



Non-Consolidated Financial Results for the Term Ended March 2004

Name of Listed Company: Kaneka Corporation

Stock Exchanges Listed: Tokyo, Osaka, Nagoya

Code Number: 4118

Prefecture where headquarters are located:
Osaka Prefecture(URL <http://www.kaneka.co.jp>)

Representative Name: Masatoshi Takeda Title: President, Representative Director

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

Title: Executive Director, General Manager - Finance and Accounting

Date of directors' meeting for approval of accounts: April 27, 2004

Interim dividend system: yes

Date of regular general meeting of shareholders: June 29, 2004

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

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

1. Results for the Term Ended March 2004 (from April 1, 2003 to March 31, 2004)

(1) Business Performance

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Term ended March 31, 2004	257,337	5.7	25,087	31.7	25,455	43.2
Term ended March 31, 2003	243,564	3.8	19,051	17.1	17,778	5.1

	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	%	¥	¥	%	%	%
Term ended March 31, 2004	13,940	40.8	39.24	38.05	7.9	8.0	9.9
Term ended March 31, 2003	9,898	29.4	27.51	26.53	5.9	5.7	7.3

(Notes)

1. Average number of shares during accounting term: Term ended March 2004: 352,190,075 Term ended March 2003: 356,127,611

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 per share (Whole year)	Dividend net income ratio	Dividend-equity ratio
	Interim term	Year end				
Term ended March 31, 2004	¥ 8.00	¥ 4.00	¥ 4.00	¥million 2,806	% 20.4	% 1.5
Term ended March 31, 2003	8.00	4.00	4.00	2,845	29.1	1.7

(3) Non-consolidated Financial Position

	Total asset	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Term ended March 31, 2004	332,319	186,086	56.0	530.28
Term ended March 31, 2003	305,089	167,538	54.9	470.56

(Note)

1. Number of shares issued and outstanding at end of term: Term ended March 2004: 350,698,353 Term ended March 2003: 355,829,305

2. Treasury shares at end of accounting term: Term ended March 2004: 6,914,065 Term ended March 2003: 1,783,113

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

	Net sales	Ordinary income	Net income	Annual dividend per share		
	¥million	¥million	¥million	Interim term	Year end	
Interim Term	132,000	13,500	7,500	¥ 5.00	¥ —	¥ —
Overall term	270,000	28,000	16,000	—	5.00	10.00

(Reference) Projected net income per share (Overall term): ¥45.28

*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.

Balance Sheet

(¥million)

	Term ended March 31, 2003	Term ended March 31, 2004	Increase (decrease)		Term ended March 31, 2003	Term ended March 31, 2004	Increase (decrease)
Assets	305,089	332,319	27,229	Liabilities	137,551	146,232	8,681
Current assets	140,851	154,591	13,740	Current liabilities	66,918	94,408	27,490
Cash and deposits	21,427	24,666	3,238	Trade notes payable	1,825	1,031	(794)
Trade notes receivable	5,566	5,157	(409)	Accounts payable	30,467	34,216	3,749
Accounts receivable	65,763	70,369	4,606	Short-term loans	12,050	9,141	(2,909)
Marketable securities	5,806	8,584	2,778	Convertible bonds redeemed within 1 year	-	18,593	18,593
Merchandise and finished goods	15,736	14,726	(1,009)	Long-term loans repaid within 1 year	141	88	(52)
Raw materials	4,314	4,526	211	Accrued amount payable	14,968	18,785	3,817
Work in process	3,715	3,954	238	Accrued consumption tax	217	422	205
Stores	2,222	2,330	108	Accrued corporate taxes	2,095	6,410	4,314
Prepaid expenses	644	619	(24)	Accrued expenses	3,689	4,314	624
Advance and accrued income	3,680	3,425	(255)	Deposit payable	454	336	(118)
Short-term loans receivable	9,456	10,046	590	Allowance for loss on guarantees	946	852	(94)
Deferred tax assets	2,029	2,829	800	Others	61	216	154
Others	845	3,521	2,676				
Allowance for doubtful receivables	(358)	(167)	191				
Fixed assets	164,238	177,727	13,489	Long-term liabilities	70,633	51,824	(18,808)
Tangible fixed assets	89,709	90,815	1,105	Bonds	20,000	20,000	-
Buildings	24,444	23,951	(493)	Convertible bonds	18,593	-	(18,593)
Structures	6,299	6,075	(224)	Long-term loans	12,896	13,693	796
Machinery and equipment	36,759	38,135	1,375	Employee's severance and retirement benefits	18,100	17,029	(1,070)
Vehicles and transporters	103	102	(1)	Retirement benefits for directors and statutory auditors	883	894	10
Tools and equipment	2,265	2,259	(5)	Others	159	207	48
Land	17,976	17,998	21				
Construction in progress	1,860	2,292	431	Shareholders' equity	167,538	186,086	18,548
Intangible fixed assets	1,324	1,149	(174)	Common Stock	33,046	33,046	-
Software	1,199	1,093	(106)	Capitalsurplus	34,821	34,822	0
Others	124	56	(68)	Additional paid in capital	34,821	34,821	-
Investments and other assets	73,203	85,762	12,558	Other capitalsurplus	-	0	0
Investments in securities	26,838	47,541	20,703	Profit on disposal of treasury stock	-	0	0
Investments in subsidiaries	27,435	26,793	(642)	Retained earnings	98,891	109,905	11,013
Investments	812	791	(20)	Legal reserve	5,863	5,863	-
Investments in affiliated companies	512	1,078	566	Voluntary reserve	71,214	78,208	6,994
Long-term loans receivable	1,039	1,034	(5)	Reserve for special depreciation	91	75	(16)
Long-term loans to employees	619	475	(144)	Reserve for dividends	1,995	1,995	-
Long-term loans to affiliated companies	4,005	4,433	428	Reserve for retirement payments	525	525	-
Long-term prepaid expenses	608	579	(29)	Funds for technical promotion	500	500	-
Deferred tax assets	7,427	676	(6,750)	Funds for employee welfare	300	300	-
Guarantee money pledged	3,554	3,451	(103)	Reserves for replaced property	563	588	25
Others	1,469	1,160	(308)	Reserves for advanced depreciation of replaced property	441	796	355
Allowance for doubtful receivables	(1,121)	(2,255)	(1,134)	Reserve for special account of replaced property	370	-	(370)
				General reserve	66,427	73,427	7,000
				Unappropriated retained earnings	21,813	25,833	4,019
				Net unrealized gain on marketable securities	1,986	13,144	11,158
				Treasury stock	(1,207)	(4,831)	(3,624)
Total assets	305,089	332,319	27,229	Total	305,089	332,319	27,229

Statement of Income

(Unit: ¥million)

	Term from April 1, 2002 to March 31, 2003	Term from April 1, 2003 to March 31, 2004	Increase (Decrease)
Net sales	243,564	257,337	13,772
Cost of sales	173,907	180,938	7,031
Gross profit	69,657	76,398	6,740
Selling, general and administrative expenses	50,605	51,311	705
Operating income	19,051	25,087	6,035
Non-operating income	2,765	3,932	1,167
Interest received	157	151	(5)
Interest on securities	43	44	1
Dividends received	2,410	2,778	368
Others	154	957	803
Non-operating expenses	4,039	3,564	(474)
Interest and discounts paid	312	326	14
Interest on corporate bonds	905	801	(104)
Loss on disposals property, plant and equipment	1,124	980	(144)
Exchange loss	282	647	365
Others	1,413	808	(605)
Ordinary income	17,778	25,455	7,677
Extraordinary income	4,592	-	(4,592)
Gain on return of substitutional portion of the Employee Pension Fund	4,592	-	(4,592)
Extraordinary loss	6,059	4,083	(1,976)
Loss on investments in affiliated companies	2,068	3,396	1,327
Restructuring costs of solar cell business	-	686	686
Write-down of investment securities	1,883	-	(1,883)
Expenses on pension plan amendment	1,286	-	(1,286)
Early retirement encouragement plan	820	-	(820)
Income before income taxes	16,311	21,371	5,060
Corporate taxes, local taxes and business taxes	4,690	9,120	4,430
Income taxes deferred	1,722	(1,688)	(3,410)
Net profit	9,898	13,940	4,041
Balance carried forward from the previous term	13,336	13,296	(40)
Interim dividends paid	1,422	1,403	(18)
Unappropriated retained earnings	21,813	25,833	4,019

Statement of Retained Earnings (Proposed)

(Unit: ¥million)

Item	Term ended March 31, 2003	Term ended March 31, 2004	Increase (Decrease)
Balance at year-end	21,813	25,833	4,019
Reversal of reserve for special depreciation	17	22	5
Reversal of reserve for advanced depreciation of replaced property	21	40	19
Reversal of reserve for special account of replaced property	370	-	(370)
Total	22,221	25,895	3,673
Appropriations:			
Cash dividends	1,423	1,402	(20)
	(¥4.00 per share)	(¥4.00 per share)	
Directirs' and statutory auditors bonuses	100	120	20
[Statutory auditors bonuses]	[6]	[6]	
Transfer to reserve for special depreciation	1	474	473
Transfer to reserve for replaced property	25	10	(15)
Transfer to reserve for advanced depreciation of replaced preperty	376	33	(343)
Transfer to general reserve	7,000	10,000	3,000
Total appropriation	8,925	12,039	3,114
Balance to be carried forward	13,296	13,855	559

Significant Accounting Policies

1. Securities are valued according to the following methods.
 - (1) Shares of subsidiaries and affiliated companies: Valuation at cost based on moving average cost method
 - (2) 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.

2. Inventories are valued according to the following methods.
 - (1) Manufactured goods / merchandise: Valuation at cost based on the periodic (monthly) average method.
 - (2) Raw materials, work in process, fuel in supplies: Valuation at cost based on the moving average method.
 - (3) Other stores: The "Last in" cost method

3. Tangible fixed assets are depreciated on the basis of the declining balance method. However, buildings acquired on and after April 1, 1998 (excluding facilities attached to buildings) are depreciated according to the straight-line method.

4. Accounting standards for significant allowances are as follows.

Allowance for Doubtful Receivables

To prepare for losses arising from bad debts, the estimated amount of uncollected debts is recorded on the basis of calculations using the actual rate of uncollected debt with respect to general debts, and by individually reviewing the collectability with respect to special debts including doubtful debts.

Reserve for Losses on Debts Guaranteed

The estimated amount required for the fulfillment of debt guarantees to affiliated companies has been provided.

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.

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.

5. 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. Consumption taxes are not included in accounting treatments.

Notes to the Consolidated Balance Sheet

	(Previous Fiscal Year)	(Current Fiscal Year)	(Difference)
1. Less accumulated depreciation of tangible fixed	¥ 278,765 million	¥ 284,520 million	¥ 5,754 million
2. Assets subject to pledge marketable securities	¥ 410 million	¥ 1,492 million	¥ 1,081 million
3. Contingent liabilities			
Commitments to guarantee	¥ 3,021 million	¥ 2,251 million	¥ (769) million
Letter of awareness	¥ 95 million	-	¥ (95) million

Notes on Securities

Marketable Securities of Subsidiaries and Affiliated Companies

	(Previous Fiscal Year)	(Current Fiscal Year)	(Difference)
Subsidiaries' shares			
Amount declared in balance sheet	¥ 1,820 million	¥ 1,820 million	-
Market Value	¥ 1,144 million	¥ 2,419 million	¥ 1,275 million
Difference	¥ (675) million	¥ 599 million	¥ 1,275 million

Notes on Tax Effects

1. Significant components of deferred tax assets and liabilities

	(Previous Fiscal Year)	(Current Fiscal Year)
Deferred tax assets		
Employee's severance and retirement benefits	¥6,307 million	¥6,321 million
Write-down of investment securities	¥1,924 million	¥1,835 million
Excess bonuses accrued	¥1,054 million	¥1,291 million
Write-down of affiliated companies' shares	¥371 million	¥938 million
Allowance for doubtful receivables	¥465 million	¥860 million
Accrued income tax	¥239 million	¥704 million
Retirement benefits for directors	¥428 million	¥434 million
Depreciation and amortization	¥188 million	¥432 million
Provision for losses on debts guaranteed	¥397 million	¥346 million
Others	¥931 million	¥701 million
Total deferred tax assets	¥12,309million	¥13,865 million
Deferred tax liabilities		
Net unrealized holding gains on securities	¥ 1,851million	¥ 9,046 million
Reserves for replacement of fixed assets	¥ 948 million	¥ 920 million
Others	¥ 51 million	¥ 391 million
Total deferred tax liabilities	¥ 2,852 million	¥ 10,358 million
Net deferred tax assets	¥ 9,456 million	¥ 3,506 million

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

	(Previous Fiscal Year)	(Current Fiscal Year)
Statutory tax rates	42.00%	42.00%
Foreign tax credit	(4.00)%	(9.33)%
Non-deductible expenses such as entertainment expenses	0.76%	0.63%
Non-taxable income such as dividend received	(1.28)%	(1.01)%
Adjustment to deferred tax assets at year-end due to change in income tax rate	1.73%	-
Others	0.09%	2.48%
Effective tax rate	39.31%	34.77%

Sales by Business Sector

Business Sector	Term from April 1, 2002 to March 31, 2003		Term from April 1, 2003 to March 31, 2004		Increase (Decrease)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase (Decrease) ratio
	¥million	%	¥million	%	¥million	%
PVC and caustic soda	40,806	16.8	43,884	17.1	3,077	7.5
Specialty plastics	37,667	15.5	36,279	14.1	(1,388)	(3.7)
Plastic products	35,968	14.8	38,409	14.9	2,441	6.8
Foodstuffs and pharmaceuticals	89,750	36.8	90,437	35.1	687	0.8
Electrical and electronic materials	21,782	8.9	31,845	12.4	10,062	46.2
Synthetic fibers	17,588	7.2	16,480	6.4	(1,107)	(6.3)
Total	243,564	100.0	257,337	100.0	13,772	5.7
Exports (out of total)	74,627	30.6	77,933	30.3	3,306	4.4