



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
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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
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	
Overall term	¥million 296,000	¥million 38,500	¥million 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, 2005
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