

# Annual Financial Review

From April 1, 2001 to March 31, 2002

Kao Corporation 

April 22, 2002

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

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

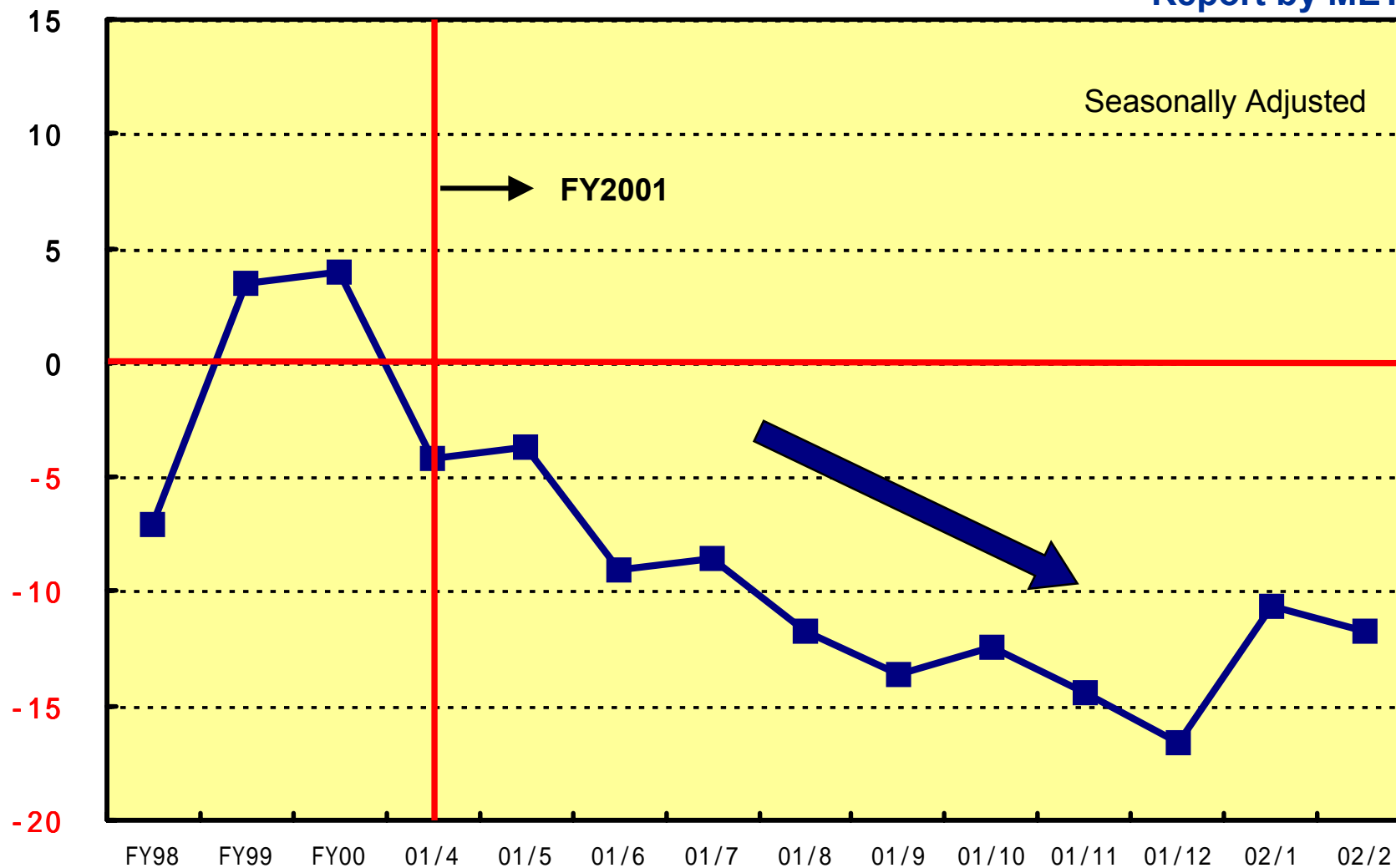
(The figures in this presentation material are rounded down.)

# 1. Business Environment

April 1, 2001 - March 31, 2002

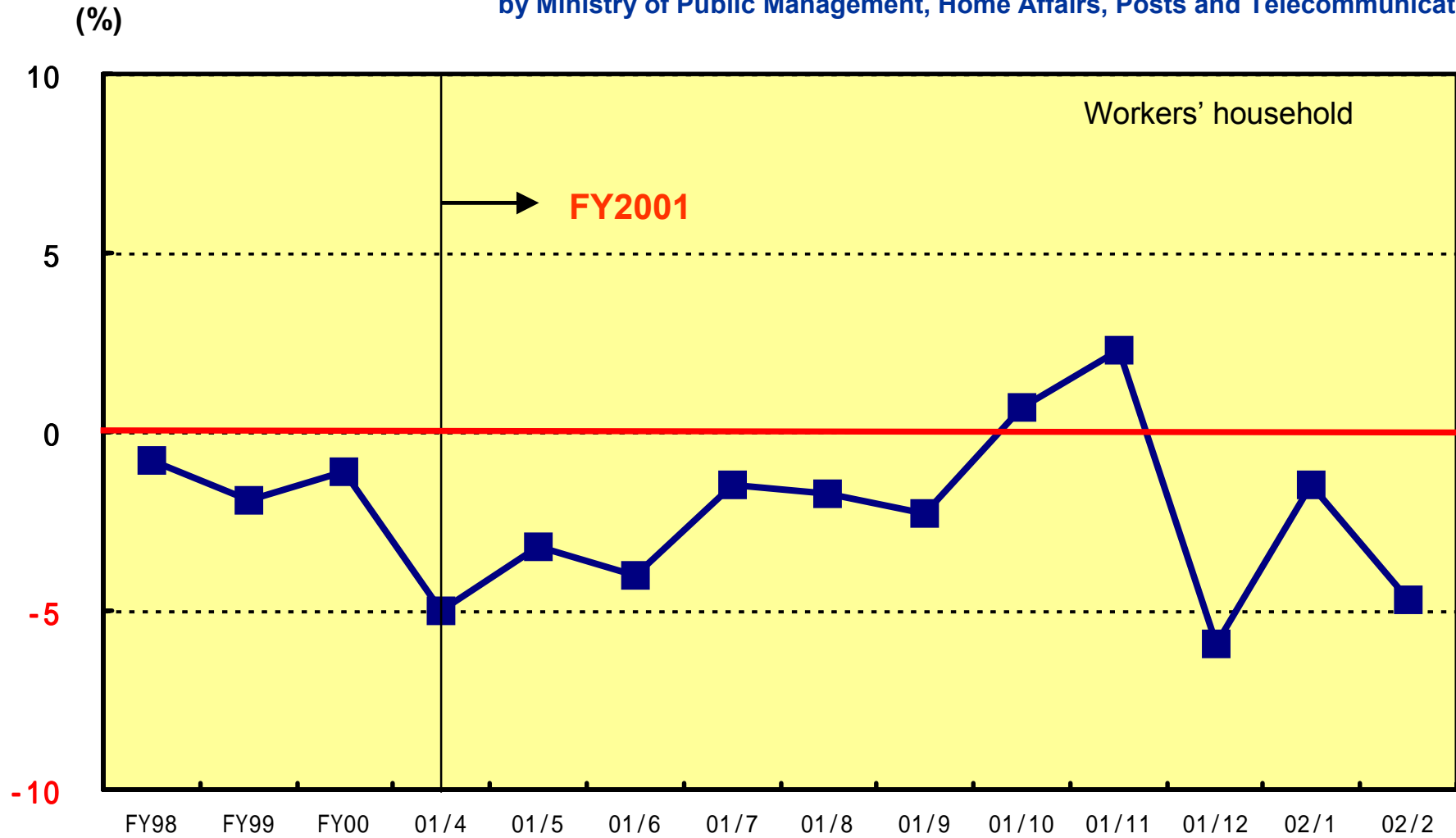
# Industrial Production Index

Report by METI



# Household Expenditure Survey

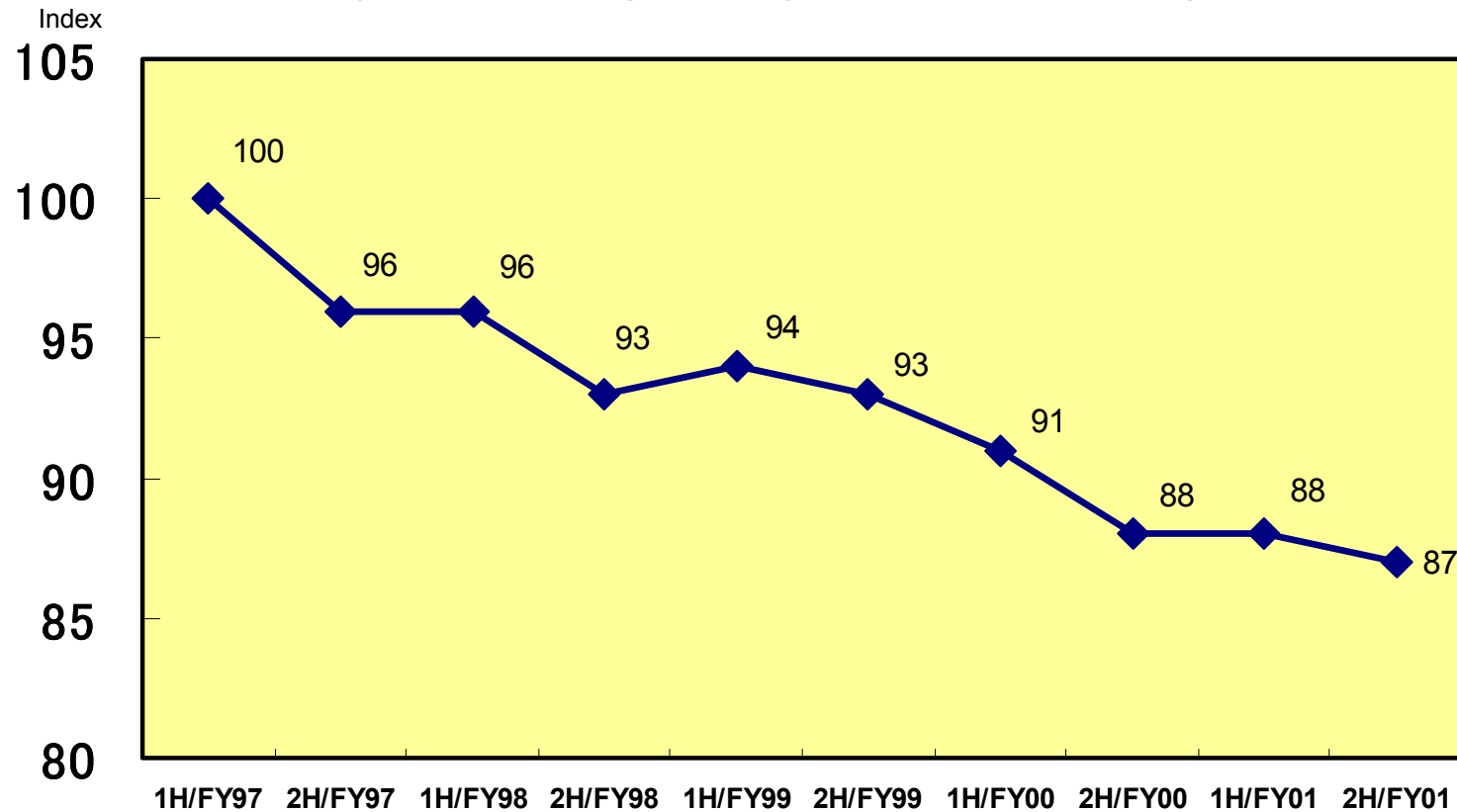
by Ministry of Public Management, Home Affairs, Posts and Telecommunications



(Percent change from a year earlier)

# Average Consumer Purchase Price

## Major 14 Categories (All manufactures)



## Market Growth

	2H/FY00	1H/FY01	Oct-Dec/FY01
Volume	0%	2%	1%
Value	-3%	0%	-1%

## 2. Consolidated Business Results

April 1, 2001 - March 31, 2002

# FY2001 Results (Consolidated)

Billion yen	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>	Growth	Changes
<b>Sales</b>	846.9	821.6	839.0	2.1%	+17.3
<b>Operating Income</b>	99.1	107.0	111.7	4.3%	+4.6
<i>Operating Margin</i>	11.7%	13.0%	13.3%		
<b>Ordinary Income</b>	98.0	111.8	113.5	1.5%	+1.7
<b>Net Income</b>	52.1	59.4	60.2	1.4%	+0.8
<b>EBITDA</b>	166.4	165.9	170.2	2.6%	+4.2
<b>ROE</b>	11.3%	12.7%	13.1%		
<b>EPS (yen)</b>	83.45	96.69	100.43	3.9%	+3.74



# Consolidated Sales [1]

	FY1999	FY2000		FY2001		YoY Changes
	Billion yen	Billion yen	% Growth	Billion yen	% Growth	
Personal Care Products	175.2	170.5	-2.7	166.8	-2.2	-3.6
Laundry & Cleaning Products	262.1	249.0	-5.0	246.7	-0.9	-2.3
Hygiene & Other Products	79.4	79.0	-0.5	82.2	4.1	3.2
<b>Japan Total</b>	516.8	498.6	-3.5	<b>495.8</b>	<b>-0.6</b>	-2.7
<b>Asia &amp; Oceania</b>	51.2	50.2	-1.8	59.3	18.2	9.1
<b>North America &amp; Europe</b>	68.8	63.3	-8.0	76.1	20.3	12.8
Elimination	-4.5	-4.3		-5.3		-0.9
<b>Consumer Products</b>	632.4	607.8	-3.9	<b>626.0</b>	<b>3.0</b>	18.2
Exclude currency translation effect						1.3%
<b>Cosmetics (Sofina)</b>	70.8	72.5	2.4	<b>74.1</b>	<b>2.2</b>	1.5
Exclude currency translation effect						2.1%

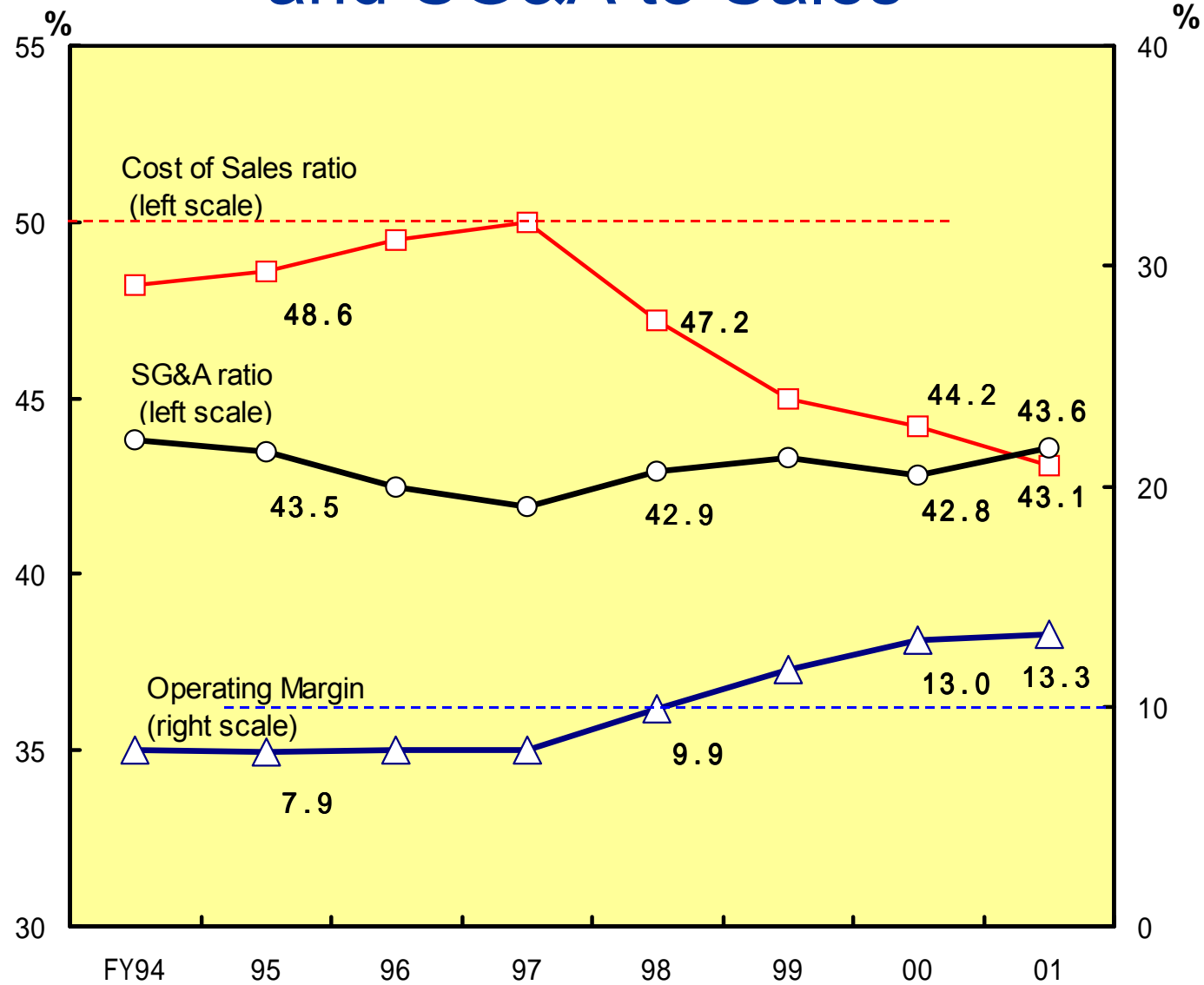
# Consolidated Sales [2]

	FY1999	FY2000		FY2001		YoY Changes
	Billion yen	Billion yen	% Growth	Billion yen	% Growth	
Japan	111.3	108.5	-2.5	98.4	-9.4	-10.1
Asia	34.6	34.1	-1.4	35.1	2.9	0.9
North America & Europe	42.1	42.1	-0.1	46.8	11.1	4.6
Elimination	-15.8	-17.0		-17.6		-0.5
<b>Chemical Products</b>	172.4	167.8	-2.6	<b>162.8</b>	<b>-3.0</b>	<b>-5.0</b>
Exclude currency translation effect						-6.2%
Elimination	-28.7	-26.6		-23.9		2.6
<b>Consolidated Sales</b>	<b>846.9</b>	<b>821.6</b>	<b>-3.0</b>	<b>839.0</b>	<b>2.1</b>	<b>17.3</b>
Exclude currency translation effect of 15.6 billion yen						0.2%

# Consolidated Income Statements

	FY2000		FY2001		Changes
	Billion yen	%	Billion yen	%	
<b>Sales</b>	821.6	100.0	839.0	100.0	17.3
Cost of Sales	363.1	44.2	361.4	43.1	1.6
Gross Profit	458.5	55.8	477.5	56.9	19.0
SG&A Expenses	351.4	42.8	365.8	43.6	-14.4
<b>Operating Income</b>	107.0	13.0	111.7	13.3	4.6
Non-operating Income/Expense	4.7	0.6	1.8	0.2	-2.9
<b>Ordinary Income</b>	111.8	13.6	113.5	13.5	1.7
Extraordinary Gain & Loss	-9.9	-1.2	-5.6	-0.7	4.3
Income Before Taxes	101.8	12.4	107.9	12.9	6.0
Income Taxes	41.1	5.0	45.7	5.5	-4.6
Equity Items & Others	-1.2	-0.2	-1.8	-0.2	-0.6
<b>Net Income</b>	59.4	7.2	60.2	7.2	0.8

# Consolidated Cost of Sales and SG&A to Sales



\*Business tax has been adjusted prior to FY97



# Consolidated Breakdown of Expenses

	FY2000	FY2001	Changes
<b>Total SG&amp;A Expenses</b>	351.4	365.8	-14.4

Shipping/Warehouse	44.3	44.3	0.0
Advertising	65.7	66.0	-0.3
Sales Promotion	37.4	39.8	-2.3
Salaries and Wages	67.2	64.7	2.5
R&D	37.0	37.5	-0.4

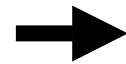
Major attributes to changes: 14.4 billion yen

- ◆Currency impact 6.8 billion yen
- ◆Depreciation & amortization 2.7 billion yen
- ◆Effect of the consolidation of P.T. Kao Indonesia 1.8 billion yen

# Consolidated Operating Income

FY2000

107.0



FY2001




111.7 Billion yen

Change +4.6 Billion yen 4.3%

Japan	0.8
Asia & Oceania	1.5
North America & Europe	1.9
<hr/>	
Total	4.6




Consumer Products	2.6
Cosmetics (Sofina)	1.9
Chemical Products	0.0
<hr/>	
Total	4.6

# Sales and Operating Income by Business

	Net Sales			Operating Income		
	FY2000	FY2001	Changes	FY2000	FY2001	Changes
<b>Billion yen</b>						
Consumer Products	607.8	626.0	18.2 3.0%	86.1 % to Sales 14%	88.7 14%	2.6 
Cosmetics (Sofina)	72.5	74.1	1.5 2.2%	2.8 % to Sales 4%	4.7 6%	1.9 
Chemical Products	167.8	162.8	-5.0 -3.0%	17.7 % to Sales 11%	17.7 11%	0.0 

\*Before elimination of intersegment transfers

# Sales and Operating Income by Geography

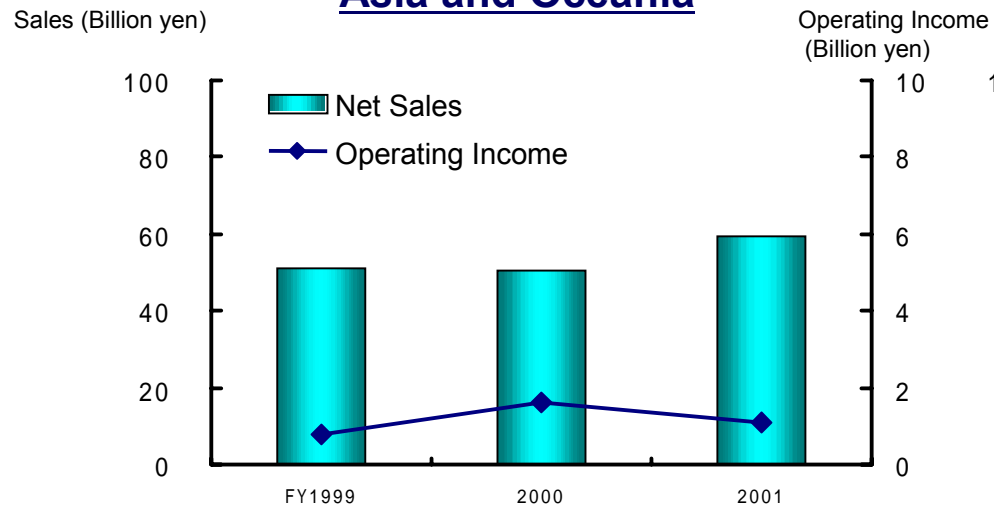
Billion yen	Net Sales			Operating Income		
	FY2000	FY2001	Changes	FY2000	FY2001	Changes
Japan	655.4	648.1	-7.2 -1.1%	94.3	95.1	0.8 
				<i>% to Sales</i> 14%	15%	
Asia & Oceania	84.1	93.4	9.3 11.1%	6.8	8.3	1.5 
				<i>% to Sales</i> 8%	9%	
North America & Europe	105.2	122.8	17.6 16.7%	5.9	7.8	1.9 
				<i>% to Sales</i> 6%	6%	
				Before amortization of goodwill 8%	8%	

\*Before elimination of intersegment transfers

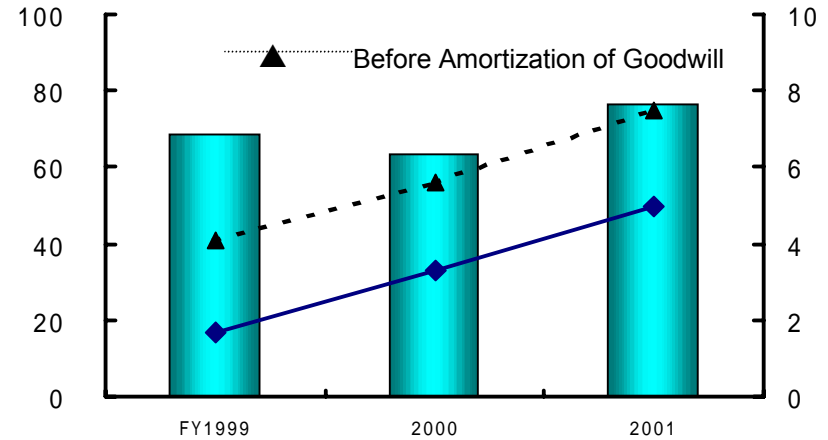


## Consumer Products

### Asia and Oceania

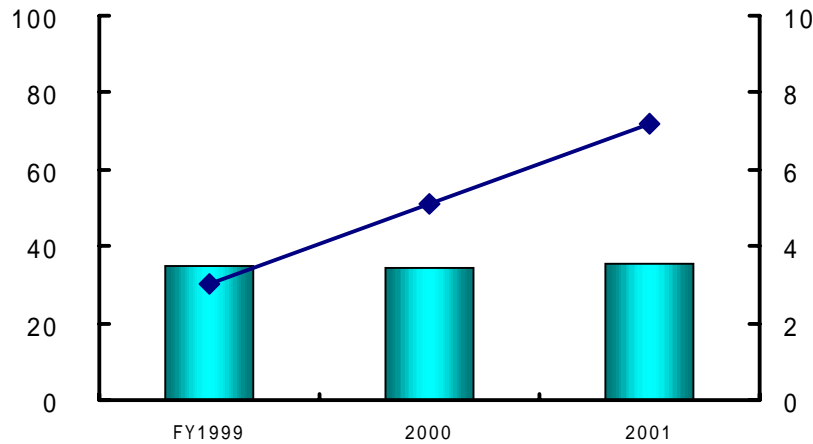


### North America & Europe

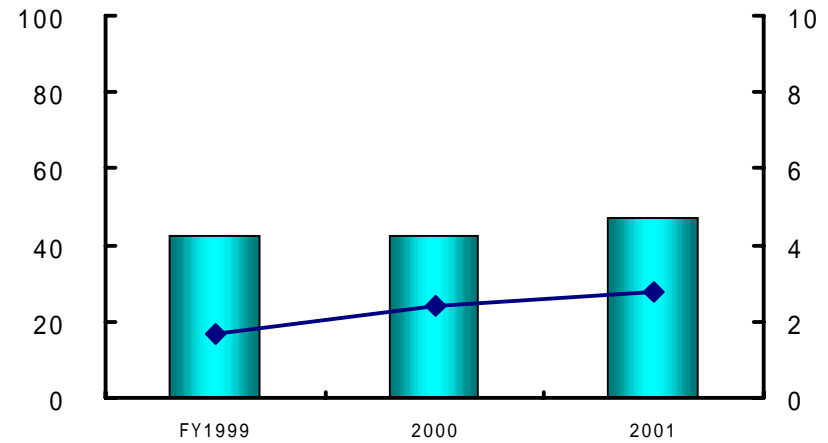


## Chemical Products

### Asia



### North America & Europe

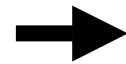


# Consolidated Ordinary Income

FY2000

FY2001

111.8



113.5 Billion yen

Change +1.7 Billion yen 1.5%

1. Operating income	4.6
2. Equity earnings	-1.9
3. Exchange gains	-0.6
4. Other non-operating items	-0.3
<hr/> Total	1.7

# Consolidated Balance Sheets

(Billion yen)

	Mar/02	Mar/01	Changes		Mar/02	Mar/01	Changes
<b>Current Asset</b>	<b>352.7</b>	366.2	-13.4	<b>Current Liabilities</b>	<b>214.6</b>	230.5	-15.9
Cash and Bank Deposits	26.6	16.6	10.0	Notes and Accounts Payable	68.0	70.7	-2.7
Notes and Accounts Receivable	103.7	103.5	0.2	Short-term Debt (incl. Current Portion of Long-term Debt)	19.2	26.2	-6.9
Short-term Investments	129.4	149.6	-20.1	Other Accounts Payable	23.5	27.8	-4.3
Inventories	67.2	69.9	-2.6	Accrued Expenses	60.2	62.2	-2.0
Other	25.6	26.5	-0.8	Others	43.5	43.4	0.1
<b>Fixed Assets</b>	<b>419.2</b>	417.4	1.7	<b>Long-term Liabilities</b>	<b>75.0</b>	69.4	5.5
Tangible Assets	295.5	297.9	-2.3	Long-term Debt	36.6	43.1	-6.4
Intangible Assets	53.1	57.3	-4.2	Others	38.3	26.3	12.0
Investments	70.4	62.1	8.3	<b>Total Liabilities</b>	<b>289.6</b>	300.0	-10.3
<b>Deferred Assets</b>	<b>0.1</b>	0.0	0.0	<b>Minority Interests</b>	<b>22.7</b>	20.7	2.0
				<b>Shareholders' Equity</b>	<b>459.7</b>	462.9	-3.2
				Common Stock	85.4	85.4	0.0
				Additional Paid in Capital	108.8	108.8	0.0
				Retained earnings	309.8	298.6	11.1
				Unrealized Gain on Available-for-sale Securities	2.5	6.0	-3.5
				Foreign Currency Translation Adjustments	-22.7	-35.6	12.8
				Treasury Stock	-24.1	-0.4	-23.7
				<Net Income for the Period>	<60.2>	<59.4>	
<b>Total Assets</b>	<b>772.1</b>	783.7	-11.6	<b>Total Liabilities, Minority Interests &amp; Shareholders' Equity</b>	<b>772.1</b>	783.7	-11.6

# Statements of Cash Flows

(Billion yen)

	FY1999	FY2000	FY2001	Changes
Operating Activities	157.6	122.9	130.9	7.9
Investing Activities	-41.4	-67.3	-77.6	-10.2
Financing Activities	-61.5	-52.1	-86.2	-34.1
Translation Adjustment	-4.0	1.9	3.4	1.5
Net Increase	50.5	5.4	-29.5	-34.9
Beginning balance of newly consolidated companies	0.0	0.0	0.9	0.9
Cash and Cash Equivalents	147.9	153.4	124.9	-28.5
<b>Total Debt</b>	<b>78.0</b>	<b>69.4</b>	<b>55.9</b>	<b>-13.4</b>

Net income before income taxes: 107.9 billion yen (+6.0 billion yen)

Depreciation & amortization: 58.4 billion yen (-0.3 billion yen)

Share repurchase: 20 million shares/57.5 billion yen

Decreasing total debt: 13.4 billion yen

Capital expenditures: 49.5 billion yen

Japan: New production equipment for detergent and cooking oil products

Overseas: Increase production capacity for

- Fatty alcohol

- Copier and printer toner and related products

# 3. Forecast for FY 2002

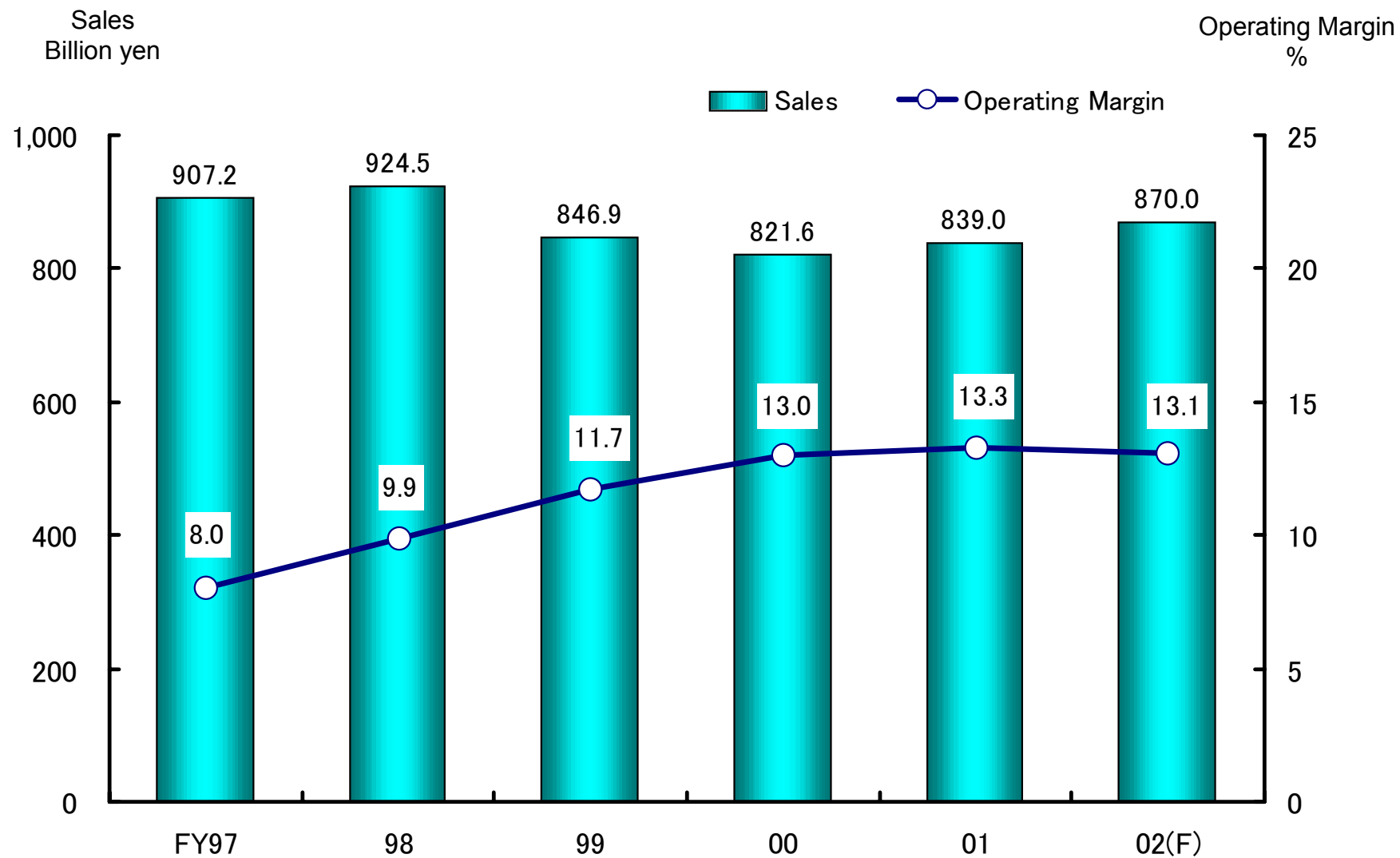
# Consolidated Sales and Profit Forecast

	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	62.0	2.9
<% to Sales>	<7.2>		<7.2>		<7.1>	

Net Income per Share (yen)	96.69	15.9	100.43	3.9	105.12*	4.7
ROE	12.7%		13.1%		12.9%*	
EBITDA (Operating Income + Depr. & Amort.)	165.9		170.2		168.2	
Dividend per Share (yen)	24.0		26.0		30.0	

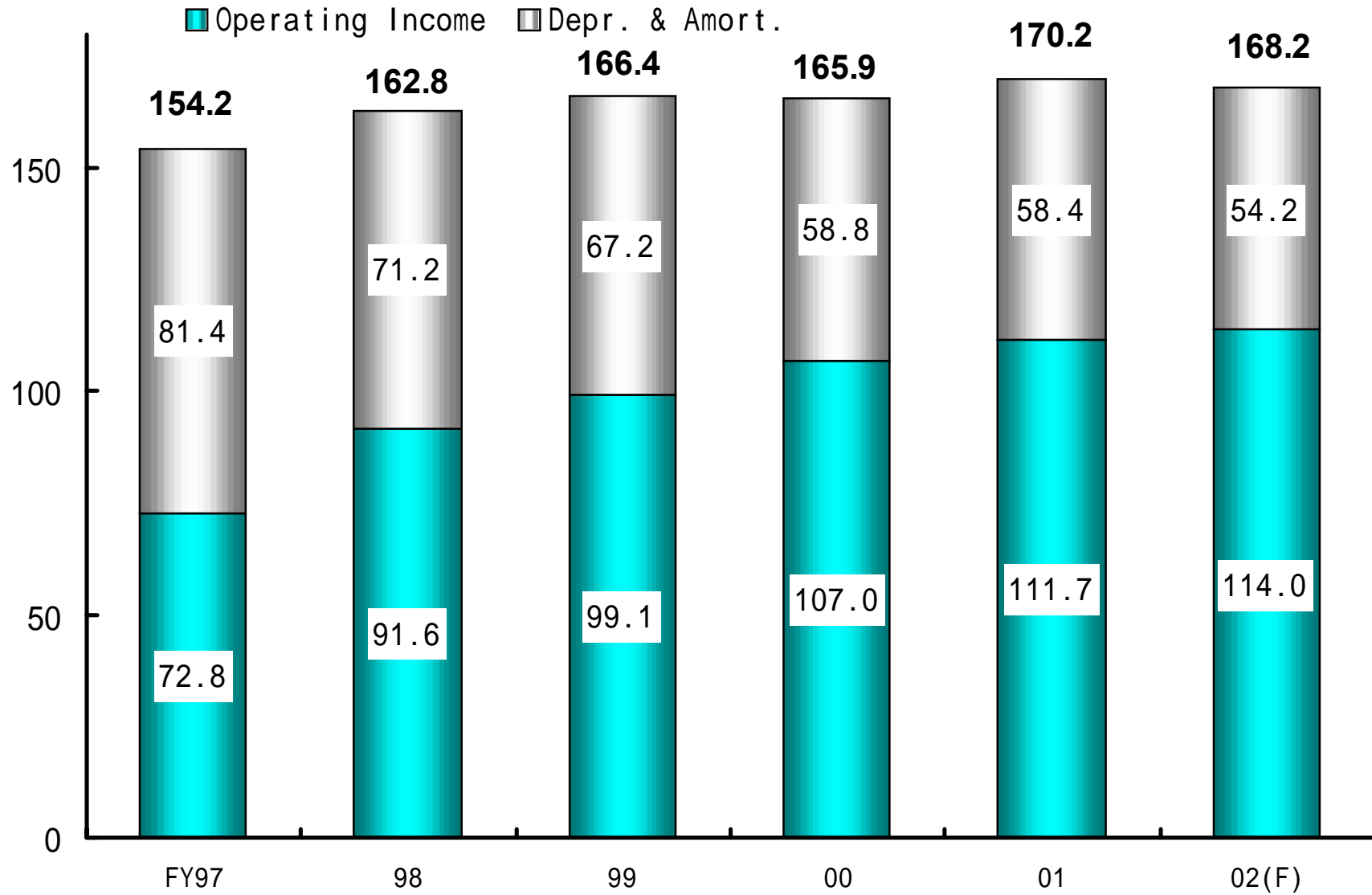
\*The calculation does not take account of future share repurchase in FY2002.

# Consolidated Sales/Operating Margin [Full Year]



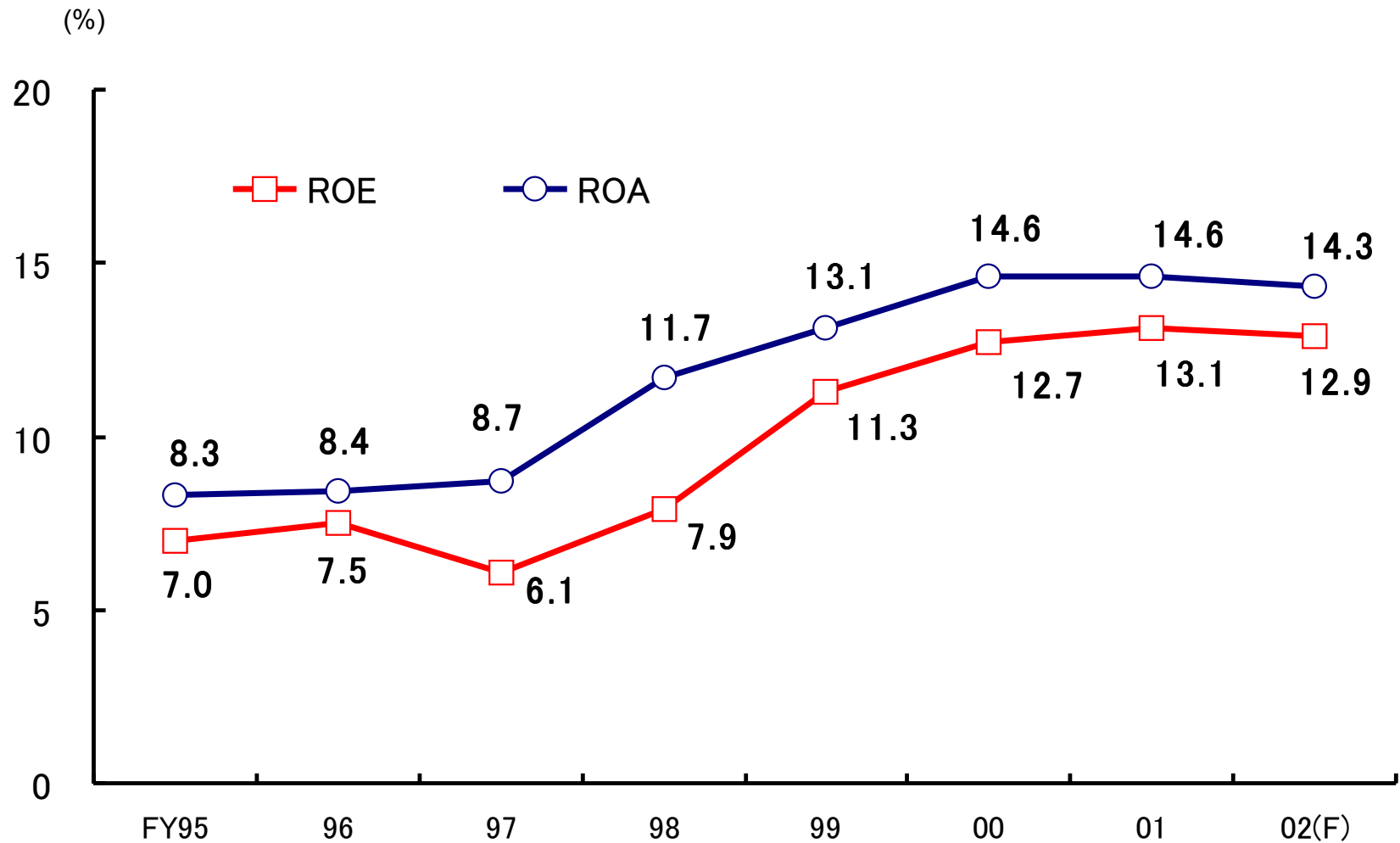
# EBITDA

Billion yen





# ROE & ROA

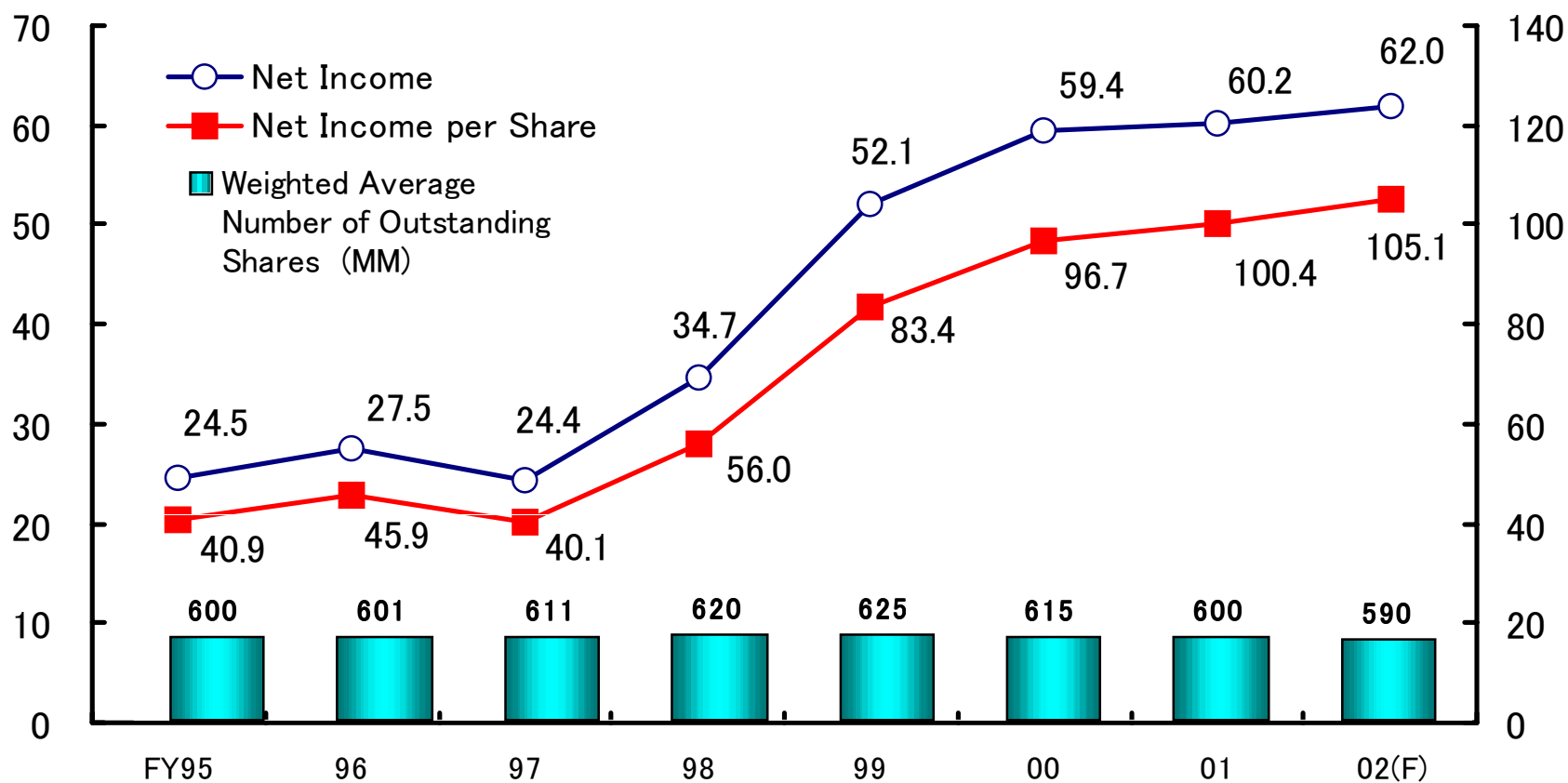


ROA: Ordinary Income / Total assets  
 Ordinary Income: Business tax has been adjusted prior to FY97

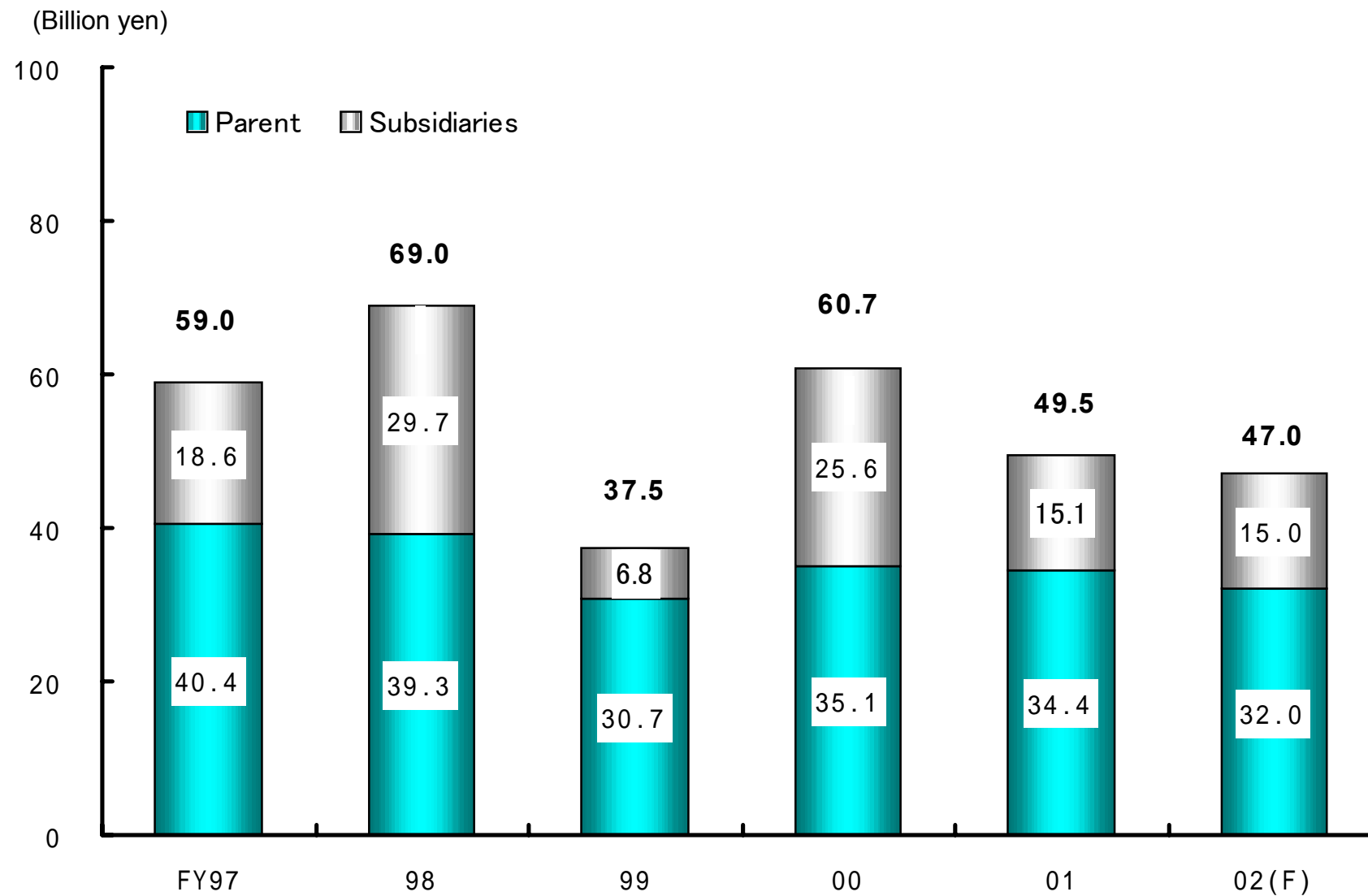
# Net Income per Share (Consolidated)

Net Income  
(Billion yen)

Net Income  
per Share  
(yen)



# Consolidated Capital Expenditures



# 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	<b>655.0</b>	0.1
Operating Income <% to Sales>	92.3 <14.0>	1.4	92.4 <14.1>	0.1	<b>94.0</b> <14.4>	1.7
Ordinary Income <% to Sales>	98.3 <14.9>	7.2	98.5 <15.1>	0.1	<b>98.0</b> <15.0>	-0.5
Net Income <% to Sales>	52.2 <7.9>	22.9	55.5 <8.5>	6.3	<b>56.0</b> <8.5>	0.9

Net Income per Share (yen)	84.72	24.6	92.25	8.9	<b>94.81</b>	2.8
ROE	11.1%		11.8%		<b>11.7%</b>	
EBITDA (Operating Income + Depr. & Amort.)	138.2		136.4		<b>134.3</b>	

