



October 27, 2005

Interim Consolidated Financial Results for the Term Ending March 2006

Name of Listed Company: Kaneka Corporation
Code Number: 4118
(URL: <http://www.kaneka.co.jp>)

Stock Exchanges Listed: Tokyo, Osaka, Nagoya
Headquarters Location: Osaka Prefecture

Representative: Name: Masami Onishi
Contact: Name: Masami Kishine

Title: President, Representative Director
Title: General Manager - Financial & Accounting Department
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Date of board of directors' meeting for approved of accounts: October 27, 2005
US accounting standards: Not adopted

1. For the Interim Term Ended September 2005 (from April 1, 2005 to September 30, 2005)

(1) Consolidated 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 2005	225,592	5.6	21,863	8.5	22,313	13.8
Interim term ended September 2004	213,548	8.4	20,152	40.0	19,611	55.5
Term ended March 2005	438,000		43,130		41,355	

	Net income		Net income per share	Fully diluted net income per share
	¥million	%	¥	¥
Interim term ended September 2005	12,269	11.7	35.36	-----
Interim term ended September 2004	10,988	57.5	31.46	30.34
Term ended March 2005	24,745		70.65	69.33

Notes:

- Profit and loss based on equity-method investment balance: ¥18 million in interim term ended September 2005, ¥8 million in interim term ended September 2004, ¥24 million in interim term ended March 2004
- Average number of shares (consolidated): 346,966,153 in interim term ended September 2005, 349,271,771 in interim term ended September 2004, 348,275,463 in term ended March 2005
- Changes to accounting policies: No
- The percentages in the net sales, operating income, ordinary income, and net income columns, represent increases (decreases) compared with interim results for the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Interim term ended September 2005	421,394	239,953	56.9	694.01
Interim term ended September 2004	379,562	209,859	55.3	604.22
Term ended March 2005	397,123	224,142	56.4	645.13

Notes: Number of shares issued (consolidated) at end of the period: 345,748,752 as of September 30, 2005 347,324,782 as of September 30, 2004 347,223,816 as of March 31, 2005

(3) 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
Interim term ended September 2005	27,015	(8,019)	(11,244)	34,447
Interim term ended September 2004	25,467	(7,998)	(25,059)	25,443
Term ended March 2005	43,242	(24,791)	(25,930)	25,521

(4) Scope of subsidiary consolidation and equity method

Consolidated subsidiaries: 50, Equity method non-consolidated subsidiaries: 0, Equity method affiliated companies: 2

(5) Changes to scope of subsidiary consolidation and equity method

Newly consolidated companies: 12, Excluded: 1, Newly included in equity method companies: 0, Excluded: 0

2. Consolidated performance Forecasts for Term Ending March 2006 (from April 1, 2005 to March 31, 2006)

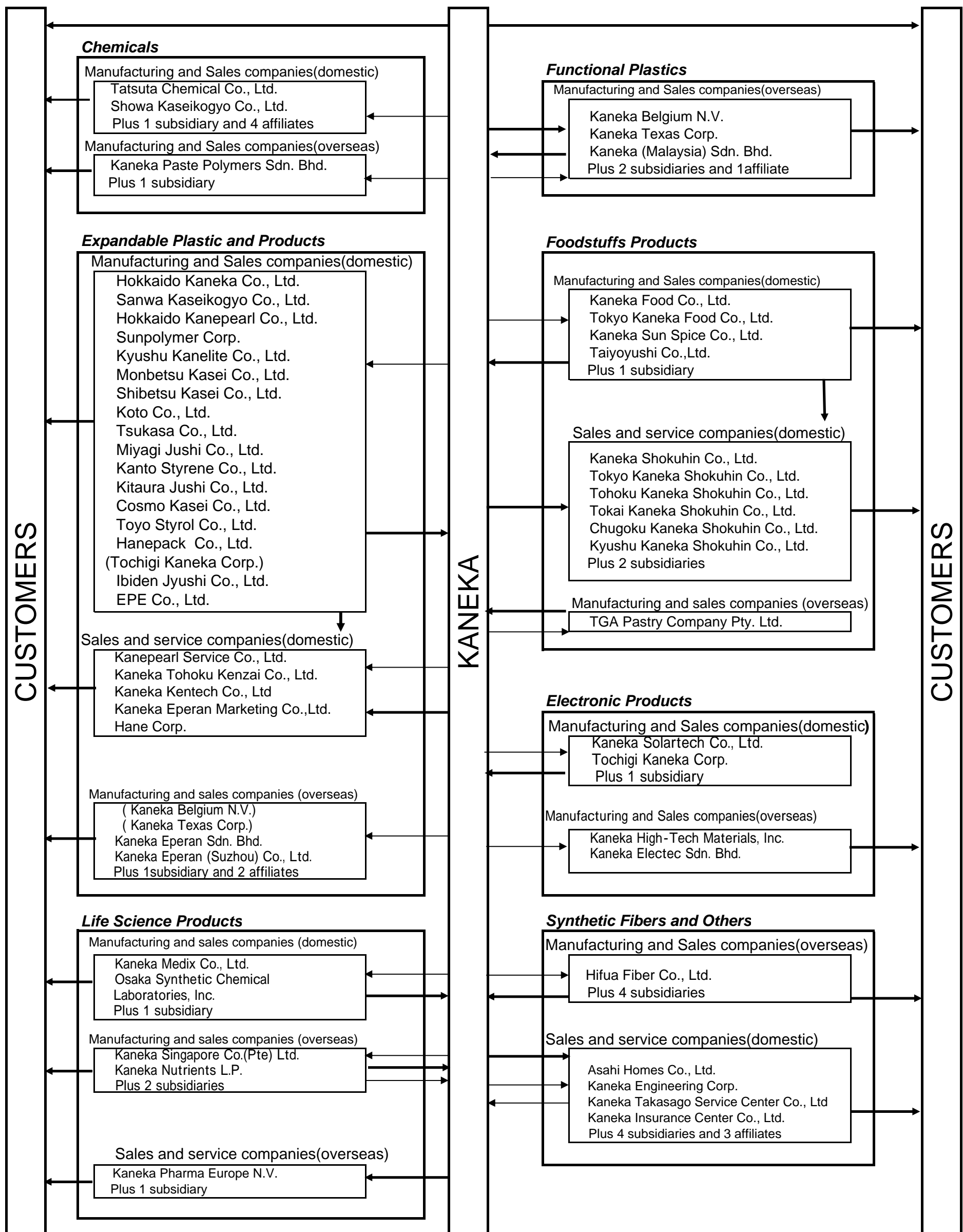
	Net sales	Ordinary income	Net income
	¥million	¥million	¥million
Overall term	465,000	47,500	28,000

(Reference) Projected net income per share (Overall term): ¥80.58

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 Kaneka Corporation, its 74 subsidiaries and 18 affiliated companies is centering on the following 7 segments, among others: chemicals, functional plastics, expandable plastics and products, foodstuffs products, life science products, electronic products, and synthetic fibers. The following chart shows the positioning of each company within the company's overall business, as well as the relationship with each segment according to business sector.



- Notes: 1. The “ ” mark indicates a consolidated subsidiary, and the “ ” mark indicates a non-consolidated subsidiary
 “ ” mark indicates an equity method subsidiary.
 2. —→ indicates the flow of products.
 3. —→ indicates the flow of materials and services (including provisions for technologies).
 4. Kaneka Belgium N.V., Kaneka Texas Corp., and Tochigi Kaneka Corp. are subsidiaries that overlap in several segments.
 Their auxiliary business is noted in the parentheses.
 5. Asahi Homes Co., Ltd. is listed on the JASDAQ Securities Exchange.

2. Management Policy

(a) Basic Management Policies

The Kaneka Group maintains a corporate philosophy of “In harmony with people, society and environment we strive to create a broad spectrum of life-enhancing products and services by using innovative technologies.” Based on this philosophy, the Group is striving to become a globally recognized group by deploying diversified business in fields with full potential, building on differentiated, original technologies and constantly offering socially useful new values.

To fulfill these objectives, we will use three keywords, namely, “change,” “leap” and “challenge,” to work on continual improvement of corporate values, in line with the following basic policies:

- Achievement of high growth and high earnings by combining high-growth and high-added-value business with business that generates stable earnings, based on diversified management;
- Concentration of investment on management resources in growth sectors, making efforts to improve profitability through continual cost improvement activities;
- Placement of “research and development targeting next-generation growth sectors,” “personnel who aggressively take on challenges towards high targets” and “globalization” as the management driving force.

This term is the 2nd year of the 22nd Mid-term Plan, and based on the philosophy stated above, the Kaneka Group is steadily addressing targeted challenges to materialize the planned profitability.

(b) Basic Policy on Profit Distribution

We believe that one of the most important tasks for Kaneka’s management is to improve earning potential and to maximize returns to shareholders while strengthening the company’s corporate foundation. The company will carry out the dividend policy based on the consolidated business performance, investment projects and financial conditions, aiming at stable sustainability according to long- and medium-term earning trends. We are also planning to purchase own shares actively following changes in economic conditions for better capital efficiency.

The dividend for the current term is expected to be ¥16 per share, and the interim dividend will be ¥8, a half of the full-term dividend.

During the period, we acquired 1,425 thousand treasury stocks from the market, which amounted to ¥1,767 million.

(c) Concepts and Policies on Cutting Investment Units

In respect with cutting the investment units of our shares, we will continue to examine the issue so that proper actions can be taken in consideration of the current circumstances of the liquidity of our own stocks, demand situations, cost effectiveness and other factors, while comprehensively taking into account such things as our shareholders’ needs and the state of the stock market.

(d) Target Management Indexes

Growth of sales and profit is our target in order to become globally recognized enterprise group.

Our medium- and long-term target is to achieve ¥600billion in consolidated net sales, ¥60billion in consolidated ordinary income, and 12% in return on assets (ROA).

(e) Medium-Range Management Strategies

Under the medium-term plan started in April 2004 (for three years until the end of March 2007), the Company has been making an effort to achieve continual high growth and high earnings by concentrating on the following measures:

- Active enhancement of consolidated management, promotion of globalization, and execution of mergers and acquisitions (M&A), including business alliances and takeovers;
- Concentration of management resources in sectors of high-performance resins, electronics and life science, for which we can expect future growth and Kaneka's superior technology can be applied;
- Fortification of the organizational and personnel framework, including the nurturing of key staff who will bear Kaneka's future and active recruitment of human resources from outside, and concurrent promotion of organizational operation efficiency based on the utilization of IT, outsourcing and so forth.

(f) Our Tasks

To implement the measures in the medium-term plan, the Company will focus on the following initiatives.

- (1) Reshaping our business portfolio, and improving competitiveness and profitability of each business consequently
- (2) Narrowing down the priority areas in research and development, and accelerating new business development
- (3) Preparing business infrastructure to expand business, strengthening consolidated management, and further globalization
- (4) Implementing drastic measures to recover the competitiveness of less-profitable businesses

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

(1) Basic Approach to Corporate Governance

The Company believes that corporate governance is a framework to achieve its contribution to society and increase corporate values based on the corporate philosophy previously explained.

(2) Implementation of Our Policy on Corporate Governance

To ensure the effectiveness and efficiency of operations, important issues affecting the management of the Company are first discussed at a Management Conference comprised of the president, and other managing directors and then approved by the Board of Directors' meeting. The Company runs business suitable to each business type and category, based on its basic strategy of

running diversified businesses. In terms of organization, we have adopted a division system. While divisional managers are given extensive authority with daily 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 directly to directors and auditors.

To ensure the reliability of financial reports and protection of the Company's assets, we basically strive to enforce autonomous and rigorous management by each of divisional manager. At the same time, Finance and Accounting Department daily monitors the management of each division's operations, while Internal Audit Department under the direct control of the president conducts its monitoring activities independently of other divisions. Meanwhile, to ensure timely and appropriate disclosure of corporate information, we have assigned Finance and Accounting Department as executive coordinating section and established disclosure procedures and assigned departments and posts in charge by information type (such as decided information, occurred information and finance information).

To ensure compliance with relevant laws and regulations, the Company has established a Compliance Committee and made a Declaration of Compliance as a message of the management. We have also edited a Compliance Guidebook and, led by Legal Department under the direct control of the president, held briefings to officers, employees, and affiliates at all levels and workplaces to make the spirit fully known to people involved. Furthermore, as what is called an "internal report system," we have created a section to contact in case of necessity.

The Company adopts an auditor system. There are four auditors, two of whom are external auditors. There is no information to be specified with respect to human, capital, or trade relationships or other interests that exist between the external auditors and the Company.

The board of auditors conducts audit in coordination with other parties concerned, for example, by asking Internal Audit Department for reports on the status of internal audit as necessary and asking the accounting auditors for explanations on accounting audit.

(h) Other Important Matters Relating to Management

Concerning our modifiers business, investigations by antitrust authorities in the United States and Europe as well as a hearing at the Fair Trade Commission of Japan are under way. A civil lawsuit has been filed at a court in the United States in connection with this issue, but we believe that this action has no grounds.

3. Business Results

(a) Business Performance

(1) Overview of Results for the Interim Term Ended September 30, 2005

During the interim term, the global economy performed well as a whole driven by the continued high growth of China and the U.S. economy, which showed a modest growth in spite of the inflation worries.

The Japanese economy, despite the effect of high raw material cost due to crude oil price hike, was also on a recovery trend because exports kept expanding thanks to constant growth of the overseas economy and production correction in the IT-related industries has run its course.

In this economic environment, the Kaneka Group made its efforts in profitability improvement by cost reduction and pricing change as well as responding to the changes in business environment to achieve its management targets.

Our business performance for the interim term marked a historical high in both revenues and profits with ¥225,592 million in consolidated sales (5.6% increase from the previous term), ¥21,863 million in operating income (8.5% increase) and ¥22,313 million in ordinary income (13.8%

increase). Despite an extraordinary loss of ¥2,451 million for an environmental expenditure to dispose PCB waste, interim net income also increased than last year and recorded a historical high with ¥12,269 million (11.7% increase).

Our non-consolidated business performance for the interim term was ¥142,557 million in sales (3.8% increase), ¥16,267 million in operating income (8.4% increase), ¥18,156 million in ordinary income (9.6% increase) and ¥10,438 million in net income (11.9% increase), all of which were record-breaking figures.

(2) Segment Trends

(Chemicals)

Exports of polyvinyl chloride to China decreased due to inventory adjustment and domestic sales were also sluggish. On the other hand, the sales quantity of specific PVC resins increased mainly on overseas markets. As a result, while sales exceeded the result of the 1st half of the previous term, profits remained same level.

(Functional Plastics)

Despite impacts of the continuously high level of prices of raw materials and fuels, profitability of MBS resins was improved by selling price correction and cost-cutting efforts. The sales volume of modified silicone polymers also increased steadily in Japan, Europe and the United States. As a result, this segment recorded an increase both in sales and in profits from the same term of the previous year.

(Expandable Plastics and Products)

Among expandable plastics and products, we made efforts to improve profitability of expandable polystyrene resins by streamlining and cost cutting. On the other hand, profitability of extruded polystyrene foam boards and expandable polyolefin was affected by the rise in raw materials prices. As a result, this segment generated higher sales but lower profits as compared to the 1st half of the previous year.

(Foodstuffs Products)

For foodstuffs, we enhanced our production, research and sales frameworks, and competitiveness such as cost cutting amid the diversification of consumers' needs and the increasing awareness of food safety. Also, we enjoyed an increase in both sales and profits on a year-on-year basis partly thanks to stabilized prices of raw edible oil.

(Life Science Products)

As for life science products, sales of newly developed products among pharmaceutical bulks and intermediates increased, but impacts of declines in existing products pushed down both sales and profits. On the other hand, among medical devices sales of blood purification systems and catheters remained steady, while both the sales and profits for functional foodstuffs largely increased owing to the growth of the sales quantity of coenzyme Q10. As a result, the segment recorded higher sales and profits figures than in the same period of the previous year.

(Electronic Products)

Among electronic materials, sales of ultra heat-resistant polyimide films were stable but failed to fully recover, and sales of magnet wire for cathode-ray-tube sharply dropped. On the other hand, profitability of this business remarkably improved thanks to the sales growth in optical films for LCDs, increased exports of solar cells to Europe, and cost-cutting efforts by productivity improvement. As a result, sales of this segment were lower but profits higher than in the same period of the previous year.

(Synthetic Fibers and Others)

In the synthetic fibers business, the sales quantity increased, and selling prices were corrected mainly in the pile product fields, but these positive factors were insufficient for the segment to absorb the higher prices of raw materials, and the profits went below those in the same period of the previous year, despite an increase of sales. In the other business fields, orders for engineering business decreased. As a result, profits of this segment went below those in the same period of the previous year, despite larger sales.

(International Sales)

International sales for the year amounted to ¥80,339 million, thanks to the increases in exports and sales generated by overseas subsidiaries. In particular, functional plastics grew in North America and Europe, and functional foodstuffs in North America. As a result, the ratio of international sales increased to 35.6%, exceeding the previous term (34.5%) and the same period of the previous year (35.0%).

(3) Performance Forecasts

The growth of the U.S. economy is likely to slow down somewhat affected by damage by hurricanes. The Chinese economy, which has maintained high growth, is also expected to decelerate due to Government's investment restriction measures.

The Japanese economy will be recovering moderately from deflation driven by an increase in equipment investments and exports and the progress of inventory correction outstanding in IT- and digital-related industries. The remaining higher crude oil prices, however, may deteriorate corporate earnings and block growth.

Based on such forecast, the Kaneka group intends to make its utmost efforts to achieve continual growth and further ensure the achievement of its medium- and long-term management targets.

Thus, the performance forecast for year ending March 31, 2006 are as follows:

1. Consolidated Forecasts

Sales	¥465.0 billion	(6.2% increase from year ended March 31, 2005)
Ordinary income	¥47.5 billion	(14.9% increase from year ended March 31, 2005)
Net income	¥28.0 billion	(13.2% increase from year ended March 31, 2005)

2. Non-consolidated Forecasts

Sales	¥296.0 billion	(4.7% increase from year ended March 31, 2005)
Ordinary income	¥38.5 billion	(8.7% increase from year ended March 31, 2005)
Net income	¥23.5 billion	(7.5% increase from year ended March 31, 2005)

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 ¥110 to the U.S. dollar, which is our main currency to be used, and ¥135 to the Euro.

(b) Financial Position**(1) Consolidated Cash Flows**

Cash flows from operating activities in the interim term was ¥27,015 million, including net income before income taxes in the amount of ¥19,861 million, depreciation and amortization of ¥10,466 million, and payment of income taxes of ¥8,518 million.

Cash flows used for investing activities amounted to ¥8,019 million including capital expenditures of ¥11,288million for the acquisition of tangible fixed assets such as capacity expansion of functional foodstuffs.

Cash flows used for financial activities amounted to ¥11,244 million, as a result of the ¥5,000 million redemption of 2nd unsecured bonds, in addition to dividend, share buybacks, the repayment of long- and short-term borrowings and other financial activities.

Consequently, the closing balance of cash and cash equivalents at the end of the year increased to ¥34,447 million, which is a ¥8,925 million increase from the previous fiscal year.

(2) Status of Assets, Liabilities, and Equity

The amount of gross assets as of September 30, 2005 was ¥421,394 million, an increase of ¥24,271 compared to March 31, 2005, thanks to an increase intangible fixed assets through capital investment, and a rise in mark-to-market prices of investment securities pushed by a climb in share prices. ROA (ratio of ordinary income against gross assets) also rose to 10.9%, exceeding the previous term (10.5%) and the same period of the previous year (10.2%).

The closing balance of interest-bearing debts as of September 30, 2005 was ¥43,415 million, ¥4,777 million decrease from March 31, 2005. Shareholders' equity amounted to ¥239,953 million, ¥15,810 million increase from March 31, 2005, mainly due to the increase in retained earnings.

Consequently, the shareholders' equity ratio was 56.9 % (previous term: 56.4%), and the D/E ratio (rate of interest-bearing debts to equity capital) was 0.18 (previous term: 0.22), both of which improved and led to a healthier financial structure.

(3) Trends in Financial Indexes

	Term ended March 31, 2002	Term ended March 31, 2003	Term ended March 31, 2004	Term ended March 31, 2005	Interim term ended September 30 2005
Shareholders' equity ratio	47.6%	50.2%	52.2%	56.4%	56.9%
Shareholders' equity ratio based on market value	80.9%	53.6%	93.3%	103.5%	121.5%
Number of years of debt redemption	2.5	1.9	1.7	1.1	0.8
Interest coverage ratio	17.5	23.9	26.9	35.1	50.9

(Notes)

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 cash flows from operating activities. The scope of Interest-bearing debts 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.

(c) Business Risks and Uncertainties

Matters that may significantly affect the management performance and financial position of the Kaneka Group include those described below.

Please note that the elements described here are only those that we considered as risks as of September 30, 2005; this is not an exhaustive list of risks borne by the Group.

- (1) Risks associated with the globalization of our business (Fluctuations in foreign exchange rates, deployment of overseas business)

The Kaneka Group designates globalization as a key element of its management strategy, and overseas sales accounted for 35.6% of the total sales in the interim term. Overseas business operations may face various risks including unexpected changes in laws, regulations and tax system, and social and political confusion owing to terrorism and warfare. If these risks materialize, it may adversely affect the Group's performance and financial position. Meanwhile, as fluctuations of foreign exchange rates significantly affect the Group's performance because of its revenue structure, we employ foreign exchange forward contracts or other hedges for foreign trade transactions as appropriate to minimize the foreign exchange risks, but sharp fluctuations in exchange rates beyond the coverage of hedge instruments may seriously affect the performance and financial position of the Group.

- (2) Risks of price fluctuations in raw materials and fuels

The Kaneka Group has adopted a purchasing framework to achieve the most favorable purchasing cost for raw materials and fuels, through combinations of medium- to long-term forward contracts and spot market purchases. However, since most of these products are subject to price fluctuations in the international market, there are still some risks involved as there may be sharp fluctuations of the prices beyond our expectations, which cannot be offset by cost reductions or price revisions. In particular, the PVC/Caustic Soda, MBS resins and foodstuffs categories may cause a significant impact on the Group's performance depending on the price fluctuations of petrochemical materials, fuels as well as raw edible oils.

- (3) Risks associated with products liabilities, industrial accidents and large-scale disasters

The Kaneka Group takes all possible measures to safely distribute and provide products used in security. Furthermore, we maintain liability insurances covering the whole Group, in order to be prepared should a product accident happen. There still remains, however, a possibility that unexpected problems with product quality will cause a large-scale product accident. We make best efforts to ensure safety and accident prevention by giving the highest priority to safety, but there are risks that main facilities will be destroyed and expenses are incurred beyond the coverage of property insurance due to unexpected industrial accidents and large-scale disasters including earthquakes. In such circumstances, it is possible that the Group's performance and financial position will be significantly affected.

(4) Risks associated with the protection of intellectual property rights

To maintain the advantage of its business, the Kaneka Group attaches strategic importance to the protection of newly developed technologies with patents. However, with globalization and development of IT technologies, it is not possible for us to completely avoid the risks of leaking our proprietary technologies and know-how outside and risks of having disputes with other parties in connection with the grant of our intellectual properties or the use of other companies' intellectual properties. In such circumstances, it is possible that the Group's performance and financial position will be significantly affected.

(5) Impact of environment-related regulations

To minimize the impact of business activities on the global environment and ecosystem, the Kaneka Group makes the best efforts to reduce environmental burden and save resources and energy throughout the life cycle of its products. Environmental regulations have been tightening every year, and expenses may be incurred in connection with the manufacture, storage, and disposal of its products depending on the nature of regulations, rendering a significant impact on the Group's performance and financial position.

(6) Risks associated with lawsuits

The Group attaches importance to management in compliance with laws and regulations, making efforts to enforce the practice at all levels of its organization. There are risks, however, that lawsuits and administrative measures may be taken against the Group in connection with its operations in Japan and abroad. If an important action is filed against the Group, it is possible that the Group's performance and financial position will be significantly affected.

(7) Other risks

The Group's performance and financial position may be significantly affected otherwise by such factors as fluctuations of products prices in markets, changes in laws and regulations, delay in specific areas of research and development, and technical innovations.

Interim Consolidated Balance Sheets

	Interim term ended September 30, 2004	Interim term ended September 30, 2005	Term ended March 31, 2005		Interim term ended September 30, 2004	Interim term ended September 30, 2005	Term ended March 31, 2005
Item	¥million	¥million	¥million	Item	¥million	¥million	¥million
(Assets)				(Liabilities)			
I Current assets				I Current Liabilities			
Cash and deposits	22,509	31,535	22,556	Notes and accounts payable	58,508	58,916	60,181
Notes and accounts receivable	101,410	105,421	107,532	Short-term borrowings	12,084	11,508	12,407
Marketable securities	6,059	3,183	8,297	Bonds payable redeemed within 1 year	5,000	-	5,000
Inventories	43,628	49,584	47,814	Account liabilities	18,828	24,059	18,152
Deferred tax assets	3,809	3,983	3,826	Accrued expenses	8,338	9,062	8,124
Others	10,017	8,401	13,248	Accrued corporate taxes	6,786	8,749	8,872
Allowance for doubtful receivables	(383)	(393)	(411)	Accrued consumption taxes	503	695	764
Total current assets	187,051	201,716	202,863	Deferred tax liabilities (current)	2	0	0
				Allowance for loss on debt guarantees	521	-	-
				Others	2,665	3,853	2,315
				Total current liabilities	113,239	116,845	115,819
II Fixed assets				II Fixed liabilities			
Tangible fixed assets				Bonds payable	15,000	15,000	15,000
Buildings and structures	44,348	48,391	44,265	Long-term debts	14,825	16,907	15,785
Machinery and equipment	53,005	54,366	51,800	Deferred tax liabilities (non-current)	705	4,356	531
Land	20,588	21,071	20,433	Employees' severance and retirement benefits	19,298	18,992	18,945
Construction in progress	5,474	10,070	4,717	Retirement benefits for directors and statutory auditors	955	860	1,048
Others	3,792	3,893	3,826	Others	535	3,047	606
Total tangible fixed assets	127,209	137,793	125,044	Total fixed liabilities	51,319	59,164	51,917
Intangible fixed assets	2,778	2,788	2,610	Total liabilities	164,559	176,010	167,737
Investments and other assets				(Minority interests)			
Investments in securities	49,114	67,118	54,724	Minority interests	5,144	5,431	5,243
Deferred tax assets (non-current)	2,528	177	678	(Shareholders' equity)			
Others	11,678	13,132	12,607	I Common stock	33,046	33,046	33,046
Allowance for doubtful receivables	(799)	(810)	(884)	II Capital surplus	34,846	34,855	34,854
Allowance for investment loss	-	(521)	(521)	III Retained earnings	143,476	164,693	155,149
Total investments and other assets	62,523	79,095	66,604	IV Net unrealized gain on marketable securities	11,302	21,794	14,211
Total fixed assets	192,511	219,678	194,260	V Foreign currency translation adjustments	(4,536)	(4,207)	(4,721)
				VI Treasury stock	(8,276)	(10,230)	(8,398)
				Total common stock	209,859	239,953	224,142
Total Assets	379,562	421,394	397,123	Total liabilities, minority interests and shareholders' equity	379,562	421,394	397,123

Consolidated Interim Statement of Income

Title	Interim term from April 1, 2004 to Sept. 30, 2004	Interim Term from April 1, 2005 to Sept. 30, 2005	Increase (Decrease)	Term from April 1, 2004 to March 31, 2005
	¥million	¥million	¥million	¥million
I. Net sales	213,548	225,592	12,044	438,000
II. Cost of sales	150,778	160,040	9,262	309,197
Gross profit	62,769	65,552	2,782	128,803
III. Selling, general and administrative expenses	42,616	43,688	1,071	85,673
Operating income	20,152	21,863	1,710	43,130
IV. Non-operating income	1,668	2,084	415	2,733
Interest	99	56	(43)	179
Dividends income	415	450	34	606
Gain on sales of marketable securities	124	279	154	483
Exchange gains	655	507	(148)	777
Equity in gains of unconsolidated subsidiaries and affiliates	8	18	10	24
Others	363	771	407	661
V. Non-operating expenses	2,209	1,634	(575)	4,507
Interest expense	703	550	(152)	1,218
Loss on disposals property, plant and equipment	955	682	(273)	1,902
Others	551	401	(149)	1,386
Ordinary income	19,611	22,313	2,701	41,355
VI. Extraordinary loss	2,817	2,451	(365)	3,111
Environmental expenditures	—	2,451	2,451	—
Impairment losses	2,817	—	(2,817)	3,111
Income before income taxes	16,794	19,861	3,067	38,244
Corporate taxes, local taxes and business taxes	6,324	8,288	1,963	14,141
Income taxes deferred	(658)	(886)	(227)	(1,011)
Minority interests	139	189	50	369
Net income	10,988	12,269	1,280	24,745

Interim Statements of Additional Paid in Capital and Retained Earnings

	Interim term from April 1, 2004 to September 30, 2004	Interim Term from April 1, 2005 to September 30, 2005	Increase (Decrease)	Term from April 1, 2004 to March 31, 2005
Item	¥million	¥million	¥million	¥million
<Additional paid in capital>				
I. Beginning balance for capital surplus	34,837	34,854	10	34,837
II. Increase in capital surplus	8	0	(8)	17
Gain on disposal of treasury stock	8	0	(8)	17
III. Balance of capital surplus at term end	34,846	34,855	9	34,854
<Retained Earnings>				
I. Beginning balance for retained earnings	134,021	155,149	12,936	134,021
II. Increase in retained earnings	10,988	12,962	(1,974)	24,745
Net income	10,988	12,269	1,280	24,745
Amount of the increase due to expansion of the scope of consolidated subsidiaries	—	693	693	—
III. Decrease in retained earnings	1,533	3,418	1,884	3,617
Cash dividends paid	1,402	2,777	1,374	3,486
Bonuses to directors and statutory auditors	131	139	8	131
Amount of the decrease due to expansion of the scope of consolidated subsidiaries	—	500	500	—
IV. Outstanding balances of retained earnings at term end	143,476	164,693	21,217	155,149

Interim Consolidated Statements of Cash Flows

	Interim term from April 1, 2004 to September 30, 2004	Interim Term from April 1, 2005 to September 30, 2005	Term from April 1, 2004 to March 31, 2005
Item	¥million	¥million	¥million
I. Cash flows from operating activities			
Net interim income before income taxes	16,794	19,861	38,244
Depreciation and amortization	10,712	10,466	22,427
Provision for severance and retirement benefits	(311)	(173)	(653)
Increase (decrease) in allowance for doubtful receivables	50	(127)	(245)
Interest and dividend income	(515)	(507)	(785)
Interest expense	703	550	1,218
Loss on sales and disposals of property, plant and equipment	1,044	456	1,842
Impairment losses	2,817		3,111
Environmental Expenditure		2,451	
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(8)	(18)	(24)
(Increase) decrease in trade receivables	(1,668)	1,368	(7,914)
(Increase) decrease in inventories	(61)	(957)	(4,344)
Increase (decrease) in trade payables	4,058	595	5,812
Others	(474)	1,581	(1,782)
Subtotal	33,140	35,547	56,906
Interest and dividends received	536	517	806
Interest paid	(699)	(530)	(1,233)
Income taxes paid	(7,509)	(8,518)	(13,236)
Net cash provided by operating activities	25,467	27,015	43,242
II. Cash flows from investing activities			
Payment for purchase of marketable securities	(702)	(900)	(3,622)
Proceeds from marketable securities	4,558	3,836	4,685
Payments for purchase of tangible fixed assets	(14,026)	(11,288)	(25,482)
Payment for purchase of intangible assets	(310)	(416)	(524)
Purchase of investments	(2,985)	(185)	(4,699)
Proceeds from investment securities	3,424	2,693	6,044
Increase in loans receivable	(515)	(2,269)	(2,700)
Decrease in loans receivable	424	166	529
Others	2,132	344	978
Net cash used in investing activities	(7,998)	(8,019)	(24,791)
III. Cash flows from financing activities			
Increase (Decrease) in short-term borrowing	(522)	(894)	444
Proceeds from long-term debt	50	900	1,500
Repayment of long-term debt	(1,000)	(1,540)	(2,009)
Redemption of debenture		(5,000)	
Redemption of convertible bonds	(18,575)		(18,575)
Dividends paid	(1,402)	(2,777)	(3,486)
Dividends paid to minority interests	(155)	(100)	(236)
Purchase of treasury stock	(3,464)	(1,833)	(3,608)
Proceeds of treasury stock	10	3	40
Net cash used in financing activities	(25,059)	(11,244)	(25,930)
IV. Effect of exchange rate changes on cash and cash equivalents	149	58	117
V. Net increase (decrease) in cash and cash equivalents	(7,440)	7,810	(7,362)
VI. Cash and cash equivalents at beginning of term	32,884	25,521	32,884
. Effect of changes in consolidated subsidiaries		1,115	
. Cash and cash equivalents at term end	25,443	34,447	25,521

The relation between the outstanding balances of cash and equivalents at the term end and the respective amounts in items listed on the interim consolidated balance sheet (consolidated balance sheet)

	(¥million)		
	Interim term ended September 2004	Interim Term ended September 2005	Term ended March 2005
Cash and deposit	22,509	31,535	22,556
Time deposits (period of deposit greater than 3 months)	(62)	(103)	(49)
Marketable securities	6,059	3,183	8,297
Stocks and bonds (redemption period exceeds 3 months)	(3,063)	(169)	(5,282)
Cash and cash equivalents	25,443	34,447	25,521

Notes to Consolidated Interim Financial Statements

1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 50
- (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 45 other companies
- (3) Consolidated subsidiaries newly included:
Kaneka Eperan (Suzhou) Co., Ltd., Hifua Fiber Co., Ltd., Monbetsu Kasei Co., Ltd., Shibetsu Kasei Co., Ltd., Koto Co., Ltd., Tsukasa Co., Ltd., Miyagi Jushi Co., Ltd., Kanto Styrene Co., Ltd., Kitaura Jushi Kogyo Co., Ltd., Cosmo Kasei Co., Ltd., Toyo Styrol Co., Ltd., and Hanepack Co., Ltd., are included in the consolidation scope because their significance has increased.
- (4) Consolidated subsidiaries excluded:
Kaneka Kenzai Co., Ltd.: Excluded from scope of consolidation by merger with Kaneka Kentech Co., Ltd.
- (5) Other subsidiaries have been excluded from the scope of consolidation because they do not have significant influence on interim 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 interim Account Closing for Consolidated Subsidiaries

Interim accounting close for Kaneka Singapore Co. (Pte.) Ltd., Kaneka Eperan (Suzhou) Co., Ltd., Hifua Fiber Co., Ltd. and Taiyo Yushi Co., Ltd. on June 30. Consolidated interim 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. Securities

Securities with market value:

Market value accounting based on market price at the date of 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.)

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

cost 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

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.

B. Allowance for investment loss

In order to provide for the loss of investment value in affiliated companies, an appropriate amount is allocated, taking into consideration the financial status of the affiliated companies.

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

The company and the part of consolidated subsidiary provide retirement benefit for director and statutory on the basis of the amount required as of the end of the current interim in accordance with internal rules.

(4) Treatment of major lease transactions

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.

(5) Hedge accounting method

A. Hedge instruments

Deferred hedge accounting is applied. However, special accounting is applied to interest rate swap transactions that fulfill the requirements of special accounting, and transfer 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, interest rate movement risks, are hedged.

D. Method for effectiveness evaluation

For evaluation of effectiveness, hedge items and hedge methods are analyzed in market movements or cash flow fluctuations to determine any correlation.

(6) Matters relating to tax effect accounting

The amount of taxes paid and income taxes deferred for the interim consolidated accounting period were calculated considering the scheduled increase and decrease of the reserves for replaced property and reserves for special depreciation as a result of profit distribution.

(7) Additional note regarding preparation of statements

Consumption taxes are not included in accounting treatments.

5. Scope of Funds in Interim Consolidated Statements of Cash Flows

Funds referred to in the Interim 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:

(Interim Balance Sheet)

	<u>Interim term ended September 30, 2004</u>	<u>Interim term ended September 30, 2005</u>	<u>Term ended March 31, 2005</u> (Unit: million yen)
1. Less accumulated depreciation of tangible fixed assets	382,958	403,400	388,401
2. Contingent liabilities			
Guarantees	1,281	442	1,234
Letter of awareness	135	-	554
3. Discount on notes receivable	1,001	1,054	975
Notes payable endorsed for payment	68	11	56

1. Segment Information

1. Segment information by business

(1) Interim Term from April 1, 2004 to September 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										
Sales										
(1) Customers	38,876	30,364	32,689	51,118	21,680	24,141	14,676	213,548	-	213,548
(2) Intersegment	938	124	956	3	-	-	2,737	4,760	(4,760)	-
Total	39,815	30,488	33,646	51,122	21,680	24,141	17,413	218,308	(4,760)	213,548
Operating expenses	37,605	26,225	33,087	49,223	13,828	20,604	15,245	195,819	(2,424)	193,395
Operating income	2,209	4,263	558	1,899	7,852	3,537	2,167	22,489	(2,336)	20,152

(2) Interim Term from April 1, 2005 to September 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										
Sales										
(1) Customers	42,248	35,612	33,732	52,792	22,544	23,276	15,385	225,592	-	225,592
(2) Intersegment	1,140	149	776	4	-	-	4,260	6,332	(6,332)	-
Total	43,388	35,762	34,509	52,797	22,544	23,276	19,646	231,925	(6,332)	225,592
Operating expenses	41,207	30,222	34,055	50,501	14,456	18,789	18,418	207,651	(3,922)	203,729
Operating income	2,181	5,540	453	2,296	8,087	4,487	1,227	24,274	(2,410)	21,863

(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

Notes:

(Interim Balance Sheet)

	Interim term ended September 30, 2004	Interim term ended September 30, 2005	Term ended March 31, 2005
	<hr/>	<hr/>	<hr/>
			(Unit: million yen)
1 Less accumulated depreciation of tangible fixed assets	382,958	403,400	388,401
2 Contingent liabilities			
Guarantees	1,281	442	1,234
Letter of awareness	135	-	554
3 Discount on notes receivable	1,001	1,054	975
Notes payable endorsed for payment	68	11	56

2. Segment Information by Geographic Area

(1) Interim term from April 1, 2004 to September 30, 2004 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
I. Sales and Operating Profit/Loss					
Sales					
(1) Customers	181,831	31,716	213,548	-	213,548
(2) Intersegment	5,575	1,843	7,418	(7,418)	-
Total	187,406	33,559	220,966	(7,418)	213,548
Operating expenses	167,900	30,685	198,586	(5,190)	193,395
Operating income	19,505	2,874	22,380	(2,227)	20,512

(2) Interim term from April 1, 2005 to September 30, 2005 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
I. Sales and Operating Profit/Loss					
Sales					
(1) Customers	190,031	35,560	225,592	-	225,592
(2) Intersegment	5,731	1,803	7,534	(7,534)	-
Total	195,763	37,364	233,127	(7,534)	225,592
Operating expenses	174,133	34,767	208,901	(5,172)	203,729
Operating income	21,629	2,596	24,225	(2,362)	21,863

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

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
I. Sales and Operating Profit/Loss					
Sales					
(1) Customers	374,066	63,934	438,000	-	438,000
(2) Intersegment	11,645	3,654	15,299	(15,299)	-
Total	385,711	67,589	453,300	(15,299)	438,000
Operating expenses	342,472	62,943	405,416	(10,545)	394,870
Operating income	43,238	4,645	47,884	(4,754)	43,130

Notes: 1. The regions falling under the Other area category consist of 'North America', 'Europe' and 'Asia'. The sales 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

2. Operating expenses included in the 'eliminations and corporate' column of ¥2,220 million for the interim term ended September 30, 2004, ¥2,357 million for the interim term ended September 30, 2005, and ¥4,527 million for the term ended March 31, 2005, respectively, consist principally of fundamental res expenses of the Company.

3. International Sales

(1) Interim Term from April 1, 2004 to September 30, 2004 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
International Sales	31,482	17,343	22,938	3,000	74,764
Consolidated sales					213,548
The ratio of sales to consolidated sales (%)	14.8	8.1	10.7	1.4	35.0

(2) Interim Term from April 1, 2005 to September 30, 2005 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
International Sales	31,366	23,541	21,373	4,058	80,339
Consolidated sales					225,592
The ratio of sales to consolidated sales (%)	13.9	10.4	9.5	1.8	35.6

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

	Asia	North America	Europe	Other Areas	Total
International Sales	63,618	35,011	45,421	7,135	151,187
Consolidated sales					438,000
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

2. Lease Transactions

The details are disclosed through EDINET(Electronic Disclosure for Investor's Network provided by Financial Agency, The Japanese Government) and thus are not presented here.

3, Securities

1. Bonds held to maturity listed at market value
No corresponding bonds

2. Other Securities with Market Value

(Unit: ¥million)

	Interim term ended September 30, 2004			Interim term ended September 30, 2005			Term ended March 31, 2005		
	Acquisition cost	Amount on interim balance sheet	Difference	Acquisition cost	Amount on interim balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference
(1) Stocks	15,548	34,711	19,163	16,898	53,758	36,860	16,923	41,018	24,095
(2) Bonds									
Government bonds and local government bonds, etc.	961	962	1	642	644	1	1,743	1,745	2
Corporate bonds	2,535	2,544	8	—	—	—	1,921	1,928	7
Others	31	30	(0)	26	26	0	2,241	2,240	(1)
(3) Others	—	—	—	—	—	—	—	—	—
Total	19,076	38,249	19,172	17,567	54,429	36,862	22,830	46,933	24,103

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

	Interim term ended Sep. 30, 2004	Interim term ended Sep. 30, 2005	Term ended March 31, 2005
	Amount on interim consolidated balance sheet	Amount on interim consolidated balance sheet	Amount on consolidated balance sheet
(1) Bonds held to maturity - - - - -	-	-	-
(2) Unconsolidated subsidiaries' stock and affiliates' stock	5,185	4,860	5,203
(3) Other securities			
Non-listed stock	8,735	7,236	7,231
Mutual funds invested in bonds	2,996	3,014	3,014
Others	8	761	638

4. Derivatives Transactions

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

Manufacturing, Orders and Sales

(1) Manufacturing Results

(Unit: ¥million)

Business Segment	Interim term from April 1, 2004 to September 30, 2004	Interim term from April 1, 2005 to September 30, 2005	Increase (Decrease) Ratio (%)	Term from April 1, 2004 to March 31, 2005
Chemicals	30,634	32,027	4.5	65,362
Functional Plastics	29,821	35,097	17.7	63,039
Expandable Plastics and Products	22,548	24,683	9.5	51,101
Foodstuffs Products	25,410	26,004	2.3	51,563
Life Science Products	22,463	21,990	(2.1)	41,550
Electronic Products	22,733	21,596	(5.0)	46,345
Synthetic Fibers and Others	11,972	12,507	4.5	24,128
Total	165,584	173,909	5.0	343,091

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	Interim term from April 1, 2004 to September 30, 2004	Interim Term from April 1, 2005 to September 30, 2005	Increase (Decrease) Ratio (%)	Term from April 1, 2004 to March 31, 2005
Chemicals	38,876	42,248	8.7	82,199
Functional Plastics	30,364	35,612	17.3	61,970
Expandable Plastics and Products	32,689	33,732	3.2	66,579
Foodstuffs Products	51,118	52,792	3.3	105,228
Life Science Products	21,680	22,544	4.0	46,861
Electronic Products	24,141	23,276	(3.6)	46,387
Synthetic Fibers and Others	14,676	15,385	4.8	28,773
Total	213,548	225,592	5.6	438,000



October 27, 2005

Non-Consolidated Interim Financial Results for the Term Ended March 2006

Name of Listed Company: **Kaneka Corporation**
Code Number: **4118**

Stock Exchanges Listed: Tokyo, Osaka, Nagoya
Headquarters Location: Osaka Prefecture

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

Representative: Name: Masami Onishi
Contact: Name: Masami Kishine

Title: President, Representative Director
Title: General Manager - Financial & Accounting Department
Phone: +81-6-6226-5169

Date of directors' meeting for approval of accounts: October 27, 2005 Interim dividend system: Yes
Date of interim dividend: December 5, 2005 Minimum trading unit system: Yes Minimum trading unit: 1,000 shares

1. For the Interim Term Ended September 2005 (from April 1, 2005 to September 30, 2005)

(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 2005	142,557	3.8	16,267	8.4	18,156	9.6
Interim term ended September 2004	137,333	8.7	15,012	35.0	16,573	49.3
Term ended March 2005	282,741		33,510		35,405	

	Net income		Net income per share
	¥million	%	¥
Interim term ended September 2005	10,438	11.9	30.09
Interim term ended September 2004	9,329	36.0	26.71
Term ended March 2005	21,853		62.40

Notes: 1. Average number of shares during accounting term: Interim term ended September 2005: 346,966,153
Interim term ended September 2004: 349,271,771, Term ended March 2005: 348,275,463

2. Changes to accounting policies: No

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
	¥	¥million
Interim term ended September 2005	8.00	
Interim term ended September 2004	6.00	
Term ended March 2005		14.00

(3) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Interim term ended September 2005	348,863	214,761	61.6	621.15
Interim term ended September 2004	313,299	188,339	60.1	542.26
Term ended March 2005	330,713	201,500	60.9	579.97

Notes: 1. Number of shares issued at end of term: September 30, 2005: 345,748,752 September 30, 2004: 347,324,782 March 31, 2005: 347,223,816
2. Treasury stock at end of accounting term: September 30, 2005: 11,863,666 September 30, 2004: 10,287,636 March 31, 2005: 10,388,602

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

	Net sales	Ordinary income	Net income	Annual dividend per share	
				End of term	
	¥million	¥million	¥million	¥	¥
Overall term	296,000	38,500	23,500	8.00	16.00

(Reference) Projected net income per share (Overall term): ¥67.62

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, 2004	Interim term ended Sept 30, 2005	B/S for term ended March 31, 2005		Interim term ended Sept 30, 2004	Interim term ended Sept 30, 2005	B/S for term ended March 31, 2005
Item	¥million	¥million	¥million	Item	¥million	¥million	¥million
Assets				Liabilities			
I Current assets				I Current Liabilities			
Cash and deposits	16,366	23,401	16,190	Notes payable	1,448	1,026	987
Trade notes receivable	5,274	4,053	5,153	Accounts payable	35,058	36,692	36,965
Accounts receivable	69,633	74,103	75,638	Short-term borrowings	10,823	12,539	11,893
Marketable securities	3,927	1,027	6,222	Bonds payable redeemed within 1 year	5,000	-	5,000
Inventories	25,808	29,047	28,439	Accrued amount payable	15,617	18,958	15,040
Deferred tax assets	2,771	2,630	2,691	Accrued corporate taxes	4,832	6,613	7,314
Others	14,926	16,834	17,654	Allowance for loss on debt guarantees	1,589	664	682
Allowance for doubtful receivables	(165)	(156)	(167)	Others	5,362	5,457	5,461
Total current assets	138,543	150,941	151,823	Total current liabilities	79,733	81,952	83,346
II Fixed assets				II Fixed liabilities			
Tangible fixed assets				Bonds payable	15,000	15,000	15,000
Buildings	24,313	25,931	24,076	Long-term debts	12,594	14,203	13,450
Machinery and equipment	39,027	36,850	36,952	Employees' severance and retirement benefits	16,651	16,084	16,357
Land	15,473	15,500	15,454	Retirement benefits for directors and statutory auditors	810	638	878
Others	9,590	15,033	12,108	Deferred tax liabilities (non-current)	-	3,655	-
Total tangible fixed assets	88,405	93,316	88,591	Others	170	2,568	180
Intangible fixed assets	1,106	1,061	1,085	Total fixed liabilities	45,226	52,150	45,866
Investments and other assets				Total liability	124,960	134,102	129,212
Investments in securities	70,987	89,086	76,790	Shareholders' equity			
Long-term loans receivable	6,679	10,376	8,586	I Common stock	33,046	33,046	33,046
Deferred tax assets	2,107	-	397	II Additional paid-in capital			
Others	7,103	6,674	6,063	Capital surplus	34,821	34,821	34,821
Allowance for doubtful receivables	(1,634)	(1,660)	(1,695)	Other additional paid-in capital	9	18	18
Allowance for Investment Loss	-	(931)	(931)	Total additional paid-in capital	34,831	34,840	34,839
Total Investments and other assets	85,244	103,545	89,211	III Retained earnings			
Total Fixed assets	174,755	197,922	178,889	Retained earnings reserve	5,863	5,863	5,863
				Voluntary reserve	88,663	105,801	88,663
				Unappropriated retained earnings for the (current) interim period	23,185	24,027	33,624
				Total retained earnings	117,712	135,693	128,151
				IV Unrealized gain on available-for-sale securities	11,025	21,411	13,861
				V Treasury stock	(8,276)	(10,230)	(8,398)
				Total shareholders' equity	188,339	214,761	201,500
Total Assets	313,299	348,863	330,713	Total liabilities and shareholders' equity	313,299	348,863	330,713

Interim Statements of Income

	Term from April 1, 2004 to September 30, 2004	Term from April 1, 2005 to September 30, 2005	Increase (Decrease)	Term from April 1, 2004 to March 31, 2005
Item	¥million	¥million	¥million	¥million
I. Net sales	137,333	142,557	5,223	282,741
II. Cost of sales	95,027	99,259	4,231	194,529
Gross profit	42,306	43,298	992	88,212
III. Selling, general and administrative expenses	27,294	27,030	(263)	54,701
Operating income	15,012	16,267	1,255	33,510
IV. Non-operating income	3,392	3,490	97	5,205
Interest received	80	79	(1)	155
Dividends received	2,339	2,270	(69)	3,482
Others	972	1,141	168	1,567
V. Non-operating expenses	1,831	1,601	(229)	3,310
Interest and discounts paid	560	387	(172)	953
Others	1,217	1,214	(57)	2,357
Ordinary income	16,573	18,156	1,583	35,405
VI. Extraordinary loss	2,525	2,403	(122)	2,525
Environmental expenditures	—	2,403	2,403	—
Impairment losses	2,525	—	(2,525)	2,525
Income before income taxes	14,048	15,753	1,705	32,880
Corporate taxes, local taxes and business traxes	4,640	6,370	1,730	11,100
Income taxes deferred	78	(1,054)	(1,133)	(73)
Net profit	9,329	10,438	1,109	21,853
Balance carried forward from the previous term	13,855	13,589	(266)	13,855
Interim dividends paid	—	—	—	2,083
Unappropriated net income at the end of term	23,185	24,027	842	33,624

Notes to Interim Financial statements

1. Valuation standards and methods of assets:

A. Securities

Stock of subsidiaries and stock of affiliated companies: Valuation is at cost based on the moving average cost method.

Other securities

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.)

Stock without market value: Valuation is at cost based on the moving average cost method.

B. Derivatives

Market value method

C. Inventories

Manufactured goods and merchandise: Valuation is at cost based on the periodic average method (monthly)

Raw materials, work in progress, and fuel out of stores: The valuation is at cost based on the moving average cost method.

Other stores: The "last in" cost method.

2. The method of depreciation of fixed assets.

A. Tangible fixed assets

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.

B. Intangible fixed assets

Based on the straight-line method.

3. Standards for appropriation of major allowances:

A. 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.

B. Allowance for investment loss

In order to provide for the loss of investment value in affiliated companies, an appropriate amount is allocated, taking into consideration the financial status of the affiliated companies.

C. Allowance for loss on debt guarantees

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

D. 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.

E. Retirement benefit for directors

Provision has been made for retirement benefit for director and statutory on the basis of the amount required as of the end of the interim term in accordance with internal rules.

4. Lease transactions

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.

5. Hedge accounting method**A. Hedge instruments**

Deferred hedge accounting is applied. However, special accounting is applied to interest rate swap transactions that fulfill the requirements of special accounting, and transfer 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, interest rate movement risks are hedged.

D. Method for effectiveness evaluation

For evaluation of effectiveness, hedge items and hedge methods are analyzed in market movements or cash flow fluctuations to determine any correlation.

6. Matters relating to tax effect accounting

The amount of taxes paid and income taxes deferred for the interim consolidated accounting period were calculated considering the scheduled increase and decrease of the reserves for replaced property and reserves for special depreciation as a result of profit distribution.

7. Additional note regarding preparation of statements

Consumption taxes are not included in accounting treatments.

Notes:**(Interim Balance Sheet)**

	Interim term ended September 30, 2004	Interim term ended September 30, 2005	Term ended March 31, 2004
1. Less accumulated depreciation of tangible fixed assets	¥288,514 million	¥296,392 million	¥292,783 million
2. Assets subject to lien Marketable securities	¥1,220 million	¥2,073 million	¥1,406 million
3. Liabilities for guarantee Liabilities for guarantees Letter of Awareness	¥2,244 million ¥135 million	¥1,925 million ¥486 million	¥3,552 million ¥554 million

(Securities)

The stock of subsidiaries and affiliates with market value

Item	Interim term ended Sept. 30, 2004			Interim term ended Sept. 30, 2005			Term ended March 31, 2005		
	Amount on balance (¥million)	Market Value (¥million)	Difference (¥million)	Amount on balance (¥million)	Market Value (¥million)	Difference (¥million)	Amount on balance (¥million)	Market Value (¥million)	Difference (¥million)
The stock of subsidiaries	1,820	2,211	390	1,820	4,423	2,602	1,820	3,200	1,379
The stock of affiliates	-	-	-	-	-	-	-	-	-
Total	1,820	2,211	390	1,820	4,423	2,602	1,820	3,200	1,379

Sales by Business Sector

Business Sector	Interim term from April 1, 2004 to September 30, 2004		Interim term from April 1, 2005 to September 30, 2005		Increase (Decrease)		Term from April 1, 2004 to March 31, 2005	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase (Decrease) ratio	Amount	Increase (Decrease) ratio
	¥million	%	¥million	%	¥million	%	¥million	%
Chemicals	30,800	22.4	32,909	23.1	2,109	6.8	65,628	23.2
Functional Plastics	13,770	10.0	14,722	10.3	952	6.9	28,345	10.0
Expandable Plastics and Products	16,751	12.2	17,693	12.4	941	5.6	34,172	12.1
Foodstuffs Products	25,541	18.6	25,026	17.5	(514)	(2.0)	52,617	18.6
Life Science Products	18,753	13.7	18,906	13.3	153	0.8	40,874	14.5
Electronic Products	20,506	14.9	20,908	14.7	401	2.0	39,798	14.1
Synthetic Fibers and Others	11,210	8.2	12,391	8.7	1,180	10.5	21,306	7.5
Total	137,333	100.0	142,557	100.0	5,223	3.8	282,741	100.0
Exports (out of total)	46,765	34.1	48,720	34.2	1,955	4.2	95,083	33.6