



July 28, 2005

Consolidated Quarterly Financial Results for the Term Ended June 2005

Name of Listed Company: Kaneka Corporation

Code Number: 4118

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

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

Representative: Masami Onishi, 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: 11 , Excluded: 0

Newly included in equity method companies: 0,

Excluded: 0

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

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

1. Consolidated Business Performance for the First Quarter Ended June 30, 2005

(from April 1, 2005 to June 30, 2005)

(1) Consolidated business performance

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
First quarter ended June 2005	111,571	5.2	11,082	5.5	11,322	9.4	7,176	8.4
First quarter ended June 2004	106,016	8.6	10,509	45.8	10,349	56.6	6,622	81.4
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
First quarter ended June 2005	¥ 20.67	¥ —
First quarter ended June 2004	18.92	18.22
Term ended March 2004 (reference)	70.65	69.33

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

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
As of June 2005	403,994	229,130	56.7	659.92
As of June 2004	396,306	207,668	52.4	595.77
As of March 2004 (reference)	397,123	224,142	56.4	645.13

(Cash flow on a consolidated basis)

	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
First quarter ended June 2005	13,318	(3,296)	(2,905)	32,763
First quarter ended June 2004	10,368	(1,950)	(4,021)	37,313
Term ended March 2004 (reference)	43,242	(24,791)	(25,930)	25,521

3. Performance Forecasts for Term Ending March 2006 (from April 1, 2005 to March 31, 2006)

No revisions have been made to the forecasts announced together with the Consolidated Financial Results for the Term Ended March 2005 on April 27, 2005.

	Net sales	Ordinary income	Net income	Net income per share
	¥million	¥million	¥million	¥
Interim term	225,000	20,500	12,500	36.00
Overall term	465,000	46,000	28,500	81.68

Notes: Projected net income per share is based on the number of shares issued at the end of this first quarter.

*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 ¥111,571 million (up 5.2% year-on-year) in consolidated sales, ¥11,082 million (up 5.5% year-on-year) in operating income, and ¥11,322 million (up 9.4% year-on-year) in ordinary income for the first quarter of the current fiscal year. 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 36.1% from 35.8% in the corresponding period of the previous year, thanks to growth on the North American market. By business segment, sales grew in all segments except the life science business.

Operating income increased on a year-on-year basis because correction of sales prices, expansion of the sales volume of functional food materials, and cost cutting absorbed negative factors for profits such as a sharp rise in prices of petrochemical raw materials, and a decline in sales of existing products among pharmaceutical bulks and intermediates.

2. Financial Position

a. Consolidated Cash Flows

Cash flow from operating activities was ¥13,318 million, while cash flow used in investing activities was ¥3,296 million and cash flow used in financing activities was ¥2,905 million. As a result, the outstanding balance of cash and cash equivalents at the end of the first quarter increased by ¥7,242 million compared to the balance at the end of March 2005 to ¥32,763 million.

b. Status of Assets, Liabilities, and Equity

Total assets at the end of the first quarter increased by ¥6,870 million compared to those at the end of March 2005 to ¥403,994 million. Interest bearing liabilities rose by ¥306 million to ¥48,498 million. Shareholders' equity increased by ¥4,987 million to ¥229,130 million thanks to expansion of retained earnings, etc.

3. Performance Forecasts for Year Ending March 31, 2006 (Interim/Overall)

While both sales and profits are steady as initially expected, there are many uncertainties concerning raw material prices, the Chinese economy, foreign currency exchanges and others. Therefore, the Kaneka Group has not made any revisions to the business forecasts.

Consolidated Balance Sheets

Item	As of June 30, 2004	As of June 30, 2005	As of March 31, 2005	Item	As of June 30, 2004	As of June 30, 2005	As of March 31, 2005
	¥ million	¥ million	¥ million		¥ million	¥ million	¥ million
Assets				Liabilities			
I Current assets				I Current Liabilities			
Cash and deposits	34,489	29,853	22,556	Trade notes payable	55,377	57,381	60,181
Notes and accounts receivable	100,153	103,335	107,532	Short-term borrowings	11,502	12,945	12,407
Marketable securities	8,855	8,292	8,297	Bonds payable redeemed within 1 year	18,593	5,000	5,000
Inventories	44,449	49,859	47,814	Others	40,490	42,586	38,230
Others	14,580	13,272	16,662	Total current liabilities	125,962	117,912	115,819
Total current assets	202,527	204,612	202,863				
II Fixed assets				II Fixed liabilities			
Tangible fixed assets	128,202	130,353	125,044	Bonds payable	20,000	15,000	15,000
Intangible fixed assets	2,771	2,632	2,610	Long-term debts	16,002	15,553	15,785
Investments and other assets	62,805	66,395	66,604	Employees' severance and retirement benefits	19,316	18,995	18,945
Total fixed assets	193,779	199,381	194,260	Others	2,179	2,020	2,187
				Total fixed liabilities	57,498	51,568	51,917
				Total liabilities	183,460	169,481	167,737
				Minority interests			
				Minority interests	5,177	5,381	5,243
				Shareholders' equity			
				I Common stock	33,046	33,046	33,046
				II Additional paid-in capital	34,837	34,854	34,854
				III Retained earnings	139,110	159,600	155,149
				IV Net unrealized gain on marketable securities	12,755	14,754	14,211
				V Foreign currency translation	(5,220)	(4,713)	(4,721)
				VI Treasury stock	(6,861)	(8,413)	(8,398)
				Total common stock	207,668	229,130	224,142
Total Assets	396,306	403,994	397,123	Total liabilities, minority interests and shareholders'	396,306	403,994	397,123

Consolidated Statement of Income

	Term from April 1, 2004 to June 30, 2004	Term from April 1, 2005 to June 30, 2005	Increase (Decrease)	Term from April 1, 2004 to March 31, 2005
Item	¥ million	¥ million	¥ million	¥ million
I. Net sales	106,016	111,571	5,555	438,000
II. Cost of sales	73,689	79,045	5,355	309,197
Gross profit	32,326	32,526	200	128,803
III. Selling, general and administrative expenses	21,817	21,444	(372)	85,673
Operating income	10,509	11,082	572	43,130
IV. Non-operating income	906	1,001	95	2,733
Interest and dividends income	347	343	(4)	785
Others	558	658	99	1,947
V. Non-operating expenses	1,065	761	(303)	4,507
Interest expense	351	279	(72)	1,218
Others	713	482	(231)	3,288
Ordinary income	10,349	11,322	972	41,355
VI. Extraordinary loss	—	—	—	3,111
Income before income taxes	10,349	11,322	972	38,244
Corporate taxes(current and deferred)	3,633	4,074	441	13,129
Minority interests	93	71	(22)	369
Net income	6,622	7,176	553	24,745

Consolidated Statements of Cash Flows

	Term from April 1, 2004 to June 30, 2004	Term from April 1, 2005 to June 30, 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	10,349	11,322	38,244
Depreciation and amortization	5,079	5,030	22,427
Impairment losses			3,111
(Increase) decrease in trade receivables	(728)	3,365	(7,914)
Increase in inventories	(1,085)	(1,400)	(4,344)
Increase (decrease) in trade payables	1,094	(963)	5,812
Others	(4,341)	(4,035)	(14,094)
Net cash provided by operating activities	10,368	13,318	43,242
II. Cash flows from investing activities			
Payment for purchase of marketable securities	(702)	(900)	(3,622)
Proceeds from marketable securities	1,856	618	4,685
Payments for purchase of tangible fixed assets	(4,017)	(3,007)	(25,482)
Payment for purchase of intangible assets	(161)	(169)	(524)
Purchase of investments	(524)	(27)	(4,699)
Proceeds from investment securities	1,074	316	6,044
Others	523	(126)	(1,192)
Net cash used in investing activities	(1,950)	(3,296)	(24,791)
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowing	(164)	169	444
Proceeds from long-term debt			1,500
Repayment of long-term debt	(411)	(261)	(2,009)
Redemption of convertible bonds			(18,575)
Dividends paid	(1,402)	(2,777)	(3,486)
Purchase of treasury stock	(2,030)	(16)	(3,608)
Others	(12)	(19)	(196)
Net cash used in financing activities	(4,021)	(2,905)	(25,930)
IV. Effect of exchange rate changes on cash and cash equivalents	31	(15)	117
V. Net increase (decrease) in cash and cash equivalents	4,428	7,100	(7,362)
VI. Cash and cash equivalents at beginning of term	32,884	25,521	32,884
VII. Effect of changes in consolidated subsidiaries		141	
VIII. Cash and cash equivalents at term end	37,313	32,763	25,521

Segment Information

1. Segment information by business

(1) Term from April 1, 2004 to June 30, 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										
Net sales										
(1) Customers	18,999	14,800	15,846	26,055	11,644	11,901	6,767	106,016	-	106,016
(2) Intersegment	467	60	445	1	-	-	1,315	2,291	(2,291)	-
Total	19,466	14,861	16,292	26,057	11,644	11,901	8,083	108,308	(2,291)	106,016
Operating expenses	18,096	12,875	16,027	24,908	7,000	10,538	7,298	96,745	(1,238)	95,506
Operating income	1,370	1,986	264	1,148	4,644	1,362	785	11,562	(1,053)	10,509

(2) Term from April 1, 2005 to June 30, 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										
Net sales										
(1) Customers	21,320	17,295	16,095	26,796	10,846	11,978	7,238	111,571	-	111,571
(2) Intersegment	576	72	391	1	-	-	1,006	2,049	(2,049)	-
Total	21,897	17,367	16,487	26,798	10,846	11,978	8,244	113,621	(2,049)	111,571
Operating expenses	20,500	14,786	16,537	25,455	6,839	9,547	7,698	101,364	(875)	100,489
Operating income	1,397	2,581	(50)	1,342	4,007	2,431	546	12,256	(1,174)	11,082

(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										
Net 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 June 30, 2004

(Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I. Net sales	15,475	8,494	12,573	1,411	37,954
II. Consolidated sales					106,016
III. The ratio of sales to consolidated sales (%)	14.6	8.0	11.9	1.3	35.8

(2) Term from April 1, 2005 to June 30, 2005

(Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I. Net sales	15,943	11,094	11,417	1,850	40,306
II. Consolidated sales					111,571
III. The ratio of sales to consolidated sales (%)	14.3	9.9	10.2	1.7	36.1

(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

Recent Trends in Quarterly Business Performance (Reference)

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	-	-	-
Gross profit	32,526	-	-	-
Operating income	11,082	-	-	-
Ordinary income	11,322	-	-	-
Income before income taxes	11,322	-	-	-
Net income	7,176	-	-	-
Net income per share	¥ 20.67	¥ -	¥ -	¥ -
Fully diluted net income per share	-	-	-	-
Total assets	403,994	-	-	-
Shareholders' equity	229,130	-	-	-
Shareholders' equity per share	¥ 659.92	¥ -	¥ -	¥ -
	¥million	¥million	¥million	¥million
Cash flows from operating activities	13,318	-	-	-
Cash flows from investing activities	(3,296)	-	-	-
Cash flows from financing activities	(2,905)	-	-	-
Cash and cash equivalents as of the end the term	32,763	-	-	-

Term ending 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	30,433	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	17.06
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