

Non-Consolidated Financial Results for the Term Ending March 2003

May 8, 2003

Name of Listed Company: Kaneka Corporation

Stock Exchanges Listed:

Code Number: 4118

Tokyo, Osaka, Nagoya

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

Prefecture where headquarters are located:

Osaka Prefecture

Representative: Name: Masatoshi Takeda

Title: President, Representative Director

Contact: Name: Setsuo Shimazaki Phone +81-6-6226-5169

Title: Director/General Manager - Finance and Accounting Department

Date of directors' meeting for approval of accounts: May 8, 2003

Date of regular general meeting of shareholders: June 27, 2003

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

1. Results for Year Ended March 2003 (from April 1, 2002 to March 31, 2003)

(1) Business performance

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Term ended March 2003	243,564	3.8	19,051	17.1	17,778	5.1
Term ended March 2002	234,743	(5.2)	16,269	(21.1)	16,912	(21.5)

	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	%	¥	¥				
Term ended March 2003	9,898	29.4	27.51	26.53		5.9	5.7	7.3
Term ended March 2002	7,650	(38.9)	21.17	20.22		4.6	5.2	7.2

Notes: 1. Average number of shares during accounting term: Year ended March 2003: 356,127,611

Year ended March 2002: 357,601,011

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				
Term ended March 2003	¥8.00	¥4.00	¥4.00	¥2,845	28.7%	1.7%
Term ended March 2002	8.00	4.00	4.00	2,860	37.4	1.7

Note: Breakdown of dividend year ended March 2003

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	%	¥
Term ended March 2003	305,089	167,538	54.9	470.56
Term ended March 2002	315,365	165,680	52.5	463.13

Notes: 1. Number of shares issued and outstanding at end of term: Year ended March 2003: 355,829,305

Year ended March 2002: 357,566,620

2. Treasury shares at end of accounting term:

Year ended March 2003: 1,783,113

Year ended March 2002: 45,798

2. Performance Forecasts for Year to March 2004 (from April 1, 2003 to March 31, 2004)

	Net sales	Ordinary income	Net income	Annual dividend per share	
				Interim	End of term
Interim	¥122,000	¥9,000	¥5,400	¥4.00	¥-
Overall term	248,000	20,000	12,000	-	8.00

(Reference) Projected net income per share (whole year): ¥33.44

Note: The above forecasts were compiled on the basis of information available as of the date of publication.

Actual results may vary from the forecasts due to a variety of factors.

Balance Sheet

(Unit: ¥million)

Item	Term ended March 31, 2003	Term ended March 31, 2002	Increase (decrease)	Item	Term ended March 31, 2003	Term ended March 31, 2002	Increase (decrease)
Assets	305,089	315,365	(10,275)	Liabilities	137,551	149,684	(12,133)
Current Assets	140,851	142,374	(1,523)	Current Liabilities	66,918	77,979	(1,161)
Cash and deposits	21,427	8,492	12,935	Trade notes payable	1,825	1,891	(66)
Trade notes receivable	5,566	6,886	(1,320)	Accounts payable	30,467	30,045	421
Accounts receivable	65,763	64,365	1,398	Short-term loans	12,050	10,991	1,059
Marketable securities	5,806	18,038	(12,232)	Convertible bonds redeemed within 1 year	-	7,598	(7,598)
Merchandise and finished goods	15,736	15,786	(50)	Long-term loans repaid within 1 year	141	158	(17)
Raw materials	4,314	3,728	586	Accrued amount payable	14,968	19,537	(4,569)
Work in process	3,715	4,348	(632)	Accrued consumption taxes, etc.	217	351	(134)
Stores	2,222	2,161	61	Accrued corporate taxes, etc.	2,095	2,119	(23)
Prepaid expenses	644	800	(156)	Accrued expenses	3,689	3,944	(255)
Short-term loans receivable	9,456	8,716	740	Deposit payable	454	324	130
Advance and accrued income	4,155	7,559	(3,403)	Allowance for loss on guarantees	946	592	354
Deferred tax assets	2,029	1,621	408	Others	61	424	(362)
Others	370	100	269				
Allowance for doubtful receivables	(358)	(230)	(127)				
Fixed Assets	164,238	172,990	(8,752)	Fixed Liabilities	70,633	71,704	(1,071)
Tangible fixed assets	89,709	92,791	(3,081)	Bonds	20,000	20,000	-
Buildings	24,444	24,919	(474)	Convertible bonds	18,593	18,593	-
Structures	6,299	6,107	192	Long-term loans	12,896	8,062	4,833
Machinery and equipment	36,759	39,213	(2,454)	Employee's severance and retirement benefits	18,100	24,119	(6,019)
Vehicles and transporters	103	96	6	Retirement benefits for dire- ctors and statutory auditors	883	859	24
Tools and equipment	2,265	2,600	(335)	Others	159	70	88
Land	17,976	17,959	17				
Construction in progress	1,860	1,893	(33)	Shareholders' Equity	167,538	165,680	(1,858)
Intangible fixed assets	1,324	1,016	307	Capital Stock	33,046	33,046	-
Rights to use facilities, etc.	1,324	1,016	307	Additional paid in capital	34,821	34,641	179
				Additional paid in capital	34,821	34,641	179
Investments and Other Assets	73,203	79,182	(5,978)	Retained earnings	98,891	91,925	6,966
Investments in securities	28,860	36,300	(7,440)	Legal reserve	5,863	5,863	-
Investments in subsidiaries	26,739	24,184	2,555	Reserve for special depreciation	91	64	27
Long-term loans receivable	5,664	6,807	(1,143)	Reserve for dividends	1,995	1,995	-
Long-term prepaid expenses	608	745	(136)	Reserve for retirement payments	525	525	-
Deferred tax assets	7,427	6,499	928	Funds for technical promotion	500	500	-
Others	5,024	4,862	161	Funds for employee welfare	300	300	-
Allowance for doubtful receivables	(1,121)	(218)	(903)	Reserves for replaced property	563	310	253
				Reserves for advanced Depreciation of replaced property	441	463	(22)
				Reserve for special account of replaced property	370	-	370
				General reserve	66,427	63,427	3,000
				Unappropriated retained earnings (net income included above)	9,898	7,650	2,248
				Net unrealized gain on marketable securities	1,986	6,102	(4,116)
				Treasury stocks	(1,207)	(35)	(1,171)
Total	305,089	315,365	(10,275)	Total	305,089	315,365	(10,275)

Statements of Income

(Unit: ¥million)

Title	Term from April 1, 2002 to March. 31, 2003	Term from April 1, 2001 to March 31, 2002	Increase (Decrease)
Operating profit and loss			
Net Sales	243,564	234,743	8,821
Cost of Sales	173,907	166,861	7,045
Selling, General and Administrative Expenses	50,605	51,611	(1,006)
Operating income	19,051	16,269	2,782
Non-operating income and loss			
Non-operating income	2,765	4,162	(1,396)
Interest and dividends received	2,611	2,523	87
Others	154	1,638	(1,484)
Non-operating expenses	4,039	3,518	520
Interest and discounts paid	1,218	1,183	34
Others	2,820	2,335	485
Ordinary income	17,778	16,912	865
Extraordinary Profit and Loss			
Extraordinary income	4,592	1,076	3,515
Gain on return of substitutional portion of the Employee Pension Fund	4,592	-	4,592
Gain on land sales	-	1,076	(1,076)
Extraordinary Loss	6,059	5,843	216
Write-down of investment securities	1,883	1,746	136
Losses on investments in affiliated companies	2,068	3,427	(1,359)
Expenses on pension plan amendment	1,286	-	1,286
Early retirement encouragement plan	820	-	820
Restructuring cost of electrical and electronic material business	-	669	(669)
Net income before tax	16,311	12,146	4,164
Corporate taxes, local taxes and business taxes	4,690	6,140	(1,450)
Income taxes deferred	1,722	(1,643)	3,366
Net profit	9,898	7,650	2,248
Balance carried forward from the previous term	13,336	12,255	1,081
Interim dividends paid	1,422	1,430	(8)
Unappropriated retained earnings	21,813	18,475	3,338

Statement of Retained Earnings (Proposed)

Item	Term	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2001 to March 31, 2002	Increase (Decrease)
		¥million	¥million	¥million
Balance at year-end		21,813	18,475	3,338
Reversal of reserve for special depreciation		17	12	5
Reversal of reserve for deferred profit on sale of replaced fixed assets		21	22	(1)
Reversal of reserve for special account of deferred profit on sale of replaced fixed assets		370	-	370
Total		22,221	18,509	3,712
Appropriations:				
Cash dividends		1,423	1,430	(6)
		(¥4.00 per share)	(¥4.00 per share)	
Directors' and statutory auditors' bonuses		100	80	20
[Statutory bonuses]		[6]	[5]	
Transfer to reserve for special depreciation		1	39	(38)
Transfer to reserve for deferred profit on sale of fixed assets		25	253	(228)
Transfer to reserve for deferred profit on sale of replaced fixed assets		376	-	376
Transfer to reserve for special account of deferred profit on sale of replaced fixed assets		-	370	(370)
Transfer to general reserve		7,000	3,000	4,000
Total appropriation		8,925	5,172	3,753
Unappropriated Retained Earnings:				
Balance to be carried forward		13,296	13,336	(40)

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 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, pursuant to the revision of the corporation tax law in 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 doubtful receivables
In order to prepare against losses due to bad debt, the estimated amount of uncollected debts is recorded based on calculations using the rate of uncollected debts in the past with respect to general debts, and by individually reviewing the possibility of collection with respect to special debts including doubtful debts.

Employees' severance and retirement benefits
So as to prepare for payment of retirement benefits to employees, the amount based on the estimated amount of projected benefit obligation and pension assets at the term end is posted.

Retirement benefits for directors and statutory auditors
To make appropriations for the payment of retirement bonuses to directors, the amount of payment required at the term end is posted in accordance with internal rules.

Allowance for loss on guarantees
The loss on fulfillment of liabilities guaranteed for subsidiaries has been estimated.
5. Financial lease transactions are treated which do not transfer ownership are accounted for in the same manner as operating leases in accordance with accounting methods for regular lease transactions.
6. Consumption taxes, etc. are not included in accounting treatments.
7. Change in Accounting Policies
 - (1) Accounting standard for treasury stock and withdrawal from legal reserves
The Accounting Standard for Treasury Stock and withdrawal from Legal Reserves (Corporate Accounting Standard 1) has been applied from this accounting year onwards, as required from April 1, 2002 onwards. It has had a minor effect on the gain or loss for the current period. Pursuant to the revision of the rules for financial statements, the shareholders' equity in the balance sheet for this accounting year has been prepared in accordance with the revised rules.
 - (2) Per-share information
The Accounting Standard for Earnings per Share (Corporate Accounting Standard 2) and the Implementation Guidance for Accounting Standard for Earnings per Share (Financial Accounting Standards Implementation Guidance No.4) have been applied from this accounting year onwards, as required in financial statements for the accounting year starting on or after April 1, 2002.

Notes to the Balance Sheet

	Term ended March 2003	Term ended March 2002	Difference
1. Number of shares issued (ordinary shares)	357,612,418 shares	357,612,418 shares	0 shares

Kaneka Corporation (Non-consolidated)

2. Number of treasury stocks (ordinary shares)	1,783,113 shares	45,798 shares	1,737,315 shares
3. Less accumulated depreciation of tangible fixed assets	¥278,765 million	¥271,716 million	¥7,049 million
4. Assets subject to pledge Marketable securities	¥410 million	¥1,027 million	¥(616)million
5. Assets deposited Marketable securities	-	¥6,914 million	¥(6,914) million
6. Contingent liabilities Guarantees	¥3,021 million	¥2,253 million	¥(767)million
Commitments to guarantee	-	¥264 million	¥(264)million
Letter of awareness	¥95 million	¥165 million	¥(69)million

Notes for negotiable securities

The stock of subsidiaries and affiliates with market value

Unit: ¥million

Subsidiary Stock	Term ended March 2003	Term ended March 2002	Difference
Amount on balance sheet	1,820	1,820	-
Market value	1,144	1,040	104
Balance	(675)	(780)	104

Notes to tax effective accounting

1. Significant components of deferred tax assets and liabilities

Unit: ¥million

	Term ended March 2003	Term ended March 2002
(Deferred tax assets)		
Employee's severance and retirement benefits	6,307	8,581
Write-down of investment securities	1,924	1,259
Excess bonuses accrued	1,054	921
Allowance for doubtful receivables	465	21
Retirement benefits for directors and statutory auditors	428	421
Provision for loss on guaranteed liabilities	397	248
Valuation losses on subsidiaries stock	371	1,245
Enterprise taxes payable	239	230
Depreciation and amortization	188	268
Others	931	404
Total deferred tax assets	12,309	13,604
(Deferred tax liabilities)		
Net unrealized holding gains on other securities	1,851	4,421
Reserve for advanced depreciation	948	727
Reserve for special advanced depreciation of substitutionally purchased assets	-	268
Others	51	65
Total deferred tax liabilities	2,852	5,483
Net deferred tax assets	9,456	8,120

2. Significant differences between the statutory tax rates and corporate effective tax rates

	Term ended March 2003	Term ended March 2002
	<u> </u>	<u> </u>
Statutory tax rates	42.00%	42.00%
Foreign tax credit	(4.00)%	(3.58)%
Non-temporary items such as entertainment expenses	0.76%	1.05%
Non-temporary items such as dividend received	(1.28)%	(2.38)%
Adjustment to year-end deferred tax assets due to revision of tax rates	1.73%	-%
Others	(0.09)%	(0.07)%
	<u> </u>	<u> </u>
Effective tax rate	<u> 39.31% </u>	<u> 37.02% </u>

Sales by Business Sector

Business Sector	Term from April 1, 2002 to March 31, 2003		Term from April 1, 2001 to March 31, 2002		Increase (Decrease)	
	Amount	Composi- tion ratio	Amount	Composi- tion ratio	Amount	Increase ratio
	¥million	%	¥million	%	¥million	%
PVC and caustic soda	40,806	16.8	44,165	18.8	(3,358)	(7.6)
Specialty plastics	37,667	15.5	36,326	15.4	1,341	3.7
Plastic products	35,968	14.8	35,119	15.0	849	2.4
Foodstuffs and pharmaceuticals	89,750	36.8	85,031	36.2	4,718	5.5
Electrical and electronic materials	21,782	8.9	16,835	7.2	4,947	29.4
Synthetic fibers	17,588	7.2	17,265	7.4	322	1.9
Total	243,564	100.0	234,743	100.0	8,821	3.8
Exports (out of total)	74,627	30.6	66,766	28.4	7,860	11.8