

Annual Financial Review

From April 1, 2002 to March 31, 2003

Kao Corporation

April 22, 2003

These are the translation of materials used for the analysts meeting of April 22, 2003 in Japan.

The presentation material in PDF format is available on our website:

http://www.kao.co.jp/e/ir_e/analystmtg/index.html

This presentation material contains forward-looking statements that are based on management's estimates, assumptions and projections as of April 22, 2003. 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.

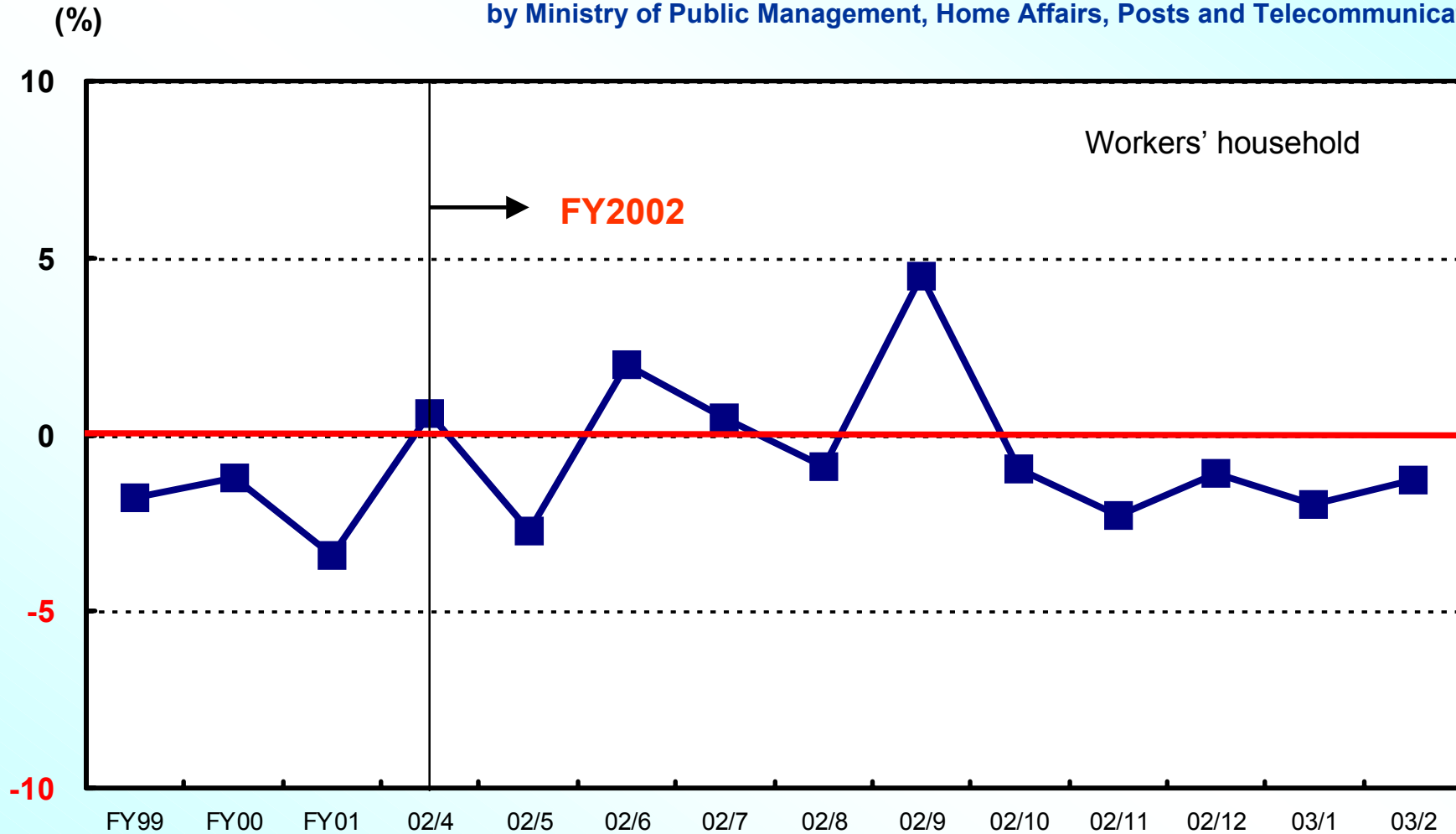
(The figures in this presentation material are rounded down.)

1. Business Environment

April 1, 2002 – March 31, 2003

Household Expenditure Survey

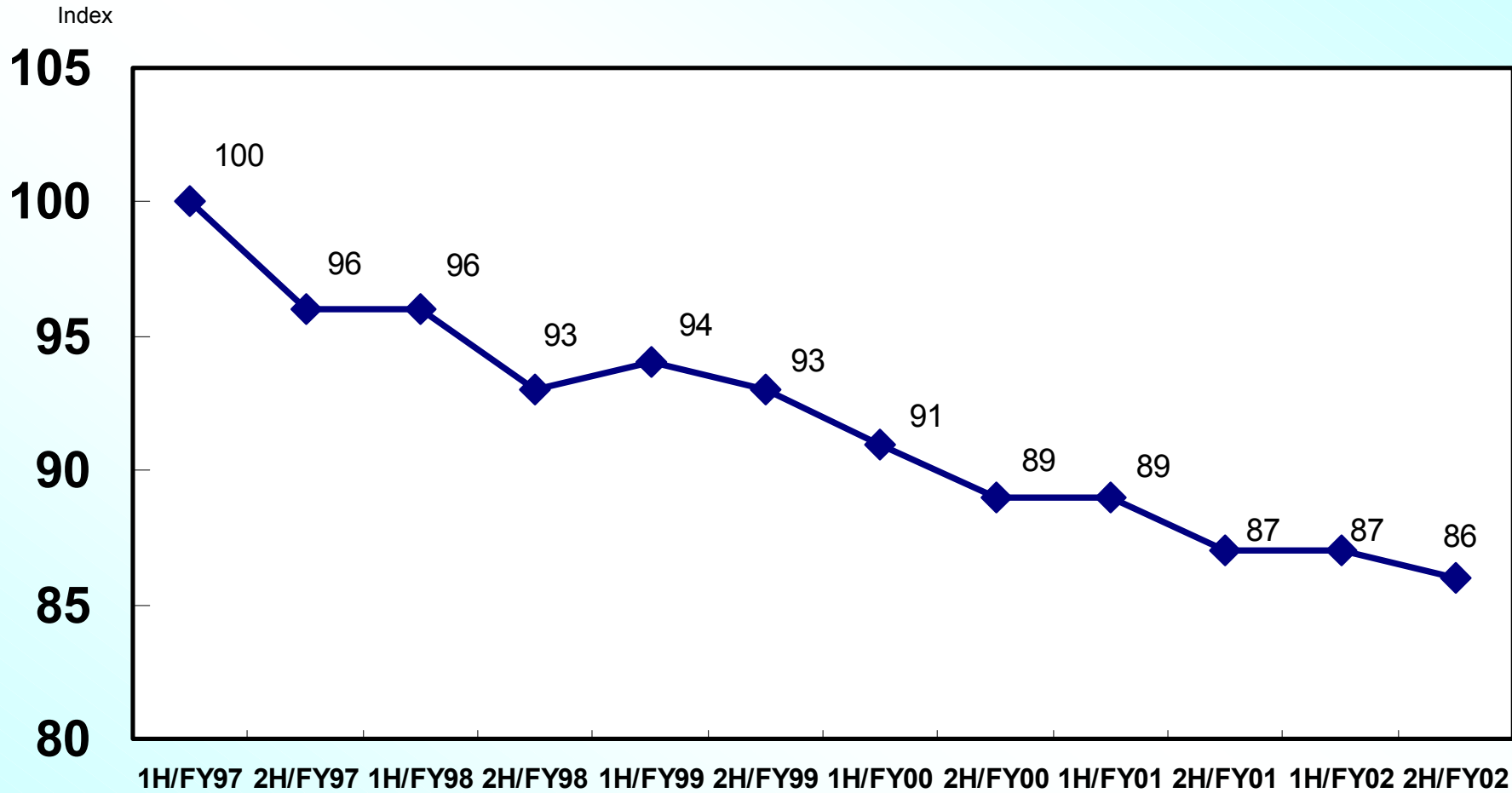
by Ministry of Public Management, Home Affairs, Posts and Telecommunications



(Percent change from a year earlier)

Average Consumer Purchase Price

Major Toiletry 14 Categories (All manufactures)



(Data Source: Kao)



2. Consolidated Business Results

April 1, 2002 – March 31, 2003

FY2002 Results (Consolidated)

Billion yen	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>		
Sales	821.6	839.0	865.2	Growth 3.1%	Changes +26.2
Operating Income	107.0	111.7	114.9	2.9%	+3.1
<i>Operating Margin</i>	13.0%	13.3%	13.3%		
Ordinary Income	111.8	113.5	117.4	3.4%	+3.9
Net Income	59.4	60.2	62.4	3.6%	+2.1
EBITDA	165.9	170.2	173.2	1.8%	+3.0
ROE	12.7%	13.1%	14.2%		
EPS (yen)	96.69	100.43	108.05 [*]	7.6%	+7.62

* From FY2002, directors' bonuses, which are included in the appropriation of retained earnings, are deducted from net income for the calculation of EPS. For your reference, EPS for FY 2002 on the same basis as the previous year's would be 108.30 yen.



Consolidated Sales [1]

	FY2001		FY2002		
	Billion yen	% Growth	Billion yen	%	
				Growth	Like-for-like
Personal Care	166.8	-2.2	165.5	-0.8	-0.8
Fabric and Home Care	246.7	-0.9	248.9	0.9	0.9
Baby Care, Feminine Care and Others	82.2	4.1	86.2	4.9	4.9
Japan Total	495.8	-0.6	500.8	1.0	1.0
Asia & Oceania	59.3	18.2	64.1	8.0	3.1
North America & Europe	76.1	20.3	87.5	14.9	9.3
Elimination	-5.3		-6.1		
Consumer Products	626.0	3.0	646.4	3.3	2.1
Prestige Cosmetics (Sofina)	74.1	2.2	75.8	2.2	2.2

*Like-for-like: excludes currency translation impact

Consolidated Sales [2]

	FY2001		FY2002		
	Billion yen	% Growth	Billion yen	%	
				Growth	Like-for-like
Japan	98.4	-9.4	101.9	3.5	3.5
Asia	35.1	2.9	38.3	9.2	5.6
North America & Europe	46.8	11.1	51.2	9.5	3.8
Elimination	-17.6		-20.6		
Chemical Products	162.8	-3.0	170.9	5.0	2.8

Elimination	-23.9		-27.9		
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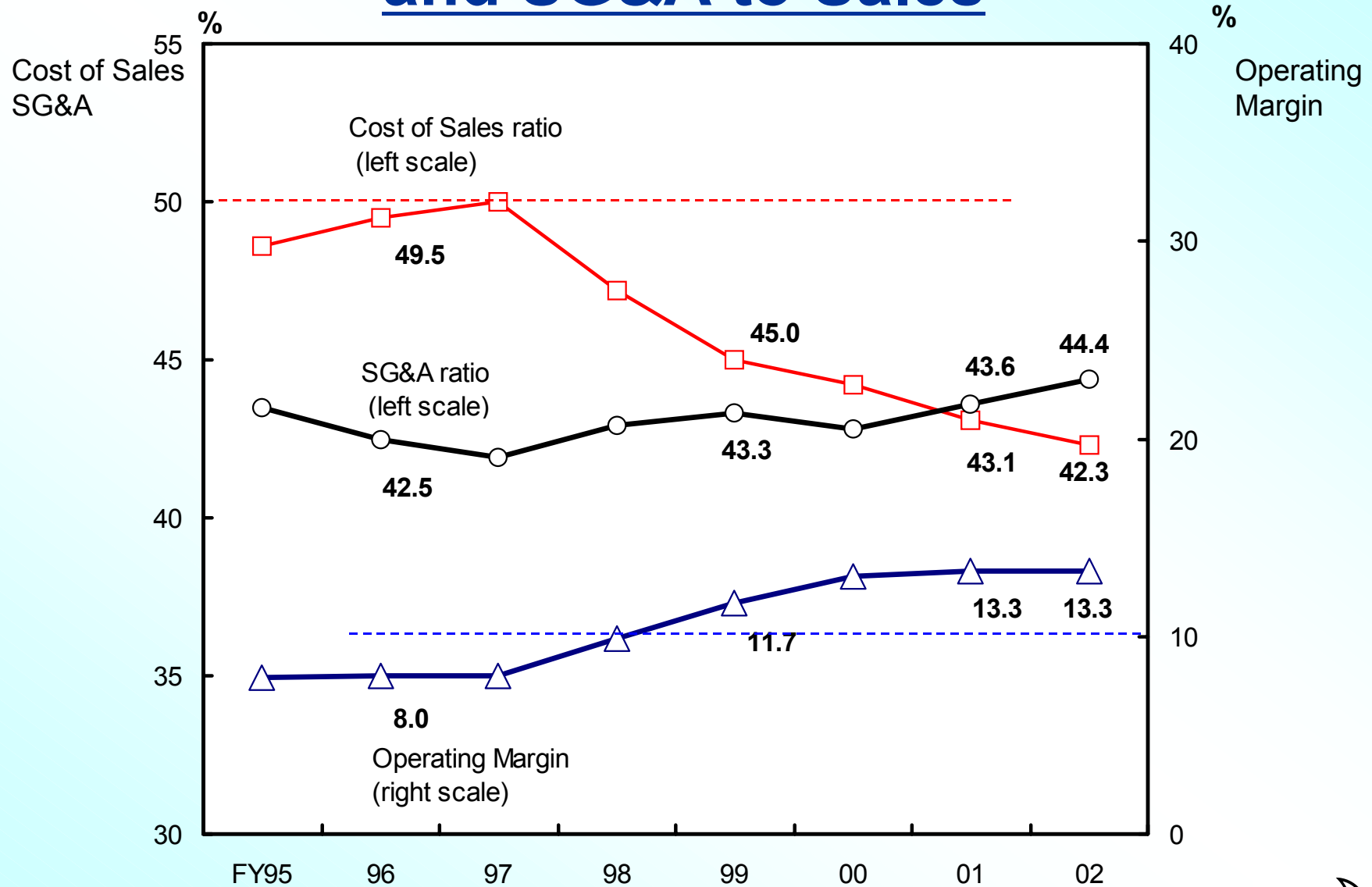
Consolidated Sales	839.0	2.1	865.2	3.1	1.9
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*Like-for-like: excludes currency translation impact

Consolidated Income Statements

	FY2001		FY2002		Changes Billion yen
	Billion yen	%	Billion yen	%	
Sales	839.0	100.0	865.2	100.0	26.2
Cost of Sales	361.4	43.1	365.5	42.3	-4.1
Gross Profit	477.5	56.9	499.6	57.7	22.0
SG&A Expenses	365.8	43.6	384.7	44.4	-18.8
Operating Income	111.7	13.3	114.9	13.3	3.1
Non-operating Income/Expense	1.8	0.2	2.5	0.3	0.7
Ordinary Income	113.5	13.5	117.4	13.6	3.9
Extraordinary Gain & Loss	-5.6	-0.7	-4.9	-0.6	0.7
Income Before Taxes	107.9	12.9	112.5	13.0	4.6
Income Taxes	45.7	5.5	47.6	5.5	-1.8
Equity Items & Others	-1.8	-0.2	-2.4	-0.3	-0.5
Net Income	60.2	7.2	62.4	7.2	2.1

Consolidated Cost of Sales and SG&A to Sales



*Business tax has been adjusted prior to FY97



Consolidated Breakdown of Expenses




	FY2001	FY2002	Changes
Total SG&A Expenses	365.8	384.7	-18.8

Freights/Warehouse	44.3	45.3	-1.0
Advertising	66.0	74.2	-8.2
Sales Promotion	39.8	37.7	2.0
Salaries and Wages	64.7	71.2	-6.5
R&D	37.5	37.7	-0.1

Major attributes to changes: 18.8 billion yen (increase in expenses)

- ◆ Currency translation (negative) 4.4 billion yen
- ◆ Increase in amortization of intangible assets 2.7 billion yen

Sales and Operating Income by Business

Billion yen	Net Sales			Operating Income		
	FY2001	FY2002	Changes	FY2001	FY2002	Changes
Consumer Products	626.0	646.4	20.3 3.3%	88.7 % to Sales 14%	90.3 14%	1.5 
Prestige Cosmetics (Sofina)	74.1	75.8	1.6 2.2%	4.7 % to Sales 6%	5.2 7%	0.4 
Chemical Products	162.8	170.9	8.1 5.0%	17.7 % to Sales 11%	18.2 11%	0.4 

*Before elimination of intersegment transfers

Sales and Operating Income by Geography

Billion yen	Net Sales			Operating Income			
	FY2001	FY2002	Changes	FY2001	FY2002	Changes	
Japan	648.1	654.5	6.4 1.0%	95.1 % to Sales 15%	98.5 15%	3.3	
Asia & Oceania	93.4	101.5	8.0 8.6%	8.3 % to Sales 9%	5.3 5%	-2.9	
North America	70.2	75.7	5.5 7.9%	6.9 % to Sales 10%	8.9 12%	1.9	
			After amortization of goodwill	6.0 % to Sales 9%	7.2 10%	1.1	
Europe	57.6	67.8	10.2 17.7%	3.6 % to Sales 6%	5.0 7%	1.3	
			After amortization of goodwill	1.8 % to Sales 3%	2.9 4%	1.0	

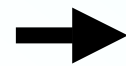
*Before elimination of intersegment transfers



Consolidated Operating Income

FY2001

111.7



FY2002

114.9 Billion yen

Change +3.1 Billion yen 2.9%

Japan	3.3
Asia & Oceania	-2.9
North America	1.1
Europe	1.0
<hr/>	
Total	3.1

Consumer Products	1.5
Prestige Cosmetics (Sofina)	0.4
Chemical Products	0.4
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Total	3.1

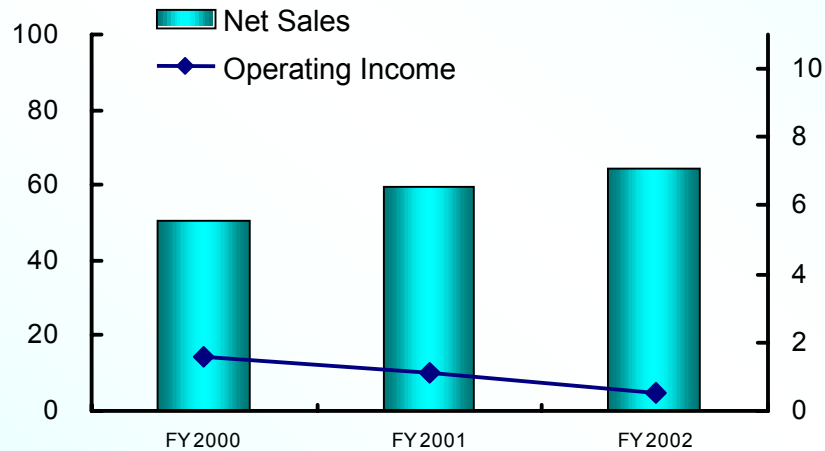
*The figures of each segment are before elimination.



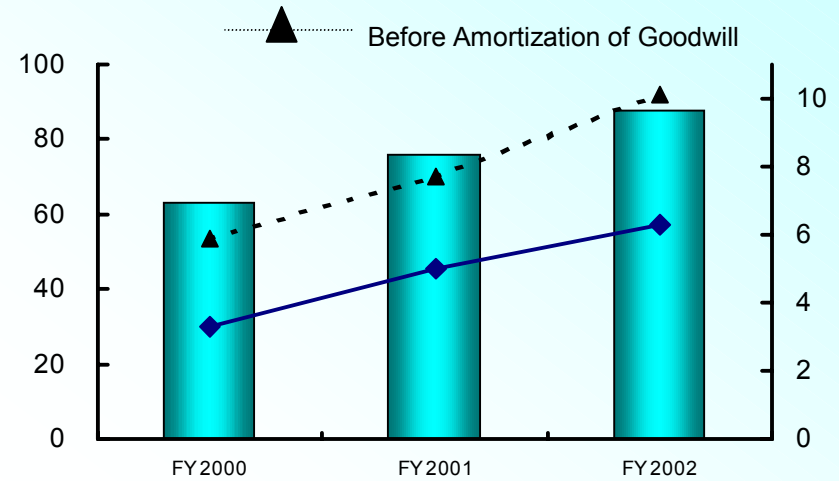
Consumer Products

Asia and Oceania

Sales (Billion yen)

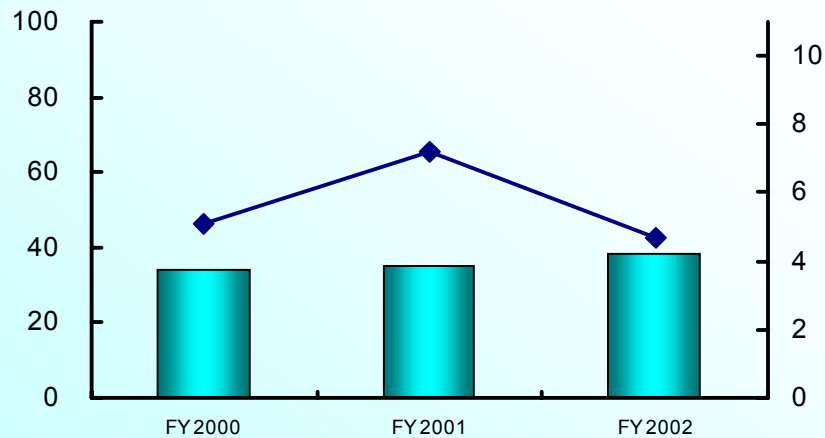


North America & Europe

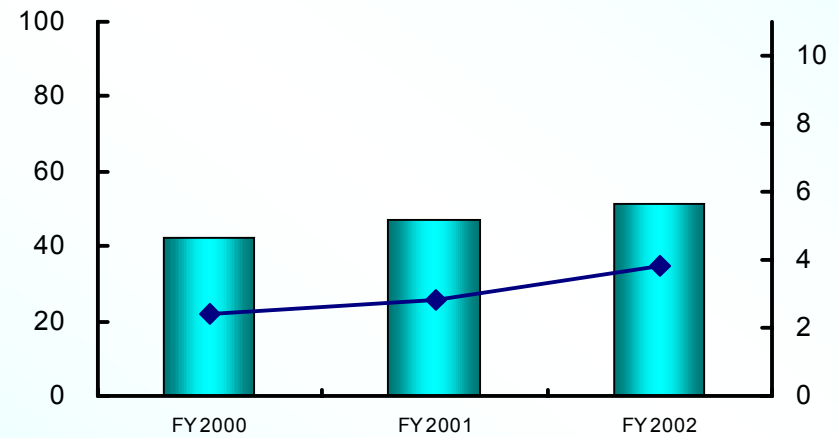


Chemical Products

Asia



North America & Europe



Consolidated Ordinary Income

FY2001

FY2002

113.5



117.4 Billion yen

Change +3.9 Billion yen 3.4%

1. Operating income	3.1
2. Equity earnings/losses	2.0
3. Exchange gains/losses	-1.5
4. Other non-operating items	0.1
<hr/> Total	<hr/> 3.9

Consolidated Balance Sheets

(Billion yen)

	Mar/03	Mar/02	Changes		Mar/03	Mar/02	Changes
Current Asset	276.0	352.7	-76.7	Current Liabilities	201.8	214.6	-12.7
Cash and Bank Deposits	36.2	26.6	9.6	Notes and Accounts Payable	60.5	68.0	-7.4
Notes and Accounts Receivable	94.9	103.7	-8.8	Short-term Debt (incl. Current Portion of Long-term Debt)	13.4	19.2	-5.8
Short-term Investments	46.2	129.4	-83.1	Other Accounts Payable	18.0	23.5	-5.5
Inventories	70.9	67.2	3.7	Accrued Expenses	61.0	60.2	0.8
Other	27.6	25.6	1.9	Others	48.7	43.5	5.2
Fixed Assets	444.7	419.2	25.4	Long-term Liabilities	79.3	75.0	4.3
Tangible Assets	275.4	295.5	-20.1	Long-term Debt	35.6	36.6	-1.0
Intangible Assets	104.1	53.1	50.9	Others	43.7	38.3	5.4
Investments	65.1	70.4	-5.3	Total Liabilities	281.2	289.6	-8.4
Deferred Assets	0.1	0.1	0.0	Minority Interests	22.5	22.7	-0.1
				Shareholders' Equity	417.0	459.7	-42.7
				Common Stock	85.4	85.4	0.0
				Additional Paid in Capital	108.8	108.8	0.0
				Retained earnings	355.8	309.8	45.9
				Unrealized Gain on Available-for-sale Securities	1.7	2.5	-0.8
				Foreign Currency Translation Adjustments	-30.4	-22.7	-7.6
				Treasury Stock	-104.3	-24.1	-80.2
Total Assets	720.8	772.1	-51.2	Total Liabilities, Minority Interests & Shareholders' Equity	720.8	772.1	-51.2

Statements of Cash Flows

(Billion yen)

	FY2000	FY2001	FY2002	Changes
Operating Activities	122.9	130.9	134.1	3.2
Investing Activities	-67.3	-77.6	-77.5	0.0
Financing Activities	-52.1	-86.2	-104.1	-17.9
Translation Adjustment	1.9	3.4	-2.6	-6.1
Net Increase	5.4	-29.5	-50.2	-20.7
Beginning balance of newly consolidated companies	0.0	0.9	0.9	0.0
Cash and Cash Equivalents	153.4	124.9	75.6	-49.2
Total Debt	69.4	55.9	49.0	-6.9

<Investing Activities>

Acquisition of John Frieda

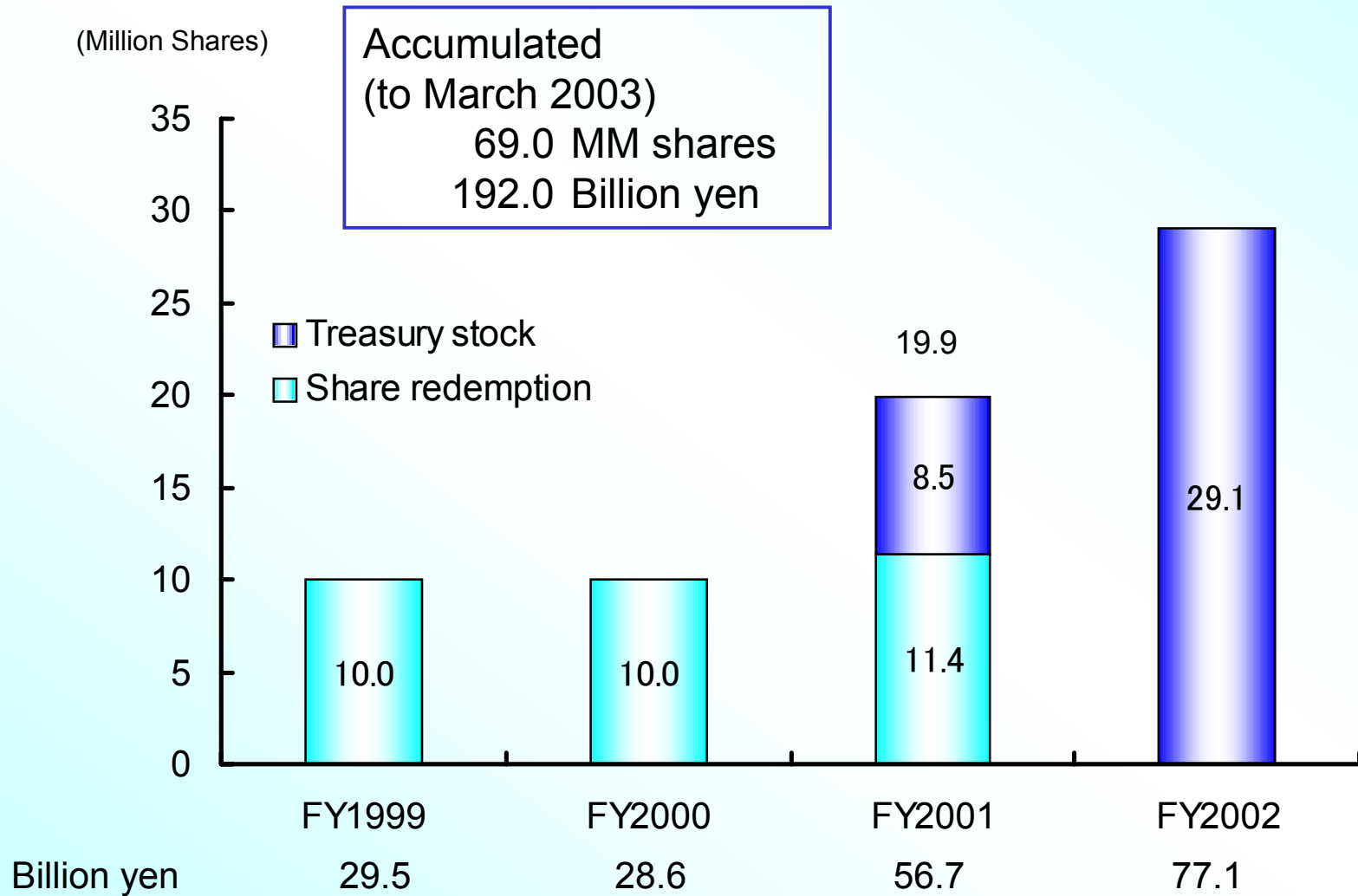
Capital expenditure: New production equipment, capacity increases, expansion of distribution facilities and development of information system

<Financing Activities>

Share repurchase^(*) from the market: 80.3 billion yen

^(*)Includes repurchase of shares less than one unit

Share Repurchase



*Repurchase of shares less than one unit is excluded.



3. Forecast for FY 2003

Consolidated Sales and Profit Forecast

	FY2001		FY2002		* FY2003(F)	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	839.0	2.1	865.2	3.1	895.0	3.4
Operating Income	111.7	4.3	114.9	2.9	117.0	1.8
<% to Sales>	<13.3>		<13.3>		<13.1>	
Ordinary Income	113.5	1.5	117.4	3.4	118.0	0.4
<% to Sales>	<13.5>		<13.6>		<13.2>	
Net Income	60.2	1.4	62.4	3.6	64.0	2.5
<% to Sales>	<7.2>		<7.2>		<7.2>	

Net Income per Share (yen)	100.43	3.9	108.05	7.6	**115.20	6.6
ROE	13.1%		14.2%		**14.8%	
EBITDA (Operating Income + Depr. & Amort.)	170.2		173.2		174.1	
Dividend per Share (yen)	26.0		30.0		32.0	

* Exchange rate assumptions: 120 yen/USD, 129 yen/Euro, 3.5 yen/ New Taiwan dollar

** The calculation is based on the number of average outstanding shares on the following assumptions: 1)share repurchase in accordance with the resolution of the Board of Directors dated March 27, 2003 is included, 2)share repurchase after June 27, 2003 is not reflected.

Sales Outlook by Segment – FY2003

<Billion yen>

Consolidated Net Sales **895.0** +3.4%

By Geography

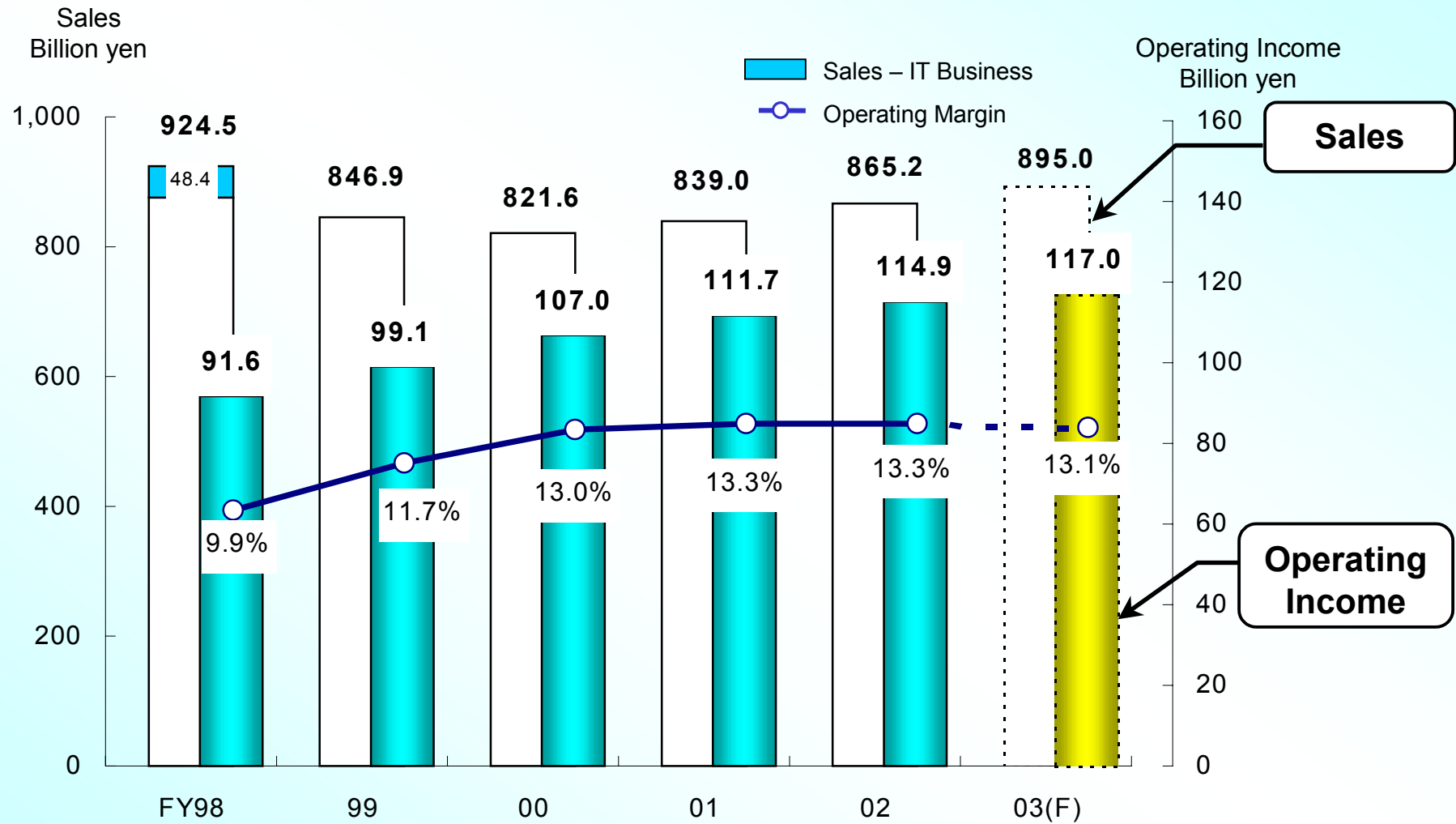
By Business

Japan	661.0	+1.0%
Asia & Oceania	107.0	+5.4%
North America	81.0	+6.9%
Europe	83.0	+22.3%

Consumer Products	670.0	+3.6%
Prestige Cosmetics (Sofina)	77.0	+1.5%
Chemical Products	177.0	+3.5%

Consolidated Sales/Operating Margin

[Full Year]

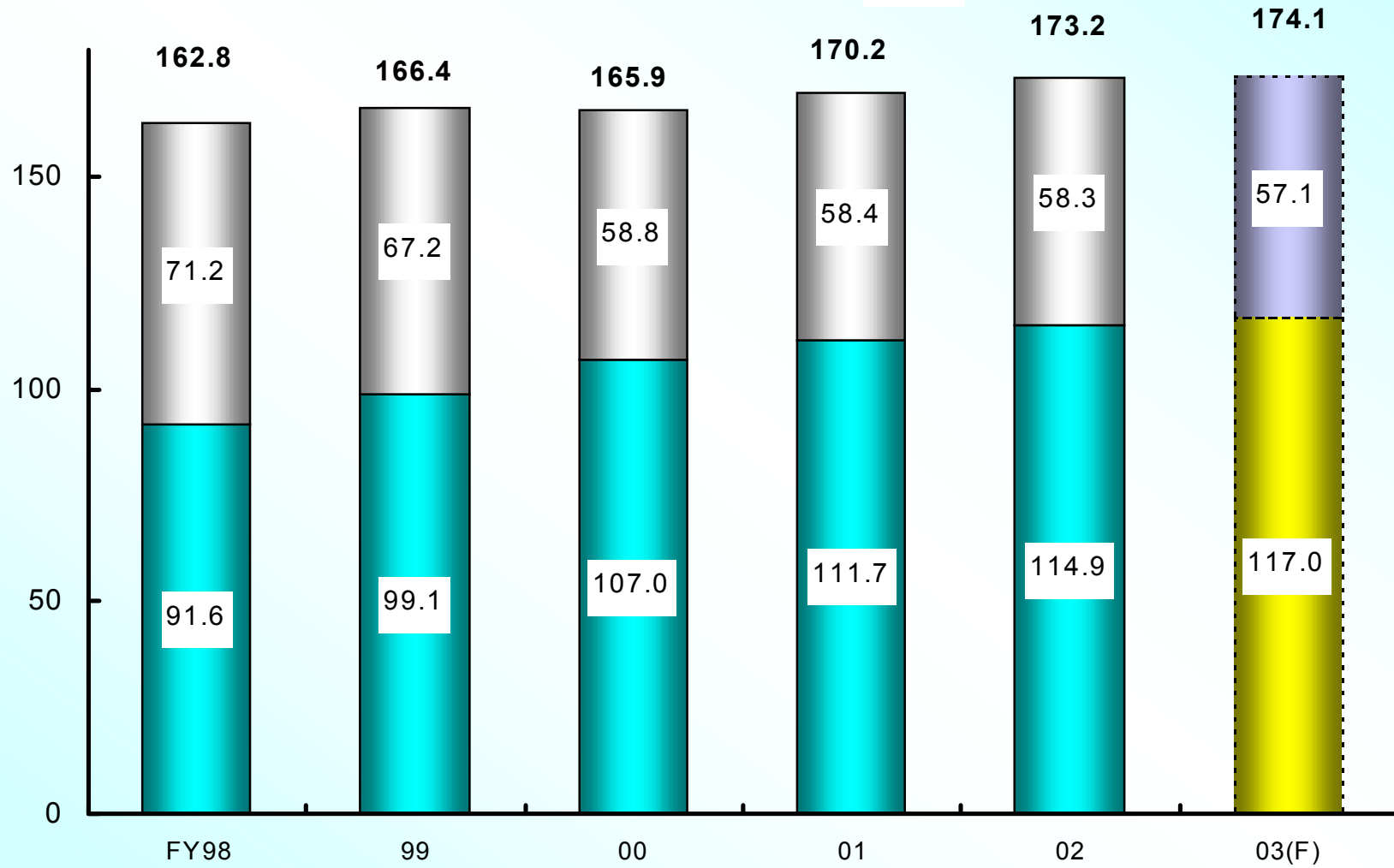


EBITDA

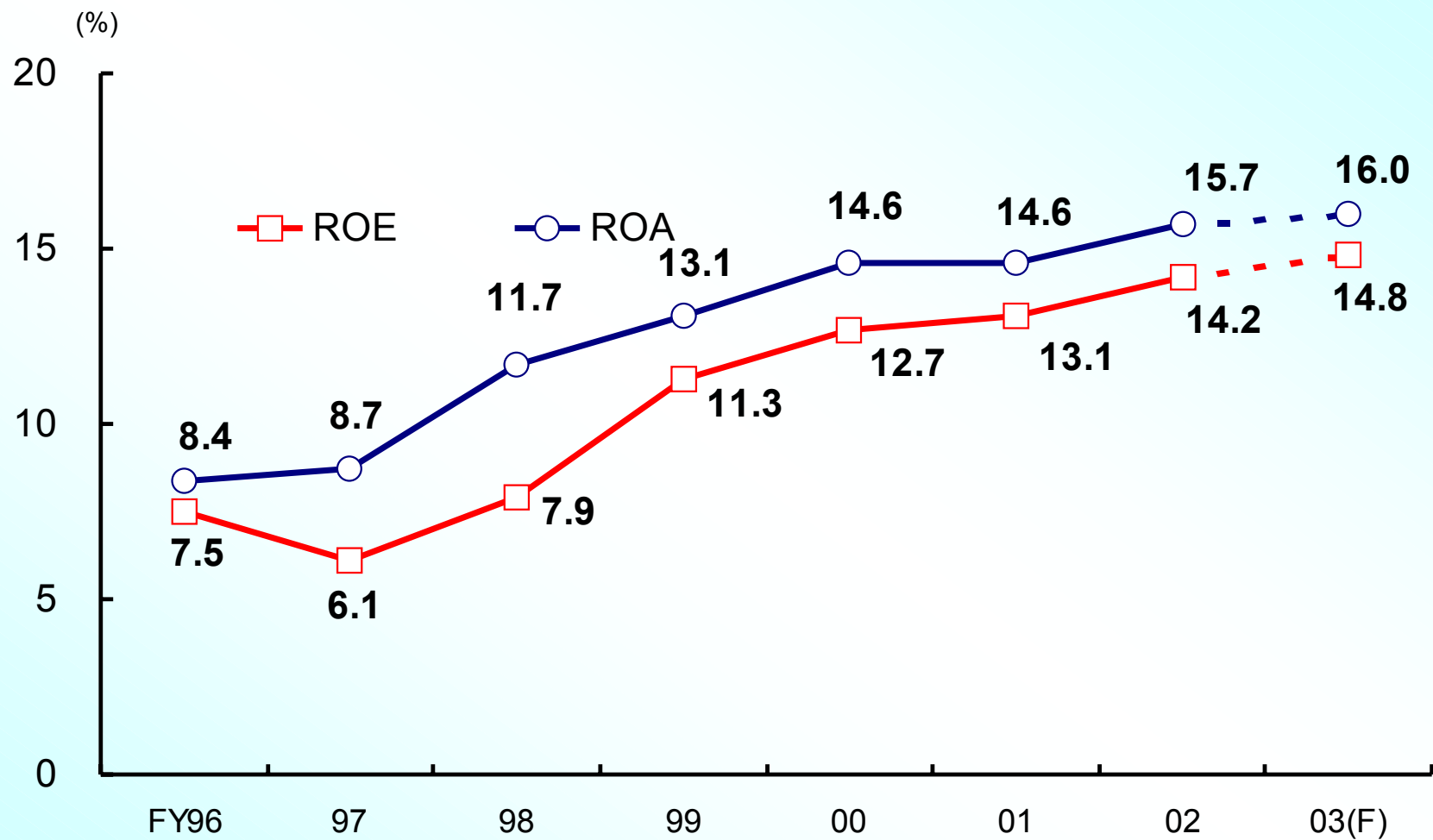
Billion yen

■ Operating Income

■ Depr. & Amort.



ROE & ROA



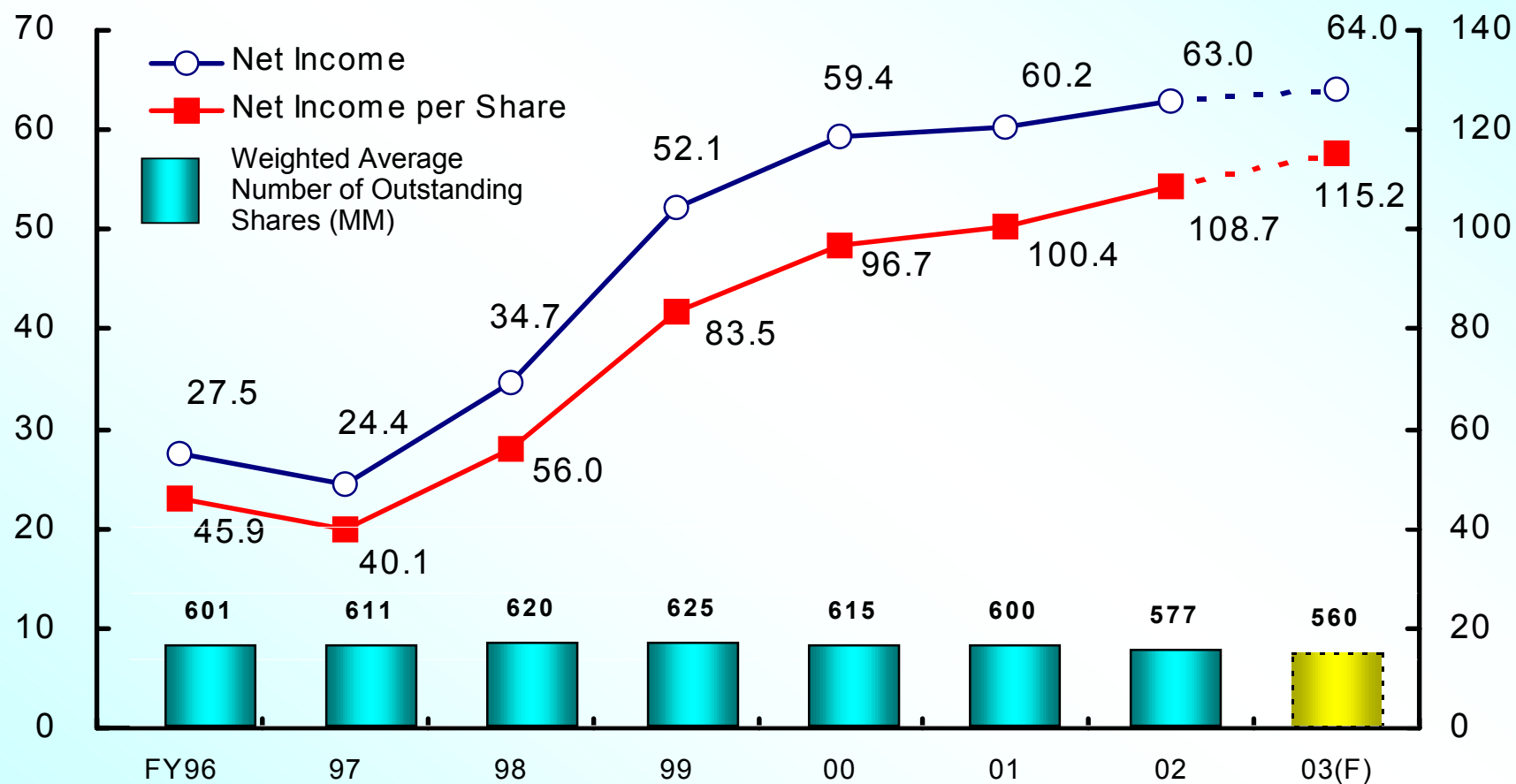
ROA: Ordinary Income / Total assets
Ordinary Income: Business tax has been adjusted prior to FY97



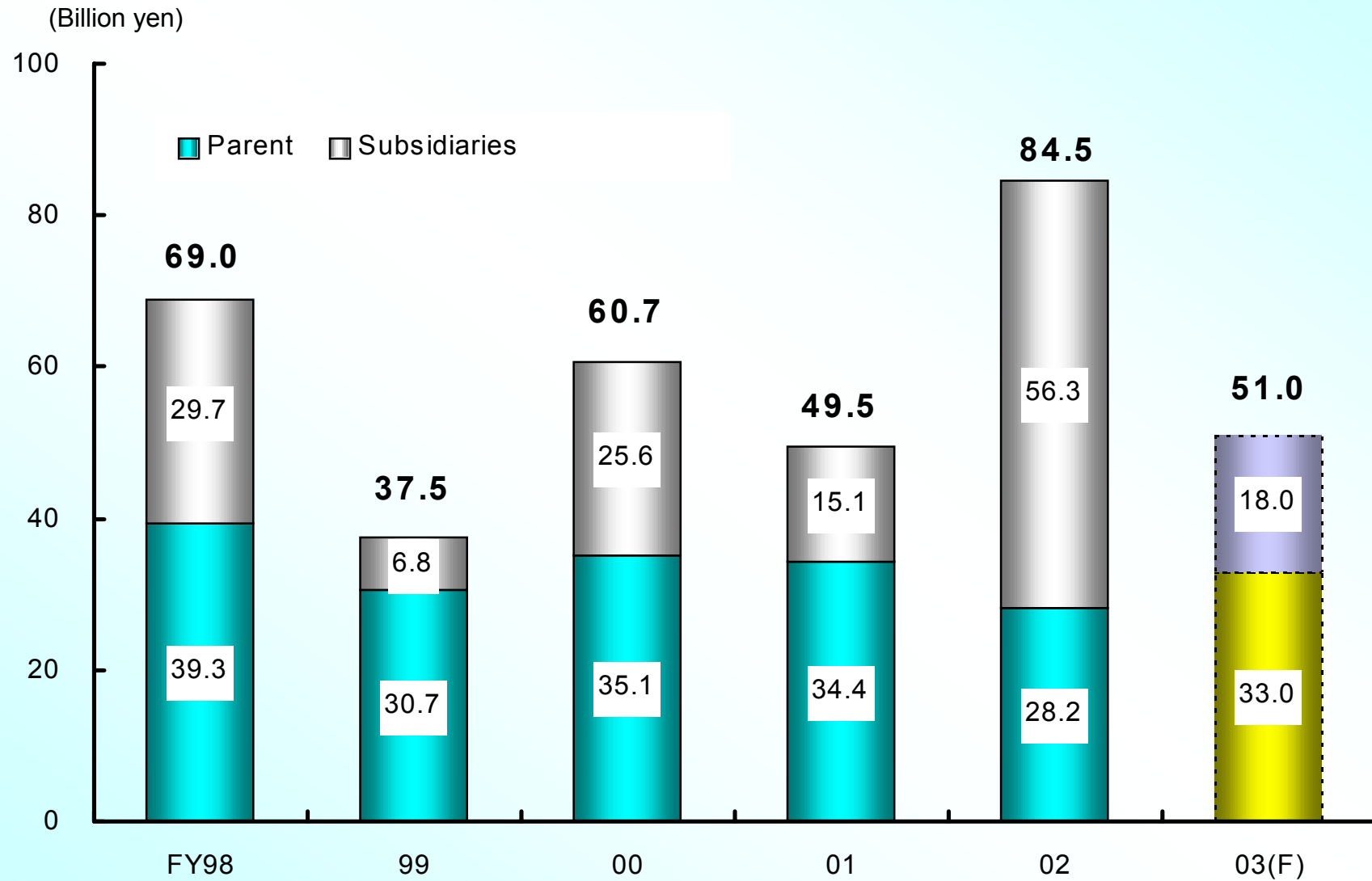
Net Income per Share (Consolidated)

Net Income
(Billion yen)

Net Income
per Share
(yen)

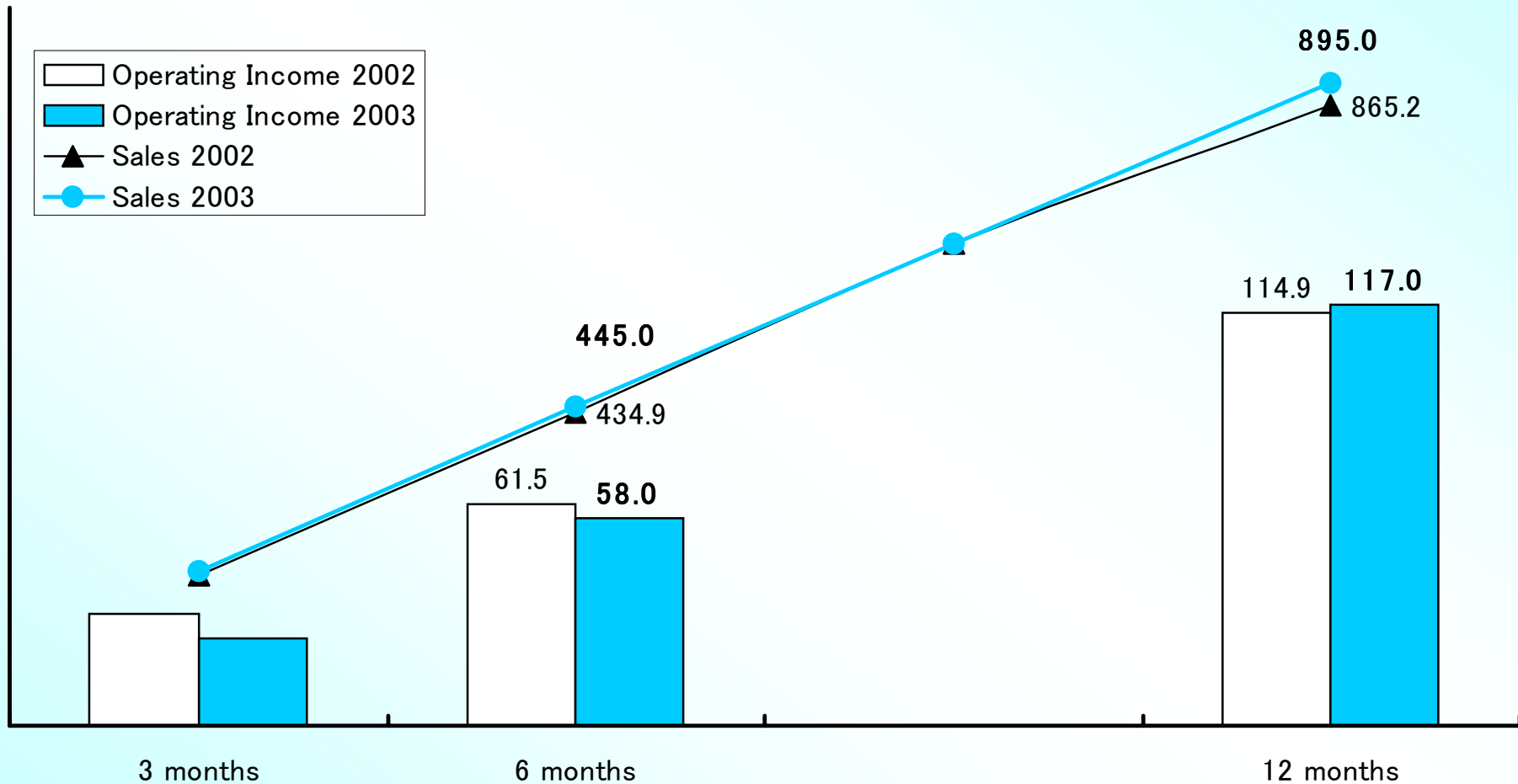


Consolidated Capital Expenditures



Quarterly Consolidated Sales and Profit Forecast

(Billion yen)



Non-consolidated Sales and Profit Forecast

	FY2001		FY2002		FY2003(F)	
	Billion yen	% Growth	Billion yen	% Growth	Billion yen	% Growth
Sales	654.1	-0.9	661.7	1.2	650.0	-1.8
Operating Income <% to Sales>	92.4 <14.1>	0.1	94.4 <14.3>	2.2	98.0 <15.1>	3.8
Ordinary Income <% to Sales>	98.5 <15.1>	0.1	98.3 <14.9>	-0.2	103.0 <15.8>	4.8
Net Income <% to Sales>	55.5 <8.5>	6.3	49.4 <7.5>	-10.9	59.0 <9.1>	19.4

Net Income per Share (yen)	92.25	8.9	85.42	-7.4	* 106.10	24.2
ROE	11.8%		11.3%		13.9%	
EBITDA (Operating Income + Depr. & Amort.)	136.4		136.4		138.9	

* The calculation is based on the number of average outstanding shares on the following assumptions: 1)share repurchase in accordance with the resolution of the Board of Directors dated March 27, 2003 is included, 2)share repurchase after June 27, 2003 is not reflected.

