



February 8, 2006

Consolidated Quarterly Financial Results for the Third Quarter Ended December 2005

Name of Listed Company: Kaneka Corporation

Stock Exchanges Listed: Tokyo, Osaka, Nagoya
(First section)

Code Number: 4118

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

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Contact: Name: Masami Kishine

Title: President, Representative Director
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1. Notes to Consolidated Quarterly Financial Statements

(1) Standards adopted in financial statements : (same as the interim consolidated financial statements)

Changes in accounting policies : None

Changes in accounting method from interim financial statements : None

(2) Changes in scope of consolidation or application of the equity method : Yes

Newly consolidated companies : 12, Excluded: 1

Newly included in equity method companies: 0, Excluded: 0

(3) Auditing by certified public accountant or auditing companies : None

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

2. Consolidated Business Performance for the Third Quarter Ended December 31, 2005 (from April 1, 2005 to December 31, 2005)

(1) Consolidated Business Performance

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Nine Months ended December 2005	345,931	5.5	35,268	7.6	36,188	13.6	20,726	10.9
Nine Months ended December 2004	327,787	9.5	32,774	32.4	31,862	42.3	18,683	54.7
Term ended March 2004 (reference)	438,000	9.4	43,130	34.3	41,355	41.0	24,745	58.4

	Net income per share	Fully diluted net income per share
	¥	¥
Nine Months ended December 2005	59.82	
Nine Months ended December 2004	53.59	52.26
Term ended March 2004 (reference)	70.65	69.33

Notes: The percentages in the net sales, operating income, ordinary income, and quarter net income columns, represent increases (decreases) compared with corresponding of the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Nine Months ended December 2005	446,345	252,123	56.5	730.49
Nine Months ended December 2004	394,557	217,142	55.0	625.31
Term ended March 2004 (reference)	397,123	224,142	56.4	645.13

(Consolidated Cash Flows)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Outstanding balance of cash and cash equivalents as of the end of term
	¥million	¥million	¥million	¥million
Nine Months ended December 2005	33,033	(17,664)	(14,650)	27,529
Nine Months ended December 2004	27,921	(16,851)	(27,533)	16,616
Term ended March 2004 (reference)	43,242	(24,791)	(25,930)	25,521

3. Forecast for Consolidated Business Performance in the Term Ending March 2006 (from April 1, 2005 to March 31, 2006)

Forecast has not been revised since the announcement of interim financial statements on October 27, 2005.

	Net sales	Ordinary income	Net income	Net income per sale
	¥million	¥million	¥million	¥
Overall term	465,000	47,500	28,000	80.90

Note: Projected net income per share is based on the estimated average number of issued shares during the term ending March 2006.

*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.

1. Business Results

The Kaneka Group posted ¥345,931 million (up 5.5% year-on-year) in consolidated sales, ¥35,268 million (up 7.6% year-on-year) in operating income, and ¥36,188 million (up 13.6% year-on-year) in ordinary income for the third quarter of the current fiscal year (April 1, 2005 to December 31, 2005). Our consolidated business performance advanced over the corresponding period of the previous year both in sales and profits.

Sales both in Japan and overseas expanded and the ratio of international sales to total sales rose to 35.7% from 34.0% in the corresponding period of the previous year, thanks to the increase in exports to North America and Asia and the increase in revenue generated by overseas subsidiaries. By business segment, functional plastics, synthetic fibers and other businesses performed solidly. Sales also increased in the chemicals business, driven by the growth in sales of special polyvinyl chloride (PVC) resins especially overseas.

As for operating income, the surge in the price of petrochemical raw materials served as a negative factor for profits but was offset by the correction of sales prices. By business segment, profits in the chemicals business decreased from the previous corresponding period partly due to the impact of the deteriorating PVC market in China. On the other hand, the functional plastics business and the electronic products business, thanks to the growth in the sales and the improvement profit of solar cells, contributed to an increase in profits.

2. Financial Position

a. Consolidated Cash Flows

Cash flow from operating activities was ¥33,033 million, while cash flow used in investing activities was ¥17,664 million and cash flow used in financing activities was ¥14,650 million. As a result, the outstanding balance of cash and cash equivalents at the end of the third quarter increased by ¥2,007 million compared to the balance at the end of March 2005, to ¥27,529 million.

b. Status of Assets, Liabilities, and Equity

Total assets at the end of the third quarter increased by ¥49,221 million compared to those at the end of March 2005 to ¥446,345 million. Interest bearing liabilities decreased by ¥4,316 million to ¥43,875 million. Shareholders' equity increased by ¥27,980 million to ¥252,123 million primarily due to the increase in retained earnings and net unrealized gain on available-for-sale securities.

3. Performance Forecasts

Performance forecasts for the fiscal year ending March 31, 2006 (full-year

performance forecasts) will not be revised as the trends in both sales and profits are in line with the performance forecasts released together with the announcement of the interim financial results.

Note: 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.

Balance Sheets (Consolidated)

	As of December 31, 2004	As of December 31, 2005	As of March 31, 2005		As of December 31, 2004	As of December 31, 2005	As of March 31, 2005
Item	¥million	¥million	¥million	Item	¥million	¥million	¥million
(Assets)				(Liabilities)			
I Current assets				I Current Liabilities			
Cash and deposits	13,655	24,576	22,556	Notes and accounts payable	69,098	68,391	60,181
Notes and accounts receivable	116,281	117,873	107,532	Short-term borrowings	11,714	17,725	12,407
Marketable securities	8,812	5,096	8,297	Bonds payable redeemed within 1 year	5,000	-	5,000
Inventories	47,693	53,152	47,814	Others	35,435	44,738	38,230
Others	15,052	10,554	16,662	Total current liabilities	121,249	130,855	115,819
Total current assets	201,493	211,254	202,863				
II Fixed assets				II Long-term Liabilities			
Tangible fixed assets	126,000	141,605	125,044	Bonds payable	15,000	15,000	15,000
Intangible fixed assets	2,631	2,687	2,610	Long-term debts	14,643	11,150	15,785
Investments and other assets	64,432	90,798	66,604	Employees' severance and retirement benefits	19,064	18,773	18,945
Total fixed assets	193,063	235,090	194,260	Others	2,235	12,846	2,187
				Total long term liabilities	50,943	57,770	51,917
				Total liabilities	172,192	188,626	167,737
				(Minority interests)			
				Minority interests	5,222	5,595	5,243
				(Shareholders' equity)			
				I Common stock	33,046	33,046	33,046
				II Additional paid in capital	34,846	34,855	34,854
				III Retained earnings	149,087	170,384	155,149
				IV Net unrealized gain on marketable securities	13,237	28,280	14,211
				V Foreign currency translation adjustments	(4,714)	(3,370)	(4,721)
				VI Treasury stock	(8,361)	(11,074)	(8,398)
				Total shareholders' equity	217,142	252,123	224,142
Total Assets	394,557	446,345	397,123	Total liabilities, minority interests and shareholders' equity	394,557	446,345	397,123

Statement of Income (Consolidated)

	Term from April 1, 2004 to December 31, 2004	Term from April 1, 2005 to December 31, 2005	Increase (Decrease)	Term from April 1, 2004 to March 31, 2005
Item	¥million	¥million	¥million	¥million
I. Net sales	327,787	345,931	18,144	438,000
II. Cost of sales	231,208	244,824	13,615	309,197
Gross profit	96,578	101,107	4,528	128,803
III. Selling, general and administrative expenses	63,804	65,839	2,035	85,673
Operating income	32,774	35,268	2,493	43,130
IV. Non-operating income	2,054	3,361	1,307	2,733
Interest and dividends income	697	751	53	785
Others	1,356	2,609	1,253	1,947
V. Non-operating expenses	2,966	2,440	(525)	4,507
Interest expense	974	818	(156)	1,218
Others	1,991	1,622	(369)	3,288
Ordinary income	31,862	36,188	4,326	41,355
VI. Extraordinary loss	2,817	2,451	(365)	3,111
Income before income taxes	29,045	33,736	4,691	38,244
Income taxes (current and deferred)	10,115	12,704	2,589	13,129
Minority interests	246	305	58	369
Net income	18,683	20,726	2,042	24,745

Statements of Cash Flows (Consolidated)

	Term from April 1, 2004 to December 31, 2004	Term from April 1, 2005 to December 31, 2005	Term from April 1, 2004 to March 31, 2005
Item	¥million	¥million	¥million
I. Cash flows from operating activities			
Net income before income taxes	29,045	33,736	38,244
Depreciation and amortization	16,409	16,267	22,427
Environmental expenditures		2,451	
Impairment losses	2,817		3,111
(Increase) in trade receivables	(16,744)	(10,467)	(7,914)
(Increase) in inventories	(4,300)	(4,158)	(4,344)
Increase in trade payables	14,810	9,616	5,812
Others	(14,116)	(14,413)	(14,094)
Net cash provided by operating activities	27,921	33,033	43,242
II. Cash flows from investing activities			
Payment for purchase of marketable securities	(3,522)	(1,900)	(3,622)
Proceeds from marketable securities	4,679	3,877	4,685
Payments for purchase of tangible fixed assets	(18,807)	(18,367)	(25,482)
Payment for purchase of intangible assets	(387)	(469)	(524)
Purchase of investments	(3,174)	(1,330)	(4,699)
Proceeds from investment securities	3,876	2,719	6,044
Others	483	(2,194)	(1,192)
Net cash used in investing activities	(16,851)	(17,664)	(24,791)
III. Cash flows from financing activities			
Increase (Decrease) in short-term borrowing	(558)	(1,213)	444
Proceeds from long-term debt	50	1,650	1,500
Repayment of long-term debt	(1,267)	(1,766)	(2,009)
Redemption of convertible bonds	(18,575)		(18,575)
Redemption of debenture		(5,000)	
Dividends paid	(3,486)	(5,543)	(3,486)
Purchase of treasury stock	(3,569)	(2,678)	(3,608)
Others	(125)	(98)	(196)
Net cash used in financing activities	(27,533)	(14,650)	(25,930)
IV. Effect of exchange rate changes on cash and cash equivalents	195	151	117
V. Net increase (decrease) in cash and cash equivalents	(16,268)	869	(7,362)
VI. Cash and cash equivalents at beginning of term	32,884	25,521	32,884
VII. Effect of changes in consolidated subsidiaries		1,138	
VIII. Cash and cash equivalents at term end	16,616	27,529	25,521

Segment Information

1. Segment Information by Business Category

(1) Term from April 1, 2004 to December 31, 2004

(Unit: ¥million)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating profit/loss										
Sales										
(1) Customers	61,000	46,299	50,872	78,977	33,910	35,827	20,900	327,787	-	327,787
(2) Intersegment	1,404	190	1,341	6	-	-	3,379	6,322	(6,322)	-
Total	62,404	46,489	52,213	78,983	33,910	35,827	24,279	334,110	(6,322)	327,787
Operating expenses	57,938	40,105	51,116	75,646	21,308	30,280	21,574	297,969	(2,956)	295,012
Operating income	4,466	6,384	1,097	3,337	12,601	5,547	2,705	36,140	(3,365)	32,774

(2) Term from April 1, 2005 to December 31, 2005

(Unit: ¥million)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating profit/loss										
Sales										
(1) Customers	65,334	54,437	52,309	80,885	34,446	35,513	23,004	345,931	-	345,931
(2) Intersegment	1,766	234	1,159	6	-	-	5,492	8,660	(8,660)	-
Total	67,100	54,672	53,469	80,892	34,446	35,513	28,496	354,591	(8,660)	345,931
Operating expenses	63,022	46,045	52,559	77,150	21,439	28,830	26,443	315,491	(4,828)	310,663
Operating income	4,077	8,626	909	3,742	13,007	6,683	2,053	39,099	(3,831)	35,268

(3) Term from April 1, 2004 to March 31, 2005

(Unit: ¥million)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating profit/loss										
Sales										
(1) Customers	82,199	61,970	66,579	105,228	46,861	46,387	28,773	438,000	-	438,000
(2) Intersegment	1,857	252	1,595	9	-	-	4,334	8,049	(8,049)	-
Total	84,057	62,222	68,175	105,238	46,861	46,387	33,107	446,050	(8,049)	438,000
Operating expenses	77,446	53,706	67,403	100,885	29,320	39,688	29,873	398,325	(3,454)	394,870
Operating income	6,610	8,515	772	4,352	17,541	6,698	3,233	47,725	(4,595)	43,130

2. International Sales

(1) Term from April 1, 2004 to December 31, 2004 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I Net Sales	46,734	26,676	33,392	4,789	111,592
II Consolidated sales					327,787
III The ratio of sales to consolidated sales (%)	14.2	8.1	10.2	1.5	34.0

(2) Term from April 1, 2005 to December 31, 2005 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I Net Sales	48,386	36,293	31,859	6,866	123,405
II Consolidated sales					345,931
III The ratio of sales to consolidated sales (%)	14.0	10.5	9.2	2.0	35.7

(3) Term from April 1, 2004 to March 31, 2005 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I Net Sales	63,618	35,011	45,421	7,135	151,187
II Consolidated sales					438,000
III The ratio of sales to consolidated sales (%)	14.5	8.0	10.4	1.6	34.5

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 of America, Mexico

Europe: Belgium, United Kingdom

Other regions: Australia, Togo

Recent Trends in Quarterly Business Performance (Reference)

Term ended March 2005 (Consolidated)

	First quarter from April 1, 2004 to June 30, 2004	Second quarter from July 1, 2004 to September 30, 2004	Third quarter from October 1, 2004 to December 31, 2004	Fourth quarter from January 1, 2005 to March 31, 2005
	¥million	¥million	¥million	¥million
Net sales	106,016	107,531	114,239	110,213
Gross profit	32,326	30,443	33,809	32,224
Operating income	10,509	9,643	12,621	10,355
Ordinary income	10,349	9,261	12,251	9,493
Income before income taxes	10,349	6,444	12,251	9,199
Net income	6,622	4,365	7,694	6,062
	¥	¥	¥	¥
Net income per share	18.92	12.54	22.13	17.06
Fully diluted net income per share	18.22	12.12	21.92	17.07
Total assets	396,306	379,562	394,557	397,123
Shareholders' equity	207,668	209,859	217,142	224,142
	¥	¥	¥	¥
Shareholders' equity per share	595.77	604.22	625.31	645.13
	¥million	¥million	¥million	¥million
Cash flows from operating activities	10,368	15,098	2,453	15,320
Cash flows from investing activities	(1,950)	(6,048)	(8,853)	(7,939)
Cash flows from financing activities	(4,021)	(21,038)	(2,473)	1,602
Cash and cash equivalents as of the end the term	37,313	25,443	16,616	25,521

Term ending March 2006 (Consolidated)

	First quarter from April 1, 2005 to June 30, 2005	Second quarter from July 1, 2005 to September 30, 2005	Third quarter from October 1, 2005 to December 31, 2005	Fourth quarter from January 1, 2006 to March 31, 2006
	¥million	¥million	¥million	¥million
Net sales	111,571	114,020	120,338	-
Gross profit	32,526	33,025	35,555	-
Operating income	11,082	10,781	13,404	-
Ordinary income	11,322	10,990	13,875	-
Income before income taxes	11,322	8,538	13,875	-
Net income	7,176	5,092	8,456	-
	¥	¥	¥	¥
Net income per share	20.67	14.69	24.46	-
Fully diluted net income per share	-	-	-	-
Total assets	403,994	421,394	446,345	-
Shareholders' equity	229,130	239,953	252,123	-
	¥	¥	¥	¥
Shareholders' equity per share	659.92	694.01	730.49	-
	¥million	¥million	¥million	¥million
Cash flows from operating activities	13,318	13,697	6,017	-
Cash flows from investing activities	(3,296)	(4,722)	(9,645)	-
Cash flows from financing activities	(2,905)	(8,338)	(3,406)	-
Cash and cash equivalents as of the end the term	32,763	34,447	27,529	-