



## Consolidated Financial Results for the Term Ended March 2004

April 27, 2004

Name of Listed Company: Kaneka Corporation

Code Number: 4118

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

Stock Exchanges Listed: Tokyo, Osaka, Nagoya

Prefecture where headquarters are located: Osaka

Representative Name: Masatoshi Takeda Title: President, Representative Director

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

Title: Executive Director, General Manager - Finance and Accounting

Date of board of directors meeting for closing of accounts: April 27, 2004

Name of parent company (Code number: )

Parent company's shareholding ( %)

US accounting standards: Not adopted

Note: Figures have been rounded down to the nearest million yen.

### 1. Consolidated Business Performance for the Term Ended March 2004 (from April 1, 2003 to March 31, 2004)

#### (1) Consolidated Business Performance

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Term ended March 2004	400,256	7.5	32,107	19.3	29,322	27.5
Term ended March 2003	372,269	4.7	26,911	31.5	23,005	25.9

	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 2004	15,622	16.8	43.99	42.59	8.0	7.7	7.3
Term ended March 2003	13,373	42.7	37.24	35.63	7.3	6.1	6.2

Notes: 1. Profit and loss based on equity-method investment balance: -¥74 million in term ended March 2004, -¥73 million in term ended March 2003

2. Average number of shares (consolidated): 352,173,618 in term ended March 2004, 356,102,542 in term ended March 2003

3. Changes to accounting policies: None

4. The percentages in the net sales, operating income, ordinary income, and net income columns, represent increases (decreases) compared with results for the previous year.

#### (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Term ended March 2004	392,512	204,779	52.2	583.55
Term ended March 2003	370,050	185,747	50.2	521.77

Note: Number of shares issued and outstanding (consolidated) at end of period: 350,698,353 in term ended March 2004, 355,779,305 in term ended March 2003

#### (3) Cash Flow Conditions on a Consolidated Basis

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Outstanding balances of cash and cash equivalents as of the end of the term
	¥million	¥million	¥million	¥million
Term ended March 2004	39,773	(23,526)	(14,270)	32,884
Term ended March 2003	40,040	(27,899)	(13,364)	31,051

#### (4) Scope of Subsidiary Consolidation and Equity Method

Consolidated subsidiaries: 41, equity method non-consolidated subsidiaries: 0, equity method affiliated companies: 2

#### (5) Changes to Scope of Subsidiary Consolidation and Equity Method

Consolidated companies (new): 0 (excluded): 0, equity method companies (new): 0 (exclusion): 0

### 2. Consolidated Performance Forecast for the Term Ending March 2005 (from April 1, 2004 to March 31, 2005)

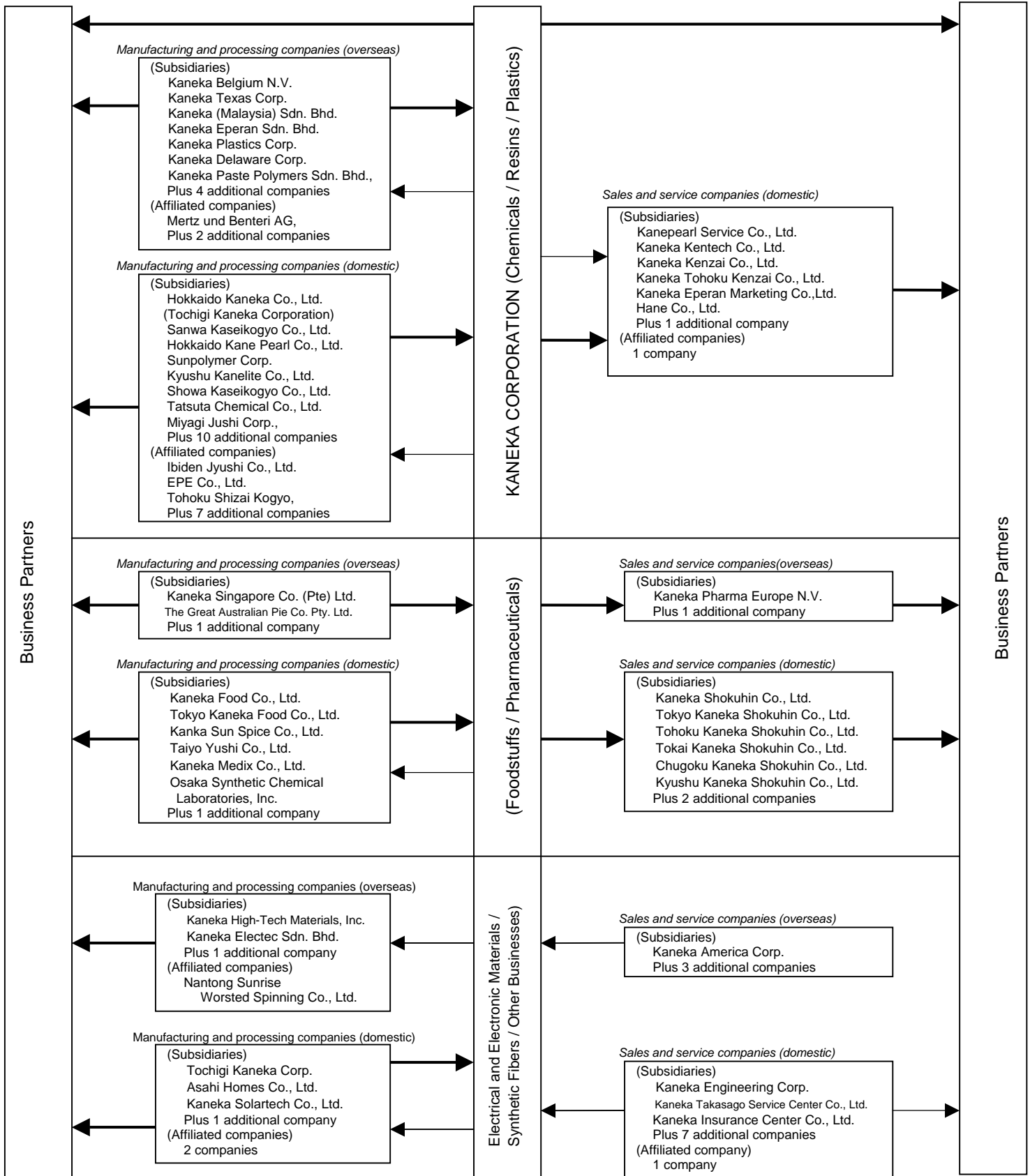
	Net sales	Ordinary income	Net income
	¥million	¥million	¥million
Interim term	205,000	16,000	8,500
Overall term	420,000	33,000	18,000

(Reference) Projected net income per share (Overall term): ¥50.95

\*The above performance forecasts are regarded as reasonable on the basis of information available at the time of announcement, therefore, readers should be aware that actual results may vary from these forecasts due to the various uncertain factors involved.

## The Corporate Group Situation

The major business of the company, its 77 subsidiaries and 18 affiliated companies is to manufacture and sell chemicals, resins and plastics, plastic products, foodstuffs, pharmaceuticals, medical equipment, and electrical and electronic materials and synthetic fibers. The following chart shows the positioning of each company within the company's total business, and the relationship with each segment according to business sector. The classifications are the same.



- Notes: 1. The " " mark indicates a consolidated subsidiary, and the " " an equity method company.  
 2. → indicates the flow of products.  
 3. → indicates the flow of materials and services (including provisions for technologies).  
 4. Tochigi Kaneka Corp. is a subsidiary that overlaps in several segments.  
 5. Asahi Homes Co., Ltd. is registered on the over-the-counter market of the Japan Securities Dealers Association

## 1. Corporate Philosophy

### (a) Basic Management Policies

In April 2004, the Kaneka Group launched a new medium-term plan for the three-year period up to fiscal year 2006. The new medium-term plan is aimed at transforming the existing survival-oriented management strategy to a growth-oriented strategy designed to substantially expand the size of business based on three keywords, namely, “change”, “leap” and “challenge.”

The basic management policies designed to fulfill this plan are:

- Achieving high growth and high earnings by combining high-growth and high-added-value business with business that generates stable earnings, based on diversified management.
- Concentrating management resources in growth sectors, and make efforts to improve profitability by total cost cutting.
- Placing “research and development targeting next-generation growth sectors,” “personnel who aggressively take on challenges towards high targets” and “globalization” as the management driving force.

The Kaneka Group will strive to achieve a new stage of growth according to the aforementioned basic management policies above, in becoming an enterprise group with a global presence.

### (b) Basic Policy on Profit Distribution

One of the most important task for Kaneka’s management is to improve earning potential and to maximize returns to shareholders while strengthening the company’s corporate fundamentals. Profits will be distributed basically by dividends, in combination with share buyback. We focus on continually paying stable dividends based on forecasts of medium- and long-term earnings trends. We acquired 5,069 thousand treasury stock from the market during the period.

Retained earnings are used to supply funds for measures that will improve our financial position base from a medium- to long-term perspective, including capital investment in both the parent company and domestic and overseas affiliates, and investment and lending.

### (c) Concepts and Policies on Cutting Investment Units

We consider that it would not be reasonable to immediately cut the investment units, in consideration of the current circumstances of the liquidity and the supply of our own stock, cost effectiveness and other factors. We will continue to examine the issue so that proper action can be taken, while keeping an eye on our shareholders’ needs, the state of the stock market and so forth.

**(d) Target Management Indexes**

Growth potential and profitability are top priority Indexes for management control of the Kaneka Group. Our medium- and long-term target is to achieve ¥600 billion in consolidated net sales, ¥60 billion in consolidated ordinary income, and at least 10% in return on assets (ROA). We will work on further improving the efficiency of management, while expanding the business scale of the Group.

**(e) Medium-range Management Strategies**

The new medium-term plan will concentrate efforts on the following measures, to achieve continual high growth and high earnings:

- Actively enhancing consolidated management, promoting globalization, and executing mergers and acquisitions (M&A), including forming business alliances and executing takeovers.
- Focusing on high-performance resins, electronics and life science, which are future growth fields in which Kaneka's superior technology can be applied, and concentrating management resources in these sectors.
- Strengthening the organizational and personnel framework, including enhancements by nurturing key staff who will bear Kaneka's future, by recruiting prospective executives and by other means, and raising the efficiency of running the organization based on the utilization of IT, outsourcing and so forth.

**(f) Our Tasks**

**(1) Continual Efforts towards Business Restructuring Driven by Research and Development**

We will direct our research and development efforts at industries relating to the environment, information technology, health and safety, the areas regarded as growth sectors in the 21<sup>st</sup> century, and create a series of highly specialized, differentiated products, with the aim of reforming the business structure and achieving high growth and high earnings.

**(2) Enhancement of Company-wide Efforts to Improve Profitability**

Going back to the basics as a manufacturing company, we at Kaneka are vigorously enhancing our capabilities in production technologies and promoting cost reduction. In particular, under the new medium-term plan, we will vigorously carry out cost reducing efforts on a group-wide basis, centering on the operating division, to improve ROA. In the manufacturing division, we will refine the organizational framework to enhance the competitiveness of the Group as a whole in terms of facilities and costs, and to improve production management technologies.

**(3) Strict Enforcement of Compliance on a Group-wide Scale**

Affirming that business activities should be based on compliance with laws and regulations and observation of social rules, we have made efforts to keep every employee informed of these basic policies on business behaviors and standards for ethical acts. In order to further reinforce awareness of these issues, we will improve the supporting system to make the concept of the compliance-based management penetrated throughout the group.

**(g) Basic Approach to Corporate Governance and Execution Status of Measures**

Kaneka runs businesses according to the business category, based on its basic strategy of running multiple businesses. In terms of organization, we have adopted a division system. While divisional managers are given extensive authority with business operations, senior officers take charge of multiple divisions to ensure operational consistency on a company-wide scale. Divisional managers hold monthly meetings to report on the status of operations in the respective divisions, where they are required to report directly to all directors and auditors. On important issues with significant company-wide effects, a management conference is convened whenever necessary, to accelerate the decision-making process and ensure swift action. On the other hand, we have established an internal audit department within the company under the direct control of the President. It demonstrates internal disciplining functions by conducting financial and operational audits as required, to ensure that all activities at each level, including those of Group companies, are in compliance with the social rules and internal procedures.

Kaneka adopts an auditor system. There are four auditors, three of which satisfy the requirements of external auditors.

**(h) Other Important Matters Relating to Management**

As for our modifiers business, which has been investigated on suspicion of violating antitrust laws, a hearing is currently being held at the Fair Trade Commission of Japan, and an investigation is being conducted by authorities in the United States and Europe. In the United States, proceedings for a class action lawsuit against us are underway at a court of law in Ohio. We believe that the action lacks reasonable grounds.

**2. Business Results**

**(a) Business Performance**

**(1) Overview of Results for the Term Ended March 31, 2004**

During the term ended March 31, 2004, the global economy was characterized by the positive performance of the U.S. economy supported by improvements in the performance of companies, the slow recovery of the European economy, and the expansionary trend in Asian driven by the Chinese economy, which was marked by brisk production and consumption.

The Japanese economy finally started to recover from recession, due to the rapid recovery of material industries driven by the increase in demand, especially in China, and the increase in demand for digital devices and appliances. Stock prices dramatically rose, reflecting the recovery of the performance of companies and the positive turnaround in business sentiment. However, the sustainability of economic recovery remained uncertain, as consumption remained sluggish while capital investment increased, and deflation continued while the price of materials and raw materials soared, compounded by the appreciation of the yen.

In such a rapidly-changing business environment, the Kaneka Group worked on restructuring its business and enhancing its competitiveness at an accelerated pace. Our consolidated business performance improved over the previous year in terms of revenues and profits: We posted ¥400,256 million in consolidated sales (up 7.5% year-on-year), and ¥32,107 million in operating income (up 19.3%), both reaching record highs. Our ordinary income also increased over the previous year to ¥29,322

million (up 27.5%), and our net income reached a record-high ¥15,622 million (up 16.8%).

Non-consolidated business performance also improved: We posted ¥257,337 million in sales (up 5.7% year-on-year), ¥25,087 million in operating income (up 31.7%), ¥25,455 million in ordinary income (up 43.2%) and ¥13,940 million in net income (up 40.8%), all of which were record-breaking figures. On the basis of these achievements, the dividend per share at term-end are expected to be ¥4, yielding a total dividend for the full year of ¥8.

## **(2) Segment Trends**

### **(Chemicals, Resins and Plastics)**

In the PVC category, exports increased as a result of the increase in demand, especially in China, while domestic demand appeared to have bottomed out. On the other hand, despite a continued hike in prices of crude oil and naphtha, we have succeeded in increasing sales and drastically improving profitability by rationalization, cost cutting and raising of sales prices.

In the specialty plastics category, sales were solid, partly due to the increase in the sales volume of modified silicone polymers in Japan, Europe and the United States. However, profits were much lower than in the previous year, owing to the heavy impact of the rise in raw materials and fuel prices in each region, especially for MBS resins.

Among plastic products, the sales quantity of foamed polyolefin foams rose at every market in Japan, U.S., Europe and Asia. On the other hand, extruded polystyrene foam boards and expandable polystyrene sold steadily, but their costs were pushed up by the rise in prices of raw materials. As a result, although sales of the whole plastic product business exceeded the performance for the previous year, profits remained at the same level as the previous year.

This segment recoded an increase from the previous year both in sales and profits thanks to the improved profitability of PVC.

### **(Foodstuffs and Pharmaceuticals)**

For foodstuffs, we enhanced our production and sales framework amid the diversification of consumers' needs, the established preference for lower prices, and the increasing awareness of food safety. As a result, sales volume increased and sales were higher than in the previous year. However, profits were roughly the same as in the previous year, due to the high price of edible oils, essential raw materials.

In the pharmaceuticals category, both sales and profits were dramatically higher than in the previous year, owing to the strong sales of pharmaceutical bulk and intermediates, as well as medical appliances, combined with the increase in sales of functional foodstuff in both Japan and overseas.

As a result, the segment posted higher revenues and profits compared to the previous year.

### **(Electrical and Electronic Materials, Synthetic Fibers and Others)**

For electronic materials and electronic components, both sales and profits were substantially higher than in the previous year, owing to an increase in sales of ultra-heat-resistant polyimide films, optical films and so forth driven by the strong

demand for mobile phones and digital-based electrical home appliances. Further, the sales volume of solar cells dramatically increased, especially exports.

As for the synthetic fiber business, both sales and profits went below the previous year affected by the yen hike and the hovering prices of raw materials in addition to the sluggish market.

This segment enjoyed a large increase from the previous year both in sales and profits, particularly due to growth of electric products.

### **(International Sales)**

International sales in the term amounted to ¥1,261 billion, due to the increase in exports and sales generated by overseas subsidiaries. However, international sales accounted for 31.5% of total sales, which was slightly less than the previous year (32.5%), due to the relative increase in the sales of electrical and electronic materials/products and plastic products driven by domestic demand.

### **(3) Performance Forecasts for Next Year**

The global economy in the coming year is expected to continue performing solidly, centering on the U.S. and China. However, its growth might slow down, due to concerns over the “twin deficits” (budget deficit and current account deficit) in the U.S. and inflation caused by overheated business activity in China.

The Japanese economy is expected to continue recovering, led by exports and capital investment. However, its sustainability will depend on the economic trends in the U.S. and China, and risk factors include the further appreciation of the yen, and the steep rise in the price of materials and raw materials.

Based on such forecasts, the Kaneka Group intends to make its utmost efforts to solve management issues in achieving continual growth.

Thus, the performance forecasts for the year ending March 31, 2005 are as follows:

#### **1. Consolidated Forecasts**

Sales	¥420 billion ( 4.9% increase from year ended March 31, 2004 )
Ordinary income	¥33 billion ( 12.5% increase from year ended March 31, 2004 )
Net income	¥18 billion ( 15.2% increase from year ended March 31, 2004 )

#### **2. Non-consolidated Forecasts**

Sales	¥270 billion ( 4.9% increase from year ended March 31, 2004 )
Ordinary income	¥28 billion ( 10.0% increase from year ended March 31, 2004 )
Net income	¥16 billion ( 14.8% increase from year ended March 31, 2004 )

The dividend for the year ending March 31, 2005 is expected to be ¥10 per share, increasing by ¥2 based on above performance forecasts.

The above performance forecasts for the Kaneka Group are regarded as reasonable on the basis of information available at the time of announcement.

Readers should be aware that actual results may vary from these forecasts because of various uncertain factors involved. The forecasts are based on exchange rates of ¥105 to the U.S. dollar, which is our main currency to be used, and ¥125 to the Euro.

## **(b) Financial Position**

### **(1) Consolidated Cash Flows**

Cash flow from operating activities in the period was ¥39,773 million, including net income before income tax of ¥27,074 million, depreciation and amortization of ¥22,337 million, and payment of income taxes in the amount of ¥7,199 million.

Cash flow used for investing activities amounted to ¥23,526 million, primarily due to the acquisition of tangible fixed assets in the amount of ¥16,253 million, including construction work for expanding the production capacity for ultra-heat-resistant polyimide films.

Cash flow used for financial activities amounted to ¥1,427 million, as a result of share buyback, the repayment of short-term borrowings and other financial activities.

Consequently, closing balance of cash and cash equivalents increased by ¥1,832 million year-on-year to ¥32,884 million.

### **(2) Status of Assets, Liabilities, and Equity**

As of the end of the term, total assets increased by ¥22.4 billion year-on-year to ¥392.5 billion, owing to the increase in investment securities attributable to the recovery of market value, in addition to the increase in short-term investments generated by the increase of profit. Return on assets (ROA) was 7.7%, exceeding the rate in the previous year (6.1%).

The closing balance of interest-bearing liabilities decreased by ¥8.7 billion year-on-year to ¥66.5 billion. Shareholders' equity amounted to ¥204.7 billion, up ¥19 billion, owing to the increase in the unrealized gains on available-for-sale securities and retained earnings, notwithstanding the decrease attributable to share buyback.

Consequently, the shareholders' equity ratio was 52.2% (previous term: 50.2%), and the D/E ratio (rate of debt with interest to equity capital) was 0.32 (previous term 0.40), both of which improved and led to a healthier financial structure.

**(3) Trends in Financial Indexes**

	Term ended March 31,2000	Term ended March 31,2001	Term ended March 31,2002	Term ended March 31,2003	Term ended March 31,2004
Shareholders' equity ratio	43.2%	44.2%	47.6%	50.2%	52.2%
Shareholders' equity ratio based on market value	120.6%	87.6%	80.9%	53.6%	93.3%
Number of years of debt redemption	2.7	3.5	2.5	1.9	1.7
Interest coverage ratio	15.3	14.4	17.5	23.9	26.9

(Note)

Shareholders' equity ratio: Equity capital/total assets

Shareholders' equity ratio based on market value: Total market value of stock/total assets

Number of years of debt redemption: Interest-bearing liabilities/operating cash flows

Interest coverage ratio: Operating cash flows/interests paid

\* All calculated according to financial figures on a consolidated basis

\* The scope of cash flow is operating cash flows. The scope of Interest-bearing liabilities is all liabilities in the balance sheet for which interest is payable. Paid interest is based on the amount of interest paid shown in the Consolidated Statements of Cash Flows.

## Consolidated Balance Sheets

(Unit: ¥million)

Item	Term ended March 31, 2003	Term ended March 31, 2004	Increase (decrease)	Item	Term ended March 31, 2003	Term ended March 31, 2004	Increase (decrease)
<b>Assets</b>	<b>370,050</b>	<b>392,512</b>	<b>22,462</b>	<b>Liabilities</b>	<b>179,417</b>	<b>182,659</b>	<b>3,242</b>
Current assets	184,879	198,393	13,514	Current liabilities	102,102	124,375	22,272
Cash and deposits	27,848	30,007	2,159	Notes and accounts payable	50,850	54,191	3,341
Notes and accounts receivable	93,932	99,271	5,338	Short-term borrowings	20,848	11,463	(9,385)
Marketable securities	8,428	10,718	2,289	Bonds redeemed within 1 year	–	18,593	18,593
Inventories	42,921	43,224	303	Accrued liabilities	17,217	21,295	4,077
Deferred tax assets	3,064	4,065	1,001	Accrued income taxes	3,537	7,999	4,461
Others	9,320	11,488	2,168	Accrued consumption taxes	546	704	157
Allowance for doubtful receivables	(635)	(383)	252	Accrued expenses	7,036	7,796	759
Fixed assets	185,171	194,119	8,948	Deferred tax liabilities (current)	1	0	(0)
Tangible fixed assets	131,845	128,366	(3,478)	Reserve for losses on debts guaranteed	592	502	(89)
Buildings and structures	46,335	44,726	(1,608)	Others	1,473	1,829	356
Machinery and equipment	55,181	52,933	(2,248)	Long-term liabilities	77,314	58,283	(19,030)
Land	23,218	23,284	65	Bonds	38,593	20,000	(18,593)
Construction in progress	3,597	3,915	317	Long-term debt	15,783	16,450	667
Others	3,511	3,506	(4)	Deferred tax liabilities	420	594	173
Intangible fixed assets	3,319	2,752	(566)	Employees' severance and retirement Benefits	20,659	19,594	(1,065)
Investments and other assets	50,007	63,000	12,993	Retirement benefits for directors and statutory auditors	883	1,045	161
Investments in securities	31,458	51,958	20,499	Others	974	599	(374)
Unconsolidated subsidiaries and affiliates	1,331	1,927	595	Minority interests	4,885	5,073	187
Long-term loans receivable	2,993	2,962	(30)	Shareholders' equity	185,747	204,779	19,031
Long-term prepaid expenses	679	679	(0)	Common stock	33,046	33,046	–
Deferred tax assets (non-current)	7,835	136	(7,698)	Additional paid-in capital	34,826	34,837	10
Others	6,757	6,084	(672)	Retained earnings	121,084	134,021	12,936
Allowance for doubtful receivables	(1,048)	(748)	300	Net unrealized gains on marketable securities	2,049	13,304	11,254
				Foreign currency translation Adjustments	(4,031)	(5,598)	(1,566)
				Treasury stock	(1,228)	(4,831)	(3,603)
<b>Total assets</b>	<b>370,050</b>	<b>392,512</b>	<b>22,462</b>	<b>Total liabilities, minority interests and shareholders' equity</b>	<b>370,050</b>	<b>392,512</b>	<b>22,462</b>

## Consolidated Income Statement

(Unit: ¥million)

Item	Term	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004	Increase (Decrease)
Net sales		372,269	400,256	27,986
Cost of sales		267,683	286,782	19,098
Gross profit		104,586	113,474	8,888
Selling, general and administrative expenses		77,674	81,366	3,691
Operating income		26,911	32,107	5,196
Non-operating income		<b>1,405</b>	<b>2,204</b>	<b>799</b>
Interest		280	271	(8)
Dividends income		562	558	(4)
Gain on sales of marketable securities		–	453	453
Gain in the reversal of reserves for doubtful receivables		175	314	138
Others		385	606	220
Non-operating expenses		<b>5,311</b>	<b>4,989</b>	<b>(321)</b>
Interest expense		1,692	1,469	(223)
Loss on disposals property, plant and equipment		1,630	1,662	31
Exchange loss		489	744	254
Equity in losses of unconsolidated subsidiaries and affiliates		73	74	1
Others		1,425	1,039	(386)
Ordinary income		23,005	29,322	6,317
Extraordinary gain		<b>4,592</b>	–	<b>(4,592)</b>
Gain on return of substitutional portion of the Employee Pension Fund		4,592	–	(4,592)
Extraordinary loss		<b>4,897</b>	<b>2,248</b>	<b>(2,649)</b>
Restructuring cost of solar cell business		–	863	863
Loss on investments in affiliated companies		–	758	758
Restructuring expenses		803	626	(177)
Write-down of investment securities		1,985	–	(1,985)
Expenses on pension plan amendment		1,286	–	(1,286)
Early retirement encouragement plan		820	–	(820)
Income before income taxes		22,700	27,074	4,373
Corporate taxes, local taxes and business taxes		7,590	11,815	4,224
Income taxes deferred		1,446	(639)	(2,086)
Minority interests		290	276	(13)
Net income		13,373	15,622	2,249

## Consolidated Statements of Additional Paid in Capital and Retained Earnings

(Unit: ¥million)

Item	Term	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004	Increase (Decrease)
<Additional paid in capital>				
Beginning balance for capital surplus		<b>34,647</b>	<b>34,826</b>	<b>179</b>
Beginning balance for capital reserve		34,647	34,826	179
Increase in capital surplus		<b>179</b>	<b>10</b>	<b>(168)</b>
Gain on disposal of treasury stock		–	10	10
Increase in capital surplus associated with exchange of shares		179	–	(179)
Balance of capital surplus at term end		34,826	34,837	10
<Retained Earnings>				
Beginning balance for retained earnings		<b>110,656</b>	<b>121,084</b>	<b>10,428</b>
Beginning balance for consolidated retained earnings		110,656	121,084	10,428
Increase in retained earnings		<b>13,373</b>	<b>15,874</b>	<b>2,501</b>
Deferred tax adjustment in foreign subsidiaries		–	252	252
Net income		13,373	15,622	2,249
Decrease in retained earnings		<b>2,944</b>	<b>2,938</b>	<b>(6)</b>
Cash dividends paid		2,852	2,826	(25)
Bonuses to directors and statutory auditors		92	111	19
Outstanding balances of retained earnings at term end		121,084	134,021	12,936

## Consolidated Statements of Cash Flows

(Unit: ¥million)

Item	Term	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004
<b>Cash flow from operating activities</b>			
Net income before income taxes		22,700	27,074
Depreciation and amortization		23,526	22,337
Provision for severance and retirement benefits		(1,414)	(1,028)
Increase (decrease) in allowance for doubtful receivables		331	(550)
Interest and dividend income		(843)	(830)
Interest expense		1,692	1,469
Loss on sales and disposals of tangible fixed assets		916	1,260
Write-down of investment securities		1,985	—
Restructuring cost of solar cell business		—	863
Loss on investment in affiliated companies		—	758
Restructuring expenses		803	626
Gain on return of substitutional portion of the employee pension fund		(4,592)	—
Equity in earnings of unconsolidated subsidiaries and affiliates		73	74
(Increase) decrease in trade receivables		1,230	(6,018)
(Increase) decrease in inventories		(618)	(1,489)
Increase (decrease) in trade payables		928	3,759
Others		1,783	(682)
Subtotal		48,503	47,625
Interest and dividends received		857	826
Interest paid		(1,673)	(1,479)
Income taxes paid		(7,647)	(7,199)
<b>Net cash provided by operating activities</b>		<b>40,040</b>	<b>39,773</b>
<b>Cash flow from investing activities</b>			
Payment for purchase of marketable securities		(2,380)	(3,956)
Proceeds from marketable securities		397	3,508
Payments for purchase of tangible fixed assets		(19,815)	(16,253)
Payment for purchase of intangible fixed assets		(1,051)	(659)
Payment for purchase of investment securities		(6,223)	(7,731)
Proceeds from investment securities		2,448	2,787
Purchases of consolidated subsidiaries' stock		(1,211)	(5)
Increase in loans receivable		(426)	(151)
Decrease in loans receivable		586	230
Others		(222)	(1,295)
<b>Net cash used in investing activities</b>		<b>(27,899)</b>	<b>(23,526)</b>
<b>Cash flow from financing activities</b>			
Increase (decrease) in short-term borrowing		(4,088)	(8,173)
Proceeds from long-term debt		5,250	1,770
Repayment of long-term debt		(1,442)	(1,276)
Redemption of convertible bonds		(7,598)	—
Dividends paid		(2,852)	(2,826)
Dividends paid to minority interests		(142)	(171)
Proceeds from minority interests		62	—
Purchase of treasury stock		(2,552)	(3,629)
Proceeds from treasury stock		—	36
<b>Net cash used in financing activities</b>		<b>(13,364)</b>	<b>(14,270)</b>
Effect of exchange rate changes on cash and cash equivalents		61	(143)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(1,161)</b>	<b>(1,832)</b>
Cash and cash equivalents at beginning of term		31,567	31,051
Effect of changes in consolidated subsidiaries		646	—
<b>Cash and cash equivalents at term end</b>		<b>31,051</b>	<b>32,884</b>

Relationship between balance of cash and equivalents at the end of the accounting term and the amounts of items shown in the consolidated balance sheet

	(¥million)	
	Term ended March 31, 2003	Term ended March 31, 2004
Cash and deposit	27,848	30,007
Time deposits (period of deposit greater than 3 months)	(356)	(63)
Marketable securities	8,428	10,718
Stocks and bonds (redemption period exceeds 3 months)	(4,869)	(7,778)
<b>Cash and cash equivalents</b>	<b>31,051</b>	<b>32,884</b>

## Notes to Consolidated Financial Statements

### 1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 41 companies
- (2) Principal subsidiaries:  
Kaneka Belgium N.V., Kaneka Texas Corp., Kaneka Singapore Co. (Pte.) Ltd., Kaneka Shokuhin Co., Ltd., Tokyo Kaneka Shokuhin Co., Ltd., and 36 other companies
- (3) Consolidated subsidiaries newly included: None
- (4) Consolidated subsidiaries excluded: None
- (5) Other subsidiaries have been excluded from the scope of consolidation because they do not have significant influence on consolidated financial statements.

### 2. Application of equity method

Of non-consolidated subsidiaries and affiliated companies, the equity method is applied to investments in Ibiden Jyushi Co., Ltd. and one other company.

### 3. Date of account closing for consolidated subsidiaries

Accounts close for Kaneka Singapore Co. (Pte.) Ltd., Kaneka Plastics Corp., Kaneka Delaware Corp., and Taiyo Yushi Co., Ltd. on December 31. Consolidated financial statements are prepared using the financial statements at the close date for these companies. Necessary adjustments for consolidation are applied to major transactions occurring between the closing date of these companies and the consolidation date.

### 4. Standards for account settlement

#### (1) Valuation methods and criteria for important assets

##### A. Negotiable securities

###### Other negotiable securities

Securities 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.)  
Securities without market value: Valuation at cost based on moving average cost method.

##### B. Derivatives

Market value method.

##### C. Valuation of inventories

Manufactured goods / merchandise: Primarily, valuation at cost based on the periodic (monthly) average method.

Raw materials / work in progress: Primarily, valuation at cost based on the moving average method.

#### (2) Accounting method for important depreciated assets

Tangible fixed assets: Primarily based on the declining balance method

- (3) Standards of appropriation for important allowances
- A. Allowance for doubtful receivables  
The estimated amount of uncollected debts is recorded by calculations using the uncollected debt real rate method for general debts and by individually reviewing the possibility of collection for special debts including doubtful debts.
  - B. Reserve for Losses on Debts Guaranteed  
The estimated amount required for the fulfillment of debt guarantees to affiliated companies has been provided.
  - C. Employee's severance and retirement benefits  
The amount required to provide for employees' severance and retirement benefits has been provided on the basis of estimated amount of projected benefit obligations and the fair value of pension assets at the end of the current fiscal year. Past service liabilities are calculated when they are incurred as expenses based on the straight line method for a fixed period of time (five years) within the average remaining service period of employees.  
For the actuarial difference, the proportionate amounts for each fiscal year based on the straight line method for a fixed period of time (ten years) within the average remaining service period of the employees are posted as expenses in the following fiscal year.
  - D. Retirement benefit for director and statutory auditors  
Provision has been made for Retirement benefit for director and statutory on the basis of the amount required as of the end of the current fiscal year in accordance with internal rules.
- (4) Standards for translating major foreign currency denominated assets and liabilities into Japanese yen.  
Foreign currency denominated assets and debts are translated into yen at spot rates on the closing date. The resulting translation adjustments are reported as profit or loss. Assets and liabilities of overseas subsidiaries are translated into yen at spot rates on the closing date, and revenues and expenses are translated into yen at average rates of exchange during the year. Translation adjustments are included in shareholders' equity.
- (5) Treatment of major lease transactions  
Finance leases transactions which do not transfer ownership are accounted for in the same manner as operating leases in accordance with accounting methods for regular lease transaction.
- (6) Hedge accounting method
- A. Hedge method  
Deferred hedge accounting is applied. However, special accounting is applied to interest rate swap transactions that fulfill the requirements of special accounting, and allocation accounting is applied to currency swap transactions that fulfill the requirements of allocation accounting method.
  - B. Hedge instruments and hedge items  
Hedge instruments: derivatives (interest rate swap and currency swap)  
Hedge items: Transactions that may incur loss on account of market movements which are not reflected in valuation, and transactions that have fixed cash flows and avoid movements
  - C. Hedge policy  
In accordance with internal regulations, currency movement risks and interest rate movement risks are hedged.

D. Valuation method of effectiveness

Effectiveness of hedge is evaluated by comparing market movement or cash flow movement of hedge items and hedge instrument.

(7) Additional note regarding preparation of statements

Consumption taxes are not included in accounting treatments.

**5. Valuation of Assets and Liabilities of Consolidated Subsidiaries**

Assets and liabilities of consolidated subsidiaries are valued on the basis of the full fair value accounting method.

**6. Amortization of Consolidated Translation Adjustments**

Consolidated translation adjustments are amortized over a five-year period based on the straight-line method. Those which are insignificant are written off in the consolidated fiscal year in which they accrued.

**7. Treatment of Profit Appropriation Items, etc.**

The Consolidated Statements of Retained Earnings were prepared on the basis of the appropriation of profits of consolidated companies decided in the consolidated fiscal year.

**8. Scope of Funds in Consolidated Statements of Cash Flows**

Funds referred to in the Consolidated Statements of Cash Flows (cash and cash equivalents) consist of cash on hand, readily available deposits and short-term highly liquid investments which mature within three months of the acquisition date and are exposed to limited price fluctuation risks.

## Notes to the Consolidated Balance Sheet

	Term ended March 31, 2003	Term ended March 31, 2004
		(Unit: ¥million)
1. Less accumulated depreciation of tangible fixed assets	371,242	376,312
2. Contingent liabilities		
Guarantees	982	481
Letter of awareness	95	—
3. Discount on notes receivable	992	962
Notes payable endorsed for payment	1,249	35

## 1. Segment Information

## 1. Segment Information by Business

(1) Term from April 1, 2002 to March 31, 2003

(Unit: ¥million)

	Chemicals, Resins and Plastics	Foodstuffs and Pharmaceuticals	Electrical and Electronic Materials, Synthetic Fibers and Other Businesses	Total	Eliminations and corporate	Consolidated
Sales and Operating Profit/Loss						
Sales						
(1) Customers	182,437	139,350	50,481	372,269	-	372,269
(2) Intersegment	1,632	7	4,342	5,982	(5,982)	-
Total	184,069	139,358	54,824	378,252	(5,982)	372,269
Operating expenses	174,114	120,246	53,442	347,803	(2,444)	345,358
Operating income	9,955	19,111	1,381	30,448	(3,537)	26,911
Assets, depreciation and amortization and capital expenditures						
Assets	165,556	94,972	48,116	308,645	61,404	370,050
Depreciation and amortization	12,084	4,867	5,729	22,681	679	23,361
Capital expenditures	9,382	3,438	3,584	16,404	1,405	17,810

(2) Term from April 1, 2003 to March 31, 2004

(Unit: ¥ million)

	Chemicals, Resins and Plastics	Foodstuffs and Pharmaceuticals	Electrical and Electronic Materials, Synthetic Fibers and Other Businesses	Total	Eliminations and Corporate	Consolidated
Sales and Operating Profit/Loss						
Sales						
(1) Customers	196,845	144,226	59,185	400,256	-	400,256
(2) Intersegment	1,530	7	5,322	6,861	(6,861)	-
Total	198,376	144,233	64,508	407,118	(6,861)	400,256
Operating expenses	188,151	122,166	60,628	370,946	(2,797)	368,148
Operating income	10,224	22,067	3,879	36,172	(4,064)	32,107
Assets, depreciation and amortization and capital expenditure						
Assets	160,447	96,842	56,142	313,433	79,079	392,512
Depreciation and amortization	11,540	4,598	5,644	21,783	1,076	22,859
Capital expenditure	11,254	3,964	7,316	22,535	436	22,971

Notes: 1. The classification of businesses was decided based on comprehensive judgements on type, application, method of manufacturing, similarities in the market and mutual relation in the manufacturing process, and common features during development, etc. regarding every product.

2. The major products by business are as follows:

Business Segments	Type of Sales	Major products, etc.
Chemicals, Resins and Plastics	PVC and Caustic Soda	PVC resins, PVC compounds (flexible applications), PVC compounds (rigid applications), Caustic soda, Chlorinated products
	Specialty Plastics	MBS resins, Heat-resistant and flame-resistant ABS resins, Specialty PVC resins, Modified silicone polymers
	Plastic Products	Extruded polystyrene foam boards, Polystyrene foam sheets, Polyolefin foam by beads method, Expandable polystyrene, PVC sash window
Foodstuffs and Pharmaceuticals	Foodstuffs and Pharmaceuticals	Margarine, Shortening, Quality fats for confectionery, Bakery yeast, Spices, Pharmaceutical bulk, Pharmaceutical intermediates, Functional foodstuffs, Medical devices
Electrical and Electronic Materials, Synthetic Fibers and Other Businesses	Electrical and Electronic Materials	Magnet wires, Ultra heat-resistant polyimide film, Optical films, Bonded magnetic materials, Solar cells
	Synthetic Fibers	Modacrylic fibers (Kanecaron)
	Other businesses	Engineering operations, Housing construction

3. Operating expenses included in the 'corporate and eliminations' column of ¥4,147 million for the term ended March 31, 2004 and ¥3,432 million for the term ended March 31, 2003, respectively, consist principally of fundamental research and development expenses of the Company.

4. Corporate and eliminations includes corporate assets of ¥79,496 million for the term ended March 31, 2004, and ¥61,650 for the term ended March 31, 2003, respectively. These consist principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the Company.

5. In the current consolidated accounting term, we reviewed the relationship between the research and development themes and the research and development strategies of each business, for the purpose of achieving a higher level of implementation of the New Management and Control System, introduced with the aim to enhance Group management and improve the efficiency of asset management, and indicating the performance of each business more clearly. Based on those results, we decided to allocate, to each business category, some of our basic research and development expenses, which had previously been counted in unallocated operating expenses.

For the previous consolidated accounting term, the figures are indicated based on the revised allocation method.

## 2. Segment Information by Geographic Area

(1) Term from April 1, 2002 to March 31, 2003

(Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales and Operating Profit/ Loss					
Sales					
(1) Customers	317,921	54,348	372,269	-	372,269
(2) Internal sales between segments	7,810	4,757	12,568	(12,568)	-
Total	325,732	59,105	384,838	(12,568)	372,269
Operating expenses	301,457	52,864	354,321	(8,963)	345,358
Operating income	24,275	6,241	30,516	(3,605)	26,911
Assets	270,019	41,837	311,856	58,193	370,050

(2) Term from April 1, 2003 to March 31, 2004

(Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales and Operating Profit/ Loss					
Sales					
(1) Customers	344,570	55,686	400,256	-	400,256
(2) Internal sales between segments	8,275	4,012	12,287	(12,287)	-
Total	352,846	59,698	412,544	(12,287)	400,256
Operating expenses	320,933	55,353	376,286	(8,137)	368,148
Operating income	31,913	4,344	36,257	(4,150)	32,107
Assets	281,583	37,376	318,960	73,551	392,512

Notes: 1. The regions falling under the 'Other Areas' category consist of North America, Europe and Asia. The sales and assets of each region account for less than 10% of the total sales of the sectors, so they are listed collectively as 'Other Areas.'

(1) Method of classification of country or area: geographic proximity

(2) Major country or area belonging to each classification by area:

Other Areas North America: United States

Europe: Belgium

Asia: Malaysia, Singapore

- Operating expenses included in the 'corporate and eliminations' column of ¥4,147 million for the term ended March 31, 2004, ¥3,432 million for the term ended March 31, 2003, respectively, consist principally of fundamental research and development expenses of the company.
- Corporate and eliminations includes corporate assets of ¥79,496 million for the term ended March 31, 2004 and ¥61,650 for term ended March 31, 2003, respectively. These consist principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the company.
- Similarly to the segment information with respect to each business type, our basic research and development expenses, which had previously been treated as unallocated operating expenses, were allocated to the "Japan" segment. Segment information with respect each location for the previous consolidated accounting term is based on the revised allocation method.

### 3. International Sales

(1) Term from April 1, 2002 to March 31, 2003

(Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
Sales	49,088	29,611	37,103	5,214	121,018
Consolidated sales					372,269
The ratio of sales to consolidated sales (%)	13.1	7.9	9.9	1.4	32.5

(2) Term from April 1, 2003 to March 31, 2004

(Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
Sales	50,862	31,243	38,743	5,254	126,103
Consolidated sales					400,256
The ratio of sales to consolidated sales (%)	12.7	7.8	9.7	1.3	31.5

Notes: 1. International sales are sales of the company and consolidated subsidiaries in countries and areas other than Japan.

2. Method of classifying countries or areas and the major countries or regions belonging to each classification.

(1) Method of classification of country or area: geographical proximity

(2) Major country or region belonging to each classification by location

Asia: China, Korea, Taiwan

North America: United States, Mexico

Europe: Belgium, United Kingdom

Other regions: Australia, Togo

### 2. Lease Transactions

The details are disclosed through EDINET and thus are not presented here.

### 3. Transaction with related party

Not applicable

**4. Tax Effective Accounting**

## 1. Significant components of deferred tax assets and liabilities

(Unit: ¥million)

	Term ended March 31, 2003	Term ended March 31, 2004
(Deferred tax assets)		
Retirement benefits	6,980	7,071
Loss carryforwards	4,060	4,342
Write-down of investment securities	1,924	1,835
Excess bonuses accrued	1,486	1,809
Net unrealized holding gains on securities	511	50
Others	6,222	5,949
Sub-total	21,186	21,059
Provisions for evaluation	(6,242)	(5,847)
Total deferred tax assets	<u>14,944</u>	<u>15,211</u>
(Deferred tax liabilities)		
Net unrealized holding gains on securities	1,933	9,184
Others	2,532	2,419
Total deferred tax liabilities	<u>4,466</u>	<u>11,603</u>
Net deferred tax assets	<u>10,478</u>	<u>3,608</u>

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

(Unit: ¥million)

	Term ended March 31, 2003	Term ended March 31, 2004
	%	%
Statutory tax rates	42.00	42.00
Losses carryforwards of subsidiaries which do not apply tax effect accounting	1.70	1.58
Foreign tax credit	(2.89)	(7.38)
Non-deductible expenses such as entertainment expenses	0.82	0.73
Non-taxable income such as dividend received	(0.94)	(0.86)
Elimination of dividends on consolidation	3.45	3.49
Others	(4.33)	1.72
Effective tax rate	<u>39.81</u>	<u>41.28</u>

**5. Securities**

Term ended March 31, 2003

## 1. Other Securities with Market Value

(Unit: ¥million)

	Acqisition Value	Amount on balance sheet	Difference
(Securities that amount exceeds acquisition cost on the consolidated balance sheet)			
(1) Stocks	4,029	8,773	4,743
(2) Bonds			
Government bonds and local government bonds, etc.	303	304	1
Corporate bonds	2,836	2,844	8
Others	39	42	3
(3) Others	1,062	1,091	29
Subtotal	8,271	13,057	4,785
(Securities that amount does not exceed acquisition cost on the consolidated balance sheet)			
(1) Stocks	9,482	8,188	(1,294)
(2) Bonds			
Government bonds and local government bonds, etc.	-	-	-
Corporate bonds	2,815	2,810	(5)
Others	199	199	0
(3) Others	-	-	-
Subtotal	12,498	11,198	(1,299)
Total	20,770	24,255	3,485

## 2. Other Securities Sold during the Fiscal Year (April 1, 2002 - March 31, 2003)

(Unit: ¥million)

Sales	Gain on Sales	Loss on Sales
59	0	31

## 3. Non-marketable Securities and their Amount on the Consolidated Balance Sheet

(1) Other securities	(Unit: ¥million)
Non-listed stocks (excluding OTC stocks)	8,774
Mutual funds invested in bonds	3,559
Others	13

## 4. Redemption Schedule for other Securities with Maturity and Bonds Held-to-Maturity

(Unit: ¥million)

	Maturity within one year	Maturity over one year less than five years
(1) Bonds		
Government bonds and local government bonds, etc.	-	304
Corporate bonds	3,577	2,077
Others	199	-
(2) Others	-	-
Total	3,777	2,382

Term ended March 31, 2004

## 1. Other Securities with Market Value

(Unit: ¥million)

	Acqisition Value	Amount on balance sheet	Difference
(Securities that amount exceeds acquisition cost on the consolidated balance sheet)			
(1) Stocks	14,264	36,864	22,600
(2) Bonds			
Government bonds and local government bonds, etc.	945	947	1
Corporate bonds	4,798	4,808	9
Others	442	442	0
(3) Others	-	-	-
Subtotal	20,450	43,062	22,611
(Securities that amount does not exceed acquisition cost on the consolidated balance sheet)			
(1) Stocks	743	618	(125)
(2) Bonds			
Government bonds and local government bonds, etc.	75	75	(0)
Corporate bonds	2,605	2,604	(0)
Others	1,514	1,512	(2)
(3) Others	-	-	-
Subtotal	4,939	4,810	(128)
Total	25,389	47,873	22,483

## 2. Other Securities Sold during the Fiscal Year (April 1, 2003 - March 31, 2004)

(Unit: ¥million)

Sales	Gain on Sales	Loss on Sales
1,028	374	-

## 3. Non-marketable Securities and their Amount on the Consolidated Balance Sheet

(1) Other securities	(Unit: ¥million)
Non-listed stocks (excluding OTC stocks)	8,873
Mutual funds invested in bonds	2,939
Others	11

## 4. Redemption Schedule for other Securities with Maturity and Bonds Held-to-Maturity

(Unit: ¥million)

	Maturity within one year	Maturity over one year less than five years
(1) Bonds		
Government bonds and local government bonds, etc.	276	645
Corporate bonds	5,580	1,832
Others	1,921	-
(2) Others	-	-
Total	7,778	2,478

## 6. Derivatives Transactions

The details are disclosed through EDINET and thus are not presented here.

## 7. Severance and Retirement Benefits

### 1. Outline of the System for Severance and Retirement Benefits

Defined benefit plans established by Kaneka and its domestic consolidated subsidiaries are: the employees' pension fund plans; tax exempted retirement pension scheme; and the retirement allowance plan. Pursuant to the enforcement of the new law concerning defined benefit corporate pension plans, Kaneka was granted, on January 30, 2003, by the Minister of Health, Labour and Welfare exemption from the obligation to pay benefits for future employee services related to the substitutional portion of the employees' pension fund. Further, certain overseas consolidated subsidiaries have defined contribution.

### 2. Benefit Obligation

	Term ended March 2003	(Unit: ¥million) Term ended March 2004
(1) Projected benefit obligation	(61,752)	(66,170)
(2) Fair valued of pension assets	30,026	35,857
(3) Unfunded benefit obligation ((1) + [2])	(31,725)	(30,312)
(4) Unrecognized actuarial differences	12,173	12,912
(5) Unrecognized prior service cost	(1,107)	(2,194)
(6) Severance and retirement benefits ((3) + [4] + [5])	(20,659)	(19,594)

#### (Notes)

- The substitutional portion of the employees' pension fund is processed by applying the temporary measures set forth in item 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (Report No.13 of the Accounting Committee of the Japanese Institute of Certified Public Accountants (JICPA)): Kaneka is deemed to have reduced the retirement benefit liabilities relating to the substitutional portion of the employees' pension fund and the amount corresponding to returned pension assets, on the date on which it was granted, by the Minister of Health, Labour and Welfare, exemption from the obligation to pay benefits for future employee services. Of note, pension assets to be returned amounted to ¥9,433 million calculated as of March 31, 2004.
- The subsidiaries use the simplified method in calculating the retirement benefit obligation.

### 3. Components of Net Pension and Severance Costs

	Term from April 1, 2002 to March 31, 2003	(Unit: ¥million) Term from April 1, 2003 to March 31, 2004
(1) Service costs (see Notes 1 and 2)	3,306	2,890
(2) Interest costs	2,093	1,683
(3) Expected return on plan assets	(1,280)	(719)
(4) Amortization of actuarial difference	1,300	1,351
(5) Amortization of prior service cost	(639)	(729)
(6) Early retirement encouragement plan cost	820	-
(7) Severance and retirement benefit expenses ((1) + [2] + [3] + [4] + [5] + [6])	5,599	4,477
(8) Gain on return of substitutional portion of the employee pension fund	(4,592)	-
(9) Total ((7)+[8])	1,007	4,477

#### (Notes)

- The above excludes employee contributions to the welfare pension fund.
- Retirement benefit expenses of consolidated subsidiaries, which have adopted the simplified method, are included in service costs.

### 4. Assumptions Used in the Calculation of Projected Benefit Obligation and Others

	Term from April 1 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004
(1) Allocation method for projected benefits	Straight-line standard	Straight-line standard
(2) Discount rate	3.0%	2.5%
(3) Expected rate of return on plan assets	3.5%	2.5%
(4) Period of amortizing prior service cost	5 years	5 years
(5) Period of amortizing actuarial differences	10 years	10 years

## Manufacturing, Orders and Sales

## (1) Manufacturing Results

(Unit: ¥million)

Business Segment	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004	Year on year rate (%)
Chemicals, Resins and Plastics	151,533	158,382	4.5
Foodstuffs and Pharmaceuticals	90,616	93,569	3.3
Electrical and Electronic Materials, Synthetic Fibers and Other Businesses	44,219	52,748	19.3
<b>Total</b>	<b>286,369</b>	<b>304,699</b>	<b>6.4</b>

## (Notes)

1. Amounts for manufacturing are indicated in values converted to sales prices.
2. Because transactions between consolidated companies are complicated and it is difficult to grasp sales by segment accurately, approximate values are indicated.

## (2) Orders

Products are mainly manufactured based on sales estimations.

## (3) Sales Results

(Unit: ¥million)

Business Segment	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004	Year on year rate (%)
Chemicals, Resins and Plastics	182,437	196,845	7.9
Foodstuffs and Pharmaceuticals	139,350	144,226	3.5
Electrical and Electronic Materials, Synthetic Fibers and Other Businesses	50,481	59,185	17.2
<b>Total</b>	<b>372,269</b>	<b>400,256</b>	<b>7.5</b>