

Non-Consolidated Financial Results for the Term Ending March 2002

March 15, 2002

Name of Listed Company: Kaneka Corporation

Code Number: 4118

(URL: <http://www.kaneka.co.jp>)

Contact: Setsuo Shimazaki TEL (06) 6226-5169

Title: Director/General Manager - Finance and Accounting

Date of directors' meeting for approval of accounts: May 15, 2002

Date of regular general meeting of shareholders: June 27, 2002

Interim dividend system: yes Minimum trading unit system: yes Minimum trading unit: 1,000 shares

Stock Exchanges Listed:

Tokyo, Osaka, Nagoya, Fukuoka and Sapporo

Prefecture where headquarters are located:

Osaka Prefecture

1. Results for Year Ended March 2002 (from April 1, 2001 to March 31, 2002)

(1) Business performance

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Year ended March 2002	234,743	(5.2)	16,269	(21.1)	16,912	(21.5)
Year ended March 2001	247,507	3.9	20,608	(7.4)	21,550	(8.1)

	Net income		Net income per share	Fully diluted net income per share	Net income-equity ratio	Ordinary income-total assets ratio	Ordinary income-sales ratio
	¥million	%	¥	¥	%	%	%
Year ended March 2002	7,650	(38.9)	21.39	20.43	4.6	5.2	7.2
Year ended March 2001	12,512	422.6	34.99	33.01	8.0	6.7	8.7

Notes: 1. Average number of shares during accounting term: Year ended March 2002: 357,601,011
Year ended March 2001: 357,608,850

2. Changes to accounting policies: None

3. Percentage figures under net sales, operating income, ordinary income and net income represent increases (decreases) relative to the previous accounting term.

(2) Dividends

	Dividend per share			Total dividend (annual)	Dividend net income ratio	Dividend-equity ratio
	Interim	Final				
	¥	¥	¥	¥million	%	%
Year ended March 2002	8.00	4.00	4.00	2,860	37.4	1.7
Year ended March 2001	8.00	4.00	4.00	2,860	22.9	1.8

Note: Breakdown of dividend year ended March 2002

Commemorative dividend: 0.00 yen Special dividend: 0.00 yen

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Year ended March 2002	315,365	165,680	52.5	463.36
Year ended March 2001	334,599	167,009	49.9	467.01

Notes: 1. Number of shares issued and outstanding at end of term: Year ended March 2002: 357,612,418
Year ended March 2001: 357,611,549

2. Treasury shares at end of accounting term: Year ended March 2002: 45,798
Year ended March 2001: 1,382

2. Performance Forecasts for Year to March 2003 (from April 1, 2002 to March 31, 2003)

	Net sales	Ordinary income	Net income	Annual dividend per share		
				Interim	End of term	
	¥million	¥million	¥million	¥	¥	¥
Interim	120,000	7,200	4,100	4.00	-	-
Overall term	242,000	18,000	10,500	-	4.00	8.00

(Reference) Projected net income per share (whole year): ¥29.36

Balance Sheet

(Unit: ¥million)

Item	Year ended March 31, 2002	Year ended March 31, 2001	Increase (decrease)	Item	Year ended March 31, 2002	Year ended March 31, 2001	Increase (decrease)
Assets	315,365	334,599	(19,234)	Liabilities	149,684	167,589	(17,904)
Current Assets	142,374	152,653	(10,278)	Current Liabilities	77,979	86,627	(8,647)
Cash and deposits	8,492	11,799	(3,307)	Trade notes payable	1,891	1,895	(4)
Trade notes receivable	6,886	8,537	(1,651)	Accounts payable	30,045	32,918	(2,873)
Accounts receivable	64,365	68,786	(4,421)	Short-term loans	10,991	11,040	(49)
Marketable securities	18,038	21,370	(3,331)	Convertible bonds redeemed within 1 year	7,598	9,894	(2,296)
Treasury stock	-	1	(1)	Long-term loans repaid within 1 year	158	1,206	(1,047)
Merchandise and finished goods	15,786	15,691	95	Accrued amount payable	19,537	20,653	(1,115)
Raw materials	3,728	4,205	(477)	Accrued consumption taxes, etc.	351	463	(111)
Work in process	4,348	5,036	(688)	Accrued corporate taxes, etc.	2,119	3,985	(1,865)
Stores	2,161	2,027	133	Accrued expenses	3,944	4,150	(206)
Prepaid expenses	800	736	64	Deposit payable	324	382	(57)
Short-term loans receivable	8,716	9,296	(580)	Others	592	-	592
Advance and accrued income	7,559	3,970	3,589		424	36	388
Deferred tax assets	1,621	1,234	387				
Others	100	283	(182)				
Allowance for doubtful receivables	(230)	(323)	92				
Fixed Assets	172,990	181,945	(8,955)	Fixed Liabilities	71,704	80,962	(9,257)
Tangible Fixed Assets	92,791	92,079	711	Bonds	20,000	20,000	-
Buildings	24,919	24,819	100	Convertible bonds	18,593	26,191	(7,598)
Structures	6,107	6,108	(1)	Long-term loans	8,062	8,461	(398)
Machinery and equipment	39,213	37,690	1,523	Employee's severance and retirement benefits	24,119	25,453	(1,333)
Vehicles and transporters	96	87	9	Retirement benefits for dire- ctors and statutory auditors	859	734	124
Tools and equipment	2,600	2,698	(97)	Others	70	121	(51)
Land	17,959	17,527	432				
Construction in progress	1,893	3,149	(1,255)	Shareholders' Equity	165,680	167,009	(1,329)
Intangible Fixed Assets	1,016	1,042	(25)	Capital Stock	33,046	33,046	0
Rights to use facilities, etc.	1,016	1,042	(25)	Legal Reserve	40,505	40,350	154
Investments and Other Assets	79,182	88,823	(9,641)	Additional paid in capital	34,641	34,641	0
Investments in securities	36,300	50,796	(14,495)	Legal reserve	5,863	5,709	154
Investments in subsidiaries	24,184	24,761	(576)	Retained earnings	86,061	81,526	4,535
Long-term loans receivable	6,807	6,883	(75)	Reserve for special depreciation	64	29	35
Long-term prepaid expenses	745	759	(14)	Reserve for dividends	1,995	1,995	-
Deferred tax assets	6,499	910	5,589	Reserve for retirement payments	525	525	-
Others	4,862	4,872	(9)	Funds for technical promotion	500	500	-
Allowance for doubtful receivables	(218)	(159)	(58)	Funds for employee welfare	300	300	-
				Reserves for replaced property	310	310	-
				Reserves for advanced depreciation of replaced property	463	487	(24)
				General reserve	63,427	60,427	3,000
				Unappropriated retained earnings	18,475	16,950	1,524
				(net income included above)	7,650	12,512	(4,861)
				Net unrealized gain on marketable securities	6,102	12,086	(5,983)
				Treasury stocks	(35)	-	(35)
Total	315,365	334,599	(19,234)	Total	315,365	334,599	(19,234)

Income Statement

(Unit: ¥million)

Title	Year ended March. 31, 2002	Year ended March 31, 2001	Increase (Decrease)
Operating profit and loss			
Sales	234,743	247,507	(12,764)
Cost of Sales	166,861	175,143	(8,281)
Selling, General and Administrative Expenses	51,611	51,755	(144)
Operating income	16,269	20,608	(4,338)
Non-operating income and loss			
Non-operating income	4,162	5,078	(916)
Interest and dividends received	2,523	3,219	(696)
Others	1,638	1,858	(219)
Non-operating expenses	3,518	4,136	(617)
Interest and discounts paid	1,183	1,374	(190)
Others	2,335	2,761	(426)
Ordinary income	16,912	21,550	(4,637)
Extraordinary Profit and Loss			
Extraordinary income	1,076	1,361	(284)
Gain on land sales	1,076	-	1,076
Gain on sales of stock of affiliated companies	-	1,361	(1,361)
Extraordinary Loss	5,843	2,365	3,477
Valuation loss on investment securities	1,746	-	1,746
Losses on investments in affiliated companies	3,427	-	3,427
Expenditure on structural improvement of electrical and electronic material business	669	-	669
Losses on disposals of reserch equipumnt	-	1,865	(1,865)
Write-down on investment securities	-	500	(500)
Net income before tax	12,146	20,547	(8,400)
Corporate taxes, local taxes and business taxes	6,140	7,500	(1,360)
Income taxes deferred	(1,643)	534	(2,178)
Net profit	7,650	12,512	(4,861)
Balance carried forward from the previous term	12,255	6,011	6,243
Interim dividends paid	1,430	1,430	0
Legal reserve for interim dividends	-	143	(143)
Unappropriated retained earnings	18,475	16,950	1,524

Statement of Retained Earnings (Proposed)

Term Item	Year ended March 31, 2002	Year ended March 31, 2001	Increase (Decrease)
	¥million	¥million	¥million
Unappropriated Retained Earnings:			1,524
Balance at year-end	18,475	16,950	6
Reversal of reserve for special depreciation	12	6	(2)
Reversal of reserve for deferred profit on sale of replaced fixed assets	22	24	1,528
Total	18,509	16,980	
Appropriations:			
Transfer to legal earned reserve	-		(154)
Cash dividends	1,430		0
	(¥4.00 per share)	(¥4.00 per share)	
Directors' and statutory auditors' bonuses	90		(20)
[Statutory bonuses]	[5]	[6]	
Transfer to reserve for special depreciation	39	41	(2)
Transfer to reserve for deferred profit on sale of fixed assets	253	-	253
Transfer to reserve for special account of deferred profit on sale of replaced fixed assets	370	-	370
Transfer to general reserve	3,000	3,000	-
Total appropriation	5,172.0	4,725	446
Unappropriated Retained Earnings:			
Balance to be carried forward	13,336	12,255	1,081

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 declining-balance 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 straight-line 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

	Term ended March 2002	Term ended March 2001	Difference
1. Number of common treasury shares	45,798 shares	1,382 shares	44,416 shares
2. Less accumulated depreciation of tangible fixed assets	¥271,716 million	¥262,272 million	¥9,444 million
3. Assets subject to pledge			
Marketable securities	¥1,027 million	¥2,170 million	¥(1,143)million
4. Assets deposited			
Marketable securities	¥6,914 million	¥4,368 million	¥2,546 million
5. Contingent liabilities			
Guarantees	¥2,253 million	¥3,573 million	¥(1,319)million
Commitments to guarantee	¥264 million	¥454 million	¥(190)million
Letter of awareness	¥165 million	¥167 million	¥(2)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 (capitalization amount: ¥499,675, conversion price: ¥1,150)			

Notes to Lease Transactions

Finance lease transactions excluding leases that ownership of the assets is transferred to lessee

Unit: ¥million

1. Amounts equivalent to acquisition, to less accumulated depreciation, and to the outstanding balance of leased properties at the closing date

	Term ended March 2002	Term ended March 2001	Difference
	<u>Tools and equipment, etc</u>	<u>Tools and equipment, etc</u>	<u>Tools and equipment, et</u>
Amount equivalent to acquisition	1,820	1,902	(82)
Amount equivalent to less accumulated depreciation	829	944	(115)
Amount equivalent to outstanding balances at the term end	991	958	33

2. Amount equivalent to outstanding balance of future lease payments at the term end

Within one year	385	424	(38)
<u>Over one year</u>	<u>605</u>	<u>533</u>	<u>71</u>
Total	991	958	33

3. Lease payments (amount equivalent to depreciation and amortization)

	474	406	68
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4. The straight-line method is used to calculate amounts equivalent to depreciation and amortization.

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.

Notes to tax effective accounting

1. Significant components of deferred tax assets and liabilities

Unit: ¥million

Term ended
March 2002

(Deferred tax assets)

Retirement benefits	8,581
Valuation losses on investment securities	1,259
Valuation losses on subsidiaries stock	1,245
Excess bonuses accrued	921
Retirement benefits for directors and statutory audito	421
Depreciation and amortization	269
Provision for loss on guaranteed liabilities	248
Enterprise taxes payable	230
Others	426
Total deferred tax assets	<u>13,604</u>

(Deferred tax liabilities)

Net unrealized holding gains on other securities	4,421
Reserve for advanced depreciation	727
Reserve for special advanced depreciation of substitutionally purchased assets	268
Others	65
Total deferred tax liabilities	<u>5,483</u>

Net deferred tax assets	<u>8,120</u>
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2. Significant differences between the statutory tax rates and corporate effective tax rates

	Term ended March 2002
Statutory tax rates	42.00 %
Foreign tax credit	(3.58) %
Non-temporary items such as entertainment expense	1.05 %
Non-temporary items such as dividend received	(2.38) %
Others	(0.07) %
Effective tax rate	<u>37.02 %</u>

Sales by Business Sector

Business Sector	Year ended March 31, 2002		Year ended March 31, 2001		Increase (Decrease)	
	Amount	Composi- tion ratio	Amount	Composi- tion ratio	Amount	Increase ratio
	¥million	%	¥million	%	¥million	%
PVC and caustic soda	41,869	17.8	49,175	19.8	(7,305)	(14.9)
Specialty plastics	36,748	15.6	37,358	15.1	(609)	(1.6)
Plastic products	35,119	15.0	37,073	15.0	(1,954)	(5.3)
Foodstuffs and pharmaceuticals	85,031	36.2	81,811	33.1	3,219	3.9
Electrical and electronic materials	18,708	8.0	23,688	9.6	(4,979)	(21.0)
Synthetic fibers	17,265	7.4	18,399	7.4	(1,134)	(6.2)
Total	234,743	100.0	247,507	100.0	(12,764)	(5.2)
Exports (out of total)	66,766	28.4	63,867	25.8	2,898	4.5