Interim Consolidated Financial Results for the Term Ending March 2007

October 26, 2006

Name of Listed Company: Kaneka Corporation

Stock Exchanges Listed: Tokyo, Osaka, Nagoya

Code Number: 4118

Headquarters Location: Osaka Prefecture

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

Representative: Name: Masami Onishi Title: President, Representative Director
Contact: Name: Masami Kishine Title: General Manager - Financial & Accounting Department
Phone: +81-6-6226-5169

Date of board of directors' meeting for closing of accounts: October 26, 2006

US accounting standards: Not adopted

1. Consolidated Business Performance for the Interim Term Ended September 2006 (from April 1, 2006 to September 30, 2006)

(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 2006	232,644	3.1	17,823	(18.5)	18,486	(17.1)
Interim term ended September 2005	225,592	5.6	21,863	8.5	22,313	13.8
Term ended March 2006	464,310		47,606		47,718	

	Net income		Net income per share	Fully diluted net income per share
	¥million	%	¥	¥
Interim term ended September 2006	12,020	(2.0)	34.95	----
Interim term ended September 2005	12,269	11.7	35.36	----
Term ended March 2006	28,099		80.80	----

Notes:
1. Profit and loss based on equity-method investment balance: ¥17 million in interim term ended September 2006, \18 million in interim term ended September 2005, ¥22 million in term ended March 2006
2. Average number of shares and outstanding(consolidated): 343,891,676 in interim term ended September 2006, 346,966,153 in term ended September 2005, 346,050,680 in term ended March 2006
3. Changes to accounting policies: No
4. The percentages in the net sales, operating income, ordinary income, and net income columns, represent increases (decreases) compared with results for the previous year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Interim term ended September 2006	464,541	269,038	56.7	766.84
Interim term ended September 2005	421,394	239,953	56.9	694.01
Term ended March 2006	453,158	260,735	57.5	756.96

Notes: Number of shares issued (consolidated) at end of the period: 343,239,372 as of September 30, 2006, 345,748,752 as of September 30, 2005, 344,265,964 as of March 31, 2006

(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 2006	14,756	(16,307)	1,196	25,329
Interim term ended September 2005	27,015	(8,019)	(11,244)	34,447
Term ended March 2006	47,402	(35,105)	(14,198)	25,044

(4) Scope of subsidiary consolidation and equity method
Consolidated subsidiaries: 53, Equity method non-consolidated subsidiaries: 0, Equity method affiliated companies: 2

(5) Changes to scope of subsidiary consolidation and equity method
Newly consolidated companies: 5 , Excluded: 2 , Newly included in equity method companies: 0 , Excluded: 0

2. Forecasts for Consolidated Business Performance in Term E]nding March 2007 (from April 1, 2006 to March 31, 2007)

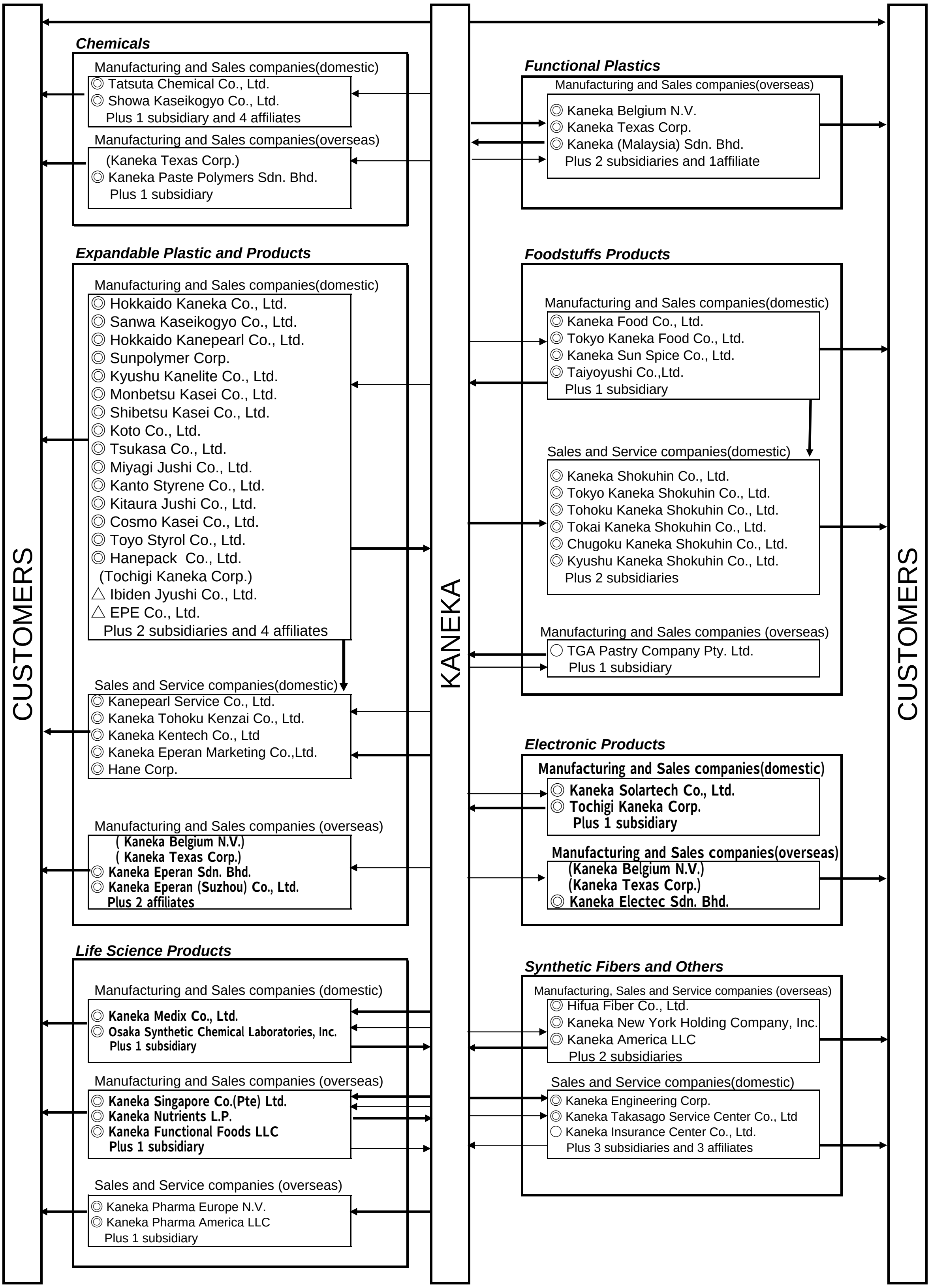
	Net sales	Ordinary income	Net income
	¥million	¥million	¥million
Overall term	480,000	39,000	24,000

(Reference) Projected net income per share (Overall term): ¥ 69.92

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.
Please see page 7 to 8 for the performance forecasts.

The Corporate Group Situation

The major business of Kaneka Corporation, its 74 subsidiaries and 16 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. ⟶ (thick arrow) indicates the flow of products.
3. ⟶ (thin arrow) 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.

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.

In today's society where the business environment surrounding companies is drastically changing, it has become more important to demonstrate the "ability to respond quickly to change" by predicting the change and taking the initiative to implement reforms, in order to achieve such objectives. The entire Kaneka Group will engage in self-reform with a combination of prudence and boldness, based on the keywords "Change". "Leap" and "Challenge."

In accordance with the following basic policies, the Kaneka Group will work to materialize its corporate philosophy and continuously raise its corporate value.

- 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," "further reinforcement of overseas business operations" and, the common foundation of each of these, "personnel who aggressively take on challenges towards high targets", as the management driving force;

(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, long- and medium-term earning trends, investment projects and financial conditions, aiming at stable sustainability. We are also planning to purchase our own shares actively following changes in economic conditions for better capital efficiency.

The dividend for the term ending March 2007 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 1,000 thousand treasury stocks from the market, which amounted to ¥1,021 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

The Kaneka Group kicked off a new Mid-term Plan (for the three years ending March 2009) in April 2006 with the aim of achieving continuous business expansion and profit growth. Under the new plan, the Kaneka Group has set sales of ¥600 billion, ordinary income of ¥60 billion and Return on Assets (ROA) of 12% as its financial targets for the year ending March 2009; however, due to a sharp decline in the Life Science Products business, the performance for the current fiscal year as it stands now is significantly below the level that the Mid-term Plan envisages.

We are committed to continuing our efforts towards achieving the set targets by focusing on turning the Life Science Product business around, realizing growth potentials for our Functional Plastics and Electronic Products businesses, as well as exerting the strengths that we have in the respective business areas and laying ground for growth in the next generation.

(e) Medium-Range Management Strategies

Under the new Mid-term Plan, the Company will concentrate on the following measures:

- We will continue to invest our management resources intensively in Functional Plastics, Electronic Products and Life Science products as the key strategic fields in which we can capitalize on our specialized technologies. At the same time, we will also identify our priority research areas and concentrate our investment of research resources on these areas in order to promote future growth.
- We will review the positioning of each business's portfolio and implement initiatives to strengthen the competitiveness and profitability of each business
- We will improve the Group's operating base and strengthen integrated Group business operations in order to achieve business expansion. At the same time, we will also aggressively promote globalization.

(f) Management Tasks

To implement the measures in the Mid-term Plan and achieve the Group's financial targets, the Company will focus on the following initiatives in accordance with the Basic Management Policies.

(1) Bolstering Life Science Products Business

For the functional foodstuffs business, we will strengthen our business administration structure so as to keep abreast of rapid changes in the market environment and also work on achieving competitive cost advantages through the effective use of our U.S. plants. In addition to the above, we will also accelerate the process of differentiating our products over those of competitors and developing new products. We are intent on improving our profitability by having newly-developed products in the area of pharmaceutical bulks and intermediates, and by constantly developing, and launching to the market, new products in the area of medical devices.

(2) Materialization of R&D results

We will continue to identify and examine ways to develop new businesses in fields leveraging the Group's technologies in the environmental, information technology, health and safety realms, which are regarded as the 21st Century's growth industries. Furthermore, in order to accelerate new business development, we will establish and strengthen a structure for business development that is integrated with our business divisions.

(3) Enhanced competitiveness of existing businesses

In our existing businesses, we will implement continuous revisions aimed at improving profitability. To ensure business competitiveness, we will look to expand operations in peripheral areas of our existing businesses by strengthening our R&D capability. At the same time, the entire group will work vigorously to reinforce its total cost competitiveness, raise its production technology capabilities, which serve as the foundation of the Company's role as a manufacturer, and develop infrastructures at each production site including affiliates.

(4) Expansion of business territory

Business expansion will be achieved by promoting further improvements to the Group's operating base as well as proactive expansion of overseas operations and integrated business operations between the Company and its consolidated subsidiaries. In particular, the Company will review the Group's structure and operations in the U.S. market, and implement improvements for business expansion.

(5) Response to the surge in crude oil prices

In response to the hike in the price of petrochemical raw materials, we will endeavor to revise product prices, to diversify raw procurement, and to further promote the total cost improvement plan for the whole Group in an integrated manner.

(g) Matters Concerning the Parent Company

The Company has no parent company.

(h) Other Important Matters Relating to Management

The investigation by the United States Department of Justice into our modifiers business recently closed without indictment to Kaneka or its subsidiaries. We believe that the civil action filed in connection with this investigation will also draw to an end. In Europe, three years have elapsed since the investigation commenced in 2003 without any contact from the authority. In Japan, the hearing at the Fair Trade Commission is still underway.

3. Business Results

(a) Business Performance

(1) Overview of Results for the Interim Term Ended September 30, 2006.

Summarizing the world economy during the interim term under review, the Chinese economy continued to grow at a high pace, and the U.S. as well as European economies also remained firm.

Despite the effect of high raw material costs due to the crude oil price hike, the Japanese economy also continued on a path of expansion, thanks to the active capital investment by companies and recovery in consumer spending.

In this economic environment, the Kaneka Group concentrated its management resources on areas of strategic focus and enhanced its overseas business expansion, and also strove to improve profitability through such efforts as cost improvement and revised pricing, all in an attempt to achieve its management targets. Nevertheless, the Group was affected significantly by the rapid changes in the environment in which its Life Science Products business is situated.

Our business performance for this interim term saw sales increase, ending with ¥232,644 million in consolidated sales (3.1% increase from the previous term), but profits decreased to ¥17,823 million in operating income (18.5% decrease) and ¥18,486 million in ordinary income (17.1% decrease).

As a result of an extraordinary gain of ¥2,725 million for the sale of subsidiaries' stocks, and an extraordinary loss of ¥1,838 million for the loss due to impairment regarding fixed assets for the expandable polyolefin foams business, interim net income was ¥12,020 million (2.0% decrease).

Our non-consolidated business performance for this interim term was ¥146,429 million in sales (2.7% increase), ¥13,008 million in operating income (20.0% decrease), ¥16,328 million in ordinary income (10.1% decrease), and ¥ 11,309 million (8.3% increase) in interim net income.

(2) Segment Trends

(Chemicals)

Sales of polyvinyl-chloride special resins continued to rise steadily, primarily in overseas markets. Caustic soda showed continued improvement in profitability on the back of tightening supply and demand. PVC, on the other hand, failed to absorb the impact of high raw material prices despite efforts to secure profitability. As a result, this segment recorded growth in sales compared to the same period in the previous year, but profits fell short of the figure recorded for the same period in the previous year.

(Functional Plastics)

Despite impacts of the continuously high level of prices of raw materials and fuels, profitability of Modifier was improved by sales volume increase in Europe and Asia. The sales volume of modified silicone polymers also increased steadily, primarily in Europe and the United States. As a result, this segment recorded an increase both in sales and in profits from the previous interim term.

(Expandable Plastics and Products)

We made efforts to reduce costs and change pricing of expandable polystyrene resins, but the effect of soaring raw material prices was too strong to improve profitability. Profits of expandable polyolefin foams decreased due to sluggish sales in the U.S. and the impact of high raw material prices. As a result, this segment generated higher sales but lower profits as compared to the same period in the previous year.

(Foodstuffs Products)

For the foodstuffs business, we worked to expand sales to new channels through our sales companies as well as striving to strengthen our competitiveness by improving cost efficiency. However, sales to the bakery and confectionery industries remained sluggish. Rise in raw material such as edible oil and dairy products, contributed to sales, which increased year-on-year, but profits fell compared to the same period in the previous year.

(Life Science Products)

In medical devices, blood purification system and catheter sales remained steady, achieving an increase in both revenue and profits. While sales of existing products among pharmaceutical bulks and intermediates increased, sales of newly developed products dropped and revenue still did grow, but failed to translate to an increase in profits. In functional foodstuffs, intensifying competition for coenzyme Q10 contributed to significant decrease in both sales and profitability, leading to lower revenue as well as profits. As a result, this segment recorded a decrease both in sales and profits alike compared to the same period in the previous year.

(Electronic Products)

Shipments of ultra heat-resistant polyimide films exceeded the same period of the previous year supported by strong IT products. LCD related products also saw increase in sales. Profits for solar cells increased due to continued strength in shipments for Europe as well as improved productivity. As a result, this segment recorded an increase both in sales and in profits compared to the same period in the previous year.

(Synthetic Fibers and Others)

The synthetic fibers business secured profit at a similar level to the same period in the previous year despite the lower sales as a result of our efforts to produce and sell high value added products to secure profitability amidst soaring raw material prices. In the other business fields, sales fell due to decreased number of orders for engineering business, in addition to the decreased number of consolidated subsidiaries. As a result, sales of this segment went below those in the pervious year, but profits were maintained at a similar level as in the same period in the previous year.

(International Sales)

International sales for this interim period increased to ¥83,599 million (4.1% increase from the previous term), thanks to increase in sales generated by overseas subsidiaries mainly in functional plastics in Europe, although exports remained at a similar level as in the same period of the previous year. As a result, the ratio of international sales increased to 35.9%, exceeding the same period in the previous year (35.6%).

(3) Performance Forecasts

The U.S. economy is forecast to continue exploring a soft landing as signs of a slowdown become apparent. Furthermore, the Chinese economy, which has hereto maintained high growth, also has a possibility of deceleration due to a downturn in exports following deceleration in the U.S. economy.

The Japanese economy is forecast to make a steady expansion, driven by an increase in capital investments and exports. However, as worldwide inventory adjustments in the IT and digital consumer electronics industries are expected, there is some concern that the economic expansion may be blocked under the impact of changes in the international economic environment including the U.S. economy.

Thus, our performance forecast for the year ending March 31, 2007 is as follows:

1. Consolidated Forecasts

Sales	¥480.0 billion	(3.4% increase from year ended March 31, 2006)
Ordinary income	¥39.0 billion	(18.3% decrease from year ended March 31, 2006)
Net income	¥24.0 billion	(14.6% decrease from year ended March 31, 2006)

2. Non-consolidated Forecasts

Sales	¥303.0 billion	(3.1% increase from year ended March 31, 2006)
Ordinary income	¥33.5 billion	(15.7% decrease from year ended March 31, 2006)
Net income	¥22.0 billion	(10.1% decrease from year ended March 31, 2006)

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 might vary from these forecasts because of various uncertain factors involved. The forecasts are based on exchange rates of ¥117 to the U.S. dollar, which is our main currency to be used, and ¥147 to the Euro.

(b) Financial Position

(1) Status of Assets, Liabilities, and Equity

The amount of gross assets as of September 30, 2006 was ¥464,541 million, an increase of ¥11,383 million compared to March 31, 2006 because of an increase of tangible fixed assets through capital investment, and an increase of working asset due to higher sales. ROA (ratio of ordinary income against gross assets) was 8.1%, below the previous term (11.2%).

The closing balance of interest-bearing debts as of September 30, 2006 was ¥51,430 million, ¥5,561 million increase from March 31, 2006. Net assets amounted to ¥269,038 million, mainly due to the increase in retained earnings.

Consequently, the shareholders' equity ratio was 56.7%, and the D/E ratio (rate of interest-bearing debts to equity capital) was 0.19.

(2) Consolidated Cash Flows

Cash flows from operating activities in the interim term was ¥14,756 million, including net income before income taxes in the amount of ¥19,374 million, depreciation and amortization of ¥11,549 million, and payment of income taxes of ¥10,637 million.

Cash flows used for investing activities amounted to ¥16,307 million including capital expenditures of ¥18,167 million for the acquisition of tangible fixed assets such as capacity expansion of modifier facility.

Cash flows used for financial activities amounted to ¥1,196 million, as a result of the increase in short-term borrowings in addition to dividend and share buybacks.

Consequently, the closing balance of cash and cash equivalents at the end of the interim term amounted to ¥25,329 million, which was ¥285 million increase from the previous fiscal year.

(3) Trends in Financial Indexes

	Term ended March 31, 2003	Term ended March 31, 2004	Term ended March 31, 2005	Term ended March 31, 2006	Interim term ended September 30, 2006
Shareholders' equity ratio	50.2%	52.2%	56.4%	57.5%	56.7%
Shareholders' equity ratio based on market value	53.6%	93.3%	103.5%	107.2%	82.6%
Number of years of debt redemption	1.9	1.7	1.1	1.0	1.7
Interest coverage ratio	23.9	26.9	35.1	44.6	22.9

(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, 2006; 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 35.9% of total sales in this interim term. Overseas business operations may face various risks including unexpected changes in laws, regulations and tax system, imposition of transfer pricing taxation, 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, modifiers 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

Item	Interim term ended September 30, 2005	Interim term ended September 30, 2006	Term ended March 31, 2006 (Reference)
	¥million	¥million	¥million
(Assets)			
I Current assets			
Cash and deposits	31,535	23,135	23,088
Notes and accounts receivable	105,421	117,394	110,634
Marketable securities	3,183	4,163	4,193
Inventories	49,584	58,693	54,553
Deferred tax assets	3,983	5,052	4,591
Others	8,401	10,000	9,242
Allowance for doubtful receivables	(393)	(363)	(340)
Total current assets	201,716	218,075	205,964
II Fixed assets			
Tangible fixed assets			
Buildings and structures	48,391	51,994	49,485
Machinery and equipment	54,366	61,846	60,713
Land	21,071	22,933	22,965
Construction in progress	10,070	17,214	6,811
Others	3,893	4,103	4,168
Total tangible fixed assets	137,793	158,093	144,144
Intangible fixed assets	2,788	2,946	2,977
Investments and other assets			
Investments in securities	67,118	74,934	82,828
Deferred tax assets (non-current)	177	1,380	825
Others	13,132	9,439	17,469
Allowance for doubtful receivables	(810)	(329)	(528)
Allowance for investment loss	(521)	—	(521)
Total investments and other assets	79,095	85,425	100,073
Total fixed assets	219,678	246,465	247,194
Total Assets	421,394	464,541	453,158

Item	Interim term ended September 30, 2005	Interim term ended September 30, 2006	Term ended March 31, 2006 (Reference)
	¥million	¥million	¥million
(Liabilities)			
I Current liabilities			
Notes and accounts payable	58,916	68,453	60,734
Short-term borrowings	11,508	25,196	19,532
Account liabilities	24,059	**24,520**	**24,218**
Accrued expenses	9,062	**9,871**	**8,623**
Accrued corporate taxes	8,749	**8,077**	**10,967**
Accrued consumption taxes	695	**319**	**791**
Others	3,854	2,197	1,721
Total current liabilities	116,845	138,636	126,588
II Fixed liabilities			
Bonds payable	15,000	15,000	15,000
Long-term debts	16,907	11,233	11,337
Deferred tax liabilities (current)	4,356	8,450	11,143
Employees' severance and retirement benefits	18,992	17,996	18,642
Retirement benefits for directors and statutory auditors	860	863	950
Others	3,047	3,323	3,094
Total fixed liabilities	59,164	56,866	60,168
Total liabilities	176,010	195,502	186,756
(Minority interests)			
Minority interests	5,431	-	5,667
(Shareholders' equity)			
I Common stock	33,046	-	33,046
II Additional paid-in capital	34,855	-	34,856
III Retained earnings	164,693	-	177,758
IV Net unrealized gain on available-for-sales securities	21,794	-	30,236
V Foreign currency translation adjustments	(4,207)	-	(2,809)
VI Treasury stock	(10,230)	-	(12,353)
Total common stock	239,953	-	260,735
Total liabilities, minority interests and shareholders' equity	421,394	-	453,158

Item	Interim term ended September 30, 2005	Interim term ended September 30, 2006	Term ended March 31, 2006 (Reference)
	¥million	¥million	¥million
(Net assets)			
I Shareholders' equity			
Common stocks	−	33,046	−
Additional paid-in capital	−	34,857	−
Retained earnings	−	184,948	−
Treasury stock	−	(13,405)	−
Total shareholders' equity	−	239,447	−
II Valuation and translation adjustments, etc			
Net unrealized gain on available-for-sales securities	−	25,909	−
Loss on deferred hedge	−	(1)	−
Foreign currency translation adjustments	−	(2,147)	−
Total valuation and translation adjustments	−	23,760	−
III Minority Interests	−	5,830	−
Total net assets		269,038	
Total liabilities and net assets	−	464,541	−

Consolidated Interim Statement of Income

Title	Interim term from April 1, 2005 to Sept. 30, 2005	Interim Term from April 1, 2006 to Sept. 30, 2006	Increase (Decrease)	Term from April 1, 2005 to March 31, 2006
	¥million	¥million	¥million	¥million
I. Net sales	225,592	232,644	7,052	464,310
II. Cost of sales	160,040	168,248	8,208	328,508
Gross profit	65,552	64,395	(1,156)	135,801
III. Selling, general and administrative expenses	43,688	46,572	2,883	88,195
Operating income	21,863	17,823	(4,040)	47,606
IV. Non-operating income	**2,084**	**2,500**	**416**	**4,087**
Interest	56	75	19	173
Dividends income	450	529	78	733
Gain on sales of marketable securities	279	919	640	676
Exchange gains	507	603	96	1,416
Equity in gains of unconsolidated subsidiaries and affiliates	18	17	(1)	22
Others	771	353	(417)	1,065
V. Non-operating expenses	**1,634**	**1,836**	**202**	**3,976**
Interest expense	550	659	109	1,070
Loss on disposals property, plant and equipment	682	711	29	1,626
Others	401	465	63	1,279
Ordinary income	22,313	18,486	(3,826)	47,718
VI. Extraordinary gain	**–**	**2,725**	**2,725**	**–**
Gain on sales of subsidiaries' stock	–	2,725	2,725	–
VII. Extraordinary loss	**2,451**	**1,838**	**(613)**	**2,451**
Impairment losses	–	1,838	1,838	–
Environmental expenditures	2,451	–	(2,451)	2,451
Income before income taxes	19,861	19,374	(486)	45,266
Corporate taxes, local taxes and business taxes	8,288	7,661	(626)	17,891
Income taxes deferred	(886)	(598)	287	(1,153)
Minority interests	189	290	100	427
Net income	12,269	12,020	(248)	28,099

Interim Statements of Additional Paid in Capital and Retained Earnings

Item	Interim term from April 1, 2005 to September 30, 2005	Term from April 1, 2005 to March 31, 2006
	¥million	¥million
<Additional paid in capital>		
I. Beginning balance for capital surplus	34,854	34,854
II. Increase in capital surplus	**0**	**1**
Gain on disposal of treasury stock	0	1
III. Balance of capital surplus at term end	34,855	34,856
<Retained Earnings>		
I. Beginning balance for retained earnings	155,149	155,149
II. Increase in retained earnings	**12,962**	**28,793**
Net income	12,269	28,099
Amount of the increase due to expansion of the scope of consolidated subsidiaries	693	693
III. Decrease in retained earnings	**3,418**	**6,184**
Cash dividends paid	2,777	5,543
Bonuses to directors and statutory auditors	139	139
Amount of the decrease due to expansion of the scope of consolidated	500	500
IV.Outstanding balances of retained eanings at term end	164,693	177,758

Consolidated Interim Statement of Changes in Shareholders' Equity

Current consolidated interim accounting period (April 1, 2006 to September 30, 2006) (Unit: million yen)

	Shareholders' equity				
	Common stocks	Additional paid in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	33,046	34,856	177,758	(12,353)	233,308
Changes during the consolidated interim accounting period					
Distribution of retained earnings *			(2,754)		(2,754)
Payment of bonuses to directors and statutory auditors *			(140)		(140)
Interim net income			12,020		12,020
Decrease in retained earnings due to expansion of the scope of consolidated subsidiaries			(1,934)		(1,934)
Acquisition of treasury stocks				(1,053)	(1,053)
Disposal of treasury stocks		0		2	2
Changes (net amount) of items other than shareholders' equity during the consolidated interim accounting period					–
Total change during the consolidated interim accounting period	–	0	7,190	(1,051)	6,138
Balance as of September 30, 2006	33,046	34,857	184,948	(13,405)	239,447

	Valuation and translation adjustments, etc				Minority interests	Total net assets
	Net unrealized gain on available-for sales securities	Loss on deferred hedge	Foreign currency translation adjustments	Total of valuation and translation adjustments		
Balance as of March 31, 2006	30,236	–	(2,809)	27,426	5,667	266,402
Changes during the consolidated interim accounting period						
Distribution of retained earnings *						(2,754)
Payment of bonuses to directors and statutory auditors *						(140)
Interim net income						12,020
Decrease in retained earnings due to expansion of the scope of consolidated subsidiaries						(1,934)
Acquisition of treasury stocks						(1,053)
Disposal of treasury stocks						2
Changes (net amount) of items other than shareholders' equity during the consolidated interim accounting period	(4,327)	(1)	662	(3,665)	163	(3,502)
Total change during the consolidated interim accounting period	(4,327)	(1)	662	(3,665)	163	2,636
Balance as of September 30, 2006	25,909	(1)	(2,147)	23,760	5,830	269,038

* The figures are based on profit distribution for the year ended March 2006 decided at the general shareholders' meeting.

Interim Consolidated Statements of Cash Flows

Item	Interim term from April 1, 2005 to September 30, 2005	Interim term from April 1, 2006 to September 30, 2006	Term from April 1, 2005 to March 31, 2006 (Reference)
	¥million	¥million	¥million
I. Cash flows from operating activities			
Net interim income before income taxes	19,861	19,374	45,266
Depreciation and amortization	10,466	11,549	22,435
Provision for severance and retirement benefits	(173)	(605)	(540)
Increase (decrease) in allowance for doubtful receivables	(127)	29	(462)
Interest and dividend income	(507)	(605)	(907)
Interest expense	550	659	1,070
Loss on sales and disposals of property, plant and equipment	456	714	1,121
Gain on sales of subsidiaries stock	–	(2,725)	–
Impairment losses	–	1,838	–
Environmental expenditure	2,451	–	2,451
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	(18)	(17)	(22)
(Increase) decrease in trade receivables	1,368	(8,770)	(2,986)
(Increase) decrease in inventories	(957)	(3,615)	(5,387)
Increase (decrease) in trade payables	595	8,040	1,795
Others	1,581	(474)	(324)
Subtotal	35,547	25,393	63,509
Interest and dividends received	517	646	913
Interest paid	(530)	(645)	(1,062)
Income taxes paid	(8,518)	(10,637)	(15,958)
Net cash provided by operating activities	27,015	14,756	47,402
II. Cash flows from investing activities			
Payment for purchase of marketable securities	(900)	–	(1,900)
Proceeds from marketable securities	3,836	300	3,870
Payment for purchase of tangible fixed assets	(11,288)	(18,167)	(30,236)
Payment for purchase of intangible assets	(416)	(385)	(912)
Purchase of investments	(185)	(1,938)	(2,958)
Proceeds from investment securities	2,693	1,249	3,364
Purchases of consolidated subsidiaries' stock	(2)	(48)	(52)
Proceeds from sales of consolidated subsidiaries' stock	–	2,854	–
Increase in loans receivable	(2,269)	(419)	(5,704)
Decrease in loans receivable	166	171	138
Others	347	77	(715)
Net cash used in investing activities	(8,019)	(16,307)	(35,105)
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowing	(894)	5,409	(43)
Proceeds from long-term debt	900	319	2,550
Repayment of long-term debt	(1,540)	(618)	(2,022)
Redemption of debenture	(5,000)	–	(5,000)
Dividends paid	(2,777)	(2,754)	(5,543)
Dividends paid to minority interests	(100)	(108)	(185)
Purchase of treasury stock	(1,833)	(1,053)	(3,958)
Proceeds of reissuance of treasury stock	3	2	5
Net cash used in financing activities	(11,244)	1,196	(14,198)
IV. Effect of exchange rate changes on cash and cash equivalents	58	115	309
V. Net increase (decrease) in cash and cash equivalents	7,810	(238)	(1,591)
VI. Cash and cash equivalents at beginning of term	25,521	25,044	25,521
VII. Effect of changes in consolidated subsidiaries	1,115	523	1,115
VIII. Cash and cash equivalents at term end	34,447	25,329	25,044

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

	(¥million) Interim term ended September 30, 2005	(¥million) Interim term ended September 30, 2006	(¥million) Term ended March 31, 2006
Cash and deposit	31,535	23,135	23,088
Time deposits (period of deposit greater than 3 months)	(103)	(162)	(100)
Marketable securities	3,183	4,163	4,193
Stocks and bonds (redemption period exceeds 3 months)	(169)	(1,806)	(2,137)
Cash and cash equivalents	34,447	25,329	25,044

Notes to Consolidated Interim Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 53

(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 48 other companies

(3) Consolidated subsidiaries newly included:
Kaneka New York Holding Company, Inc., Kaneka Nutrients L.P., Kaneka Functional Foods LLC, Kaneka America LLC, Kaneka Pharma America LLC are included in the consolidation scope because their significance has increased.

(4) Consolidated subsidiaries excluded:
Kaneka High-Tech Materials, Inc.: Excluded from scope of consolidation by merger with Kaneka Texas Corporation.
Asahihomes Co.: Excluded from scope of consolidation through sales of stocks

(5) Other subsidiaries have been excluded from the scope of consolidation because they do not materially affect the 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 Closing of Accounts for Consolidated Subsidiaries

Interim accounts close for Kaneka Singapore Co. (Pte.) Ltd.,Kaneka Eperan (Suzhou) Co., Ltd. ,Hifua Fiber Co., Ltd. and Taiyo Yushi Co., Ltd. on June 30. Interim consolidated financial statements are prepared using the financial statements at the interim closing date for these companies. Necessary adjustments for consolidation are applied to major transactions occurring between the interim 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 interim consolidated closing date (Net unrealized gains or losses on the securities are reported in the net assets net of income taxes. 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 historical rate of credit losses with respect to general debts, and by individually reviewing the collectability with respect to special debts including doubtful debts.

B. 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 interim term.

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.

C. Retirement benefit for director and statutory auditors
The Company and a part of the consolidated subsidiaries recorded allowances for retirement benefits for directors and statutory auditors on the basis of the amount required as of the end of the current interim consolidated fiscal year 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 and 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) Additional note regarding the preparation of the interim consolidated financial 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.

Significant matters that are the bases for the preparation of the interim consolidated financial statements

(Accounting standards concerning the presentation of net assets in the balance sheet)
Starting from this interim consolidated fiscal term, *Accounting Standards for Presentation of Net Assets in the Balance Sheet* (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) and its implementation Guidance, the *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet* (Accounting Standards Board of Japan Statement No. 8, December 9, 2005) have been adopted. The amount equivalent to total shareholder's equity under the former method of presentation is 263,209 million yen.

Notes:

<Interim Balance Sheet>

(Unit: ¥million)

	Interim term ended September 30, 2005	Interim term ended September 30, 2006	Term ended March 31, 2006
1. Less accumulated depreciation of tangible fixed assets	403,400	419,330	412,950
2. Contingent liabilities			
Guarantees	442	193	421
Discount on notes receivable	1,054	923	1,038
Notes payable endorsed for payment	11	60	44

(Matters concerning the Interim Consolidated Statement of Income)
Impairment Loss
For the current interim consolidated fiscal term impairment loss has been recorded for the following assets group.

Location	Use	Type	Impairment loss
Kaneka Texas Corporation Jackson Plant (Michigan, U.S.A.)	Manufacturing facility for automobile bumpers	Machinery and equipment, buildings, etc.	1,838 million yen

The Kaneka Group groups its assets mainly according to the business units of the Company. Leased assets and idle assets are grouped individually in their respective assets groups.
Since the future cash flows from the Jackson Plant facility for automobile bumpers of Kaneka Texas Corporation became unlikely, the Company decreased the book value of said assets and the ensuing impairment loss was declared as an extraordinary loss. The components of this extraordinary loss are; machinery and equipment - 1,383 million yen, building -447million yen, other -7 million yen.

(Interim Statement of Changes in Shareholders' Equity)
Current interim consolidated fiscal year (From April 1, 2006 to September 30, 2006)

1. Matters concerning the types and total number of shares outstanding and the types and number of shares of treasury stock

	End of the previous consolidated fiscal year Number of shares (shares)	Current interim consolidated fiscal year Number of increased shares (shares)	Current interim consolidated fiscal year Number of decreased shares (shares)	End of current interim consolidated fiscal year Number of shares (shares)
Number of shares issued				
Common stock	357,612,418	-	-	357,612,418
Total	357,612,418	-	-	357,612,418
Treasury Stock				
Common stock (note)	13,346,454	1,028,774	2,182	14,373,046
Total	13,346,454	1,028,774	2,182	14,373,046

(Note)The increase in the number of common stock is due to market purchases and decreases are due to selling shares responding to the demand of shares of less than one unit

2. Matters concerning dividends
(1) Amount dividend payments

(Resolution)	Type of stock	Total amount of dividends	Dividend per share	Day of reckoning	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2006	Common stock	2,754 million yen	8 yen	March 31, 2006	June 30, 2006

(2) Of the dividends whose day of reckoning fall under the current interim consolidated fiscal year, whose effective dates are after the end of the current interim consolidated fiscal year

(Resolution)	Type of stock	Total amount of dividends	Source of dividends	Dividend per share	Day of reckoning	Effective date
Board of Directors held on October 26, 2006	Common Stock	2,745 million yen	Retained earnings	8 yen	September 30, 2006	December 5, 2006

1. Segment Information

1. Segment information by business category

(1) 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										
Net 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

(2) Interim Term from April 1, 2006 to September 30, 2006 (Unit: ¥million)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating profit/loss										
Net sales										
(1) Customers	44,364	40,479	35,375	53,841	20,867	26,343	11,373	232,644	—	232,644
(2) Intersegment	1,091	143	653	5	—	—	2,535	4,430	(4,430)	—
Total	45,455	40,622	36,029	53,847	20,867	26,343	13,909	237,074	(4,430)	232,644
Operating expenses	43,454	33,970	36,410	51,960	17,333	20,932	12,717	216,779	(1,958)	214,821
Operating income	2,001	6,652	(381)	1,886	3,533	5,410	1,192	20,295	(2,471)	17,823

(3) Term from April 1, 2005 to March 31, 2006 (Unit: ¥million)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
I. Sales and operating profit/loss										
Net sales										
(1) Customers	87,922	73,190	68,304	107,567	49,147	47,159	31,016	464,310	—	464,310
(2) Intersegment	2,282	301	1,384	9	—	—	6,879	10,856	(10,856)	—
Total	90,205	73,492	69,689	107,576	49,147	47,159	37,895	475,167	(10,856)	464,310
Operating expenses	84,628	61,504	69,559	102,859	30,196	38,329	35,374	422,452	(5,748)	416,703
Operating income	5,577	11,987	129	4,717	18,951	8,830	2,521	52,715	(5,108)	47,606

Notes: 1. The classification of businesses was determined based on comprehensive judgments on type, application, method of manufacturing, similarities method of manufacturing, similarities in the market and mutual relation in the manufacturing process, and common features during development.

2. The major products by business are as follows:

Business Segments	Major products, etc
Chemicals	PVC resins, PVC compounds, Caustic soda, Chlorinated products, Specialty PVC resins
Functional Plastics	Modifier, Modified silicone polymers, Weather-resistant acrylic film
Expandable Plastics and Products	Extruded polystyrene foam boards, Expandable polystyrene, Polyolefin foam by beads method, Polystyrene foam sheet, PVC sash window
Foodstuffs Products	Margarine, Shortening, Quality fats for confectionery, Bakery yeast, Spices
Life Science Products	Pharmaceutical bulk, Pharmaceutical intermediates, Functional foodstuffs, Medical devices
Electronic Products	Ultra heat-resistant polyimide film, Optical films, Bonded magnetic materials, Magnet wires, Solar cell
Synthetic Fibers and Others	Modacrylic fibers (Kanecaron), Engineering operations

3. Operating expenses included in the 'Eliminations and corporate' column of ¥2,357 million for the interim term ended September 30, 2005, ¥2,577 million for the interim term ended September 30, 2006 and ¥4,983 million for the term ended March 31, 2006, espectively, consist of fundamental research and development expenses of the Company.

2. Segment Information by Geographic Area

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

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales					
(1) Customers	190,031	35,560	225,592	ー	225,592
(2) Intersegment	5,731	1,803	7,534	(7,534)	ー
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

(2) Interim term from April 1, 2006 to September 30, 2006 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales					
(1) Customers	185,741	46,902	232,644	ー	232,644
(2) Intersegment	12,639	2,819	15,458	(15,458)	ー
Total	198,381	49,722	248,103	(15,458)	232,644
Operating expenses	180,621	47,013	227,635	(12,814)	214,821
Operating income	17,759	2,708	20,467	(2,644)	17,823

(3) Term from April 1, 2005 to March 31, 2006 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales					
(1) Customers	389,844	74,465	464,310	ー	464,310
(2) Intersegment	12,204	4,458	16,662	(16,662)	ー
Total	402,049	78,924	480,973	(16,662)	464,310
Operating expenses	354,841	73,446	428,288	(11,584)	416,703
Operating income	47,207	5,477	52,685	(5,078)	47,606

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 ¥2,357 million for the interim term ended September 30, 2005, ¥2,577 million for the interim term ended September 30, 2006, and ¥4,983 million for the term ended March 31, 2006, respectively, consist of fundamental research and development expenses of the Company.

3. International Sales

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

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

(2) Interim Term from April 1, 2006 to September 30, 2006 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I International Sales	33,223	21,658	23,476	5,241	83,599
II Consolidated sales					232,644
III The ratio of sales to consolidated sales (%)	14.3	9.3	10.1	2.2	35.9

(3) Term from April 1, 2005 to March 31, 2006 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
I International Sales	64,493	49,652	45,747	9,389	169,282
II Consolidated sales					464,310
III The ratio of sales to consolidated sales (%)	13.9	10.7	9.9	2.0	36.5

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 Invester'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, 2005			Interim term ended September 30, 2006			Term ended March 31, 2006		
	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	16,898	53,758	36,860	19,345	63,230	43,885	19,065	70,225	51,160
(2) Bonds									
Government bonds and local government bonds, etc.	642	644	1	300	300	0	600	600	0
Corporate bonds	—	—	—	1,006	1,006	(0)	1,009	1,008	(0)
Others	26	26	0	500	499	(0)	526	527	1
(3) Others	—	—	—	—	—	—	—	—	—
Total	17,567	54,429	36,862	21,152	65,036	43,884	21,202	72,363	51,161

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

(Unit: ¥million)

	Interim term ended Sep. 30, 2005	Interim term ended Sep. 30, 2006	Term ended March 31, 2006
	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	4,860	2,698	4,947
(3) Other securities			
Non-listed stock	7,236	7,987	7,142
Mutual funds invested in bonds	3,014	2,356	2,056
Others	761	1,017	512

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, 2005 to September 30, 2005	Interim term from April 1, 2006 to Septermber, 2006	Increase (Decrease) Ratio (%)	Term from April 1, 2005 to March 31, 2006
Chemicals	32,027	36,332	13.4	69,085
Functional Plastics	35,097	37,576	7.1	74,096
Expandable Plastics and Products	24,683	28,819	16.8	55,738
Foodstuffs Products	26,004	26,428	1.6	52,929
Life Science Products	21,990	20,824	(5.3)	46,408
Electronic Products	21,596	23,780	10.1	42,811
Synthetic Fibers and Others	12,507	9,420	(24.7)	26,642
Total	173,909	183,182	5.3	367,713

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, 2005 to September 30, 2005	Interim term from April 1, 2006 to Septermber, 2006	Increase (Decrease) Ratio (%)	Term from April 1, 2005 to March 31, 2006
Chemicals	42,248	44,364	5.0	87,922
Functional Plastics	35,612	40,479	13.7	73,190
Expandable Plastics anc Products	33,732	35,375	4.9	68,304
Foodstuffs Products	52,792	53,841	2.0	107,567
Life Science Products	22,544	20,867	(7.4)	49,147
Electronic Products	23,276	26,343	13.2	47,159
Synthetic Fibers and Others	15,385	11,373	(26.1)	31,016
Total	225,592	232,644	3.1	464,310