

Interim Financial Results (Non-Consolidated) for the Term Ending March 2002

November 14, 2001

Name of Listed Company: Kaneka Corporation
 Code Number: 4118
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 Title: General Manager - Finance and Accounting

Stock Exchanges Listed:
 Tokyo, Osaka, Nagoya, Fukuoka and Sapporo
 Prefecture where headquarters are located:
 Osaka Prefecture

Date of board of directors meeting for closing of interim accounts: November 14, 2001

Start of payments of interim dividends: December 10, 2001

1. Business performance for the interim term ended September 2000 (from April 1, 2001 to September 30, 2001)

(1) Business performance

(Unit: ¥million, %, yen)

	Net sales		Operating income		Ordinary income	
Interim term ended September 2001	118,202	(5.2)	9,262	(2.8)	10,001	(4.2)
Interim term ended September 2000	124,743	8.1	9,524	11.9	10,435	28.4
Term ended March 2001	247,507		20,608		21,550	

	Interim net income		Interim net income per share	
Interim term ended September 2001	6,701	(5.4)	18.74	
Interim term ended September 2000	7,085	31.8	19.81	
Term ended March 2001	12,512		34.99	

- Notes:
- Treasury stock is deducted from the average number of shares during the term and the number of issued shares at the end of term for the interim term ended September 2001.
 - Average number of shares: 357,608,997 in interim term ended September 2001, 357,606,166 in interim term ended September 2000, 357,608,850 in term ended March 2001
 - Changes to accounting policies: None
 - The percentages in the net sales, operating income, ordinary income, and interim net income columns, represent increases (decreases) compared with interim results for the previous year.

(2) Status of Dividend Payments

(Unit: yen)

	Interim dividend per share	Annual dividend per share
Interim term ended September 2001	4.00	-
Interim term ended September 2000	4.00	-
Term ended March 2001	-	8.00

Note: Breakdown of interim dividend in the interim term ended September 2001
 Commemorative dividend: 0.00 yen Special dividend: 0.00 yen

(3) Financial Position

(Unit: ¥million, %, yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
Interim term ended September 2001	324,801	168,072	51.7 %	469.99
Interim term ended September 2000	333,706	166,739	50.0 %	466.26
Term ended March 2001	334,599	167,009	49.9 %	467.01

- Notes:
- Number of shares issued at end of term: 357,611,514 in interim term ended September 2001, 357,611,549 in interim term ended September 2000, 357,611,549 in term ended March 2001
 - Number of treasury stock at the end of term: 904 shares for the interim term ended September 2001

2. Forecast for consolidated business performance in the term ending March 2002 (from April 1, 2000 to March 31, 2001)

(Unit: ¥million, yen)

	Net sales	Ordinary income	Current net income	Annual dividend per share	
				End of term	
The overall term	235,000	16,600	8,400	4.00	8.00

(Reference) Projected net income per share (whole year): ¥23.49

Interim Balance Sheet

(Unit: ¥million)

Item	Interim term ended Sept. 30, 2001	Term ended March 31, 2001	Interim term ended Sept. 30, 2000	Item	Interim term ended Sept. 30, 2001	Term ended March 31, 2001	Interim term ended Sept. 30, 2000
Assets	324,801	334,599	333,706	Liabilities	156,729	167,589	166,966
Current Assets	144,202	152,653	145,659	Current Liabilities	76,451	86,627	83,565
Cash and deposits	1,409	11,799	13,921	Notes payable	1,730	1,895	1,868
Notes receivable	7,809	8,537	8,887	Accounts payable	28,561	32,918	31,725
Accounts receivable	64,908	68,786	67,921	Short-term loans payable	12,392	11,040	11,011
Marketable securities	24,278	21,370	15,961	Convertible bonds redeemed within 1 year	-	9,894	9,894
Treasury stock	-	1	4	Long-term loans repaid within 1 year	622	1,206	1,152
Merchandise and finished goods	15,569	15,691	13,963	Accrued amount payable	25,014	20,653	19,375
Raw materials	3,935	4,205	3,995	Accrued consumption taxes, etc.	43	463	415
Work in process	4,646	5,036	4,666	Accrued corporate taxes, etc.	3,322	3,985	3,173
Stores	2,023	2,027	2,009	Accrued expenses	4,172	4,150	4,170
Prepaid expenses	1,015	736	840	Deposit payable	352	382	646
Short-term loans receivable	9,786	9,296	7,738	Others	238	36	131
Advance and accrued income	7,352	3,970	4,860				
Deferred tax assets	1,392	1,234	1,162	Fixed Liabilities	80,277	80,962	83,401
Others	287	283	191	Bonds payable	20,000	20,000	20,000
Allowance for uncollectable receivables	(214)	(323)	(467)	Convertible bonds payable	26,191	26,191	26,161
				Long-term loans payable	8,421	8,461	8,988
Fixed Assets	180,598	181,945	188,047	Allowance for employee retirement benefits	24,767	25,453	25,461
Tangible Fixed Assets	96,072	92,079	92,954	Allowance for director retirement bonuses	784	734	667
Buildings	25,473	24,819	24,486	Deferred tax liabilities	-	-	1,992
Structures	6,121	6,108	6,141	Others	113	121	100
Machinery and equipment	38,847	37,690	39,902				
Vehicles and transporters	101	87	90	Shareholders' Equity	168,072	167,009	166,739
Tools and equipment	2,650	2,698	2,634	Capital Stock	33,046	33,046	33,046
Land	17,518	17,527	17,374	Legal Reserve	40,505	40,350	40,207
Construction in progress	5,359	3,149	2,325	Capital reserve	34,641	34,641	34,641
				Legal reserve of retained earnings	5,863	5,709	5,566
Intangible Fixed Assets	918	1,042	1,049	Other surplus	86,543	81,526	77,673
Rights to use facilities, etc.	918	1,042	1,049	Reserve for special depreciation	64	29	29
				Reserve for dividends	1,995	1,995	1,995
Investments and Other Assets	83,607	88,823	94,042	Reserve for retirement payments	525	525	525
Investments in securities and investments	42,068	50,796	57,940	Funds for technical promotion	500	500	500
Investments in subsidiaries and investments	25,215	24,761	22,362	Funds for employee welfare	300	300	300
Long-term loans receivable	7,326	6,883	7,338	Reserves for replaced property	310	310	310
Long-term prepaid expenses	803	759	1,198	Reserves for advanced depreciation of replaced property	463	487	487
Deferred tax assets	3,259	910	-	Separated reserves	63,427	60,427	60,427
Others	5,093	4,872	5,234	Unappropriated interim (current)			
Allowance for doubtful debts	(157)	(159)	(31)	Profit at end of term (of which, interim (current) net profit)	18,956	16,950	13,097
					6,701	12,512	7,085
				Appraisal gap of other	7,977	12,086	15,812
				Treasury stock	0	-	-
Total	324,801	334,599	333,706	Total	324,801	334,599	333,706

Major Accounting Principles

1. Valuation methods of negotiable securities are as follows:
 - (1) Stock of subsidiaries and stock of affiliated companies: Valuation is at cost based on the moving average cost method.
 - (2) Other negotiable securities
 - 1) Stock with market value: Market value accounting based on market price at the date of interim account closing (Valuation increase/decrease is calculated by the accounting method to appropriate the total value of capital. Cost of products sold is calculated by the moving average cost accounting method.)
 - 2) Stock without market value: Valuation is at cost based on the moving average cost method.
2. The valuation methods of inventories are as follows:
 - (1) Manufactured goods and merchandise: Valuation is at cost based on the periodic average method (monthly)
 - (2) Raw materials, work in progress, and fuel out of stores: The valuation is at cost based on the moving average cost method.
 - (3) Other stores: The "last in" cost method
3. The method of depreciation of tangible fixed assets is based on the fixed percentage method. However, in line with revisions to the Corporate Tax Law in fiscal 1998, buildings (excluding building fixtures) acquired after April 1, 1998 are depreciated based on the fixed amount method.
4. Standards for appropriation of major allowances are as follows:

Allowance for employee retirement benefits
So as to prepare for payment of retirement benefits to employees, the amount deemed to be incurred at the interim term end based on the estimated amount of liabilities related to retirement benefits and pension assets at the interim term end is posted.

Allowance for director retirement bonuses
To make appropriations for the payment of retirement bonuses to directors, the amount of payment required at the interim term end is posted in accordance with internal rules.
5. Except for cases in which ownership of leased objects is deemed to have been transferred to a borrower, financial lease transactions are treated in accordance with accounting methods for regular lease transactions.
6. Consumption taxes, etc. are not included in accounting treatments.

Notes to the Interim Balance Sheet

	Interim term ended September 2001	Interim term ended September 2000	Term ended March 2001
1. Number of common treasury shares	904 shares	1,382 shares	4,167 shares
2. Less accumulated depreciation of tangible fixed assets	¥267,095 million	¥262,272 million	¥259,366 million
3. Assets subject to lien			
Marketable securities	¥1,665 million	¥2,170 million	¥511 million
4. Assets deposited			
Marketable securities	¥3,330 million	¥4,368 million	¥791 million
5. Liabilities for guarantee			
Liabilities for guarantee	¥3,398 million	¥3,573 million	¥3,556 million
Contracts for guarantee	¥357 million	¥454 million	¥557 million
Signed memorandums for management instructions, etc.	¥159 million	¥167 million	¥5,939 million
6. Increase in the number of issued shares			
By conversion of the 7 th round of unsecured convertible bonds (issued on August 28, 1989) to shares: 869 shares (level of capitalization: ¥499,675, conversion price: ¥1,150)			

Notes to Lease Transactions

Finance lease transactions excluding transfer of ownership

Unit: ¥million

1. Amounts equivalent to acquisition, to less accumulated depreciation, and to the outstanding balances of leased properties at the interim term end

	Interim term ended Sept. 2001	Term ended March 2001	Interim term ended Sept. 2000
	<u>Tools and equipment, etc</u>	<u>Tools and equipment, etc</u>	<u>Tools and equipment, etc</u>
Amount equivalent to acquisition	3,927	3,780	3,430
Amount equivalent to less accumulated depreciation	2,201	2,107	1,884
Amount equivalent to outstanding balances at the term end	1,725	1,672	1,545

2. Amount equivalent to outstanding balance of unearned lease fees at the term end

Within one year	683	713	654
<u>Over one year</u>	<u>1,041</u>	<u>959</u>	<u>890</u>
Total	1,725	1,672	1,545

3. Lease fees paid (amount equivalent to depreciation and amortization)

404	756	362
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4. The fixed amount method is used to calculate amounts equivalent to depreciation and amortization with the lease period as durable years and the remaining amount as zero.

5. Since the ratio of the outstanding balances at the end of the term of unearned lease fees to the outstanding balances at the end of the term of tangible fixed assets is low, the above notes use the accounting method to include interest earned.

Additional information

Starting from this interim term, treasury stock that was previously included in current assets is included at the end of the shareholders' equity section as an item deducted from shareholders' equity.

Sales by Business Sector

Business Sector	Interim term from April 1, 2001 to Sept. 30, 2001		Interim term from April 1, 2000 to Sept. 30, 2000		Increase (Decrease)		Term from April 1, 2000 to March 31, 2001	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase ratio	Amount	Composition ratio
	¥million	%	¥million	%	¥million	%	¥million	%
PVC and caustic soda	21,559	18.2	24,561	19.8	(3,002)	(12.2)	49,175	19.8
Specialty plastics	18,462	15.6	18,099	14.5	363	2.0	37,358	15.1
Plastic products	18,013	15.2	18,598	14.9	(585)	(3.1)	37,073	15.0
Foodstuffs and pharmaceuticals	42,264	35.8	41,589	33.3	674	1.6	81,811	33.1
Electrical and electronic materials	8,808	7.5	12,254	9.8	(3,445)	(28.1)	23,688	9.6
Synthetic fibers	9,094	7.7	9,641	7.7	(546)	(5.7)	18,399	7.4
Total	118,202	100.0	124,743	100.0	(6,541)	(5.2)	247,507	100.0
Exports (out of total)	33,832	28.6	34,342	27.5	(510)	(1.5)	63,867	25.8