



## Interim Financial Results for the Term Ended September 30, 2007

October 25, 2007

**Name of Listed Company: Kaneka Corporation**

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

**Code Number: 4118**
URL <http://www.kaneka.co.jp>

Representative: Name: Masami Onishi Title: President, Representative Director

Contact Person: Name: Masami Kishine Title: General Manager - Financial &amp; Accounting Department

Phone: +81-6-6226-5169

Expected semiannual report submission date December 20, 2007

Scheduled date for dividend payment December 5, 2007

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

### 1. Consolidated Business Performance for the Interim Term Ended March 2008 (from April 1, 2007 to September 30, 2007)

#### (1) Consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net Income	
	¥million	%	¥million	%	¥million	%	¥million	%
Interim term ended September 30, 2007	251,159	8.0	18,201	2.1	18,064	(2.3)	10,064	(16.3)
Interim term ended September 30, 2006	232,644	3.1	17,823	(18.5)	18,486	(17.1)	12,020	(2.0)
Term ended March 31, 2007	473,170	-	36,666	-	36,939	-	18,363	-

	Net income per share	Fully diluted net income per share
	¥	¥
Interim term ended September 30, 2007	29.43	29.42
Interim term ended September 30, 2006	34.95	-
Term ended March 31, 2007	53.48	-

(Reference) Profit and loss based on equity-method investment balance: ¥40 million in interim term ended September 30, 2007, ¥17 million in interim term ended September 30, 2006, ¥4 million in fiscal year ended March 31, 2007

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Interim term ended September 30, 2007	474,205	275,970	56.9	790.27
Interim term ended September 30, 2006	464,541	269,038	56.7	766.84
Term ended March 31, 2007	467,109	271,280	56.8	774.71

(Reference) Shareholders' equity: ¥269,637 million as of September 30, 2007, ¥263,208 million as of September 30, 2006, ¥265,131 million as of March 31, 2007

#### (3) Consolidated cash flows

	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 30, 2007	18,707	(16,998)	(4,561)	19,646
Interim term ended September 30, 2006	14,756	(16,307)	1,196	25,329
Term ended March 31, 2007	32,742	(33,894)	(2,081)	22,635

### 2. Dividends

(Record date)	Dividends per share				
	June 30	End of interim term	December 31	End of term	Annual
Interim term ended September 30, 2007	¥ -	¥ 8.00	¥ -	¥ 8.00	¥ 16.00
Interim term ended September 30, 2006	-	8.00			16.00
Term ended March 31, 2007 (Forecasts)			-	8.00	

### 3. Forecasts for consolidated business performance in the term Ending March 31, 2008 (from April 1, 2007, to March 31, 2008)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net Income		Net Income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
Overall term	510,000	7.8	40,000	9.1	39,000	5.6	22,500	22.5	65.94

# Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

## 4. Other

(1) Changes in principal subsidiaries during the term (Changes in the scope of consolidation of specific subsidiaries): No

(2) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of consolidated interim financial statements (significant changes pertaining to the preparation of consolidated interim financial statements)

1. Changes owing to revisions in accounting standards : Yes

2. Changes other than 1. above : No

Note: For details, please refer to the "Significant changes for the the interim consolidated financial statements" on page 15.

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock) :	357,612,418 shares as of September 30, 2007	357,612,418 shares as of September 30, 2006	357,612,418 shares as of March 31, 2007
2. Number of treasury stocks at the end of the period :	16,415,671 shares as of September 30, 2007	14,373,046 shares as of September 30, 2006	15,379,120 shares as of March 31, 2007

Note: For the number of shares used as the basis for computing net income per share (consolidated), please refer to the section entitled Per-Share Information on page 26.

(Reference) : Overview of Non-Consolidated Operating Performance

1. For the Interim Term Ended March 2008 (from April 1, 2007 to September 30, 2007)

(1) Non-consolidated business performance

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Interim term ended September 30, 2007	156,984	7.2	13,163	1.2	15,034	(7.9)	8,092	(28.4)
Interim term ended September 30, 2006	146,429	2.7	13,008	(20.0)	16,328	(10.1)	11,309	8.3
Term ended March 31, 2007	296,411	-	27,363	-	31,675	-	13,306	-

	Net income per share
Interim term ended September 30, 2007	¥ 23.66
Interim term ended September 30, 2006	32.89
Term ended March 31, 2007	38.75

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Interim term ended September 30, 2007	388,539	234,159	60.3	686.14
Interim term ended September 30, 2006	378,306	235,236	62.2	685.34
Term ended March 31, 2007	372,753	231,605	62.1	676.75

(Reference) Shareholders' equity: ¥234,108 million as of September 30, 2007, ¥235,236 million as of September 30, 2006, ¥231,605 million as of March 31, 2007

2. Non-consolidated Performance Forecasts for Term Ending March 2008 (from April 1, 2007 to March 31, 2008)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net Income		Net Income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
Overall term	315,000	6.3	30,000	9.6	32,000	1.0	18,000	35.3	52.76

Note: Explanations or other items pertaining to appropriate use of operating result forecasts (Cautionary note concerning forward-looking statements)

The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections. For cautionary items used in operating results forecasts, please refer to the section entitled 1. Business Performance (a) Analysis of Business Performance on page 3.

## Overview of Financial Statements

### 1. Business Performance

#### (a) Analysis of Business Performance

##### (1) Overview of Results for the Interim Term Ended September 30, 2007

Regarding the global economy during the interim term under review, the Chinese economy continued to sustain high rates of growth, and European economies remained firm. However, steady growth was not apparent on all fronts, as growing concern about the sub-prime mortgage issue caused mounting apprehension of a U.S. economic slowdown.

The Japanese economy benefited from improved corporate earnings and profits. However, the economy was affected by surging crude oil prices and high raw materials costs on a worldwide basis, as well as sluggish export growth in response to potential changes in the U.S. economy. As a result, although remaining in a recovery phase the Japanese economy showed signs of weakness.

In this economic climate, the Kaneka Group concentrated its management resources on areas of strategic focus. In line with its new portfolio, the Group worked to strengthen its business competitiveness and reinforce sales and profits, as well as to enhance profitability through cost improvements and price revisions. Nevertheless, the Group continued to be affected significantly by rapid rises in raw materials prices and sudden changes in the environment surrounding its Life Science Products segment.

During the interim term, net sales rose to ¥251,159 million (up 8.0% from the corresponding period of the preceding term), and the Group secured operating income of ¥18,201 million (up 2.1% year on year). Ordinary income, however, declined to ¥18,064 million (down 2.3% year on year).

During the term, the Group posted an impairment loss of ¥635 million as an extraordinary loss. As a result, interim net income amounted to ¥10,064 million (down 16.3% year on year).

On a non-consolidated basis, net sales totaled ¥156,984 million, up 7.2%. Operating income increased 1.2%, to ¥13,163 million, ordinary income declined 7.9%, to ¥15,034 million, and interim net income decreased 28.4%, to ¥8,092 million.

##### (2) Segment Trends

###### (Chemicals)

Boosted by exports, polyvinyl chloride sales volumes expanded year on year. The Group also concentrated on revising prices on these products to absorb the impact of

sharply higher raw materials costs. Although affected by sluggishness in the U.S. housing market, sales of polyvinyl-chloride special resins benefited from robust Asian market demand. Caustic soda remained firm overall, as a result of tightening supply and demand. As a result, this segment recorded an increase both in sales and profits from the same period in the previous year.

(Functional Plastics)

Modifier profitability worsened, owing to a slowdown in sales to the U.S. housing market. However, the sales volume of modified silicone polymers increase, particularly in Europe and the United States, raising sales and profits. As a result, this segment recorded an increase both in sales and profits from the same period in the previous year.

(Expandable Plastics and Products)

Amid continued high raw materials prices, we sought to revise selling prices and improve costs in this area, but experienced only a small degree of success in achieving sales and profit recoveries in expandable polystyrene resins and extruded polystyrene foam boards. However, cost improvements on foamed plastics by beads method contributed to higher profitability. As a result, higher year-on-year sales raised segment profitability.

(Foodstuffs Products)

We endeavored to expand sales of distinctive products and concentrated on revising selling costs. Segment sales increased as a result, but sales to the bakery and confectionery industries remained sluggish. At the same time, rapid rises in such raw materials as edible oils and dairy products had a significant effect on profitability. As a result, segment sales grew, whereas profits decreased.

(Life Science Products)

In medical devices, sales expanded firmly, achieving an increase in both revenue and profits. On the other hand, sales of both existing and newly developed bulk and intermediate pharmaceuticals declined. More stringent competition for functional foodstuffs forced down both sales and profitability, resulting in lower sales and profits for the category. As a result, the segment posted decreases both in sales and profits from the same period in the previous year.

(Electronic Products)

Demand recovered for mobile phones and electronic parts, and the sales volume of ultra heat-resistant polyimide films increased. However, the sales price decreased due to stringent competition, reducing profitability. Europe-bound exports of solar cells were robust. As a result, segment sales grew, whereas profits decreased.

(Synthetic Fibers and Others)

In the synthetic fibers business, amid continued high raw materials prices the Group concentrated on producing and selling high-value-added products and improving profitability by revising selling costs. As a result, both sales and profits increased year on year. Results in other business fields, however, remained essentially unchanged. As a result, this segment recorded an increase both in sales and profits from the same period in the previous year.

(International Sales)

During the interim term under review, international sales benefited from significant year-on-year increases in exports. In addition, overseas subsidiaries posted gains due primarily to stronger sales of functional plastics and solar cells in Europe. Consequently, international sales rose 15.2% year on year, to ¥96,337 million. As a result, the ratio of international sales increased to 38.4%, up from the 35.9% recorded during the same period of the preceding year.

(3) Performance Forecasts

Uncertainty regarding the U.S. economy continues, amid growing concerns about the impact of the sub-prime mortgage issue on the real economy. We also remain concerned about the impact on financial markets of fluctuations in the European and Chinese economies, as well as a potential downturn in U.S.-bound exports.

The Japanese economic expansion appears likely to peak out due to the slow down of export . If fluctuations in the U.S. economy materialize on top of high crude oil prices and the risk of yen appreciation, the Japanese economy may stall.

Amid a management environment fraught with increasing uncertainty, the group targets an early return to a growth trajectory. We plan to radically improve the operational profitability of the Life Science Products business and achieve current targets and future growth, putting the full force of the Group's efforts behind the driving forces of R&D, globalization, M&A and cultivating next-generation leaders.

Our performance forecast for the year ending March 31, 2008 is as follows:

1. Consolidated Forecasts

Net sales ¥510 billion (7.8% increase from the year ended March 31, 2007)

Operating income ¥40 billion (9.1% increase from the year ended March 31, 2007)

Ordinary income ¥39 billion (5.6% increase from the year ended March 31, 2007)

Net income ¥22.5 billion (22.5% increase from the year ended March 31, 2007)

2. Non-consolidated forecasts

Net sales ¥315 billion (6.3% increase from the year ended March 31, 2007)

Operating income ¥30 billion (9.6% increase from the year ended March 31, 2007)

Ordinary income ¥32 billion (1.0% increase from the year ended March 31, 2007)

Net income ¥18 billion (35.3% increase from the year ended March 31, 2007)

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 ¥115 to the U.S. dollar, which is our main currency used, and ¥160 to the Euro.

(b) Analysis of Financial Position

(1) Status of Assets, Liabilities and Equity

As of September 30, 2007, gross assets came to ¥474,205 million, up ¥7,095 million from March 31, 2007, mainly because of an increase in working assets in line with higher sales. However, the ratio of ordinary income to total assets (ROA) was 7.7%, down from 8.0% in the previous fiscal year and 8.1% in the same period of the previous year.

The closing balance of interest-bearing debt as of September 30, 2007, was ¥51,878 million, down ¥584 million from March 31, 2007. Net assets came to ¥275,970 million, up ¥4,690 million from March 31, 2007, mainly due to the increase in retained earnings.

As a result, the equity ratio came to 56.9%. The D/E ratio (rate of interest-bearing debts to equity capital), was 0.19.

(2) Analysis of Consolidated Cash Flows

Cash flows from operating activities in the interim term amounted to ¥18,707 million, including net income before income taxes of ¥17,429 million, depreciation and amortization of ¥12,057 million and payment of income taxes of a ¥6,561 million.

Cash used in investing activities amounted to ¥16,998 million. This use of cash was attributable to the acquisition of property, plant and equipment involving the construction of new polyvinyl chloride special resin production capacity and increased solar cell production capacity, requiring cash of ¥15,893 million.

Cash used in financing activities amounted to ¥4,561 million. Main uses of cash were the payment of dividends, the acquisition of treasury stock.

Consequently, the closing balance of cash and cash equivalents at the end of the interim term was ¥19,646 million, down ¥2,988 million from March 31, 2007 .

## (3) Trends in Cash Flow Related Indicators

	Term ended March 31, 2004	Term ended March 31, 2005	Term ended March 31, 2006	Term ended March 31, 2007	Term ended Sept. 30, 2007
Shareholders' equity ratio	52.2%	56.4%	57.5%	56.8%	56.9%
Shareholders' equity ratio based on market value	93.3%	103.5%	107.2%	82.4%	69.5%
Number of years of debt redemption	1.7	1.1	1.0	1.6	1.4
Interest coverage ratio	26.9	35.1	44.6	19.9	20.8

## (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 debt /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 used in operating activities. The scope of interest-bearing debt 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) Basic Policy on Profit Distribution, and Dividends

Kaneka considers improving its earning potential and maximizing returns to shareholders while strengthening the Company's corporate foundation to be important management tasks. Our basic policy is to maintain dividend stability. When determining dividends, we take into consideration our operating performance progress, medium- to long-term earnings trends, investment plans and financial conditions. We also plan to purchase our own shares actively, following changes in economic conditions, for better capital efficiency.

The Company's basic policy is to pay dividends from retained earnings twice each fiscal year—an interim dividend and a year-end dividend. In accordance with the items in Paragraph 1, Article 459, of the Companies Act, dividends from retained earnings may be paid by resolution of the Board of Directors, if such provision is made in the Company's Articles of Incorporation.

The Company endeavors to maintain sufficient internal reserves to ensure financial stability, respond to sudden changes in economic conditions and achieve

sustained growth.

We plan to pay dividends to amount to ¥16 per share for the entire fiscal year. We decided to award dividends of half this amount, or ¥8 per share, for the interim period.

During the interim term, we acquired from the market 985 thousand shares of treasury stock at a cost of ¥927 million.

## 2. The Corporate Group Situation

Our recent Securities Report (June 28, 2007) includes a Business Schematic Diagram (Content of Operations) and a section entitled “Status of Affiliated Companies.” These items are omitted here, as no significant changes have been made.

## 3. Management Policy

- (a) Basic Management Policies
- (b) Target Management Indexes
- (c) Medium and Long-Range Management Strategies
- (d) Management Tasks
- (e) Other Important Matters Relating to Management

This section is omitted, as no significant items for disclosure have occurred since the release of the March 31, 2007 financial results (released April 26, 2007).

Please refer to the following URLs for corresponding releases of financial results.

(Kaneka website)

<http://www.kaneka.co.jp/finance/index.html>

(Listed company information search page of the Tokyo Stock Exchange website)

<http://www.tse.or.jp/listing/compsearch/index.html>

## 4. Interim Consolidated Financial Statements

## (1) Interim Consolidated Balance Sheets

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007 (Reference)
Item	¥million	¥million	¥million
(Assets)			
Current assets			
Cash and deposits	23,135	17,595	20,396
Notes receivable and accounts receivable	117,394	122,583	118,401
Marketable securities	4,163	2,361	2,358
Inventories	58,693	70,251	65,277
Deferred tax assets	5,052	4,894	4,752
Others	10,000	7,863	8,372
Allowance for doubtful receivables	(363)	(465)	(338)
Total current assets	218,075	225,084	219,219
Fixed assets			
Tangible fixed assets			
Buildings and structures	51,994	52,398	52,945
Machinery and equipment	61,846	69,903	68,948
Land	22,933	22,722	22,975
Construction in progress	17,214	12,750	9,987
Others	4,103	4,188	4,546
Total tangible fixed assets	158,093	161,963	159,403
Intangible fixed assets	2,946	2,964	3,030
Investments and other assets			
Investments in securities	74,934	72,176	74,478
Deferred tax assets (non-current)	1,380	1,168	1,462
Others	9,439	11,189	9,843
Allowance for doubtful receivables	(329)	(341)	(329)
Total investments and other assets	85,425	84,192	85,456
Total fixed assets	246,465	249,120	247,890
Total Assets	464,541	474,205	467,109

## Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007 (Reference)
Item	¥million	¥million	¥million
(Liabilities)			
Current liabilities			
Notes payable and accounts payable	68,453	72,051	69,014
Short-term borrowings	25,196	19,918	20,266
Account liabilities	24,520	25,316	26,168
Accrued expenses	9,871	9,656	8,991
Accrued corporate taxes	8,077	7,304	7,262
Accrued consumption taxes	319	778	298
Others	2,197	7,688	1,978
Total current liabilities	138,636	142,713	133,980
Long-term liabilities			
Bonds payable	15,000	10,000	15,000
Long-term debts	11,233	16,960	17,196
Deferred tax liabilities (non current)	8,450	5,998	7,081
Employees' severance and retirement benefits	17,996	18,377	18,217
Retirement benefits for directors and statutory auditors	863	208	962
Others	3,323	3,976	3,390
Total fixed liabilities	56,866	55,521	61,849
Total liabilities	195,502	198,234	195,829
(Net assets)			
Shareholders' equity			
Common stock	33,046	33,046	33,046
Additional paid-in capital	34,857	34,857	34,857
Retained earnings	184,948	195,744	188,417
Treasury stock	(13,405)	(15,460)	(14,479)
Total shareholders' equity	239,447	248,187	241,842
Valuation and translation adjustments, etc.			
Net unrealized gain on available-for-sales securities	25,909	22,110	24,115
Loss on deferred hedge	(1)	4	0
Foreign currency translation adjustments	(2,147)	(664)	(827)
Total valuation and translation adjustments	23,760	21,449	23,288
Stock acquisition rights	-	50	-
Minority Interests	5,830	6,282	6,148
Total net assets	269,038	275,970	271,280
Total liabilities and net assets	464,541	474,205	467,109

Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

(2) Consolidated Interim Statement of Income

	Interim term from April 1, 2006 to Sept. 30, 2006	Interim term from April 1, 2007 to Sept. 30, 2007	Increase (Decrease)	Term from April 1, 2006 to March 31, 2007
Item	¥ million	¥ million	¥ million	¥ million
I. Net sales	232,644	251,159	18,514	473,170
II. Cost of sales	168,248	186,953	18,705	344,519
Gross profit	64,395	64,205	(190)	128,651
III. Selling, general and administrative expenses	46,572	46,003	(568)	91,985
Operating income	17,823	18,201	378	36,666
IV. Non-operating income	<b>2,500</b>	<b>2,050</b>	<b>(449)</b>	<b>4,482</b>
Interest	75	161	85	304
Dividends income	529	846	316	859
Gain on sales of marketable securities	919	428	(491)	1,661
Exchange gains	603	317	(286)	854
Equity in gains of unconsolidated subsidiaries and affiliates	17	40	22	4
Others	353	257	(96)	797
V. Non-operating expenses	<b>1,836</b>	<b>2,188</b>	<b>351</b>	<b>4,209</b>
Interest expense	659	771	111	1,719
Loss on disposals property, plant and equipment	711	866	154	1,429
Others	465	550	85	1,061
Ordinary income	18,486	18,064	(422)	36,939
VI. Extraordinary gain	<b>2,725</b>	-	<b>(2,725)</b>	<b>2,725</b>
Gain on sales of subsidiaries' stock	2,725	-	(2,725)	2,725
VII. Extraordinary loss	<b>1,838</b>	<b>635</b>	<b>(1,202)</b>	<b>7,008</b>
Impairment losses	1,838	635	(1,202)	1,863
Expenses to restructure functional foodstuffs business	-	-	-	4,447
Settlement of U.S. class-action lawsuit	-	-	-	697
Income before income taxes	19,374	17,429	(1,945)	32,656
Corporate taxes, local taxes and business taxes	7,661	6,677	(984)	14,182
Income taxes deferred	(598)	434	1,033	(525)
Minority interests	290	252	(37)	636
Net income	12,020	10,064	(1,955)	18,363

## (3) Consolidated Interim Statement of Changes in Shareholders' Equity

Current consolidated interim accounting period (April 1, 2007 to September 30, 2007)

(Unit: million yen)

	Shareholders' equity				
	Common stocks	Additional paid in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	33,046	34,857	188,417	(14,479)	241,842
Changes during the consolidated interim accounting period					
Distribution of retained earnings			(2,737)		(2,737)
Interim net income			10,064		10,064
Acquisition of treasury stocks				(986)	(986)
Disposal of treasury stocks		0		4	5
Changes (net amount) of items other than shareholders' equity during the consolidated accounting period					-
Total change during the consolidated interim accounting period	-	0	7,326	(981)	6,345
Balance as of September 30, 2007	33,046	34,857	195,744	(15,460)	248,187

	Valuation and translation adjustments, etc				Stock acquisition rights	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, 2007	24,115	0	(827)	23,288	-	6,148	271,280
Changes during the consolidated interim accounting period							
Distribution of retained earnings							(2,737)
Interim net income							10,064
Acquisition of treasury stocks							(986)
Disposal of treasury stocks							5
Changes (net amount) of items other than shareholders' equity during the consolidated accounting period	(2,005)	4	162	(1,839)	50	133	(1,654)
Total change during the consolidated interim accounting period	(2,005)	4	162	(1,839)	50	133	4,690
Balance as of September 30, 2007	22,110	4	(664)	21,449	50	6,282	275,970

Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

(4) Interim Consolidated Statements of Cash Flows

	Interim term from April 1, 2006 to Sept. 30, 2006	Interim term from April 1, 2007 to Sept. 30, 2007	Term from April 1, 2006 to March 31, 2007 (Reference)
Item	¥million	¥million	¥million
<b>I. Cash flows from operating activities</b>			
Net interim income before income taxes	19,374	17,429	32,656
Depreciation and amortization	11,549	12,057	24,584
Impairment losses	1,838	635	1,863
Provision for severance and retirement benefits	(605)	(728)	(1,307)
Increase (decrease) in allowance for doubtful receivables	29	142	4
Interest and dividend income	(605)	(1,007)	(1,163)
Interest expense	659	771	1,719
Loss on sales and disposals of property, plant and equipment	714	564	1,400
Gain on sale of subsidiaries' stock	(2,725)	-	(2,725)
Expenses to restructure functional foodstuffs business	-	-	4,447
Settlement of U.S. class-action lawsuit	-	-	697
Equity in gains of unconsolidated subsidiaries and affiliates	(17)	(40)	(4)
(Increase) decrease in trade receivables	(8,770)	(4,025)	(9,219)
(Increase) decrease in inventories	(3,615)	(4,928)	(9,324)
Increase (decrease) in trade payables	8,040	2,969	8,316
Others	(474)	1,318	(525)
Subtotal	25,393	25,157	51,418
Interest and dividends received	646	1,010	1,158
Interest paid	(645)	(899)	(1,648)
Income taxes paid	(10,637)	(6,561)	(18,185)
Net cash provided by operating activities	14,756	18,707	32,742
<b>II. Cash flows from investing activities</b>			
Proceeds from marketable securities	300	-	1,600
Payment for purchase of tangible fixed assets	(18,167)	(15,893)	(34,879)
Payment for purchase of intangible assets	(385)	(346)	(769)
Purchase of investments securities	(1,938)	(1,690)	(4,885)
Proceeds from investment securities	1,249	1,012	2,893
Proceeds from sale of consolidated subsidiaries' stock	2,854	-	2,859
Increase in loans receivable	(419)	(8)	(401)
Decrease in loans receivable	171	236	375
Others	28	(308)	(688)
Net cash used in investing activities	(16,307)	(16,998)	(33,894)
<b>III. Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowing	5,409	(424)	6,652
Proceeds from long-term debt	319	118	6,914
Repayment of long-term debt	(618)	(421)	(7,821)
Dividends paid	(2,754)	(2,737)	(5,500)
Dividends paid to minority interests	(108)	(115)	(202)
Purchase of treasury stock	(1,053)	(986)	(2,130)
Proceeds of reissuance of treasury stock	2	4	5
Net cash used in financing activities	1,196	(4,561)	(2,081)
IV. Effect of exchange rate changes on cash and cash equivalents	115	(136)	301
V. Net decrease in cash and cash equivalents	(238)	(2,988)	(2,932)
VI. Cash and cash equivalents at beginning of term	25,044	22,635	25,044
. Effect of changes in consolidated subsidiaries	523	-	523
. Cash and cash equivalents at term end	25,329	19,646	22,635

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, 2006	(¥ million) Interim term ended September 30, 2007	(¥ million) Term ended March 31, 2007
Cash and deposit	23,135	17,595	20,396
Time deposits (period of deposit greater than 3 months)	(162)	(310)	(119)
Marketable securities	4,163	2,361	2,358
Stocks and bonds (redemption period exceeds 3 months)	(1,806)	-	-
Cash and cash equivalents	25,329	19,646	22,635

(5) Notes to the Consolidated Interim Financial Statements

1. Scope of Consolidation

(a) Number of consolidated subsidiaries: 52

(b) Principal subsidiaries:

Kaneka Belgium N.V., Kaneka Texas Corp., Kaneka Singapore Co. (Pte.) Ltd., Kaneka Shokuhin Co., Ltd., Tokyo Kaneka Shokuhin Co., Ltd., and 47 other companies

2. Standards for Account Settlement

Standards of appropriation for important allowances

Retirement benefits for directors and statutory auditors

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.

At the Company's 83<sup>rd</sup> general meeting of shareholders on June 28, 2007, a resolution was passed to abolish the system of retirement benefits for directors and statutory auditors, and to provide corresponding benefits to directors and statutory auditors retiring prior to the time when the system is abolished. As a result, the entire reserve amount for retirement benefits for directors and statutory officers was recovered and an amount corresponding to the Company's payment obligations was posted in the "others" category within long-term liabilities.

Items other than those indicated in the scope of consolidation and standards for account settlement above have been omitted, as no major changes have occurred since the most recent half year securities report was submitted (December 20, 2006).

(6) Significant changes for the interim consolidated financial statements

Depreciation method for important assets

(Changes in Accounting Policies)

In line with changes to the corporate tax code, the method of depreciating tangible fixed assets for the Company and its domestic consolidated subsidiaries has been revised to conform with the post-revision corporate tax code from the interim consolidated fiscal term under review for tangible fixed assets acquired after April 1, 2007. Compared with the previous method, the impact of this change was to reduce operating income, ordinary income and income before income taxes each by ¥313 million during the interim consolidated fiscal term under review.

The impact of this change on segment information is noted in the corresponding location.

(Additional information)

In accordance with changes to the corporate tax code, assets acquired by the Company and its domestic consolidated subsidiaries on or prior to March 31, 2007 are depreciated to a memorandum value over a five year period using straight-line method when the book value of the assets reach 5% of the acquisition value. Compared with the previous method, the impact of this change was to reduce operating income, ordinary income and income before income taxes each by ¥261 million.

The impact of this change on segment information is noted in the corresponding location.

## (7) Notes to the Consolidated Interim Financial Statements

## a. Notes to the Consolidated Interim Balance Sheets, Consolidated Interim Statement of Income, Consolidated Interim Statement of Changes in Shareholders' Equity

## &lt;Interim Balance Sheet&gt;

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007
			(Unit: ¥million)
1 . Less accumulated depreciation of tangible fixed assets	419,330	442,143	430,877
2 . Guaranteed Assets			
Buildings and structures	1,541	1,449	1,509
Machinery and equipment	869	889	926
Land	498	498	498
Investments in securities	620	447	535
Total	3,530	3,285	3,469
Secured Debt			
Notes and accounts payable	789	1,376	1,126
Short-term borrowings	1,107	1,216	1,240
Long-term debts	370	324	421
Total	2,267	2,917	2,788
3 . Contingent liabilities			
Guarantees	193	256	261
Letter of awareness	-	320	184
4 . Notes payable endorsed for payment	60	73	45
Discount on notes receivable	923	708	1,046

(Matters concerning the Consolidated Interim Statement of Income)

Impairment Loss

Location	Use	Type	Amount
Ikoma City, Nara Prefecture	Idle land	Land	193 million yen
Kaneka Nutrients L.P.	Functional foodstuff production equipment and facilities	Machinery and equipment, buildings, etc.	441 million yen

The Kaneka Group groups its assets mainly according to the business units of the Company. Idle assets are grouped individually in their respective assets groups.

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

Owing to lower profitability stemming from increasingly stringent competition, the recoverable value of the functional foodstuffs production equipment and facilities of Kaneka Nutrients L.P. was reduced, and an extraordinary loss was posted, corresponding to this reduction in book value. The breakdown is ¥303 million for machinery and equipment, and ¥111 million for buildings.

As the recoverable value is estimated at value in use, future cash flows have been discounted in the rate of 10%.

Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

(Interim Statement of Changes in Shareholders' Equity)

Current interim consolidated fiscal year (From April 1, 2007 to September 30, 2007)

1. 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	15,379,120	1,041,838	5,287	16,415,671
Total	15,379,120	1,041,838	5,287	16,415,671

(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. Stock acquisition rights

Item	Details of stock acquisition rights	Types of shares for the purpose of stock acquisition rights	Number of shares for the purpose of stock acquisition rights				Balance as of end of current interim consolidated fiscal year (¥million)
			End of the previous consolidated fiscal year	Current interim consolidated fiscal year Increase	Current interim consolidated fiscal year Decrease	End of current interim consolidated fiscal year	
Submitting company (Parent company)	Stock acquisition rights as stock options			-			50
Total				-			50

3. Dividends

(1) Amount dividend payments

Resolution	Type of stock	Total amount of Dividends	Dividend per share	Day of reckoning	Effective date
Board of Directors held on May 10, 2007	Common stock	¥2,737 million	8 yen	March 31, 2007	May 28, 2007

(2) Of the dividends whose day of reckoning fall under the current consolidated fiscal year, whose effective dates are after the end of the current 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 Oct. 25, 2007	Common stock	¥2,729 million	Retained earnings	8 yen	September 30, 2007	December 5, 2007

Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

b. Segment Information

1. Segment Information by Business Category

(1) 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										
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 profit (loss)	2,001	6,652	(381)	1,886	3,533	5,410	1,192	20,295	( 2,471 )	17,823

(2) Interim Term from April 1, 2007 to September 30, 2007

(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	50,585	44,017	36,650	57,241	17,535	29,152	15,976	251,159	-	251,159
(2) Intersegment	1,427	201	476	5	-	-	2,100	4,210	( 4,210 )	-
Total	52,012	44,218	37,127	57,247	17,535	29,152	18,076	255,370	( 4,210 )	251,159
Operating expenses	49,397	37,282	37,253	56,364	15,233	24,605	14,530	234,667	( 1,709 )	232,957
Operating Profit (loss)	2,614	6,935	(126)	883	2,302	4,546	3,546	20,702	( 2,500 )	18,201

(3) Term from April 1, 2006 to March 31, 2007

(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	93,120	81,082	71,531	110,795	40,332	51,488	24,819	473,170	-	473,170
(2) Intersegment	2,305	313	1,142	11	-	-	6,659	10,432	( 10,432 )	-
Total	95,426	81,395	72,673	110,807	40,332	51,488	31,479	483,603	( 10,432 )	473,170
Operating expenses	89,743	67,807	73,172	107,255	34,607	42,184	27,365	442,136	( 5,631 )	436,504
Operating profit (loss)	5,683	13,587	(499)	3,552	5,724	9,303	4,114	41,467	( 4,800 )	36,666

## Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

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 ¥2,577 million for the interim term ended September 30, 2006, ¥2,577 million for the interim term ended September 30, 2007 and ¥4,936 million for the term ended March 31, 2007, respectively, consist of fundamental research and development expenses of the Company.

#### 4 Changes in Accounting Methods

Accounting method for important depreciated assets  
(Changes in accounting policies)

As stated in the "Notes to the Interim Consolidated Financial Statements," in line with changes to the corporate tax code the method of depreciating tangible fixed assets for the Company and its domestic consolidated subsidiaries has been revised to conform with the post-revision corporate tax code from the interim consolidated fiscal term under review for tangible fixed assets acquired after April 1, 2007. Compared with the previous method, the impact of this change was to increase operating expenses in the interim consolidated fiscal term under review ¥31 million in the Chemicals segment, ¥40 million in the Functional Plastics segment, ¥43 million in the Expandable Plastics and Products segment, ¥10 million in the Foodstuffs Products segment, ¥19 million in the Life Science Products segment, ¥135 million in the Electronic Products segment and ¥32 million in the Synthetic Fibers and Others segment. Operating income decreased by corresponding amounts.

(Additional information)

In accordance with changes to the corporate tax code, assets acquired by the Company and its domestic consolidated subsidiaries on or prior to March 31, 2007 are depreciated to a memorandum value over a five year period using straight-line method when the book value of the assets reach 5% of the acquisition value. Compared with the previous method, the impact of this change was to increase operating expenses in the interim consolidated fiscal term under review ¥47 million in the Chemicals segment, ¥20 million in the Functional Plastics segment, ¥86 million in the Expandable Plastics and Products segment, ¥25 million in the Foodstuffs Products segment, ¥23 million in the Life Science Products segment, ¥21 million in the Electronic Products segment and ¥37 million in the Synthetic Fibers and Others segment. Operating income decreased by corresponding amounts.

## 2. Segment Information by Geographic Area

(1) 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	-	232,644
(2) Intersegment	12,639	2,819	15,458	( 15,458 )	-
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

(2) Interim term from April 1, 2007 to September 30, 2007 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales					
(1) Customers	200,873	50,286	251,159	-	251,159
(2) Intersegment	10,819	4,184	15,004	( 15,004 )	-
Total	211,692	54,471	266,163	( 15,004 )	251,159
Operating expenses	194,008	51,682	245,691	( 12,733 )	232,957
Operating income	17,684	2,788	20,472	( 2,270 )	18,201

(3) Term from April 1, 2006 to March 31, 2007 (Unit: ¥million)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
Sales					
(1) Customers	379,519	93,651	473,170	-	473,170
(2) Intersegment	23,234	5,669	28,904	( 28,904 )	-
Total	402,753	99,321	502,075	( 28,904 )	473,170
Operating expenses	365,558	94,874	460,433	( 23,929 )	436,504
Operating income	37,195	4,446	41,641	( 4,975 )	36,666

Notes: 1. The regions falling under the 'Other areas' 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 ¥2,577 million for the interim term ended September 30, 2006, ¥2,577 million for the interim term ended September 30, 2007, and ¥4,936 million for the term ended March 31, 2007, respectively, consist of fundamental research and development of the Company.

### 3. Changes in Accounting Methods

Accounting method for important depreciated assets

(Changes in accounting policies)

As stated in the "Notes to the Interim Consolidated Financial Statements," in line with changes to the corporate tax code the method of depreciating tangible fixed assets for the Company and its domestic consolidated subsidiaries has been revised to conform with the post-revision corporate tax code from the interim consolidated fiscal term under review for tangible fixed assets acquired after April 1, 2007.

Compared with the previous method, the impact of this change was to increase operating expenses in the interim consolidated fiscal term under review ¥313 million in Japan. Operating income decreased by a corresponding amount.

(Additional information)

In accordance with changes to the corporate tax code, assets acquired by the Company and its domestic consolidated subsidiaries on or prior to March 31, 2007 are depreciated to a memorandum value over a five year period using straight-line method when the book value of the assets reach 5% of the acquisition value. Compared with the previous method, the impact of this change was to increase operating expenses in the interim consolidated fiscal term under review ¥261 million in Japan. Operating income decreased by a corresponding amount.

## 3. International Sales

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

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

(2) Interim Term from April 1, 2007 to September 30, 2007 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
International Sales	40,350	19,530	28,978	7,478	96,337
Consolidated net sales					251,159
Ratio of international sales to consolidated net sales (%)	16.1	7.8	11.5	3.0	38.4

(3) Term from April 1, 2006 to March 31, 2007 (Unit: ¥million)

	Asia	North America	Europe	Other Areas	Total
International Sales	68,600	42,088	50,060	11,019	171,769
Consolidated net sales					473,170
Ratio of international sales to consolidated net sales (%)	14.5	8.9	10.6	2.3	36.3

Notes: 1. International sales are sales of the Company and its 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 are as follows.

(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, Mexico

Europe: Belgium, United Kingdom

Other regions: Africa, Oceania

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c. 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, 2006			Interim term ended September 30, 2007			Term ended March 31, 2007		
	Acquisition cost	Amount on interim balance sheet	Difference	Acquisition cost	Amount on interim balance sheet	Difference	Acquisition cost	Amount on balance sheet	Difference
(1) Equity securities	19,345	63,230	43,885	24,309	61,769	37,459	22,863	63,750	40,886
(2) Bonds									
Government bonds and local government bonds, etc.	300	300	0	-	-	-	-	-	-
Corporate bonds	1,006	1,006	(0)	-	-	-	-	-	-
Others	500	499	(0)	-	-	-	-	-	-
(3) Others	-	-	-	-	-	-	-	-	-
Total	21,152	65,036	43,884	24,309	61,769	37,459	22,863	63,750	40,886

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

(Unit: ¥million)

	Interim term ended Sep. 30, 2006	Interim term ended Sep. 30, 2007	Term ended March 31, 2007
	Amount on interim consolidated balance sheet	Amount on interim consolidated balance sheet	Amount on consolidated balance sheet
(1) Unconsolidated subsidiaries' stock and affiliates' stock	2,698	2,730	2,691
(2) Other securities			
Non-listed equity securities	7,987	6,699	7,141
Mutual funds invested in bonds	2,356	2,361	2,358
Others	1,017	976	895

## d. Stock options

Interim Term from April 1, 2007 to September 30, 2007

1. Amounts recorded as expenses related to stock options during the consolidated interim fiscal period under review and those line item names

Selling, general and administrative expenses : ¥50 million

2. Details of stock options granted during the consolidated interim fiscal period under review

	2007 stock options
Category and number of people granted stock options	Company directors, 13
Number of stock options granted, by category of stock	57,000 shares of common stock
Date granted	September 10, 2007
Conditions for ascertaining rights	No conditions for ascertaining rights are attached.
Applicable service period	No applicable service period has been set.
Exercise period	From September 11, 2007, through September 10, 2032. However, if a party who holds stock acquisition rights loses his/her position as Company director during the above-stated exercise period, he/she may exercise those rights only within the 10-day period beginning the day after losing such position.
Exercise price	¥1
Fair unit value on date granted	¥883

## e. Per-Share Information

	Interim term from April 1, 2006 to Sept. 30, 2006	Interim term from April 1, 2007 to Sept. 30, 2007	Term from April 1, 2006 to March 31, 2007
Net assets per share	¥766.84	¥790.27	¥774.71
Net income per share	¥34.95	¥29.43	¥53.48
Fully diluted net income per share	Fully diluted net income per share is omitted, as there are no shares for potential dilution.	¥29.42	Fully diluted net income per share is omitted, as there are no shares for potential dilution.

Note: The basis for calculating net income per share and fully diluted net income per share is as follows.

(Unit: ¥million)

	Interim term from April 1, 2006 to Sept. 30, 2006	Interim term from April 1, 2007 to Sept. 30, 2007	Term from April 1, 2006 to March 31, 2007
Net income	12,020	10,064	18,363
Funds not ascribed to holders of common shares	—	—	—
Net income available for common stock	12,020	10,064	18,363
Average shares of common stock during the term	343,891,676 shares	342,036,796 shares	343,372,172 shares
Increase in shares of common stock	—	6,223 shares	—
(Of which, stock acquisition rights)	( — )	( 6,223 shares )	( — )

## Events

Nothing to report

Notes concerning lease transactions and derivative transactions have been omitted, as they are not regarded as material to this report on financial results.

## 5. Interim Non-Consolidated Financial Statements

## (1) Interim Balance Sheets

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007
Item	¥million	¥million	¥million
(Assets)			
I. Current assets			
Cash and deposits	16,089	11,607	13,129
Notes receivable	4,634	4,027	4,204
Accounts receivable	80,851	85,173	80,020
Marketable securities	1,506	-	-
Inventories	33,717	40,365	38,911
Deferred tax assets	2,406	2,357	2,331
Others	21,043	17,787	18,870
Allowance for doubtful receivables	(74)	(12)	(12)
Total current assets	160,173	161,306	157,455
II. Fixed assets			
Tangible fixed assets			
Buildings	28,081	27,081	27,633
Machinery and equipment	42,574	43,902	42,337
Land	17,477	17,311	17,500
Others	11,230	11,600	13,417
Total tangible fixed assets	99,364	99,895	100,888
Intangible fixed assets	1,014	959	909
Investments and other assets			
Investments in securities	97,749	98,267	94,946
Long-term loans receivable	12,668	18,682	16,205
Others	8,037	10,179	8,989
Allowance for doubtful receivables	(180)	(753)	(6,641)
Allowance for investment loss	(521)	-	-
Total investments and other assets	117,753	126,376	113,499
Total fixed assets	218,132	227,232	215,297
Total Assets	378,306	388,539	372,753

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007
Item	¥million	¥million	¥million
(Liabilities)			
I. Current liabilities			
Notes payable	464	29	267
Accounts payable	44,253	46,993	43,972
Short-term borrowings	17,519	22,452	11,681
Bonds payable redeemed within 1year	-	5,000	-
Account liabilities	20,032	20,251	20,281
Accrued corporate taxes	5,635	4,824	4,961
Allowance for loss on debt guarantees	155	-	-
Others	5,435	5,653	4,924
Total current liabilities	93,495	105,205	86,089
II. Long-term liabilities			
Bonds payable	15,000	10,000	15,000
Long-term debts	9,516	15,887	15,892
Employees' severance and retirement benefits	15,102	15,279	15,144
Retirement benefits for directors and statutory auditors	628	-	706
Deferred tax liabilities (current)	6,706	4,542	5,644
Others	2,621	3,465	2,670
Total fixed liabilities	49,574	49,174	55,058
Total liabilities	143,069	154,379	141,148

	Interim term ended September 30, 2006	Interim term ended September 30, 2007	Term ended March 31, 2007
Item	¥million	¥million	¥million
(Net assets)			
I. Shareholders' equity			
Common stocks	33,046	33,046	33,046
Additional paid-in capital			
Capital surplus	34,821	34,821	34,821
Other additional paid-in capital	20	20	20
Total additional paid-in capital	34,841	34,842	34,842
Retained earnings			
Retained earnings reserve	5,863	5,863	5,863
Other retained earnings			
Transfer to reserve for special depreciation	634	363	495
Special disaster prevention reserve	-	3	3
Reserve for dividends	1,995	1,995	1,995
Reserve for retirement payments	525	-	525
Funds for technical promotion	500	500	500
Funds for employee welfare	300	300	300
Reserves for replaced property	598	598	598
Reserves for advanced depreciation of replaced property	690	659	674
General reserve	118,427	128,427	118,427
Unappropriated retained earnings	25,870	21,301	25,274
Total retained earnings	155,406	160,012	154,657
Treasury stock	(13,405)	(15,460)	(14,479)
Total shareholders' equity	209,889	212,440	208,066
II. Valuation and translation adjustments, etc			
Net unrealized gain on available-for-sales	25,348	21,663	23,538
Loss on deferred hedge	(1)	4	0
Total valuation and translation adjustments	25,347	21,668	23,538
III. Stock acquisition rights	-	50	-
Total net assets	235,236	234,159	231,605
Total liabilities and net assets	378,306	388,539	372,753

Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

(2) Non-consolidated Interim Statements of Income

	Interim term from April 1, 2006 to Sept. 30, 2006	Interim term from April 1, 2007 to Sept. 30, 2007	Increase (Decrease)	Term from April 1, 2006 to March 31, 2007
Item	¥ million	¥ million	¥ million	¥ million
I. Net sales	146,429	156,984	10,554	296,411
II. Cost of sales	105,201	115,644	10,443	213,104
Gross profit	41,228	41,339	111	83,306
III. Selling, general and administrative expenses	28,219	28,175	(43)	55,943
Operating income	13,008	13,163	154	27,363
IV. Non-operating income	<b>4,844</b>	<b>3,400</b>	<b>(1,444)</b>	<b>7,625</b>
Interest received	108	171	62	248
Dividends received	2,685	2,431	(253)	3,856
Gain on sales of marketable securities	919	428	(491)	1,654
Others	1,131	369	(761)	1,866
V. Non-operating expenses	<b>1,524</b>	<b>1,528</b>	<b>4</b>	<b>3,312</b>
Interest expense	359	394	35	706
Others	1,165	1,133	(31)	2,606
Ordinary income	16,328	15,034	(1,294)	31,675
VI. Extraordinary gain	<b>1,033</b>	-	<b>(1,033)</b>	<b>1,033</b>
Income on sale of subsidiaries' stocks	1,033	-	(1,033)	1,033
VII. Extraordinary loss	-	<b>1,909</b>	<b>1,909</b>	<b>8,538</b>
losses on investments in subsidiaries	-	1,715	1,715	-
Impairment losses	-	193	193	-
Expenses to restructure functional foodstuffs business	-	-	-	8,538
Income before income taxes	17,362	13,125	(4,237)	24,171
Corporate taxes, local taxes and business taxes	5,450	4,880	(570)	10,010
Income taxes deferred	602	152	(450)	854
Net income	11,309	8,092	(3,216)	13,306

## Interim Financial Results for the Term Ended September 30, 2007, Kaneka Corporation (4118)

## (3) Non-consolidated Interim Statement of Changes in Shareholders' Equity

(April 1, 2007 to September 30, 2007)

(Unit: million yen)

	Shareholders' equity										
	Common stocks	Additional paid-in capital			Retained earnings reserve	Retained earnings					
		Capital surplus	Other additional paid-in capital	Total additional paid-in capital		Other retained earnings					
						Reserve for special depreciation	Special disaster prevention reserve	Reserve for dividends	Reserve for retirement payment	Funds for technical promotion	Funds for employee welfare
Balance as of March 31, 2007	33,046	34,821	20	34,842	5,863	495	3	1,995	525	500	300
Changes during the interim accounting period											
Reversal of reserve for special depreciation						(132)					
Reversal of reserve for retirement payments									(525)		
Reversal of reserve for advanced depreciation of replaced property											
Transfer to general reserve											
Payment of dividends											
Interim net income											
Acquisition of treasury stock											
Disposal of treasury stock			0	0							
Changes (net amount) of items other than shareholders' equity during the interim accounting period											
Total change during the interim accounting period	—	—	0	0	—	(132)	—	—	(525)	—	—
Balance as of Sept. 30, 2007	33,046	34,821	20	34,842	5,863	363	3	1,995	—	500	300

	Shareholders' equity							Valuation and translation adjustments, etc.			Stock acquisition rights	Total net assets
	Retained earnings					Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sales securities	Loss on deferred hedge	Total valuation and translation adjustments		
	Other retained earnings				Total retained earnings							
	Reserves for replaced property	Reserves for advanced depreciation of replaced property	General reserve	Unappropriated retained earnings								
Balance as of March 31, 2007	598	674	118,427	25,274	154,657	(14,479)	208,066	23,538	0	23,538	—	231,605
Changes during the interim accounting period												
Reversal of reserve for special depreciation				132	—		—					—
Reversal of reserve for retirement payments				525	—		—					—
Reversal of reserve for advanced depreciation of replaced property		(15)		15	—		—					—
Transfer to general reserve			10,000	(10,000)	—		—					—
Payment of dividends				(2,737)	(2,737)		(2,737)					(2,737)
Interim net income				8,092	8,092		8,092					8,092
Acquisition of treasury stock						(986)	(986)					(986)
Disposal of treasury stock						4	5					5
Changes (net amount) of items other than shareholders' equity during the interim accounting period								(1,874)	4	(1,870)	50	(1,820)
Total change during the interim accounting period	—	(15)	10,000	(3,972)	5,355	(981)	4,373	(1,874)	4	(1,870)	50	2,553
Balance as of Sept. 30, 2007	598	659	128,427	21,301	160,012	(15,460)	212,440	21,663	4	21,668	50	234,159

## 6. Others

## (1) Sales by Business Sector

Business Sector	Interim term from April 1, 2006 to Sept.30, 2006		Interim term from April 1, 2007 to Sept.30, 2007		Increase (Decrease)		Term from April 1, 2006 to March 31, 2007	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase (Decrease) ratio	Amount	Composition ratio
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Chemicals	34,897	23.9	39,387	25.1	4,489	12.9	72,964	24.6
Functional Plastics	16,656	11.4	17,006	10.8	350	2.1	32,895	11.1
Expandable Plastics and Products	18,921	12.9	19,455	12.4	533	2.8	38,156	12.9
Foodstuffs Products	24,474	16.7	26,929	17.2	2,455	10.0	51,215	17.3
Life Science Products	17,575	12.0	13,847	8.8	(3,728)	(21.2)	32,943	11.1
Electronic Products	22,743	15.5	24,869	15.8	2,126	9.4	43,954	14.8
Synthetic Fibers and Others	11,159	7.6	15,487	9.9	4,327	38.8	24,282	8.2
Total	146,429	100.0	156,984	100.0	10,554	7.2	296,411	100.0
Exports (out of total)	48,467	33.1	55,741	35.5	7,274	15.0	99,109	33.4