



Non-Consolidated Interim Financial Results for the Term Ending March 2005

October 28, 2004

Name of Listed Company: Kaneka Corporation

Stock Exchanges Listed: Tokyo, Osaka, Nagoya

Code Number: 4118

Headquarters location: Osaka Prefecture

(U R L http://www.kaneka.co.jp)

Representative: Name: Masatoshi Takeda

Title: President, Representative Director

Contact: Name: Masami Kishine

Title: General Manager - Financial & Accounting Department

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Date of directors' meeting for approval of accounts: October 28, 2004

Interim dividend system: yes

Date of interim dividend: December 10, 2004

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

1. For the Interim Term Ended September 2004 (from April 1, 2004 to September 30, 2004)

(1) Business performance

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

	Net sales		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Interim term ended September 2004	137,333	8.7	15,012	35.0	16,573	49.3
Interim term ended September 2003	126,397	6.0	11,117	46.6	11,100	53.7
Term ended March 2004	257,337		25,087		25,455	

	Net income		Net income per share
	¥million	%	¥
Interim term ended September 2004	9,329	36.0	26.71
Interim term ended September 2003	6,861	59.6	19.40
Term ended March 2004	13,940		39.24

Notes: 1. Average number of shares during accounting term: Interim term ended September 2004: 349,271,771

Interim term ended September 2003: 353,633,036, Term ended March 2004: 352,190,075

2. Changes to accounting policies: yes

3. Percentage figures under net sales, operating income, ordinary income and net income represent increases (decreases) relative to the previous accounting term.

(2) Dividends

	Interim dividend per share	Annual dividend per share
	¥	¥
Interim term ended September 2004	6.00	-
Interim term ended September 2003	4.00	-
Term ended March 2004	-	8.00

Note: Breakdown of dividend interim term ended September 2004
Commemorative dividend: 1.00 yen

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Interim term ended September 2004	313,299	188,339	60.1	542.26
Interim term ended September 2003	318,095	175,121	55.1	499.19
Term ended March 2004	332,319	186,086	56.0	530.28

Notes: 1. Number of shares issued at end of term: September 30, 2004: 347,324,782 September 30, 2003: 350,813,079

March 31, 2004: 350,698,353

2. Treasury stock at end of accounting term: September 30, 2004: 10,287,636 September 30, 2003: 6,799,339

March 31, 2004: 6,914,065

2. Performance Forecasts 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	End of term	
Overall term	275,000	32,500	19,500	6.00	12.00

(Reference) Projected net income per share (whole year): ¥55.80

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

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

Interim Balance Sheet

	Interim term ended Sept. 30, 2003	Interim term ended Sept. 30, 2004	B/S for term ended March 31, 2004		Interim term ended Sept. 30, 2003	Interim term ended Sept. 30, 2004	B/S for term ended March 31, 2004
Item	¥ million	¥ million	¥ million	Item	¥ million	¥ million	¥ million
Assets				Liabilities			
Current assets				Current liabilities			
Cash and deposits	23,131	16,366	24,666	Notes payable	1,666	1,448	1,031
Notes receivable	5,751	5,274	5,157	Accounts payable	31,631	35,058	34,216
Accounts receivable	67,832	69,633	70,369	Short-term borrowings	12,861	10,823	9,230
Marketable securities	9,876	3,927	8,584	Bonds payable redeemed within 1 year	-	5,000	-
Inventories	25,307	25,808	25,538	Convertible bonds redeemed within 1 year	18,593	-	18,593
Deferred tax assets	2,656	2,771	2,829	Accrued expenses	16,671	15,617	18,785
Others	17,625	14,926	17,612	Accrued income taxes	4,226	4,832	6,410
Allowance for doubtful receivables	(371)	(165)	(167)	Allowance for loss on debt guarantees	946	1,589	852
Total current assets	151,811	138,543	154,591	Others	4,948	5,362	5,289
Fixed assets				Total current liabilities	91,546	79,733	94,408
Tangible fixed assets				Fixed liabilities			
Buildings and structures	24,096	24,313	23,951	Bonds payable	20,000	15,000	20,000
Machinery and equipment	36,536	39,027	38,135	Long-term debts	12,845	12,594	13,693
Land	17,974	15,473	17,998	Employees' severance and retirement benefits	17,445	16,651	17,029
Others	9,737	9,590	10,729	Retirement benefits for directors and statutory auditors	826	810	894
Total tangible fixed assets	88,344	88,405	90,815	Others	308	170	207
Intangible fixed assets	1,303	1,106	1,149	Total fixed liabilities total	51,427	45,226	51,824
Investments and other assets				Total liability	142,973	124,960	146,232
Investments in securities	63,022	70,987	74,335	Shareholders' equity			
Long-term loans receivable	4,706	6,679	5,943	Common stock	33,046	33,046	33,046
Deferred tax assets (non-current)	3,633	2,107	676	Additional paid-in capital			
Others	6,847	7,103	7,062	Capital surplus	34,821	34,821	34,821
Allowance for doubtful receivables	(1,572)	(1,634)	(2,255)	Other additional paid-in capital	0	9	0
Total investments and other assets	76,637	85,244	85,762	Total additional paid-in capital	34,821	34,831	34,822
Total fixed assets	166,284	174,755	177,727	Retained earnings			
				Retained earnings reserve	5,863	5,863	5,863
				Voluntary reserve	78,208	88,663	78,208
				Unappropriated retained earnings for the (current) interim period	20,158	23,185	25,833
				Total retained earnings	104,230	117,712	109,905
				Unrealized gain on available- for-sale securities	7,765	11,025	13,144
				Treasury stock	(4,742)	(8,276)	(4,831)
				Total shareholders' equity	175,121	188,339	186,086
Total assets	318,095	313,299	332,319	Total liabilities and shareholders' equity	318,095	313,299	332,319

Interim Statements of Income

(Unit: ¥million)

Title	Term from April 1, 2003 to September 30, 2003	Term from April 1, 2004 to September 30, 2004	Increase (Decrease)	Term from April 1, 2003 to March 31, 2004
Net Sales	126,397	137,333	10,935	257,337
Cost of Sales	89,803	95,027	5,224	180,938
Gross profit	36,594	42,306	5,711	76,398
Selling, General and Administrative Expenses	25,477	27,294	1,816	51,311
Operating Income	11,117	15,012	3,894	25,087
Non-operating income	2,042	3,392	1,350	3,932
Interest received	110	80	(29)	196
Dividends income	1,777	2,339	561	2,778
Others	154	972	818	957
Non-operating expenses	2,059	1,831	(228)	3,564
Interest expense	568	560	(8)	1,127
Others	1,490	1,271	(219)	2,436
Ordinary income	11,100	16,573	5,473	25,455
Special Losses	448	2,525	2,077	4,083
Impairment losses	-	2,525	2,525	-
Loss on investment in affiliates	448	-	(448)	3,396
Restructuring costs for photovoltaic system business	-	-	-	686
Income before income taxes	10,652	14,048	3,395	21,371
Corporate taxes, local taxes and business taxes	4,580	4,640	60	9,120
Income taxes deferred	(789)	78	867	(1,688)
Net income	6,861	9,329	2,467	13,940
Balance carried forward from the previous paid	13,296	13,855	559	13,296
Interim dividends paid	-	-	-	1,403
Unappropriated net income at the end of term	20,158	23,185	3,027	25,833

Major Accounting Principles

1. Valuation methods of negotiable securities are as follows:
 - (1) Stock of subsidiaries and stock of affiliated companies: Valuation is at cost based on the moving average cost method.
 - (2) Other securities
 - 1) Stock with market value: Market value accounting based on market price at the date of interim account closing. (Net unrealized gains or losses on the securities are reported in the shareholders' equity. Cost of securities sold is calculated by the moving average cost accounting method.)
 - 2) Stock without market value: Valuation is at cost based on the moving average cost method.

2. The valuation methods of inventories are as follows:
 - (1) Manufactured goods and merchandise: Valuation is at cost based on the periodic average method (monthly)
 - (2) Raw materials, work in progress, and fuel out of stores: The valuation is at cost based on the moving average cost method.
 - (3) Other stores: The "last in" cost method.

3. The method of depreciation of tangible fixed assets is based on the declining-balance method. However, buildings (excluding building fixtures) acquired after April 1, 1998 are depreciated based on the straight-line method.

4. Standards for appropriation of major allowances are as follows:
 - Employees' 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 interim term.
 - Retirement benefits for directors and statutory auditors

Provision has been made for Retirement benefit for director and statutory on the basis of amount required as of the end of the interim term in accordance with internal rules.
 - Allowance for loss on debt guarantees

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

5. Finance lease 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.

Changes in Accounting Policies

(Accounting Standard for Impairment of Fixed Assets)

From this interim accounting term onwards, the Company promptly applied the Accounting Standard for Impairment of Fixed Assets (based on the "Opinion concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on August 9, 2002 and the "Guidance for Accounting Standard for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guidance No.6) issued by Accounting Standards Board of Japan on October 31, 2003).

This resulted in a ¥2,525 million decreases in net income before taxes for the interim term.

Notes:**(Interim Balance Sheet)**

	Interim term ended Sept.30, 2003	Interim term ended Sept.30, 2004	Term ended March 31, 2004
1 . Less accumulated depreciation of tangible fixed assets	¥281,784 million	¥288,514 million	¥285,321 million
2 . Assets subject to lien			
Marketable securities	¥872 million	¥1,220 million	¥1,492 million
3 . Liabilities for guarantee			
Liabilities for guarantees	¥2,973 million	¥2,244 million	¥2,251 million
Letter of Awareness	¥62 million	¥135 million	—

(Interim Income Statement)**Impairment Losses**

Impairment losses in the following asset category were accounted for in the interim accounting term.

Location	Purpose	Type	Impairment Loss
Ikoma City, Nara Prefecture, etc.	Idle land	Land	¥2,525 million

The Kaneka categorizes assets primarily on a division-by-division basis, and puts idle assets in an independent category.

Land owned by the Company in Ikoma City, Nara Prefecture, etc. was acquired for the purpose of building a research laboratory and Company-subsidized houses, but is currently an idle asset and its price has plummeted. Therefore, its book value was written down to the recoverable value, and the write-down was accounted for as impairment losses in the extraordinary loss section. The recoverable value of the land was appraised according to the net selling price based primarily on the road rating evaluated by National Tax Agency.

(Securities)

The stock of subsidiaries and affiliates with market value

	Interim term ended Sept. 30, 2003	Interim term ended Sept. 30, 2004	(Unit: ¥ million) Term ended March 31, 2003
Subsidiary Stock			
Amount on balance Sheet	1,820	1,820	1,820
Market value	1,951	2,211	2,419
Difference	130	390	599

Sales by Business Sector

Business Sector	Term from April 1, 2003 to September 30, 2003		Term from April 1, 2004 to September 30, 2004		Increase (Decrease)		Term from April 1, 2003 to March 31, 2004	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase ratio	Amount	Composition ratio
	¥million	%	¥million	%	¥million	%	¥million	%
Chemicals	25,974	20.6	30,800	22.4	4,825	18.6	54,048	21.0
Functional Plastics	13,003	10.3	13,770	10.0	767	5.9	25,976	10.1
Expandable Plastics and Products	17,300	13.7	16,751	12.2	(548)	(3.2)	34,755	13.5
Foodstuffs Products	26,079	20.6	25,541	18.6	(538)	(2.1)	53,016	20.6
Life Science Products	18,492	14.6	18,753	13.7	260	1.4	37,421	14.5
Electronic Products	14,566	11.5	20,506	14.9	5,940	40.8	31,845	12.4
Synthetic Fibers and Others	10,980	8.7	11,210	8.2	229	2.1	20,273	7.9
Total	126,397	100.0	137,333	100.0	10,935	8.7	257,337	100.0
Exports (out of total)	38,859	30.7	46,765	34.1	7,906	20.3	77,933	30.3