

Highlights for FY2003

April 22, 2004

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President and CEO
Kao Corporation



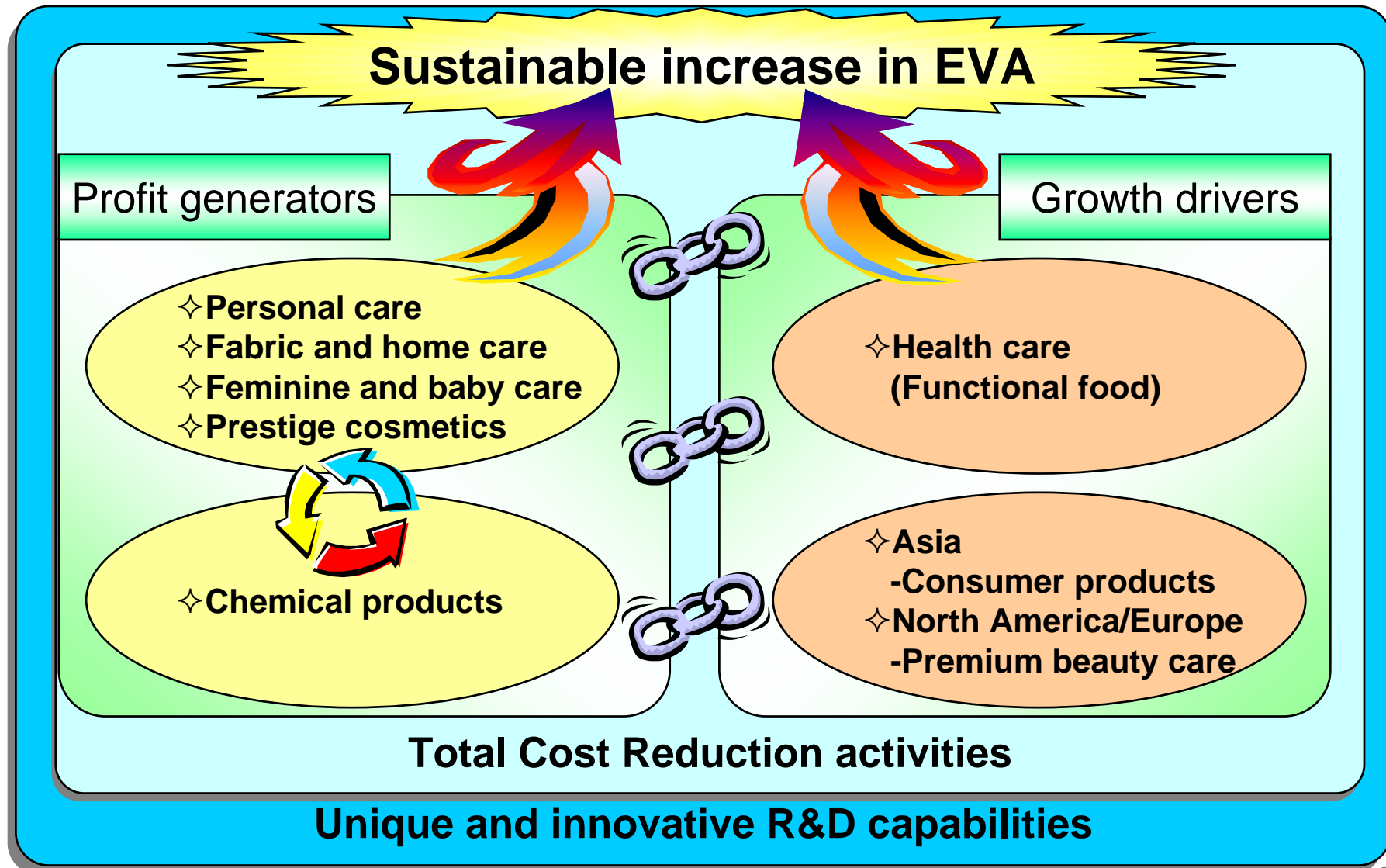
These are the translation of materials used for the analysts meeting of April 22, 2004 in Japan.

These presentation materials are available on our website in PDF format :
http://www.kao.co.jp/e/ir_e/analystmtg/index.html

These presentation materials contain forward-looking statements that are based on management's estimates, assumptions and projections as of April 22, 2004.
Certain 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.

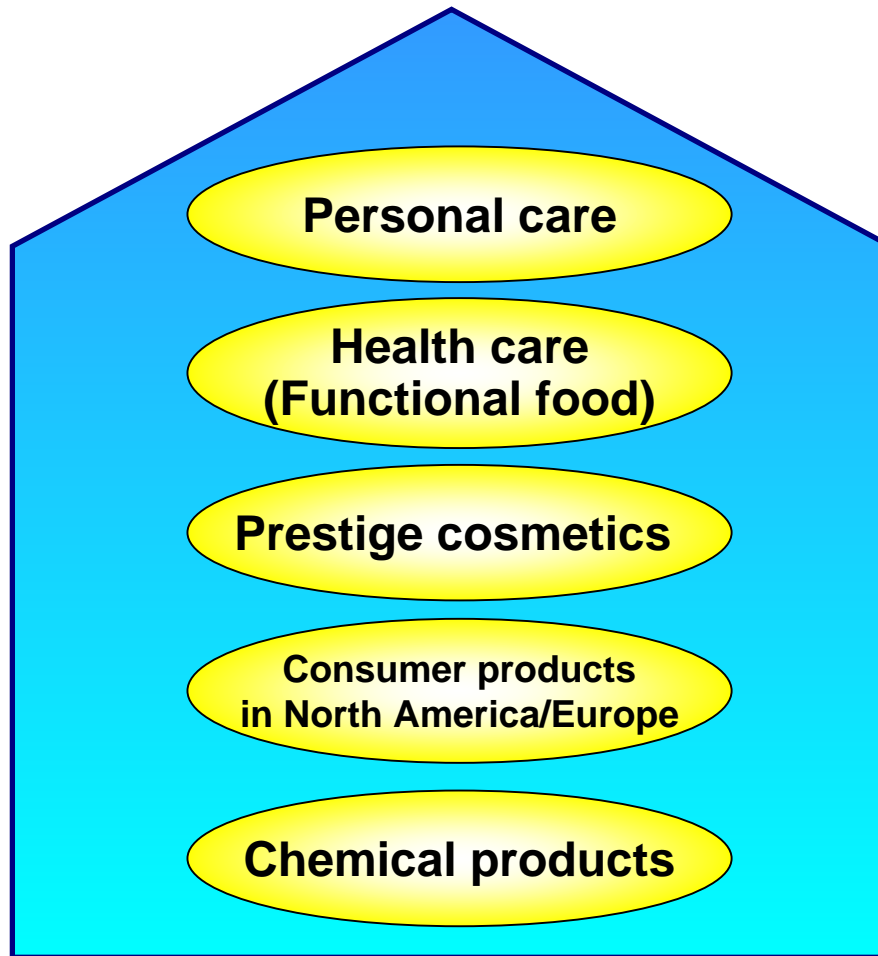
Initiatives in FY2003

Business Portfolio for Further Growth

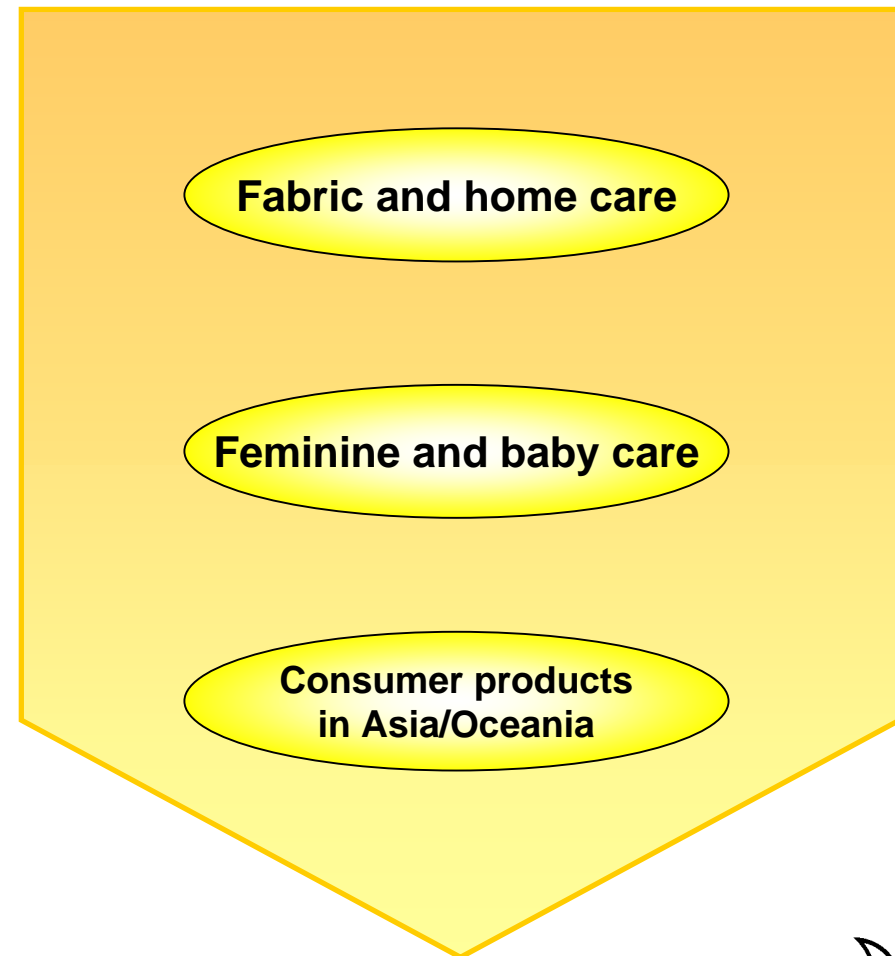


FY2003 Overview by Business Area

Contributing businesses



Weak performers



Growth Strategy and Initiatives in FY2003

✧ Further reinforce existing businesses

- Strengthened hair care category with launch of *Asience* shampoo/conditioner/hair treatment
- Created new market with *Allerclean* home hygiene spray
- Prestige cosmetics achieved all-time records for net sales and operating income

✧ Nurture new businesses

- Health care (Functional food)
 - ↳ Kao Health Care Research Center completed
- Chemical products

✧ Strengthen global businesses

- Growth of *John Frieda* hair care brand
- Strengthened global production and sales network for chemical products

Initiatives in FY2003

- Further Reinforce Existing Businesses

✧ Successful launch of *Asience* premium hair care brand

- Captured market share in “Beauty” segment in addition to “Family use” and “Damaged hair” segments



Regained No.1 market share in the hair care category*



✧ Created new market with *Allerclean*

- Value-added new product development to counter deflation
- Confirmed growth potential even for existing products



*Date source: Kao

Initiatives in FY2003 - Nurture New Businesses

✧ ***Econa Healthy cooking oil***

- From double-digit growth to steady growth



✧ ***Healthya Green Tea***

- Net sales: Approximately 20 billion yen
- National rollout through CVS: From February 12, 2004
- Established firm market position as sugar-free tea drink labeled a Food for Specified Health Use
- Contributed to the expansion of tea drink market in Japan



✧ **Chemical products**

- Slurries for use in polishing hard disks
- Pigment auxiliary for color inkjet printer ink

Initiatives in FY2003

- Strengthen Global Businesses

✧ Growth of *John Frieda* hair care brand

- Net sales: Approximately 20 billion yen
- Double-digit top-line growth continued



✧ Strengthened global production and sales network for chemical products

- Timely capital expenditures
 - Fatty alcohols
 - Toner and toner binder
 - Aroma chemicals
- Strategic acquisition of an aroma chemicals business in Europe



Focal Points in FY2004

FY2004 Highlights

Our first priority is mid/long-term growth rather than short-term profit maximization

◇ Net sales	935 billion yen	+3.6%
◇ Operating income	123 billion yen	+2.8%
[Operating margin]	[13.2%]	
◇ EPS	132.63 yen	+11.4%

Business environment

- ◇ Continuing deflation in Japanese market
- ◇ Intensifying competitive environment globally

Focal points

- ◇ **Solidify our leading market position in Japan**
 - Market share gains through aggressive and efficient investment in marketing
- ◇ **Establish overseas operating base for further growth**
 - Integration of management structure
 - Review and development of business models

FY2004 Focal Points – Existing Businesses

✧ Contribution from new/improved products

- Strengthen brand power
- Added-value can be reflected in retail price



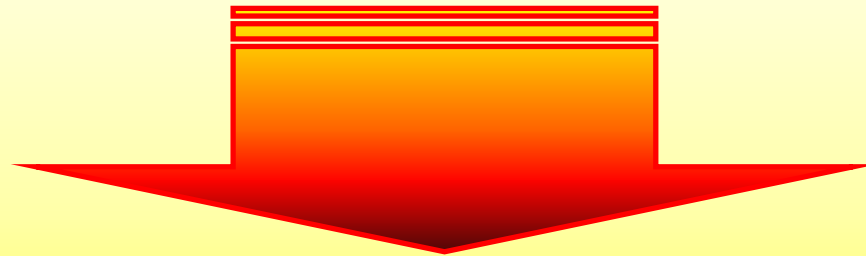
✧ Expand share and activate markets through aggressive and efficient investment in marketing

FY2004 Focal Points – *Healthya* Green Tea

Give top priority to development of “green tea” business

✧ **Sales target for FY2004: 40.0 billion yen**

❖ **Completion of tea catechin refining facility* scheduled for September 2004**



- ✧ **Distribution channel expansion**
- ✧ **Product lineup extension: Hot-type drink for winter season**



*In Kashima Plant (Japan)

FY2004 Focal Points – Consumer Products Business in North America/Europe

Focus on premium beauty care

- ✧ Reinforcement / expansion of business under Kao Brands Company*

Kao Brands Company



- ✧ *John Frieda's new products Brilliant Brunette hair care*

* New name of The Andrew Jergens Company from August 2004

Premium Beauty Care in North America/Europe

KPSS*
Fashion trend data

Kao/KPSS*
R&D

Kao Brands Company

**Skin care
(North America)**

Jergens

bioré

Curél

ban

**Hair care
(North America)**

John Frieda

**Hair care
(Europe)**

**John
Frieda**

Guhl

Mass channel

* KPSS: Kao Professional Salon Services GmbH

FY2004 Focal Points – China

Consumer products – Kao Corporation Shanghai

- ✧ **Review and develop a new business model suitable for China, maximizing brand power**
 - Further narrowing of selected categories
 - Skin care and sanitary napkins
 - Increase market share through a focus on selected cities
 - Establish sales system that makes optimum use of wholesale channel

Prestige cosmetics

- ✧ **Approximately 10 stores in Shanghai and neighboring areas in FY2004**
- ✧ **Target: Net sales of 1 billion yen by FY2007 (at 50 luxury department stores in large cities)**

Shareholder Returns

✧ Dividends

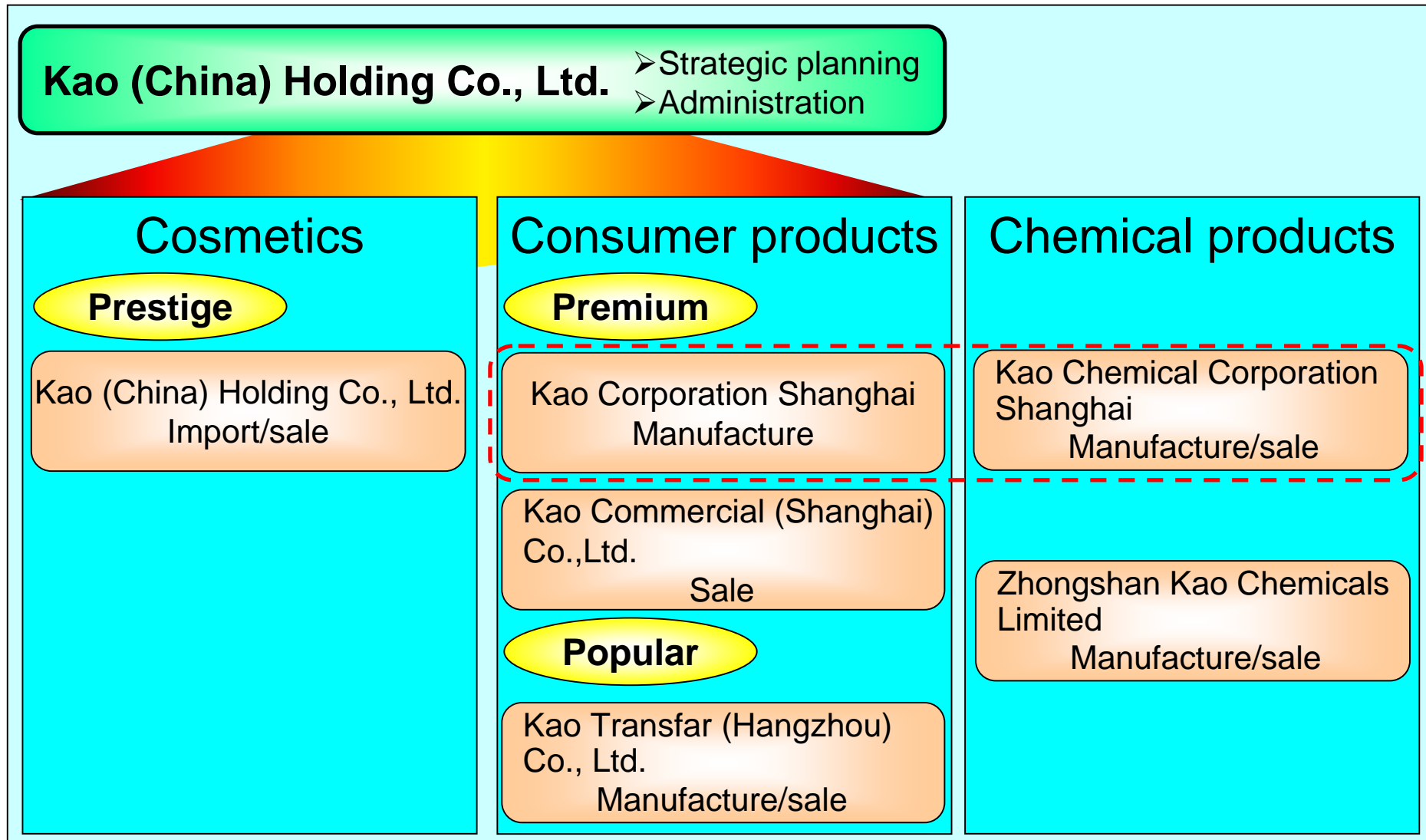
- Payout ratio target of 30% of consolidated net income
- Planned FY2004 per-share dividends: 38 yen
15th consecutive increase in annual dividends

✧ Share repurchase

- As of March 31, 2004
 - Aggregate: 85.0 million shares/228.7 billion yen
 - Treasury stock: 52.7 million shares
 - *22.9 million shares will be used for the conversion of outstanding convertible bonds by March 2006*
 - *Share-for-share exchange to make Kao Hanbai Company, Ltd. a wholly-owned subsidiary of Kao Corporation: 5.7 million shares*
 - *Cancellation: 25.0 million shares*
- April-June 2004
 - Up to 10 million shares or 25.0 billion yen
- Proposal for the General Shareholders' Meeting in June 2004
 - Up to 20 million shares or 50 billion yen from July 2004 to June 2005

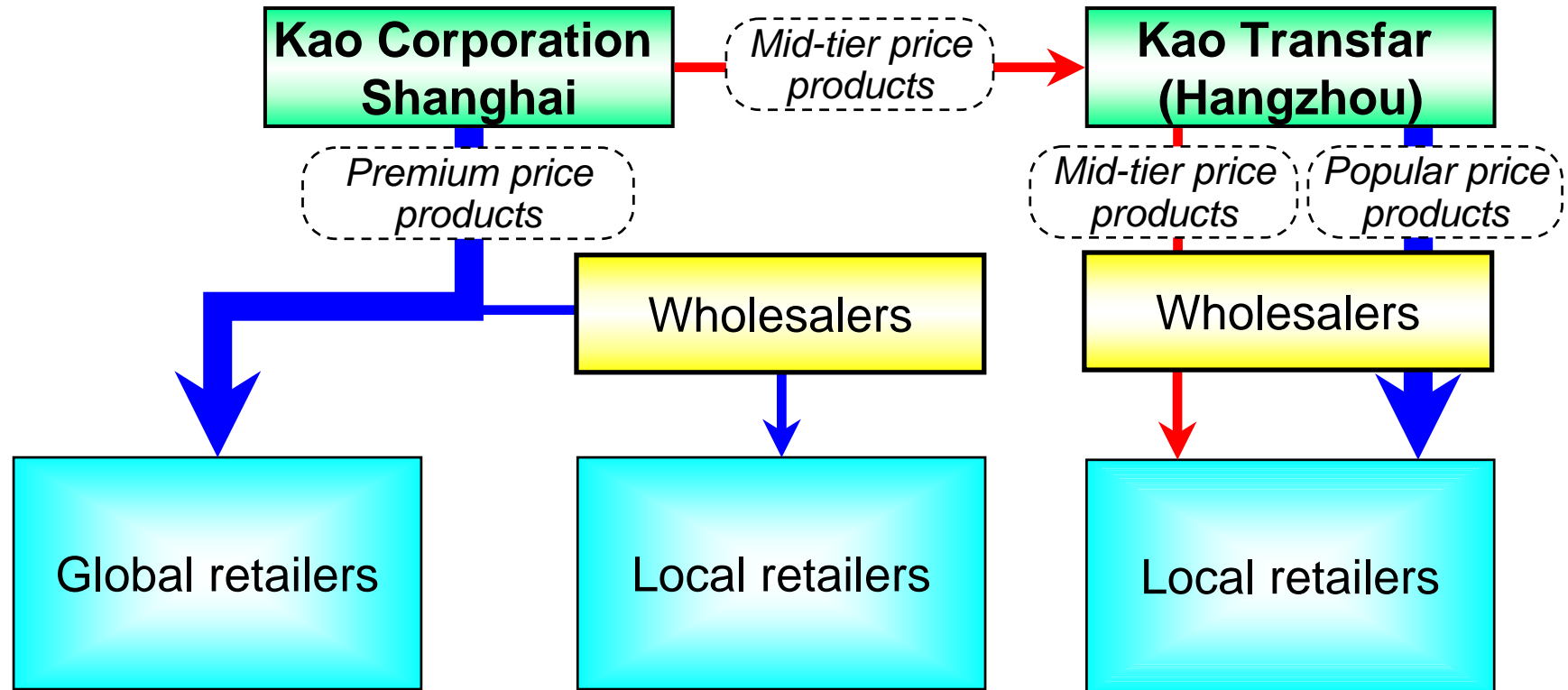
Supplementary Materials

FY2004 Focal Points – China



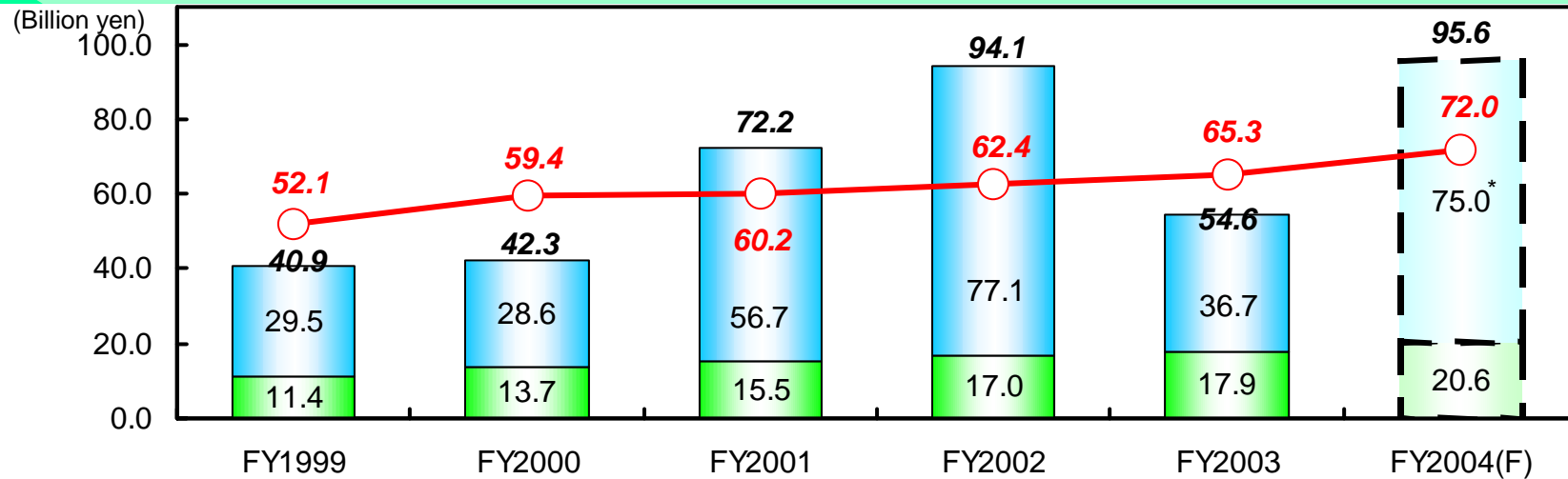
● The above chart is intended to give an overall picture of Kao's business in China and does not represent share ownership.

Review and Development of Business Model Suitable for China



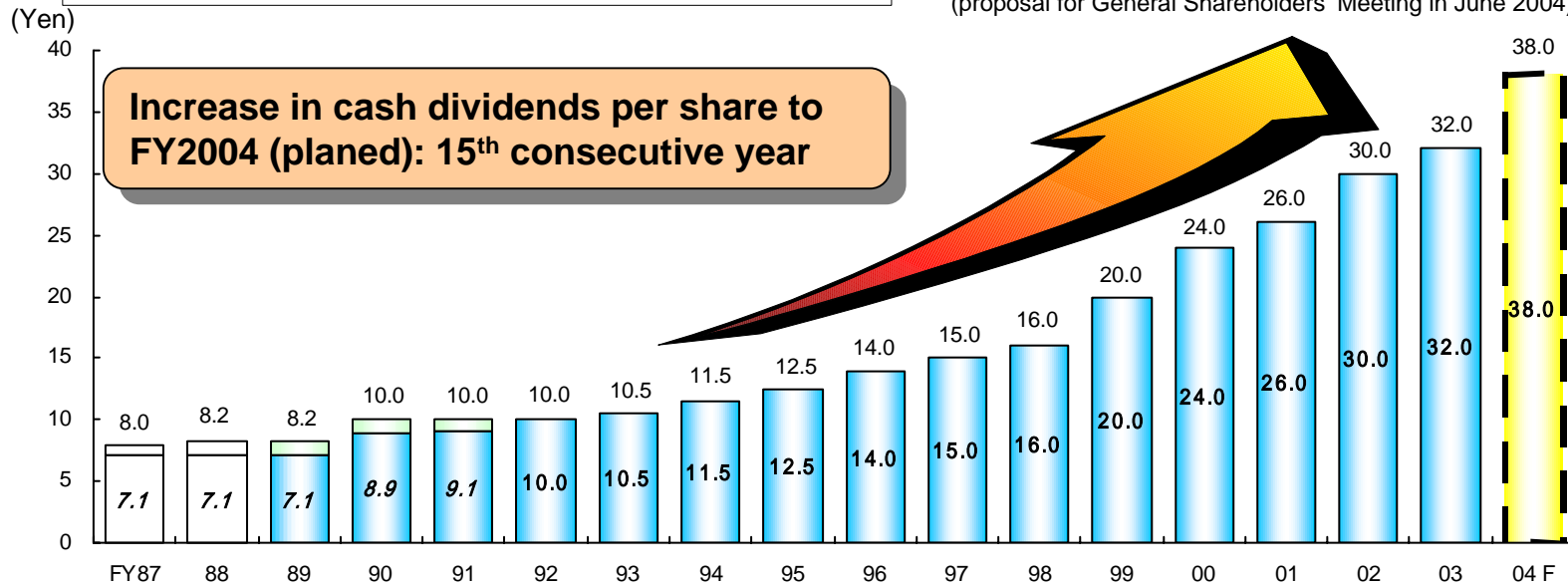
Improve distribution coverage while minimizing collection risk on receivables

Shareholder Returns



■ Cash dividends
 ■ Share repurchase
 ○ Net income

* Maximum 25 billion yen for the Apr.-Jun. 2004 period (announced in March 2004) + maximum 50 billion yen for the Jul 2004-Jun 2005 period (proposal for General Shareholders' Meeting in June 2004)



Increase in cash dividends per share to FY2004 (planned): 15th consecutive year

Note: Figures in italic have been adjusted for stock splits



