

# Semi-Annual Financial Review

From April 1, 2001 to September 30, 2001

Kao Corporation 

October 22, 2001

These are the translation of materials used for the analysts meeting of October 22, 2001 in Japan.

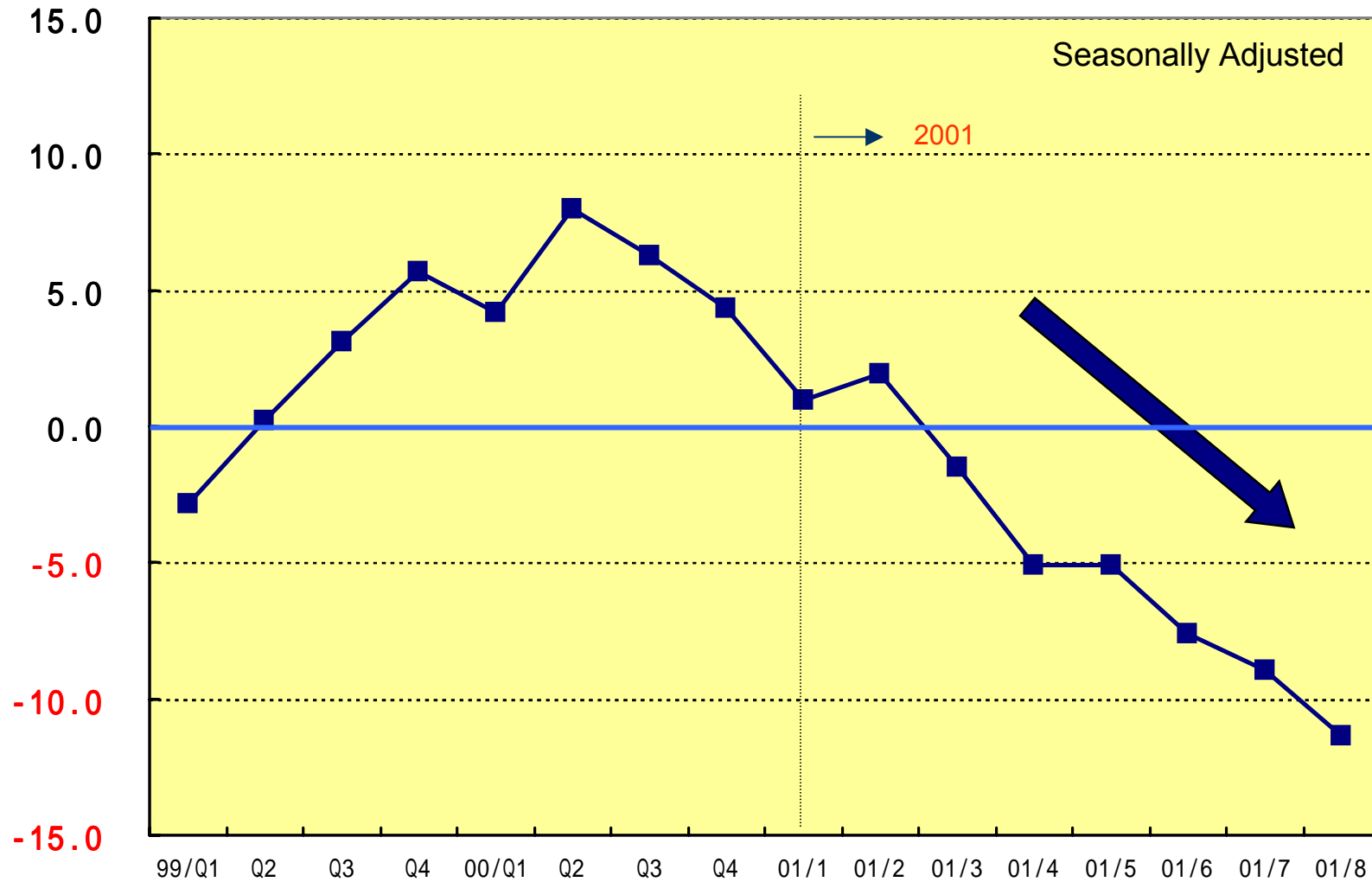
This presentation material contains forward-looking statements that are based on management's estimates, assumptions and projections as of October 22, 2001. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation, could cause actual results to differ materially from expectations.

# 1. Business Environment

April 1 - September 30, 2001

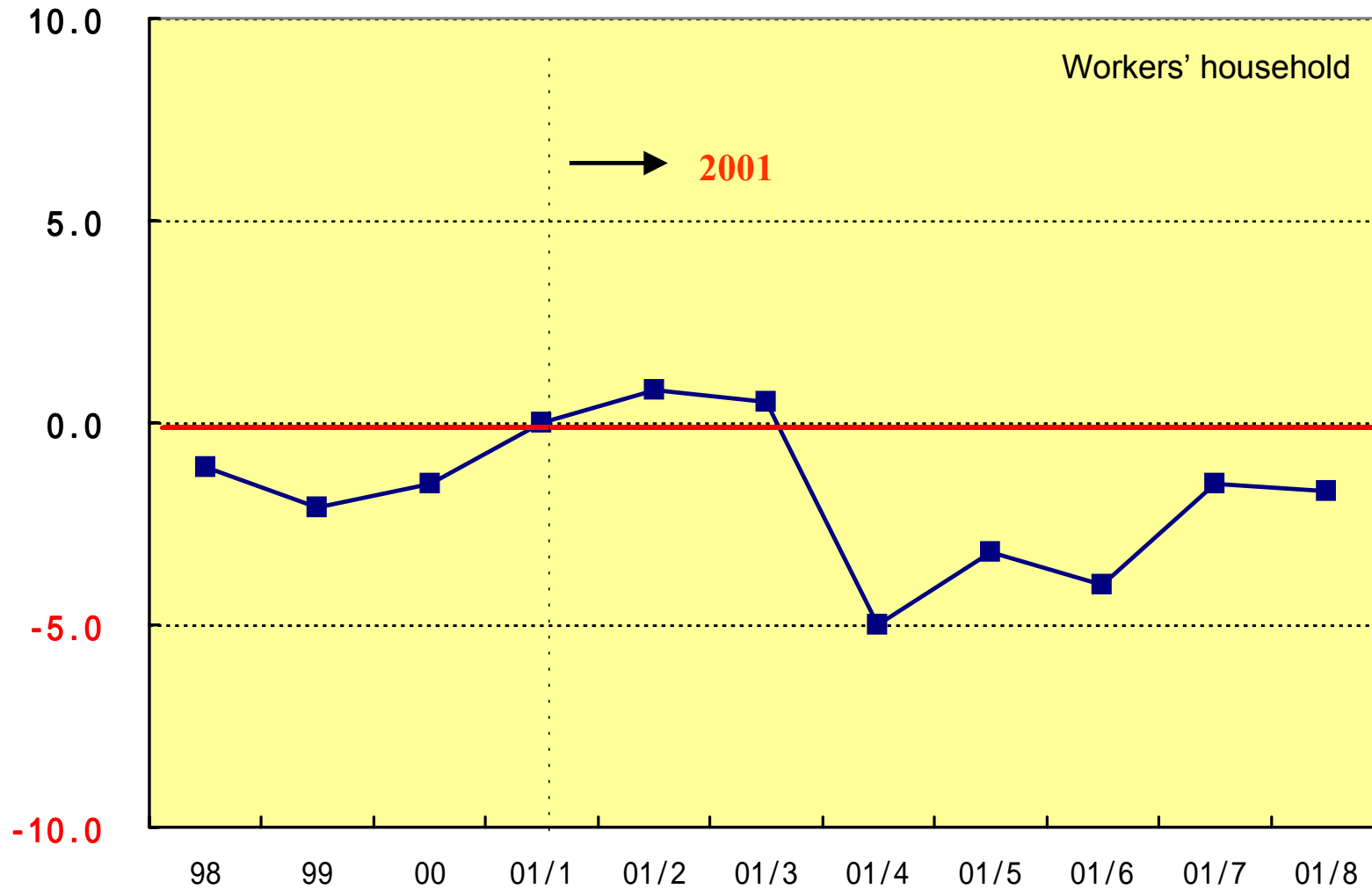
# Industrial Shipments

Report by METI

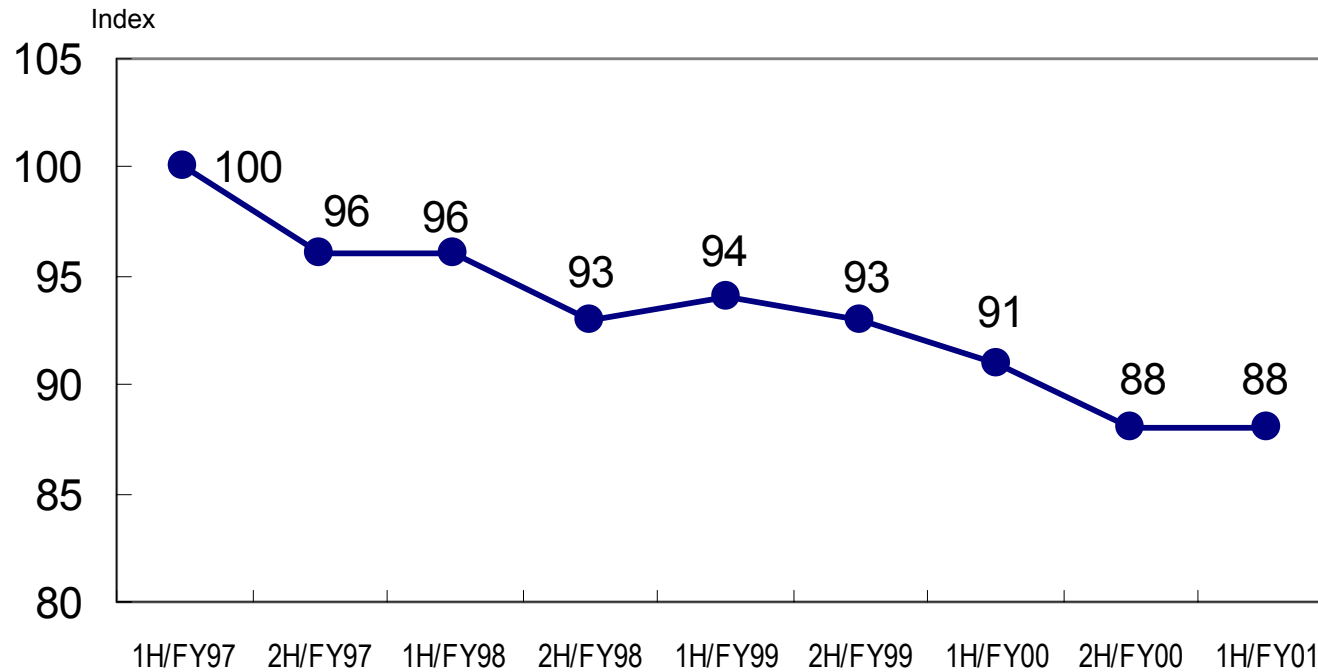


# Household Expenditure Survey

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



# Average Consumer Purchase Price in Major 14 Categories (All manufactures)



## Market Growth

	1st half/00	2nd half/00	1st half/01
Volume	1%	0%	2%
Value	-4%	-4%	-1%

## 2. Consolidated Business Results

April 1 - September 30, 2001

# 1st half/FY2001 Results (Consolidated)

Billion yen

	1st half/FY99	1st half/FY00	1st half/FY01	
Sales	425.5	411.6	421.5	Growth 2.4% Changes +9.8
Operating Income	48.0	54.8	57.3	4.5% +2.4
Operating margin	11.3%	13.3%	13.6%	
Ordinary Income	46.3	57.4	57.6	0.3% + 0.1
Net Income	25.9	31.6	31.4	-0.8% -0.2
EBITDA		80.6	83.9	85.1
	1.5%	+1.2		
Net Income per Share	41.45 yen	51.25 yen	51.78 yen	1.0% 0.53



# Consolidated Sales [1]

	1st half/FY99	1st half/FY00		1st half/FY01		Changes
	Billion yen	Billion yen	%Growth	Billion yen	%Growth	
Personal Care Products	89.3	88.7	-0.6	87.2	-1.8	-1.5
Laundry & Cleaning Products	127.9	126.0	-1.5	123.0	-2.4	-3.0
Hygiene & Other Products	38.3	37.4	-2.5	41.1	9.9	3.7
Japan Total	255.6	252.2	-1.4	<b>251.3</b>	-0.3	-0.8
Asia	26.4	24.4	-7.8	28.4	16.7	4.0
North America & Europe	37.2	30.9	-16.9	37.0	19.7	6.0
Elimination	-2.2	-2.1		-2.4		-0.3
<b>Consumer Products</b>	317.1	305.4	-3.7	<b>314.4</b>	3.0	<b>9.0</b>
				Exclude currency translation effect	1.8%	
<b>Cosmetics (Sofina)</b>	36.4	36.0	-1.1	<b>37.3</b>	3.7	<b>1.3</b>
				Exclude currency translation effect	3.6%	

# Consolidated Sales [2]

	1st half/FY99	1st half/FY00		1st half/FY01		Changes
	Billion yen	Billion yen	%Growth	Billion yen	%Growth	
Japan	54.4	55.2	1.4	49.5	-10.2	-5.6
Asia	17.7	17.1	-3.5	17.3	1.4	0.2
North America & Europe	21.1	20.3	-4.0	23.2	14.3	2.9
Elimination	-7.9	-8.4		-8.4		0
<b>Chemical Products Total</b>	<b>85.4</b>	<b>84.2</b>	<b>-1.4</b>	<b>81.7</b>	<b>-3.0</b>	<b>-2.5</b>
				Exclude currency translation effect		-5.2
Elimination	-13.4	-14.0		-12.0		2.0
<b>Consolidated Sales</b>	<b>425.5</b>	<b>411.6</b>	<b>-3.3</b>	<b>421.5</b>	<b>2.4</b>	<b>9.8</b>
				Exclude currency translation effect of 5.4 billion yen		1.1
						<b>4.4</b>

# Consolidated Income Statements

	Apr-Sep/00		Apr-Sep/01		Changes
	Billion yen	%	Billion yen	%	
Sales	411.6	100.0	421.5	100.0	9.8
Cost of Sales	179.9	43.7	180.9	42.9	-1.0
Gross Profit	231.7	56.3	240.6	57.1	8.8
S, G & A Expenses	176.8	43.0	183.2	43.5	-6.3
Operating Income	54.8	13.3	57.3	13.6	2.4
Non-operating Income/Expense	2.5	0.6	0.2	0.1	-2.2
Ordinary Income	57.4	14.0	57.6	13.7	0.1
Extraordinary Gain & Loss	-1.7	-0.4	-1.5	-0.4	0.2
Income Before Taxes	55.6	13.5	56.0	13.3	0.3
Income Taxes	22.9	5.6	23.8	5.7	-0.8
Equity Items & Others	-1.0	-0.2	-0.7	-0.2	0.2
Net Income	31.6	7.7	31.4	7.4	-0.2

# Consolidated Breakdown of Expenses

( Billion yen )

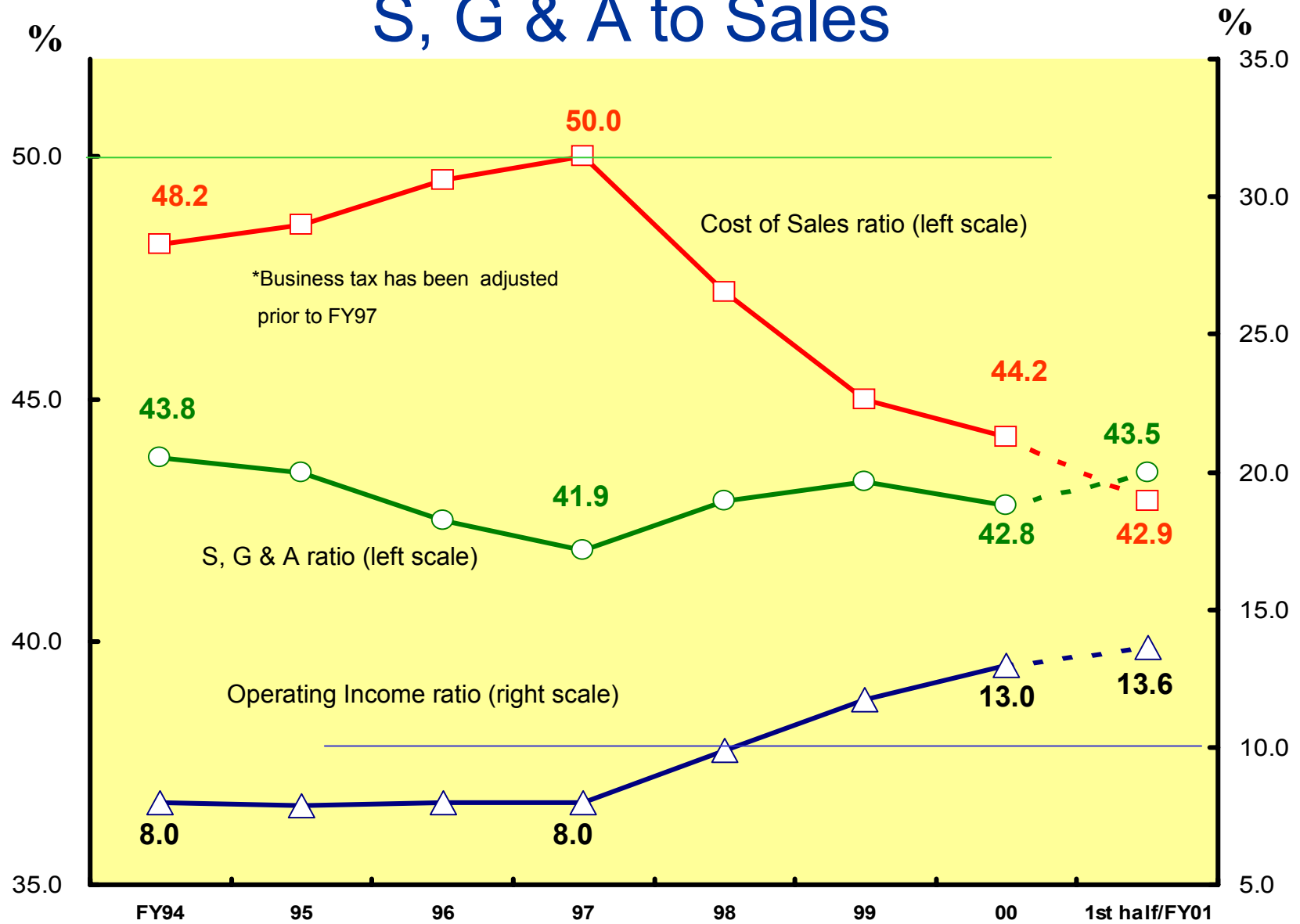
	Apr-Sep/00	Apr-Sep/01	Changes
Total SGA Expenses	176.8	183.2	6.3
Shipping/Warehouse	22.3	22.8	0.5
Advertising	33.4	34.4	1.0
Sales Commission	17.9	19.1	1.2
Salaries and Wages	35.7	32.6	-3.1
R & D	18.4	18.7	0.3

Major attributes to changes/ 6.3 billion yen

Currency impact                      2.5 billion yen

Retirement benefits cost        2.0 billion yen

# Consolidated Cost of Sales and S, G & A to Sales



# Consolidated Operating Income

1st half/FY2000

1st half/FY2001

54.8



57.3

Billion yen

Change **+2.4** 4.5%

Japan	0.3
Asia	1.1
North America & Europe	0.8
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Total	2.4

Consumer Products	-0.3
Cosmetics(Sofina)	1.7
Chemical Products	0.9
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Total	2.4

# Sales and Operating Income by Business

Billion yen

	1st half FY00	1st half FY01	Changes	%	1st half FY00	1st half FY01	Changes	%
Consumer Products	305.4	314.4	+9.0	+3%	44.8	44.5	-0.3	→
				% to Sales	15%	14%		
Cosmetics	36.0	37.3	+1.3	+4%	1.1	2.8	+1.7	↗
				% to Sales	3%	8%		
Chemicals	84.2	81.7	-2.5	-3%	8.9	9.8	+0.9	↘
				% to Sales	11%	12%		

\*Before elimination of inter-segment transfers

# Sales and Operating Income by Geography

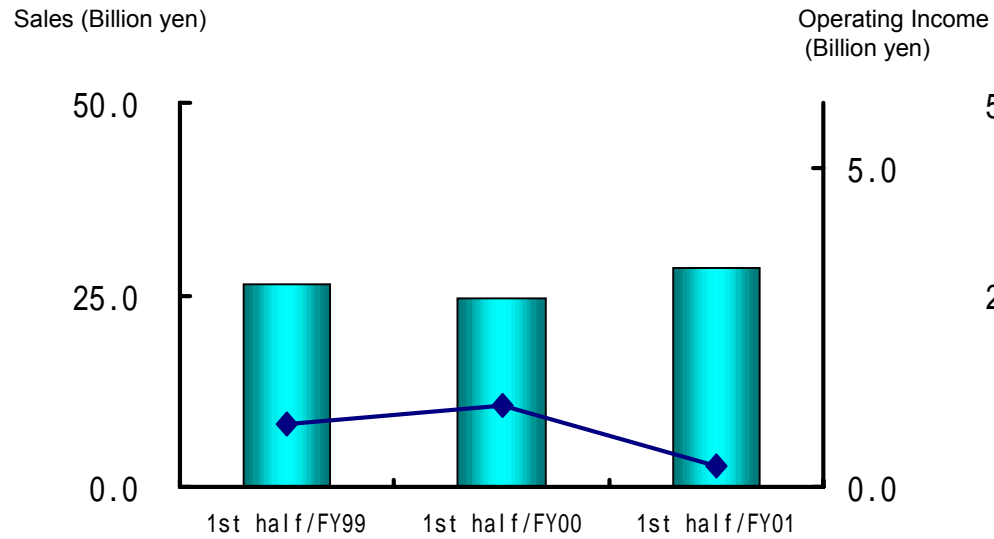
Billion yen

	<u>Sales</u>				<u>Operating Income</u>			
	1st half FY00	1st half FY01	Changes	%	1st half FY00	1st half FY01	Changes	%
Japan	330.4	327.9	-2.5	-1%	49.1	49.5	+0.3	→
				% to Sales	15%	15%		
Asia	41.6	46.0	+4.3	+10%	3.4	4.6	+1.1	↗
				% to Sales	8%	10%		
North America & Europe	51.2	60.3	+9.0	+18%	2.5	3.3	+0.8	↗
				% to Sales	5%	6%		
			<b>Before amortization of goodwill</b>		7%	8%		

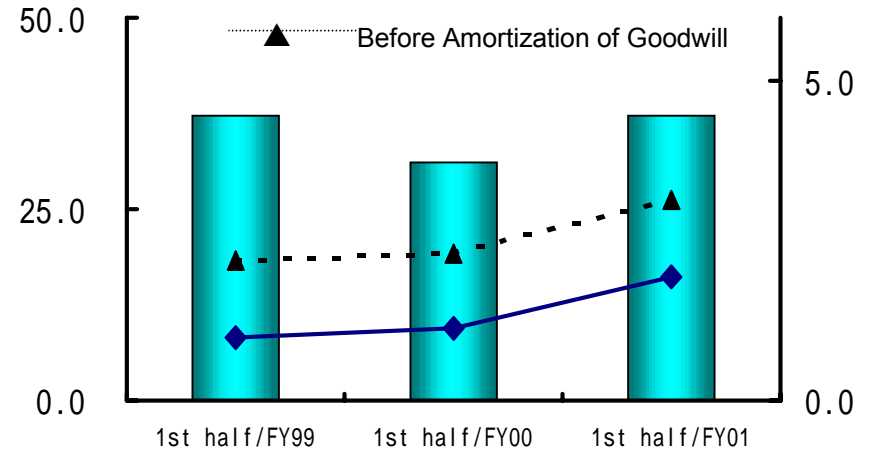
\*Before elimination of inter-segment transfers



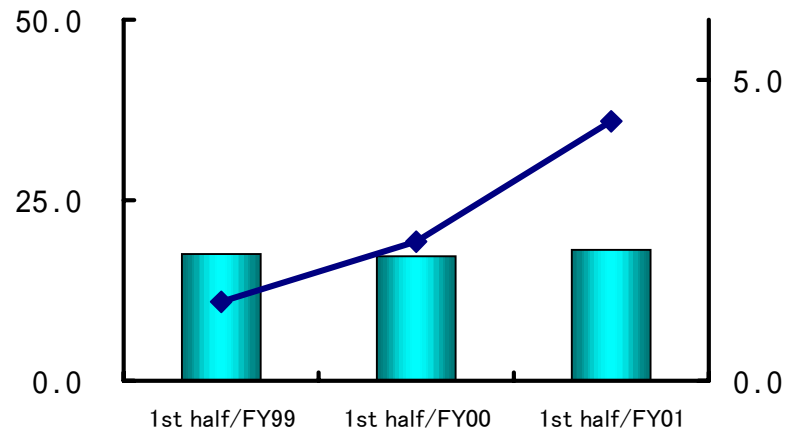
## Consumer Products in Asia



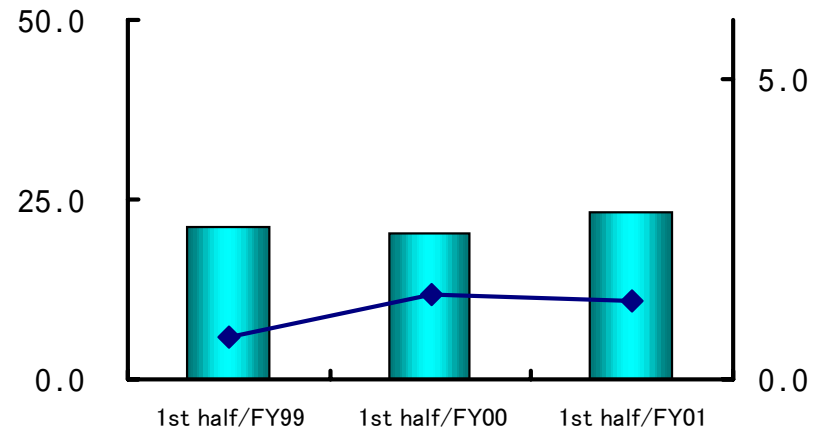
## Consumer Products in Europe & Americas



## Chemicals in Asia



## Chemicals in Europe & Americas



# Consolidated Ordinary Income

1st half/FY2000

1st half/FY2001

57.4



57.6

Billion yen

Change **+0.1** 0.3%

1. Operating income	2.4
2. Equity earnings	-1.3
3. Currency translation	0.0
4. Other non-operating items	-1.1
<hr/>	
Total	<b>0.1</b>

# Consolidated Balance Sheets

(Billion yen)

	Sep/2001	Mar/2001		Sep/2001	Mar/2001
<b>Assets</b>			<b>Liabilities</b>		
Current Assets	353.2	366.2	Current Liabilities	221.9	230.5
Cash and Bank Deposits	21.9	16.6	Notes and Accounts Payable	70.6	70.7
Notes and Accounts Receivable	100.7	103.5	Short-term Debt (& Current Portion of Long-term Debt)	21.1	26.2
Short-term Investments	138.3	149.6	Other Accounts Payable	25.1	27.8
Inventories	69.6	69.9	Accrued Expenses	63.9	62.2
Others	22.5	26.5	Others	41.0	43.4
Fixed Assets	416.0	417.4	Long-term Liabilities	69.8	69.4
Tangible Assets	300.5	297.9	Long-term Debt	38.2	43.1
Intangible Assets	53.9	57.3	Others	31.5	26.3
Investments	61.5	62.1	<b>Total Liabilities</b>	<b>291.8</b>	<b>300.0</b>
Deferred Asset	0.1	0.0	Minority Interests	21.5	20.7
			Shareholders' Equity		
			Common Stock	85.4	85.4
			Additional Paid in Capital	397.5	407.5
			Cumulative Securities Holding Gain/Loss	4.4	6.0
			Foreign Currency Translation Adjustments	-30.5	-35.6
			Treasury Stock	-0.9	-0.4
			Retained Earnings	31.4	59.4
			<b>Total Shareholders' Equity</b>	<b>456.0</b>	<b>462.9</b>
<b>Total Assets</b>	<b>769.4</b>	<b>783.7</b>	<b>Total Liabilities, Minority Interests &amp; Shareholders' Equity</b>	<b>769.4</b>	<b>783.7</b>

# Statements of Cash Flows

(Billion yen)

	Apr-Sep/99	Apr-Sep/00	Apr-Sep/01	Changes
Operating Activities	71.0	55.0	68.7	13.7
Investing Activities	-10.2	-52.7	-17.5	35.1
Financing Activities	-12.5	-30.7	-52.3	-21.6
Translation Adjustment	-1.0	2.0	0.9	-1.1
Increase/Decrease	47.2	-26.4	-0.2	26.1

Cash and Cash Equivalents	144.6	121.6	154.1	
Balance of Debt	98.6	72.0	59.4	

Net Income: 31.4 Billion yen (-0.2 Billion yen)

Depreciation & Amortization: 27.8 Billion yen (-1.1 Billion yen)

Share Repurchase: 11 Million shares/33.6 Billion yen

Decreasing total Debt: 9.9 Billion yen

Major Expenditures: 26.0 Billion yen

Japan: New production equipment for detergent and cooking oil products  
Increase production capacity for Chemicals

Overseas: Increase production capacity for fatty alcohols

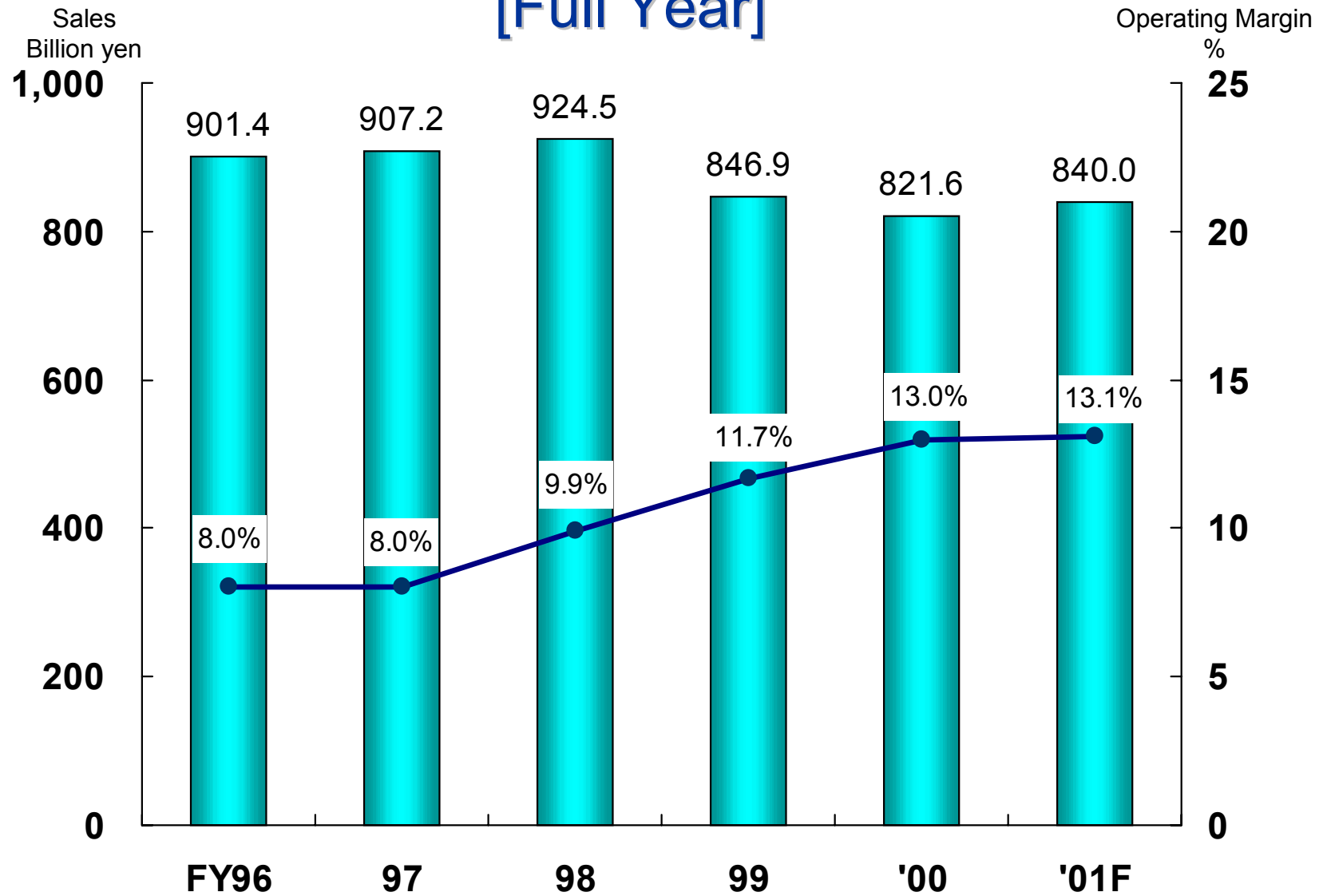
# 3. Forecast for FY 2001

# 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	840.0	2.2
Operating Income	99.1	8.2	107.0	8.0	110.0	2.7
Ordinary Income	98.0	9.1	111.8	14.1	109.0	-2.6
Net Income	52.1	50.2	59.4	14.0	60.0	1.0

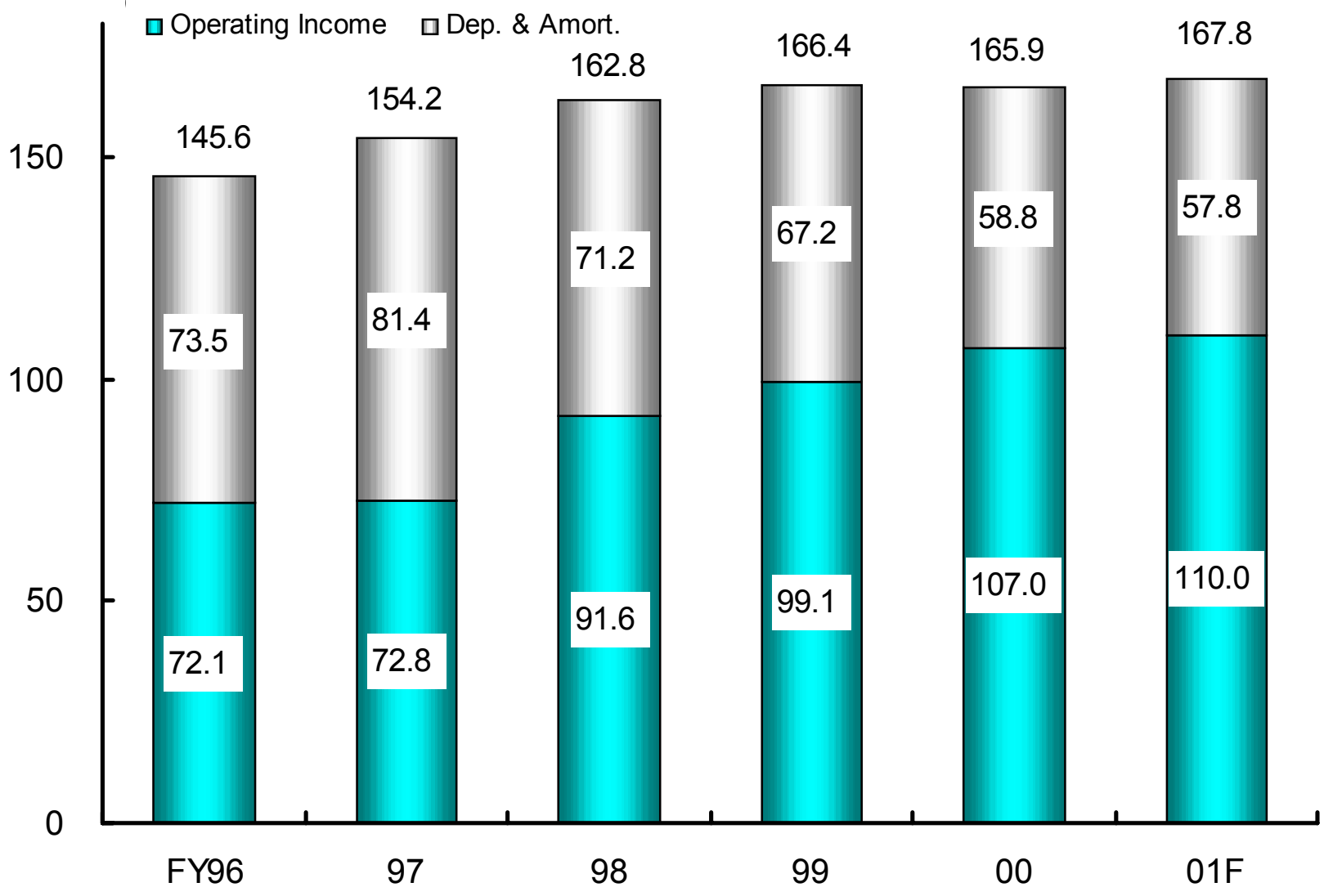
Net Income per Share (yen)	83.45	49.1	96.69	15.9	99.91	3.3
ROE	11.3		12.7		12.9	
EBITDA (Operating Income + Depr. & Amort.)	166.4		165.9		167.8	
Dividend per Share (yen)	20.0		24.0		26.0	

# Consolidated Sales/Operating Margin [Full Year]



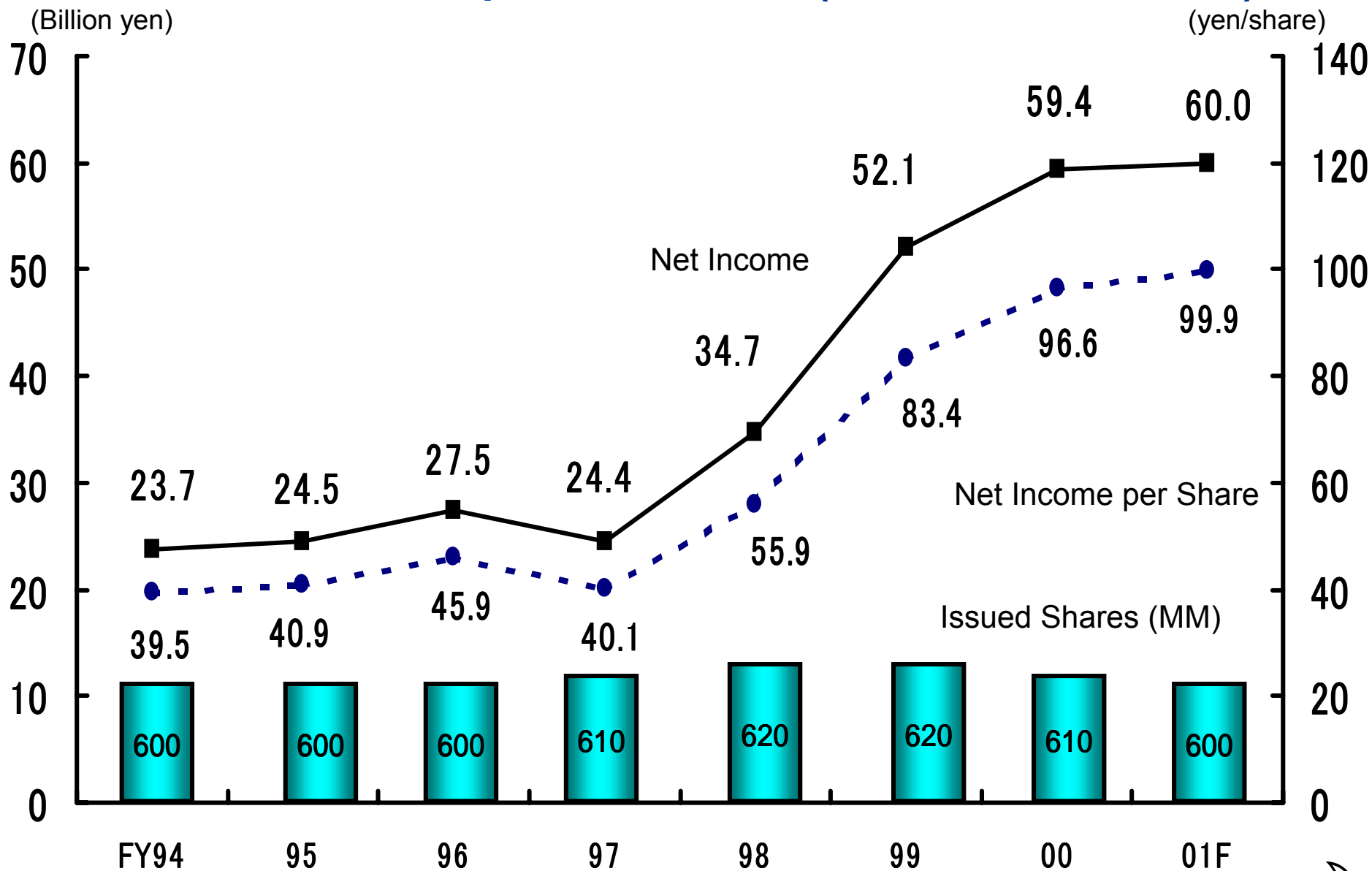
# EBITDA

Billion yen

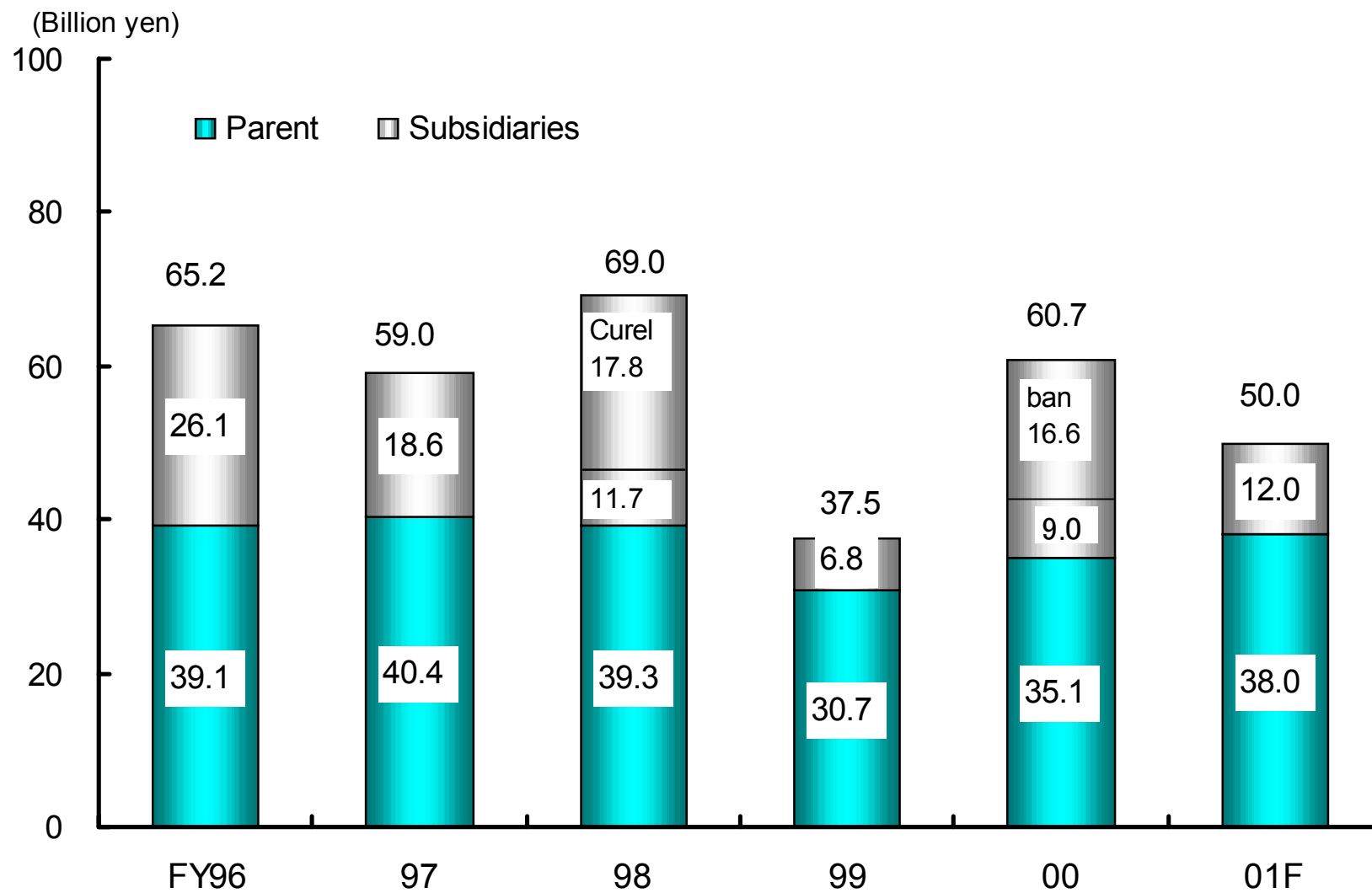




# Net Income per Share (Consolidated)



# Consolidated Capital Expenditures



# 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	-0.8
Operating Income	90.1	14.1	92.3	1.4	92.5	0.2
Ordinary Income	91.7	11.5	98.3	7.2	96.0	-2.4
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	91.33	7.8
ROE (%)	9.4		11.1		11.5	
EBITDA (Operating Income + Depr. & Amort.)	142.6		138.2		136.4	

