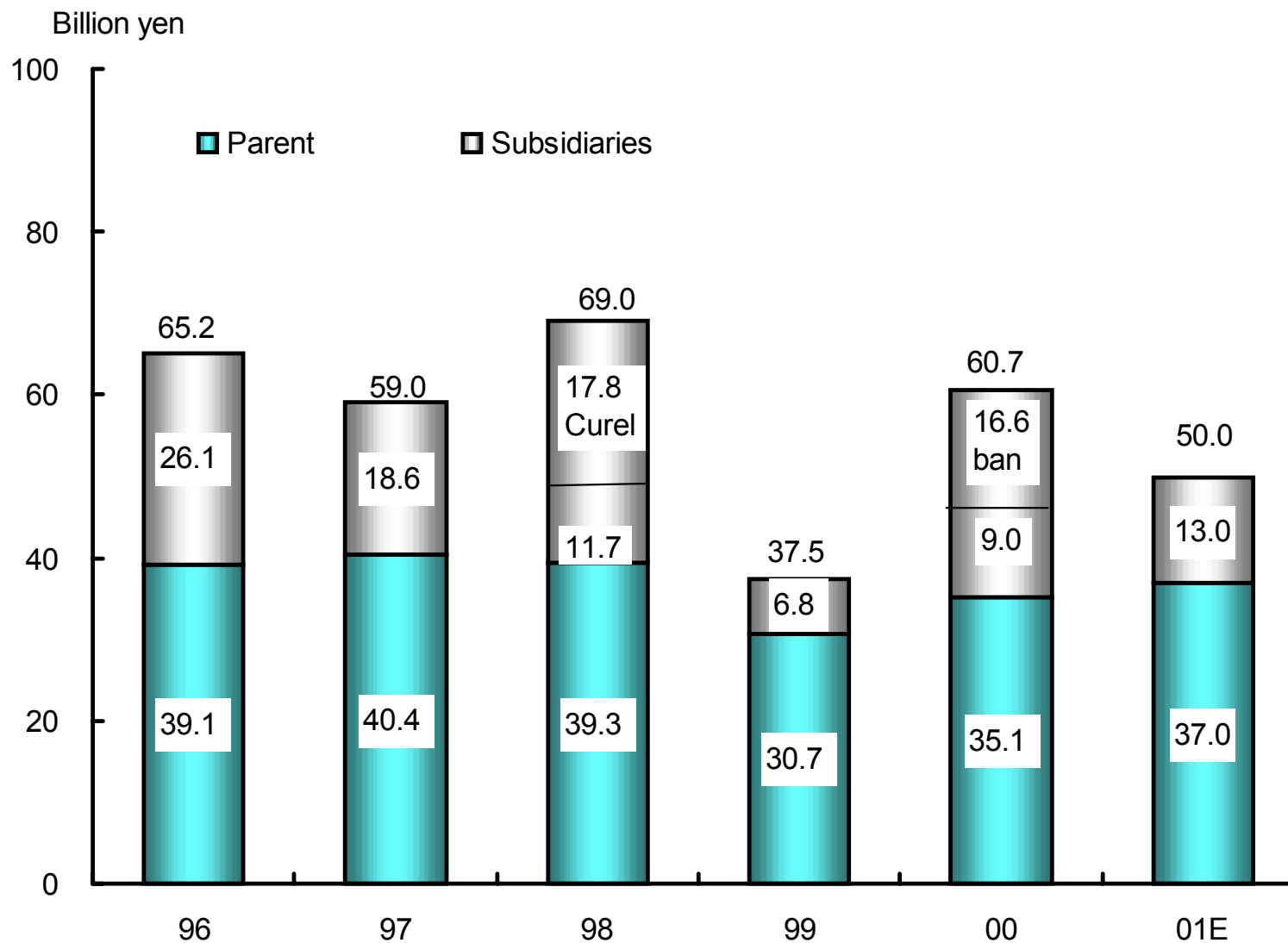
Sales Commission	89.2	95.6	8.0
Shipping/Warehouse	29.9	27.3	44.3
Advertising	71.7	64.3	65.7
Sales Promotion	38.6	27.2	37.4
Salaries and Wages	53.7	44.2	67.2
R & D	36.0	38.0	38.8
Depreciation	19.3	21.9	18.4



# Consolidated Net Income and Dep. & Amort.



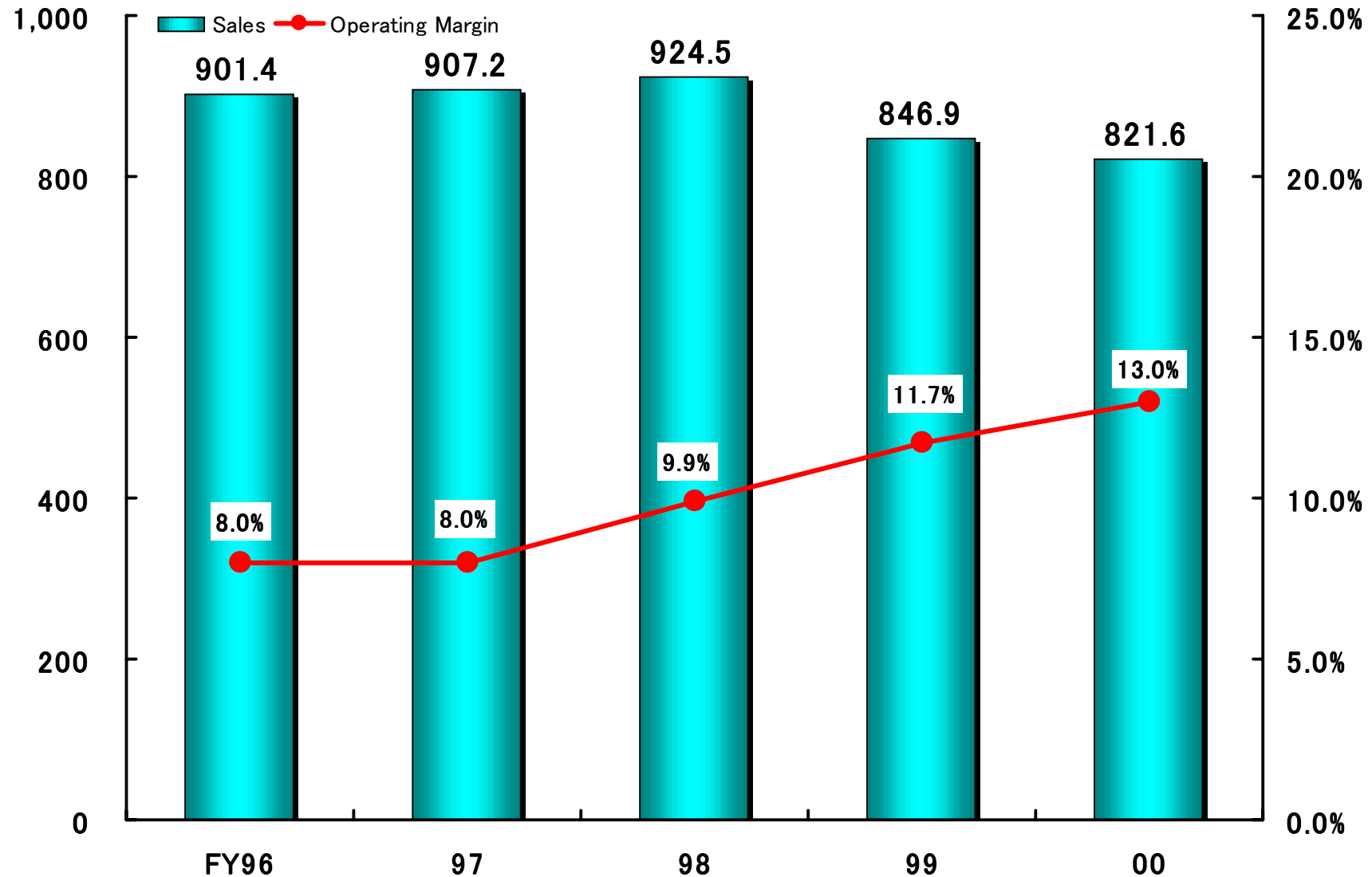
# Consolidated Capital Expenditures



# Consolidated Sales/Operating Margin

[Full Year]

Billion yen



# Effects of Changes in Pension Accounting

	Total (Japan)		FY2000(Japan) Expense/Amortization	Parent Company Expense	(Billion yen) Consolidated Expense
Unfunded PBO due to Adoption of New Accounting Rule	60.4	<i>15 years</i>	4.0	2.8	4.0
Effect of Change in Plan (Nov. 2000)	-31.7	<i>15 years</i>	-0.9	-0.6	-0.9
Regular Cost for FY2000 (service cost + interest cost - expected return 4%)	-		8.7	5.2	8.9
Asset Losses for FY2000 and Effect of Decrease in Discount Rate (from 3% to 2.5%)	44.6	<i>10 years</i>	4.5	3.1	4.4
<b>Total</b>			<b>16.3</b>	<b>10.5</b>	<b>16.4</b>
Pension Expense Based on Previous Accounting Rule			5.8	3.0	5.9
<b>Net Effect to Pension Expense</b>			<b>10.5</b>	<b>7.5</b>	<b>10.5</b>

2001/3 PBO	<b>217.8</b>	}	Unfunded PBO	<b>78.9</b>	}	Recognized	<b>13.3</b>
2001/3 Plan Assets	<b>138.8</b>					Unrecognized	<b>65.6</b>

# Non-consolidated Sales and Profit

	FY 1998		FY 1999		FY 2000	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	661.5	-1.8	667.1	0.9	660.4	-1.0
Operating Income	79.7	13.3	91.0	14.1	92.3	1.4
Ordinary Income	82.2	13.2	91.7	11.5	98.3	7.2
Net Income	29.0	45.3	42.5	46.2	52.2	22.9

Net Income per Share (Yen)	46.87	43.1	68.02	45.1	84.72	24.6
ROE (%)	6.8		9.4		11.1	
EBITDA (Operating Income + Dep. & Amort.)	129.6		142.6		138.2	

# Non-consolidated Income Statements

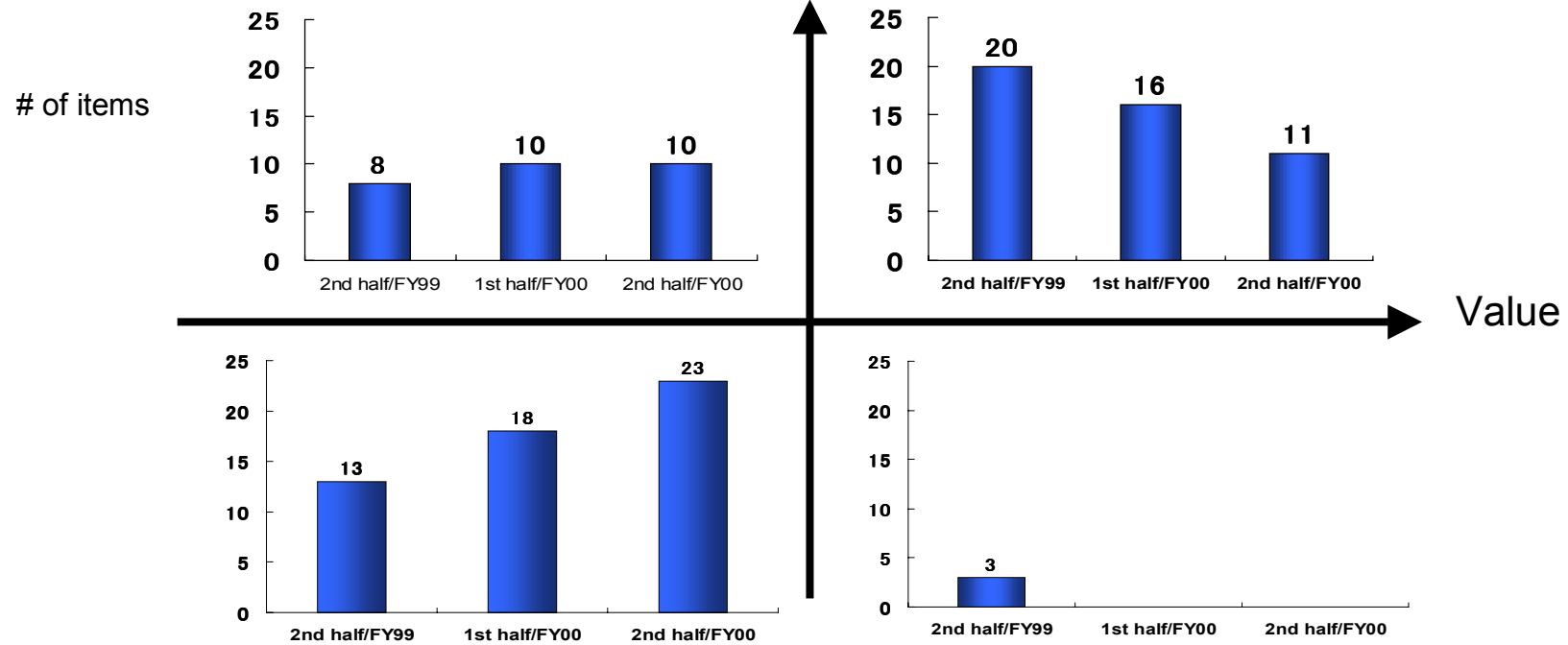
	FY 1999		FY 2000		Growth
	Billion yen	%	Billion yen	%	%
Sales	667.1	100.0	660.4	100.0	-1.0
Cost of Sales	288.8	43.3	273.1	41.4	-5.5
Gross Profit	378.3	56.7	387.3	58.6	2.4
S, G & A Expenses	287.2	43.1	294.9	44.6	2.7
Operating Income	91.0	13.6	92.3	14.0	1.4
Financial Income & Expense	2.5	0.4	3.5	0.5	
Others	-1.8	-0.2	2.5	0.4	
Ordinary Income	91.7	13.8	98.3	14.9	7.2
Extraordinary Gain & Loss	-17.5	-2.7	-9.8	-1.5	
Income Taxes	31.6	4.7	36.2	5.5	
Net Income	42.5	6.4	52.2	7.9	22.9

# Consumer Products Sales Composition

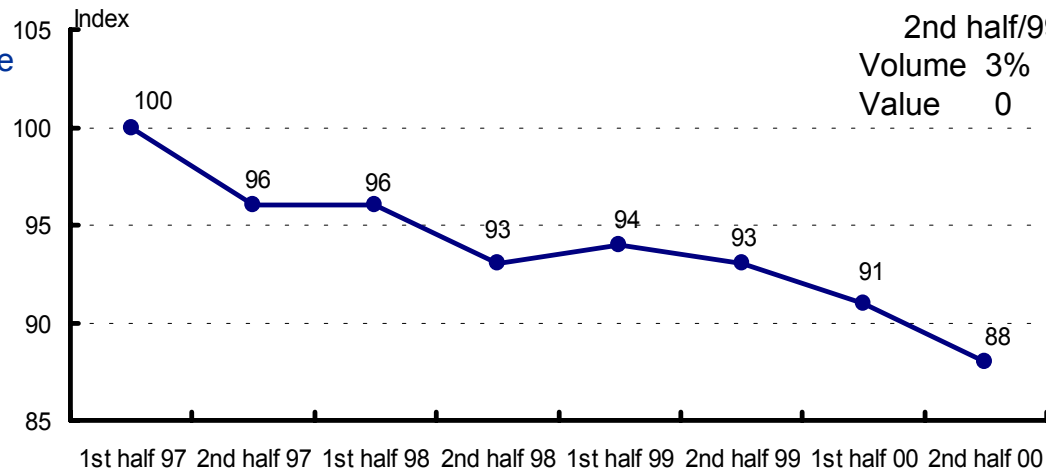
(Non-consolidated: before consolidating Kao Sales company )

	FY 1998		FY 1999		FY 2000	
	Billion yen	%Growth	Billion yen	%Growth	Billion yen	%Growth
Personal Care Products	179.1	0.0	175.2	-2.2	174.7	-0.3
Laundry and Cleaning Products	252.3	-0.4	262.1	3.9	254.9	-2.7
Hygiene Products and Others	74.7	6.4	79.4	6.3	80.7	1.6
Total	506.2	0.6	516.8	2.1	510.5	-1.2
Cosmetics (Sofina)	73.8	3.2	70.3	-4.7	71.8	2.1
Exports	7.8		12.3		5.4	

Retail Trends in Total Japanese Toiletry Market-44 items  
(Survey for purchase by households)



Average consumer Purchase Price  
in Major 15 Categories  
(All manufactures)



Market Growth

	2nd half/99	1st half/00	2nd half/00
Volume	3%	1%	0
Value	0	-4%	-4%



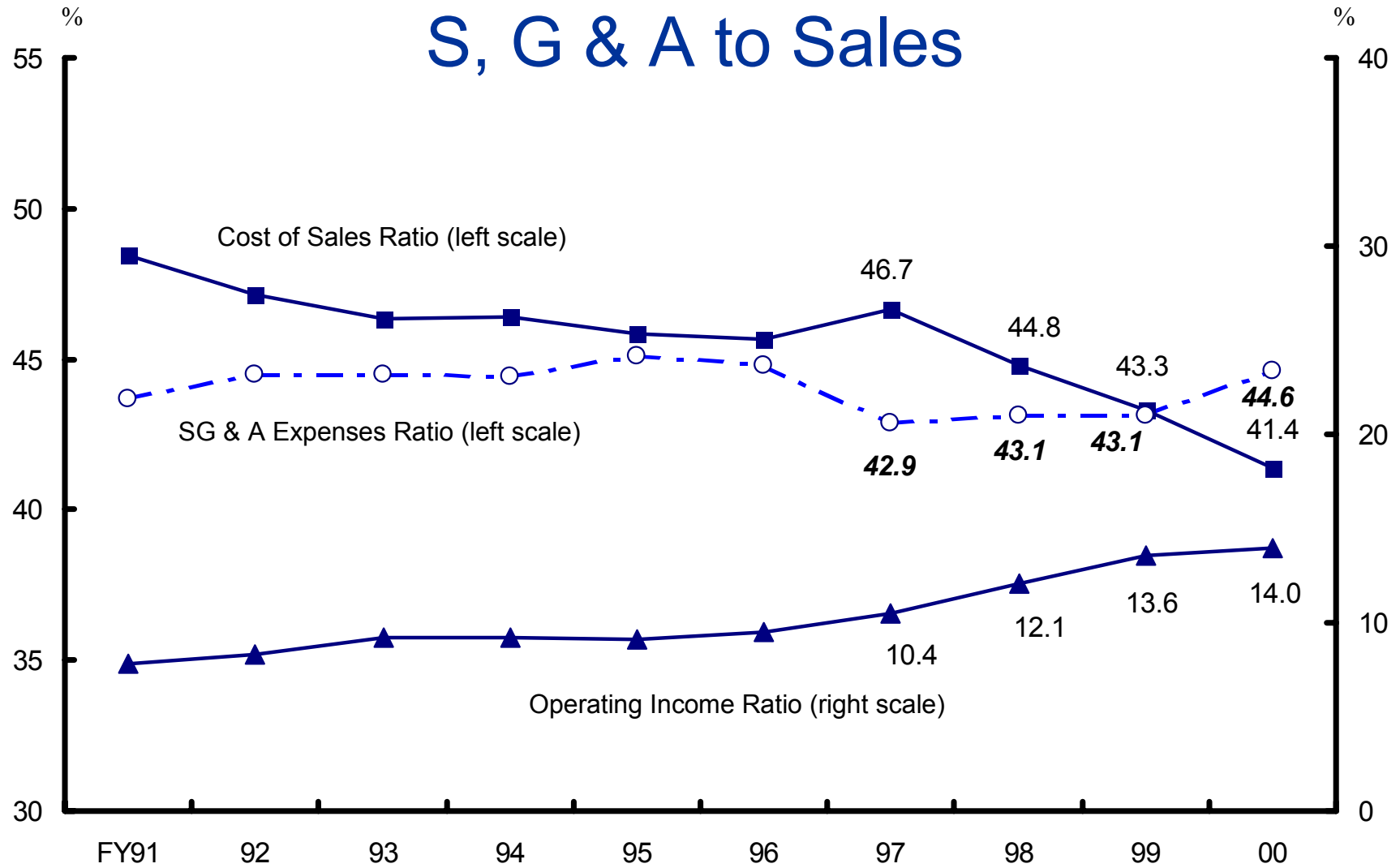


# Non-consolidated Balance Sheets

(Billion yen)

	Mar/01	Mar/00		Mar/01	Mar/00
<b>Assets</b>			<b>Liabilities</b>		
Current Assets	278.7	270.1	<b>Current Liabilities</b>	174.5	160.2
Cash and Bank Deposits	4.5	13.6	Notes and Accounts Payable	58.3	62.3
Notes and Accounts Receivable	57.5	57.1	Short-term Debt (& Current Portion of Long-term Debt)	10.0	4.0
Short-term Investments	144.4	130.0	Other Accounts Payable	24.2	15.3
Inventories	45.0	45.4	Accrued Expenses	46.6	40.4
Others	27.1	23.7	Others	35.2	38.0
Fixed Assets	428.5	406.0		51.9	51.4
Tangible Assets	212.8	224.8	<b>Long-term Liabilities</b>		
Intangible Assets	28.5	17.5	Long-term Debt	39.8	50.4
Investments	187.2	163.6	Others	12.1	1.0
			<b>Total Liabilities</b>	226.5	211.7
			<b>Shareholders' Equity</b>		
			Common Stock	85.4	85.1
			Additional Paid in Capital	108.8	108.6
			Retained Earnings	280.5	270.7
			Cumulative Securities Holding Gain/Loss	5.9	-
			<b>Total Shareholders' Equity</b>	480.7	464.4
<b>Total Assets</b>	707.3	676.1	<b>Total Liabilities, Minority Interests &amp; Shareholders' Equity</b>	707.3	676.1

# Non-consolidated Cost of Sales and S, G & A to Sales



# Non-consolidated Sales Forecast by Business Category

	FY1999		FY2000		FY2001F	
	Billion yen	Growth%	Billion yen	Growth%	Billion yen	Growth%
Personal Care Products	175.2	-2.2	174.7	-0.3	175.0	0.1
Laundry & Cleaning Products	262.1	3.9	254.9	-2.7	256.0	0.4
Hygiene Products & Others	79.4	6.3	80.7	1.6	84.0	4.0
Consumer Products Total	516.8	2.1	510.5	-1.2	515.0	0.9
Cosmetics (Sofina) Total	70.3	-4.7	71.8	2.1	72.0	0.2
Chemical Products Total	79.9	-1.8	78.0	-2.4	78.0	-0.1
Total	667.1	0.9	660.4	-1.0	665.0	0.7
Exports	21.6		13.8		13.0	

# Non-consolidated Breakdown of Expenses

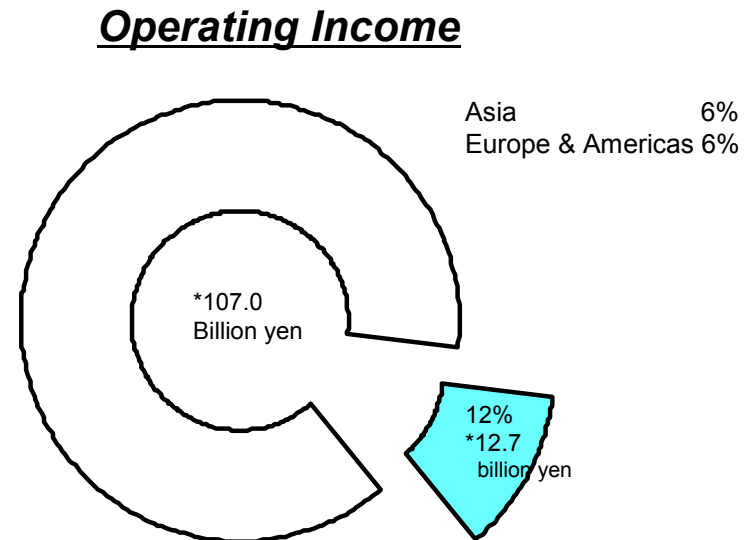
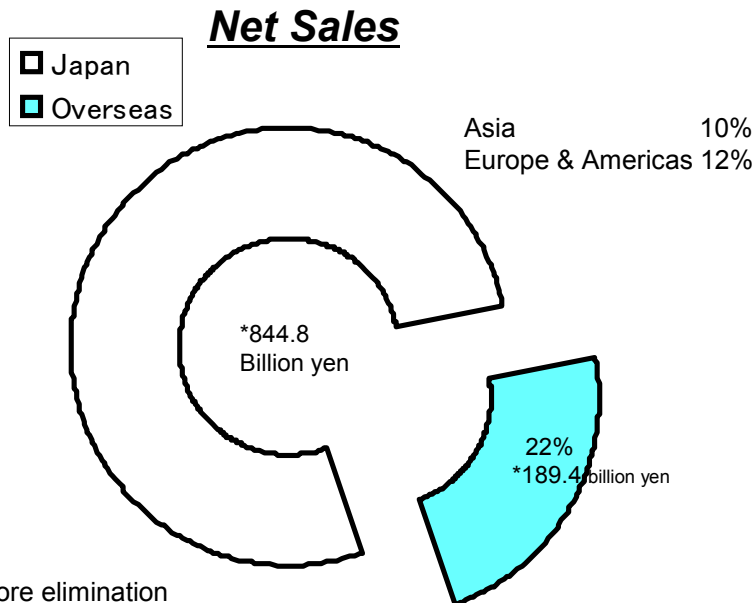
(Billion yen)

	FY98	FY 99	FY 00	FY 01F
Fixed Expenses:				
Sales Commission/Rebate	114.7	120.7	121.6	124.0
Advertising	49.7	51.2	53.3	52.8
Sales Promotion	15.3	13.6	14.2	13.4
Salaries and Wages	62.4	56.9	64.5	60.2
Depreciation & Amortization	49.8	51.5	45.8	43.6
R & D	32.8	35.3	34.2	33.1
Financial Income & Expenses	3.6	2.5	3.5	3.4
Interest Income	1.5	1.0	0.9	0.6
Dividend Income	3.2	2.0	2.9	3.3
Interest Expenses	1.1	0.5	0.4	0.5

# Overseas Operations

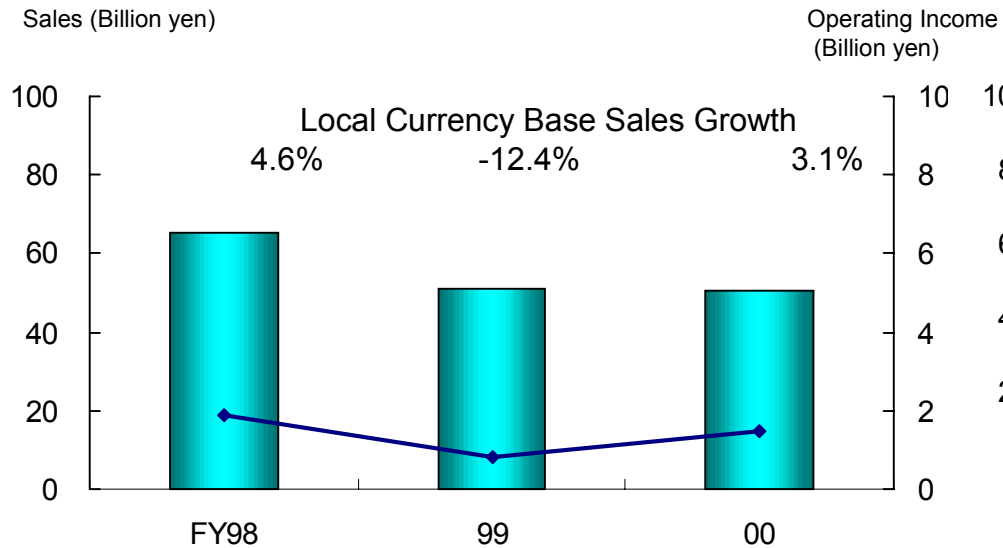
(Billions of yen)

Fiscal Year	1998	1999	2000
<b><u>Net Sales</u></b>	<b><u>241.5</u></b>	<b><u>197.2</u></b>	<b><u>189.4</u></b>
Asia/Oceania	102.8	86.1	84.1
North America/Europe	138.7	111.0	105.2
<b><u>Operating Income</u></b>	<b><u>12.3</u></b>	<b><u>7.3</u></b>	<b><u>12.7</u></b>
Asia/Oceania	5.3	3.9	6.8
North America/Europe	7.0	3.4	5.9

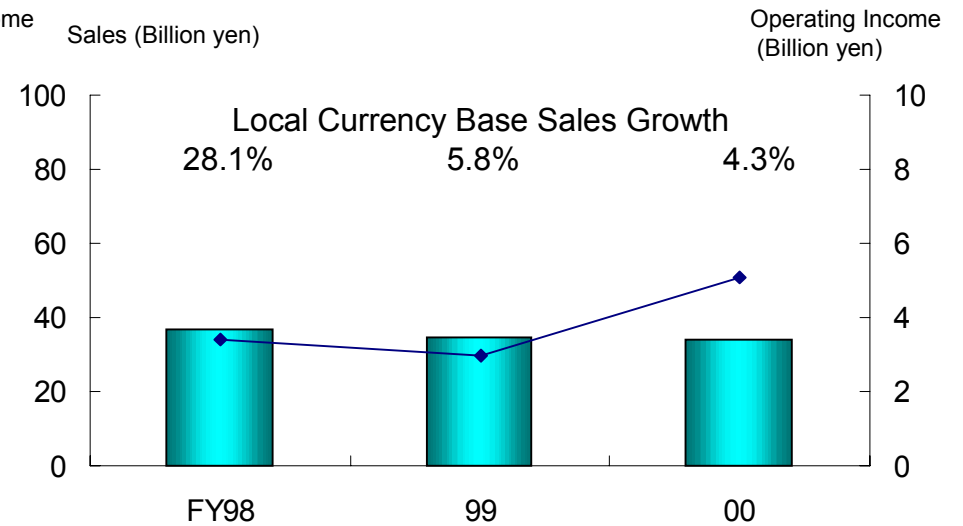


\* Used before elimination

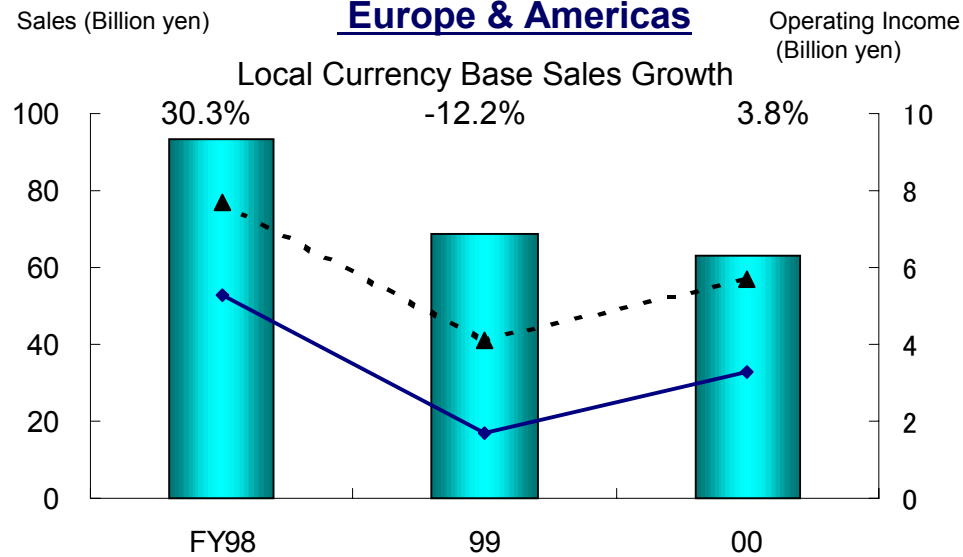
## Consumer Products in Asia



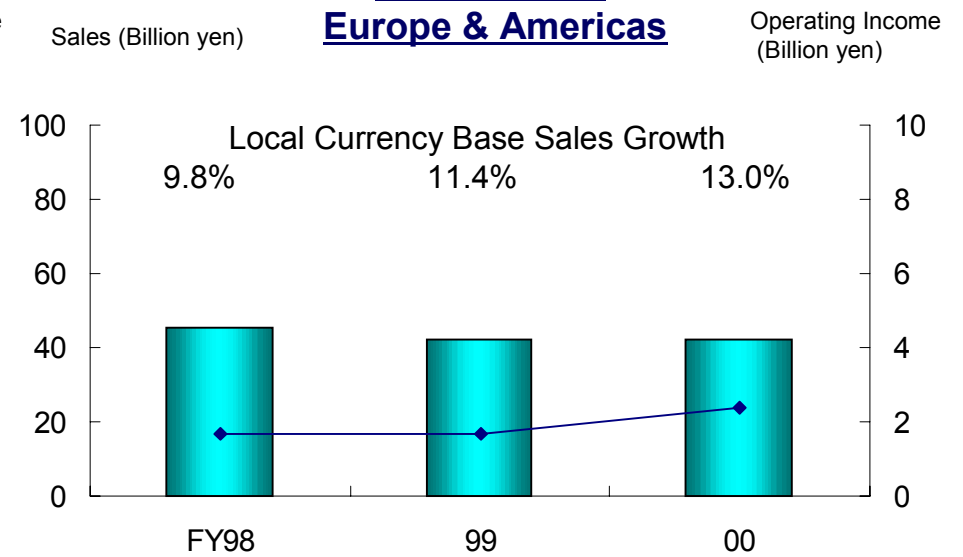
## Chemicals in Asia



## Consumer Products in Europe & Americas



## Chemicals in Europe & Americas



▲ Before Amortization of Goodwill

Exclude IT business

# Consolidated Sales and Profit Forecast

	FY99		FY00		FY01F	
	Billion yen	%Growth	Billion yen	%Growth	Billion yen	%Growth
Sales	846.9	- 8.4	821.6	- 3.0	860.0	4.7
Operating Income	99.1	8.2	107.0	8.0	110.0	2.7
Ordinary Income	98.0	9.1	111.8	14.1	108.0	-3.5
Net Income	52.1	50.2	59.4	14.0	62.0	4.3

Net Income per Share (yen)	83.45	49.1	96.69	15.9	101.78	5.3
ROE (%)	11.3%		12.7%		12.8%	
EBITDA (Operating Income + Dep. & Amort.)	166.5		165.9		166.9	
Dividend per Share (yen)	20.0		24.0		26.0	

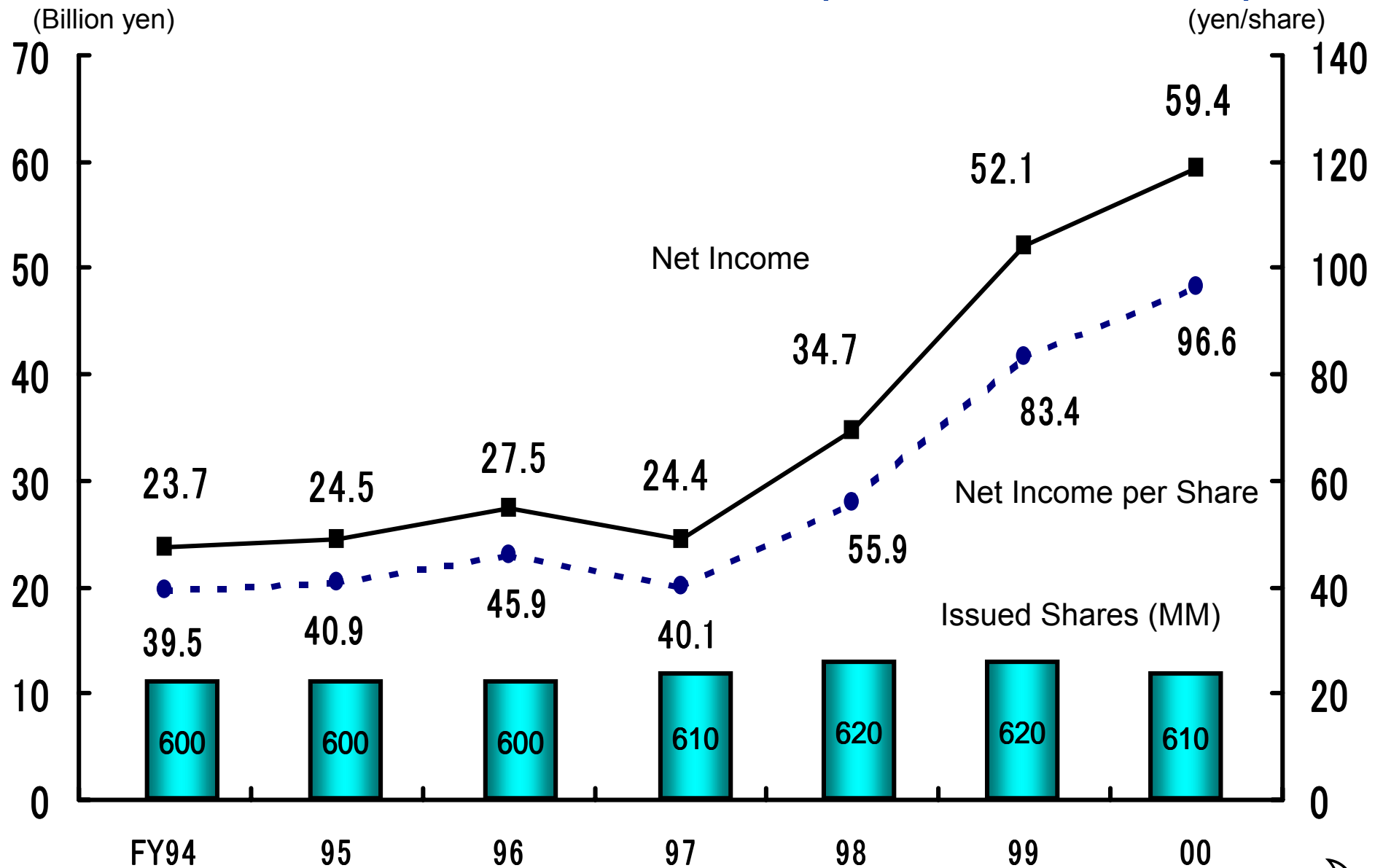
# Non-consolidated Sales and Profit Forecast

	FY99		FY00		FY01F	
	Billion yen	%Growth	Billion yen	%Growth	Billion yen	%Growth
Sales	667.1	0.9	660.4	-1.0	665.0	0.7
Operating Income	91.0	14.1	92.3	1.4	94.0	1.8
Ordinary Income	91.7	11.5	98.3	7.2	97.0	-1.4
Net Income	42.5	46.2	52.2	22.9	55.0	5.3

Net Income per Share (Yen)	68.02	45.1	84.72	24.6	90.04	6.3
ROE (%)	9.4		11.1		11.0	
EBITDA (Operating Income + Depr. + Amort.)	142.6		138.2		137.1	



# Net Income per Share (Consolidated)



# Consolidated Major Ratios

		FY 98	FY 99	FY 00
<b>Financial Ratios:</b>				
ROE	(%)	7.9	11.3	12.7
ROA	(%)	4.5	7.0	7.7
Shareholders' Equity Ratio	(%)	60.1	63.3	59.1
<b>Per Share</b>				
Net Income	(yen)	55.98	83.45	96.69
Shareholders' Equity	(yen)	727.01	765.59	760.05
Cash Dividends	(yen)	16.00	20.00	24.00

<b>Number of Shares Issued</b>	(thousand shares)	621,420	620,412	609,152
<b>Owned by Foreign Shareholders</b>	(%)	28.6	29.1	31.9

## Number of Employees

	Mar/99	Mar/00	Mar/01
Non-consolidated	6,754	6,086	5,747
Consolidated	17,100	16,088	19,054



# Re-purchase of the Company Stock

- Authorization granted at the Shareholders' Meeting held on June 1999.
  - (Change of the articles of incorporation up to 10% of issued stock, 62,000,000 shares)
- Re-purchased by March 2000
  - 10,000,000 shares
  - 29.5 billion yen
- Re-purchased by March 2001
  - 10,000,000 shares
  - 28.6 billion yen
- Total numbers of shares re-purchased
  - 20,000,000 shares