



Financial Results for the Term Ended March 2009

April 28, 2009

Name of Listed Company: Kaneka Corporation Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)
Code Number: 4118 URL <http://www.kaneka.co.jp>

Representative: Name: Kimikazu Sugawara Title: President, Representative Director

Contact Person: Name: Masami Kishine Title: General Manager - Accounting Department Phone: +81-6-6226-5169

Scheduled date for Ordinary General Meeting of Shareholders : June 26, 2009 Scheduled date for dividend payment : May 28, 2009

Scheduled date for submitting financial statements : June 26, 2009

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

1. Consolidated Business Performance for the Term Ended March 2009 (from April 1, 2008 to March 31, 2009)

(1) Consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Apr. 2008 – Mar. 2009	449,585	(10.6)	7,604	(78.7)	5,844	(82.7)	(1,850)	–
Apr. 2007 – Mar. 2008	502,968	6.3	35,745	(2.5)	33,866	(8.3)	18,817	2.5

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income-total assets ratio	Operating income-sales ratio
	¥	¥	%	%	%
Apr. 2008 – Mar. 2009	(5.45)	–	(0.7)	1.3	1.7
Apr. 2007 – Mar. 2008	55.10	55.09	7.1	7.4	7.1

(Reference) Loss based on equity-method investment balance was ¥489 million as of March 31, 2009; profit on this basis was ¥60 million as of March 31, 2008.

Note: Although the potential for stock dilution exists, fully diluted net income per share is not indicated here, as the Company posted a net loss for the fiscal year ended March 31, 2009.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Apr. 2008 – Mar. 2009	418,489	249,529	58.1	717.15
Apr. 2007 – Mar. 2008	452,620	267,598	57.7	767.68

(Reference) Shareholders' equity: ¥243,305 million as of March 31, 2009, and ¥261,262 million as of March 31, 2008

(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
Apr. 2008 – Mar. 2009	26,464	(36,349)	12,308	24,240
Apr. 2007 – Mar. 2008	39,418	(34,988)	(4,433)	21,988

2. Dividends

(Record date)	June 30	September 30	December 31	Year-end cash dividend per share	Annual cash dividend per share	Total amount of dividends (Annual)	Payout ratio (Consolidated)	Net asset payout ratio (Consolidated)
	¥	¥	¥	¥	¥	¥million	%	%
Apr. 2007 – Mar. 2008	–	8.00	–	8.00	16.00	5,452	29.0	2.1
Apr. 2008 – Mar. 2009	–	8.00	–	8.00	16.00	5,433	–	2.2
Apr. 2009 – Mar. 2010 (Forecasts)	–	8.00	–	8.00	16.00	–	90.5	–

3. Forecast for consolidated business performance in the term Ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Percentage figures represent changes from the corresponding periods of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
First half	190,000	(23.7)	4,000	(60.6)	3,500	(65.7)	2,000	(59.6)	5.90
Annual	410,000	(8.8)	13,000	71.0	11,000	88.2	6,000	–	17.69

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 financial statements
(significant changes pertaining to the preparation of consolidated 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 consolidated financial statements" on page 17.

(3) Number of shares outstanding (common stock)

1. Number of shares issued at the end of the period (including treasury stock):
350,000,000 shares as of March 31, 2009, and 350,000,000 shares as of March 31, 2008
2. Number of treasury stock at the end of the period:
10,735,630 shares as of March 31, 2009, and 9,670,723 shares as of March 31, 2008

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 32.

(Reference) : Overview of Non-Consolidated Operating Performance

For the Term Ended March 2009 (from April 1, 2008 to March 31, 2009)

(1) Non-consolidated business performance (% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Apr. 2008 - Mar. 2009	272,204	(13.2)	2,208	(91.2)	3,056	(88.7)	(2,487)	—
Apr. 2007 - Mar. 2008	313,650	5.8	25,160	(8.1)	27,158	(14.3)	15,161	13.9

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2008 - Mar. 2009	(7.32)	—
Apr. 2007 - Mar. 2008	44.39	44.39

Note: Although the potential for stock dilution exists, fully diluted net income per share is not indicated here, as the Company posted a net loss for the fiscal year ended March 31, 2009.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥million	¥million	%	¥
Apr. 2008 - Mar. 2009	347,803	212,277	61.0	625.45
Apr. 2007 - Mar. 2008	372,140	226,572	60.9	665.60

(Reference) Shareholders' equity: ¥212,201 million as of March 31, 2009, and ¥226,522 million as of March 31, 2008

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 forecasts. For cautionary items used in operating results forecasts, please refer to the section entitled 1. Business Performance (1) Analysis of Business Performance on page 4.

Overview of Financial Statements

1. Business Performance

(a) Analysis of Business Performance

(1) Overview of Results for the Term Ended March 31, 2009

During the first half of the year under review, the global economy was affected by sharply higher raw material prices. At the same time, uncertainty in the U.S. financial system precipitated into the real economy, having an increasingly pronounced negative effect. By the third quarter, the impact of financial crises in Europe and the United States had spread throughout the world, including emerging countries, creating the historically unparalleled situation of a simultaneous economic downturn on a global scale. This situation also had severe implications for the Japanese economy. Exports, which had served as springboard for economic recovery, fell off sharply. The employment situation and consumer sentiment worsened significantly, increasing the severity of and prolonging the country's economic retraction. Operating performance suffered from the combined effects of a steep decline in exports, worldwide corporate efforts to reduce inventory levels, plunging stock prices and ongoing yen appreciation, with no prospects for recovery in sight.

Under these conditions, the Kaneka Group mounted an organization-wide initiative to transform the business structure, research and development, and human resources. These efforts call for us to reform our business portfolio. We will withdraw from areas of business in which we are unable to maintain technological superiority in the face of the changing business climate, while aggressively focusing management resources on areas that offer long-term promise. Although we strove to accelerate inventory reductions through such efforts as adjusting production levels, seeking to recover our ability to generate revenue and profits by redoubling cuts in production and overhead costs, the rapidly changing business environment significantly affected performance in the Chemicals, Functional Plastics, Electronic Products, and Synthetic Fibers and Others segments.

On a consolidated basis, net sales fell 10.6% year on year, to ¥449,585 million. Operating income dropped 78.7%, to ¥7,604 million, and ordinary income decreased 82.7%, to ¥5,844 million.

After the posting of extraordinary losses, including a ¥4,207 million loss on valuation of investment securities, ¥1,467 million in impairment losses on fixed assets and a ¥924 million loss on liquidation of business, while liquidating ¥1,536 million in deferred tax assets, the Group recorded a net loss of ¥1,850 million.

On a non-consolidated basis, net sales amounted to ¥272,204 million, down 13.2%. Operating income declined 91.2%, to ¥2,208 million, and ordinary income dropped 88.7%, to ¥3,056 million. The net loss came to ¥2,487 million.

(2) Segment Trends

(Chemicals)

In Japan, sales of polyvinyl chloride were sluggish, and exports dropped substantially. Ongoing stagnation in the U.S. housing market affected sales of polyvinyl-chloride special resins, and sales in Japan were sluggish. Demand for caustic soda decreased as a result of the economic slowdown. Although the Group introduced sales price revisions to reflect major shifts in raw materials costs, profitability worsened. As a result, segment sales and profits decreased, and the segment failed to achieve profitability.

(Functional Plastics)

Modifier sales were affected by lackluster sales in the U.S. housing market, combined with lower sales volumes in the Far East and other parts of Asia and in Europe. In addition, U.S., Europe and Japanese demand for modified silicone polymers decreased. Consequently, segment sales and revenues both decreased, compared with the preceding fiscal year.

(Expandable Plastics and Products)

Amid continued sluggish demand for expandable polystyrene and molded items and extruded polystyrene foam boards, we endeavored to adjust selling prices and improve costs. Sales volumes in foamed plastics by beads method dropped off significantly, owing to lower demand and our withdrawal from U.S. operations. As a result of these factors, segment sales declined year on year, but we achieved profitability.

(Foodstuffs Products)

Although this segment's mainstay bakery and confectionery markets failed to expand, we sought to expand sales by introducing distinctive products while curtailing costs. In addition, we revised selling prices to reflect sharply higher raw material costs. We achieved year-on-year increases in segment sales and profits as a result.

(Life Science Products)

In medical devices, sales expanded favorably, and firm bulk and intermediate pharmaceuticals sales volumes resulted in sales and profit increases. In functional foodstuffs, despite an expanded sales volume due to increased U.S. sales and expanded sales of highly functional products, lower selling prices caused profitability to remain at a level similar to the preceding fiscal year. Owing to these factors, segment sales and profits both rose.

(Electronic Products)

Affected severely by yen appreciation, sales and profits on solar cells decreased. A major decline in demand for mobile phones and electronic parts resulted in lower sales volumes for ultra heat-resistant polyimide films and LCD-related products. As a result, sales and profits fell, and the segment failed to achieve profitability.

(Synthetic Fibers and Others)

Amid substantially lower overseas demand, in the synthetic fibers business the Group concentrated on sales of high-value-added products. Sales volumes fell nevertheless, and yen appreciation had a major impact on this business, causing sales and profits to decrease. Sales and profits also declined in other business fields, as the business climate worsened. As a result, this segment recorded decreases in both sales and profits from the previous year.

(International Sales)

During the year under review, international sales suffered from the global economic decline, as well as yen appreciation. As a result, exports fell and overseas subsidiaries posted lower sales. Consequently, international sales fell 21.3% during the year, to ¥147,203 million. As a percentage of net sales, international sales came to 32.7%, compared with 37.2% in the preceding term.

(3) Performance Forecasts

The global operating environment has become increasingly uncertain, as the U.S. economy fails to show signs of recovery, and risk of the Japanese economy bottoming out remains. Operating in this environment, making technology the basis of its business strategy the Kaneka Group will take a technology-oriented approach to building the Company, striving to enhance corporate value by achieving qualitative transformation in three ways. During the fiscal year ending March 31, 2010, in particular, we will accelerate the implementation of action plans that concentrate on achieving the structural reform of each business segment.

Our performance forecasts for the year ending March 31, 2010, are as follows.

Consolidated Forecasts

Net sales ¥410 billion (8.8% decrease from the year ended March 31, 2009)
 Operating income ¥13 billion (71.0% increase from the year ended March 31, 2009)
 Ordinary income ¥11 billion (88.2% increase from the year ended March 31, 2009)
 Net income ¥6 billion (compared with a net loss of ¥1.8 billion in the year ended March 31, 2009).

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 ¥90 to the U.S. dollar, ¥120 to the euro and a domestic naphtha price of ¥30,000 per kiloliter.

(b) Analysis of Financial Position

(1) Status of Assets, Liabilities and Equity

As of March 31, 2009, gross assets came to ¥418,489 million, down ¥34,130 million from March 31, 2008, mainly because a decrease in accounts receivable and a dip in the stock market caused investments in securities to decline. Also, the ratio of ordinary income to total assets (ROA) was 1.3%, down from 7.4% in the previous fiscal year.

Interest-bearing debt increased to ¥72,158 million as of March 31, 2009, up ¥17,929 million from one year earlier. Net assets fell ¥18,069 million from the end of the preceding term, to ¥249,529 million, mainly because retained earnings decreased and the net unrealized gain on available-for-sale securities fell, owing to a decline in share prices. As a result, the equity ratio came to 58.1%. The D/E ratio (rate of interest-bearing debts to equity capital), was 0.30.

(2) Analysis of Consolidated Cash Flows

During the term, overall operations provided net cash of ¥2,252 million, including the effect of exchange rate changes on cash and cash equivalents. Consequently, cash and cash equivalents on March 31, 2009, came to ¥24,240 million, ¥2,252 million higher than the end of the preceding term.

Following is an overview individual cash flows.

(Cash provided by operating activities)

Net cash provided by operating activities was ¥26,464 million, 32.9%, or ¥12,953 million, less than in the preceding fiscal year. Major factors included depreciation and amortization, which provided ¥27,352 million. Uses of cash included a decrease in working capital and the payment of income taxes, and the Company posted a net loss before income taxes.

(Cash used in investing activities)

Net cash used in investing activities amounted to ¥36,349 million, 3.9% more than in the preceding fiscal year. The principal factor in this category was the purchase of property, plant and equipment, which used ¥35,327 million.

(Cash provided by financing activities)

Net cash provided by financing activities was ¥12,308 million, compared with ¥4,433 million used in these activities during the preceding fiscal year. Borrowings provided the majority of this cash, or ¥23,953 million. Major uses of cash included dividends paid of ¥5,441 million and ¥5,000 million for the redemption of corporate bonds.

(3) Trends in Cash Flow Related Indicators

	Term ended March 31, 2005	Term ended March 31, 2006	Term ended March 31, 2007	Term ended March 31, 2008	Term ended March 31, 2009
Shareholders' equity ratio	56.4%	57.5%	56.8%	57.7%	58.1%
Shareholders' equity ratio based on market value	103.5%	107.2%	82.4%	46.8%	39.2%
Interest-bearing debt coverage ratio	1.1	1.0	1.6	1.4	2.7
Interest coverage ratio	35.1	44.6	19.9	24.9	19.7

Shareholders' equity ratio: Equity capital/total assets

Shareholders' equity ratio based on market value: Total market value of stock/total assets

Interest-bearing debt coverage ratio: interest-bearing debt / cash flows

Interest coverage ratio: Operating cash flows/interest paid

Notes:

1. All calculated according to financial figures on a consolidated basis
2. The calculation of the total market value of stock is based on the total number of shares outstanding, excluding treasury stock.
3. "Cash flows" refers to cash flows from operations.
4. The scope of interest-bearing debt is all liabilities in the Consolidated Balance Sheets for which interest is payable.
5. 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 for the Current and Upcoming Fiscal Years

Kaneka considers improving its earning potential and maximizing returns to shareholders while strengthening the Company's corporate foundation to be important management tasks. When returning profits to investors, our basic policy is to target a consolidated dividend payout ratio of 30%, each fiscal year taking into overall consideration such factors as medium- to long-term sales and profit trends, investment plans, and our financial situation. We aim to maintain a stable payout ratio, which we achieve in part by acquiring treasury stock.

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, the Company's Articles of Incorporation may provide that dividends from retained earnings be paid by resolution of the Board of Directors

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

The Company plans to pay ¥8 per share for the year-end dividend. This year-end dividend, in addition to an ¥8 per share interim dividend payment, brings annual dividends to ¥16 per share. We also expect to pay total dividends of ¥16 per share for the year ending March 31, 2010.

During the term, we acquired from the market 1,000 thousand shares of treasury stock at a cost of ¥543 million. As a result, treasury stock amounted to 10,720 thousand shares as of March 31, 2009.

2. The Corporate Group Situation

Our recent financial statement (June 27, 2008) 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

The Kaneka Group maintains a corporate philosophy that states: "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 globally recognized by deploying diversified business in fields with strong potential, building on differentiated, original technologies and constantly offering socially useful new values.

Operating in a rapidly changing business environment, we will take a technology-oriented approach toward building the company as we strive to achieve our objectives. We aim to enhance corporate value through a management direction that emphasizes qualitative transformation targeting the growth of our businesses and human resources.

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

- Recognizing Kaneka's strength in technology, we aim to achieve qualitative transformation in three ways. We will transform the business structure by substantially expanding operations in growth fields where we have a first-mover advantage. We will transform research and development to ensure the rapid realization of highly original technologies. Finally, we will transform human resources by fostering a well-honed spirit of challenge that will make possible the overall transformation of the Kaneka Group.
- Integrating businesses that characterized as drivers of growth, generators of substantial cash and businesses that require changes to their business model, we will tailor strategies to the characteristics of each business type, with the aim of achieving high levels of sales and profit growth.
- Concentration of investment on management resources in growth sectors, making efforts to improve profitability through continual cost improvement activities.

(b) Target Management Indexes

With U.S. and European economies still failing to show signs of recovery and given the risk that the Japanese economy will bottom out, we do not expect the real economy to recover in the foreseeable future. However, we aim to meet the expectations of our stakeholders and transform ourselves into a highly valued corporate group by building the foundations for a growing, thriving operating environment and business structure that takes into account an awareness of the era that will exist after the economy recovers.

In the short term, the Kaneka Group will concentrate on achieving in upcoming fiscal year, ending March 31, 2010, the performance targets of the medium-term plan that is currently in place. We will strive to halt the sales decline by accelerating measures to transform of the business structure. At the same time, in the upcoming year we will draft a new medium-term plan that is based on a management vision taking into consideration a new era. We will formulate new strategies and put in place the steppingstones that will allow us to achieve our growth potential. By harnessing our overall capabilities in these ways, we plan to launch ourselves back onto a growth trajectory.

(c) Medium and Long-Range Management Strategies

The current medium-term plan incorporates the following priority measures.

- We will continue to invest our management resources intensively in electronics products, life science products and functional plastics as the key strategic fields in which we can capitalize on our specialized technologies. We will focus on areas or items on which, for example, we can expect future growth or have a competitive edge. Furthermore, we will intensively focus corporate

resources on core technologies and core businesses.

- We will review our business portfolio also from a cashflow standpoint and implement initiatives to strengthen the competitiveness and profitability of each business. We will tailor our business portfolio to incorporate the potential growth areas of information/communications, environment/energy, security/safety and health. We will cultivate and expand our business matrix to encompass business in new domains.
- We will improve the Group's operating base and strengthen integrated Group business operations in order to achieve business expansion. At the same time, will also aggressively promote globalization.

(d) Management Tasks

In line with our fundamental policies and in addition to fulfilling the measures defined in our medium-term plan and reaching Group operating performance targets, we are addressing the following issues.

- 1) Transform the business structure
- 2) Transform research and development
- 3) Transform human resources
- 4) Enhance corporate soundness
- 5) Strengthen global development
- 6) Acquire external resources through M&A and alliances

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. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
Assets		
Current assets		
Cash and deposits	20,379	24,088
Notes receivable and accounts receivable	113,224	86,807
Marketable securities	1,907	422
Inventories	71,313	—
Merchandise and manufactured goods	—	39,201
Work in progress	—	10,109
Raw materials and inventory goods	—	18,222
Deferred tax assets	4,768	4,737
Others	7,293	9,022
Allowance for doubtful receivables	(448)	(391)
Total current assets	218,439	192,220
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	51,626	51,234
Machinery and equipment (net amount)	68,924	65,736
Land	22,729	27,301
Construction in progress	13,460	13,914
Others (net amount)	3,874	4,148
Total tangible fixed assets	160,615	162,336
Intangible fixed assets	2,822	2,186
Investments and other assets		
Investments in securities	53,506	39,981
Investments in capitals	586	743
Long-term loans receivable	1,410	1,302
Long-term prepaid expenses	1,526	2,017
Deferred tax assets (non-current)	4,441	9,388
Others	9,570	8,641
Allowance for doubtful receivables	(298)	(327)
Total investments and other assets	70,743	61,747
Total fixed assets	234,181	226,269
Total assets	452,620	418,489

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
Liabilities		
Current liabilities		
Notes payable and accounts payable	67,921	43,030
Short-term borrowings	22,020	40,304
Account liabilities	22,401	17,373
Accrued expenses	8,714	7,768
Accrued corporate taxes	4,946	1,983
Accrued consumption taxes	817	602
Reserve for executive bonuses	107	72
Others	7,253	7,798
Total current liabilities	134,182	118,932
Long-term liabilities		
Bonds payable	10,000	5,000
Long-term debts	17,207	22,254
Deferred tax liabilities (non current)	1,593	444
Employees' severance and retirement benefits	18,218	18,116
Retirement benefits for directors and statutory auditors	234	265
Others	3,586	3,947
Total long-term liabilities	50,840	50,027
Total liabilities	185,022	168,960
Net assets		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital	34,836	34,836
Retained earnings	194,740	188,357
Treasury stock	(9,017)	(9,583)
Total shareholders' equity	253,607	246,656
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	10,625	4,643
Deferred loss on hedges	3	1
Foreign currency translation adjustments	(2,974)	(7,996)
Total valuation and translation adjustments	7,655	(3,351)
Stock acquisition rights	50	75
Minority interests	6,285	6,148
Total net assets	267,598	249,529
Total liabilities and net assets	452,620	418,489

(2) Consolidated Statement of Income

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Net sales	502,968	449,585
Cost of sales	376,031	353,178
Gross profit	126,936	96,406
Selling, general and administrative expenses	91,191	88,802
Operating income	35,745	7,604
Non-operating income		
Interest	307	253
Dividends income	1,292	1,201
Gain on sales of investments in securities	940	849
Foreign exchange gains	—	30
Equity in gains of unconsolidated subsidiaries and affiliates	60	—
Others	545	932
Total non-operating income	3,146	3,267
Non-operating expenses		
Interest expense	1,488	1,258
Loss on disposals of property, plant and equipment	1,291	908
Foreign exchange losses	412	—
Equity in losses of unconsolidated subsidiaries and affiliates	—	489
Others	1,834	2,370
Total non-operating expenses	5,026	5,027
Ordinary income	33,866	5,844
Extraordinary loss		
Loss on valuation of investments in securities	—	4,207
Impairment losses	1,170	1,467
Loss on liquidation of business	1,458	924
Total extraordinary loss	2,629	6,599
Income (loss) before income taxes	31,236	(754)
Corporate taxes, local taxes and business taxes	11,315	3,068
Income taxes deferred	627	(2,180)
Total corporate taxes	11,943	888
Minority interests	476	208
Net income (loss)	18,817	(1,850)

(3) Consolidated Statement of Changes in Shareholders' Equity

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Shareholders' equity		
Common stock		
Balance at beginning of fiscal year	33,046	33,046
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	33,046	33,046
Additional paid-in capital		
Balance at beginning of fiscal year	34,857	34,836
Changes during the accounting period		
Cancellation of treasury stock	(20)	—
Disposition of treasury stock	(0)	—
Total changes during the accounting period	(20)	—
Balance at end of fiscal year	34,836	34,836
Retained earnings		
Balance at beginning of fiscal year	188,417	194,740
Increase for unification of accounting policies applied to foreign subsidiaries	—	807
Changes during the accounting period		
Payment of dividends	(5,467)	(5,441)
Net income (loss)	18,817	(1,850)
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	52	115
Cancellation of treasury stock	(7,078)	—
Disposition of treasury stock	—	(14)
Total changes during the accounting period	6,323	(6,383)
Balance at end of fiscal year	194,740	188,357
Treasury stock		
Balance at beginning of fiscal year	(14,479)	(9,017)
Changes during the accounting period		
Purchase of treasury stock	(1,646)	(616)
Cancellation of treasury stock	7,098	—
Disposition of treasury stock	10	49
Total changes during the accounting period	5,461	(566)
Balance at end of fiscal year	(9,017)	(9,583)
Total shareholders' equity		
Balance at beginning of fiscal year	241,842	253,607
Increase for unification of accounting policies applied to foreign subsidiaries	—	807
Changes during the accounting period		
Payment of dividends	(5,467)	(5,441)
Net income (loss)	18,817	(1,850)
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	52	115
Purchase of treasury stock	(1,646)	(616)
Cancellation of treasury stock	—	—
Disposition of treasury stock	9	35
Total changes during the accounting period	11,764	(6,950)
Balance at end of fiscal year	253,607	246,656

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Valuation and translation adjustents, etc.		
Net unrealized gain on available-for-sales securities		
Balance at beginning of fiscal year	24,115	10,625
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	(13,489)	(5,982)
Total changes during the accounting period	(13,489)	(5,982)
Balance at end of fiscal year	10,625	4,643
Deferred loss on hedges		
Balance at beginning of fiscal year	0	3
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	3	(2)
Total changes during the accounting period	3	(2)
Balance at end of fiscal year	3	1
Foreign currency translation adjustments		
Balance at beginning of fiscal year	(827)	(2,974)
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	(2,146)	(5,022)
Total changes during the accounting period	(2,146)	(5,022)
Balance at end of fiscal year	(2,974)	(7,996)
Total valuation and translation adjustments		
Balance at beginning of fiscal year	23,288	7,655
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	(15,633)	(11,006)
Total changes during the accounting period	(15,633)	(11,006)
Balance at end of fiscal year	7,655	(3,351)
Stock acquisition rights		
Balance at beginning of fiscal year	—	50
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	50	25
Total changes during the accounting period	50	25
Balance at end of fiscal year	50	75
Minority interests		
Balance at beginning of fiscal year	6,148	6,285
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	136	(137)
Total changes during the accounting period	136	(137)
Balance at end of fiscal year	6,285	6,148

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Total net assets		
Balance at beginning of fiscal year	271,280	267,598
Increase for unification of accounting policies applied to foreign subsidiaries	—	807
Changes during the accounting period		
Payment of dividends	(5,467)	(5,441)
Net income (loss)	18,817	(1,850)
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	52	115
Purchase of treasury stock	(1,646)	(616)
Cancellation of treasury stock	—	—
Disposition of treasury stock	9	35
Changes (net amount) of items other than shareholders' equity during the accounting period	(15,446)	(11,118)
Total changes during the accounting period	(3,681)	(18,069)
Balance at end of fiscal year	267,598	249,529

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Cash flows from operating activities		
Net income before income taxes	31,236	(754)
Depreciation and amortization	24,911	27,352
Impairment losses	1,170	1,467
Increase (decrease) in severance and retirement benefits	(1,635)	5
Increase (decrease) in allowance for doubtful receivables	95	(24)
Interest and dividend income	(1,600)	(1,454)
Interest expense	1,488	1,258
Loss on disposals of property, plant and equipment	769	2,998
Loss on valuation of investments in securities	—	4,207
Loss on business liquidation	1,458	924
Equity in (gains) losses of unconsolidated subsidiaries and affiliates	(60)	489
Decrease in trade receivables	4,110	24,595
(Increase) decrease in inventories	(7,236)	1,687
Decrease in trade payables	(321)	(23,814)
Others	(1,479)	(4,758)
Subtotal	52,906	34,179
Interest and dividends received	1,604	1,465
Interest paid	(1,584)	(1,342)
Income taxes paid	(13,509)	(7,837)
Net cash provided by operating activities	39,418	26,464
Cash flows from investing activities		
Payment for purchase of tangible fixed assets	(32,991)	(35,327)
Payment for purchase of intangible assets	(684)	(969)
Purchase of investments in securities	(2,867)	(4,489)
Proceeds from investments in securities	1,853	4,675
Purchase of subsidiaries' stock	—	(761)
Proceeds from subsidiaries' stock	—	550
Increase in loans receivable	(66)	(198)
Decrease in loans receivable	300	96
Others	(532)	75
Net cash used in investing activities	(34,988)	(36,349)

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Cash flows from financing activities		
Net increase in short-term borrowing	3,166	18,946
Proceeds from long-term debt	867	5,842
Repayment of long-term debt	(1,151)	(836)
Payment for the redemption of bonds	—	(5,000)
Repayment of lease obligations	—	(543)
Dividends paid	(5,467)	(5,441)
Dividends paid to minority interests	(210)	(119)
Proceeds from minority interests	—	36
Purchase of treasury stock	(1,646)	(605)
Proceeds of reissuance of treasury stock	9	29
Net cash used in financing activities	(4,433)	12,308
Effect of exchange rate changes on cash and cash equivalents	(643)	(171)
Net increase (decrease) in cash and cash equivalents	(647)	2,252
Cash and cash equivalents at beginning of term	22,635	21,988
Cash and cash equivalents at term end	21,988	24,240

- (5) Events or conditions calling into significant question the premise of a going concern
No corresponding transactions

(6) Notes to the Consolidated Financial Statements

(Changes in the Scope of Consolidation)

Number of consolidated subsidiaries: 51

SC Housing System Corporation is included, as they were newly constructed during the fiscal year under review. In addition, during the fiscal year under review Tohoku Kaneka Shokuhin Co., Ltd., merged with Tokyo Kaneka Shokuhin Co., Ltd., and Chugoku Kaneka Shokuhin Co., Ltd., merged with Kaneka Shokuhin Co., Ltd.

(Changes in Application of the Equity Method)

Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied: 3

The equity method was applied to Cemedine Co., Ltd., from the fiscal year under review, owing to the purchase of additional shares. Excel Shanon Corporation was spun during the fiscal year under review through a corporate demerger as an affiliated conducting the Kaneka Group's resin sash business, and this company fell under the scope of application of the equity method. However, owing to the sale of shares in Excel Shanon, this company fell out of the scope of application of the equity method at the end of the fiscal year under review.

Items other than these indicated above, Changes in the Scope of Consolidation and Changes in Application of the Equity Method, have been omitted, as no major changes have occurred since the most recent financial statement was submitted (June 27, 2008).

(7) Significant changes for the consolidated financial statements

(Changes in Accounting Policies)

1) Accounting Standard for Measurement of Inventories

The "Accounting Standard for Measurement of Inventories" (The Accounting Standards Board of Japan (ASBJ) Statement No.9 issued July 5, 2006) was applied from the consolidated fiscal term under review. As a result, the method of valuing these assets was changed from a cost basis to a cost basis (write-downs due to decreased profitability of assets). The impact of this change was to reduce operating income, ordinary income each by ¥293 million, and to increase loss before income taxes by ¥293 million.

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

2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

From the consolidated fiscal term under review, the Company began applying the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006), making the necessary adjustments to the consolidated financial statements. The effect of this change was to reduce operating income by ¥63 million, ordinary income by ¥37 million and to increase loss before income taxes by ¥37 million.

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

3) Accounting Standards for Lease Transactions

From the consolidated fiscal term under review, the Company applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No.13; Business Accounting Council Committee No.1, June 17, 1993; revised March 30, 2007) and the Guidance on Accounting Standard for Lease Transaction (ASBJ Guidance No.16; the Japanese Institute of Certified Public Accountants, Accounting Committee, January 18, 1994; revised March 30, 2007). The method of accounting for finance lease transactions that do not transfer ownership changed from treating such leases as rental transactions to treatment as sale/purchase transactions, recognizing them as lease assets. Lease assets are depreciated down to a residual value of either zero or the amount calculated as their residual guarantee value, using their lease service life as their service life for depreciation services.

With regard to finance lease transactions that do not transfer ownership on which lease transactions occurred prior to the start of the fiscal year to which they are applied, the total of future lease payments as of the end of the preceding fiscal year is recorded as an purchase amount and posted as lease assets. This method added ¥912 million to tangible fixed assets and ¥98 million to intangible fixed assets. This change had no effect on operating income, ordinary income and loss before income taxes.

As the effect on this change on segment information is slight, such explanation has been omitted here.

(Additional information)

4) Method for accounting for the depreciation of fixed assets.

In accordance with changes in the corporate tax law of Japan, the number of years of service life of certain fixed assets held by the Company and its domestic consolidated subsidiaries was changed, from the consolidated fiscal term under review. The impact of this change was to reduce operating income, ordinary income each by ¥349 million and to increase loss before income taxes by ¥349 million.

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

(8) Notes to the Consolidated Financial Statements

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

(Consolidated Balance Sheets)

	Term ended March 31, 2008	Term ended March 31, 2009 (Unit: ¥million)
1. Less accumulated depreciation of tangible fixed assets	445,957	445,248
2. Assets pledged as collateral		
Buildings and structures	1,404	1,344
Machinery and equipment	842	937
Land	498	498
Total	2,745	2,781
Secured Debt		
Notes and accounts payable	1,669	977
Short-term borrowings	1,259	1,421
Long-term debts	456	289
Total	3,386	2,688
3. Contingent liabilities		
Guarantees	222	446
Letter of awareness	327	390
4. Notes payable endorsed for payment	151	122
Discount on notes receivable	745	959

(Consolidated Statement of Income)

Impairment Loss

The Companies recognized impairment losses for the following group of fixed assets in the year ended March 31, 2009.

Location	Use	Type
Kaneka Corporation's Osaka plant Kashima plant	Facility for bead forming of polyolefin foam	Machinery and equipment, buildings, etc.
Sanwa Kasei Industrial Corporation	Equipment for bead molding of polyolefin foam	Machinery and equipment, buildings, etc.

The Kaneka Group groups its assets mainly according to the business units of the Company. Assets for rent and idle assets are grouped individually in their respective assets groups.

Owing to sluggish demand and worsening profitability, the book value of equipment for bead forming of polyolefin foam at Kaneka Corporation's Osaka and Kashima plants and Sanwa Kasei Industrial Corporation's equipment for bead molding of polyolefin foam was written down to its recoverable value, and the Company posted an extraordinary loss of ¥1,467 million. Of this amount, machinery and equipment accounted for ¥974 million, and buildings for ¥287 million. As the recoverable value is estimated at value in use, future cash flows have been discounted at a rate of 2.5%.

Loss on business liquidation

The primary components of the loss on business liquidation are a loss of ¥474 million, related to the withdrawal from the Expandable Plastics and Products business at a consolidated subsidiary in North America, as well as the following impairment losses.

Location	Use	Type
Kaneka Texas Corporation	Facility for bead forming of polyolefin foam	Machinery and equipment, etc.

As future cash flows from Kaneka Texas Corporation's facility for bead forming of polyolefin foam became unlikely, the Company wrote off the entire book value of said assets and posted an extraordinary loss of ¥450 million. Machinery and equipment accounted for the majority of this amount, at ¥385 million.

(Consolidated Statement of Changes in Shareholders' Equity)

Previous consolidated accounting period (April 1, 2007 to March 31, 2008)

1. The types and total number of shares outstanding

Type of stock	End of the previous consolidated fiscal year Number of shares (shares)	Current consolidated fiscal year Number of increased shares (shares)	Current consolidated fiscal year Number of decreased shares (shares)	End of current consolidated fiscal year Number of shares (shares)
Common stock	357,612,418	—	7,612,418	350,000,000

Note: The decrease in the number of shares of common stock outstanding is due to the cancellation of treasury stock.

2. The types and number of shares of treasury stock

Type of stock	End of the previous consolidated fiscal year Number of shares (shares)	Current consolidated fiscal year Number of increased shares (shares)	Current consolidated fiscal year Number of decreased shares (shares)	End of current consolidated fiscal year Number of shares (shares)
Common stock	15,379,120	1,915,098	7,623,495	9,670,723

Note: The increase in the number of treasury shares of common stock is due primarily to market purchases, and the shares decrease is due primarily to the extinguishment of shares of treasury stock.

3. 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 consolidated fiscal year (¥million)
			End of the previous consolidated fiscal year	Current consolidated fiscal year Increase	Current consolidated fiscal year Decrease	End of current consolidated fiscal year	
Submitting company (Parent company)	Stock acquisition rights as stock options			—			50

4. Dividends

(1) Amount dividend payments

Resolution	Type of stock	Total amount of Dividends (¥ million)	Dividend per share (¥)	Day of reckoning	Effective date
Board of Directors held on May 10, 2007	Common stock	2,737	8	March 31, 2007	May 28, 2007
Board of Directors held on Oct. 25, 2007	Common stock	2,729	8	September 30, 2007	December 5, 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 (¥ million)	Source of dividends	Dividend per share (¥)	Day of reckoning	Effective date
Board of Directors held on May 12, 2007	Common stock	2,722	Retained earnings	8	March 31, 2008	May 28, 2008

Current consolidated accounting period (April 1, 2008 to March 31, 2009)

1. The types and total number of shares outstanding

Type of stock	End of the previous consolidated fiscal year Number of shares (shares)	Current consolidated fiscal year Number of increased shares (shares)	Current consolidated fiscal year Number of decreased shares (shares)	End of current consolidated fiscal year Number of shares (shares)
Common stock	350,000,000	—	—	350,000,000

2. The types and number of shares of treasury stock

Type of stock	End of the previous consolidated fiscal year Number of shares (shares)	Current consolidated fiscal year Number of increased shares (shares)	Current consolidated fiscal year Number of decreased shares (shares)	End of current consolidated fiscal year Number of shares (shares)
Common stock	9,670,723	1,119,110	54,203	10,735,630

(Primary Reasons for Changes)

Reasons for increases are as follows.

Purchase of treasury stock by resolution of the Board of Directors: 1,000,000 shares

Increase owing to the purchase of shares constituting less than one unit: 104,100 shares

Company shares (treasury stock) owned by affiliates accounted for by the equity method, that are attributable to the Company: 15,010 shares.

Reasons for decreases are as follows.

Decrease owing to the exercise of stock options: 22,000 shares

Decrease owing to the sale of shares to constituting less than one unit: 32,203 shares

3. 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 consolidated fiscal year (¥million)
			End of the previous consolidated fiscal year	Current consolidated fiscal year Increase	Current consolidated fiscal year Decrease	End of current consolidated fiscal year	
Submitting company (Parent company)	Stock acquisition rights as stock options			—			75

4. Dividends

(1) Amount dividend payments

Resolution	Type of stock	Total amount of Dividends (¥ million)	Dividend per share (¥)	Day of reckoning	Effective date
Board of Directors held on May 12, 2008	Common stock	2,722	8	March 31, 2008	May 28, 2008
Board of Directors held on Oct. 31, 2008	Common stock	2,719	8	September 30, 2008	December 5, 2008

(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 (¥ million)	Source of dividends	Dividend per share (¥)	Day of reckoning	Effective date
Board of Directors held on May 13, 2009	Common stock	2,714	Retained earnings	8	March 31, 2009	May 28, 2009

b. Segment Information

1. Segment Information by Business Category

(1) Term from April 1, 2007 to March 31, 2008

(Millions of yen)

	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	102,468	83,168	73,800	119,637	36,162	57,044	30,686	502,968	—	502,968
(2) Intersegment	2,803	415	798	12	—	—	5,626	9,656	(9,656)	—
Total	105,271	83,584	74,598	119,650	36,162	57,044	36,312	512,624	(9,656)	502,968
Operating expenses	100,094	71,556	74,655	116,807	30,885	47,978	29,695	471,673	(4,451)	467,222
Operating income (loss)	5,176	12,027	(56)	2,843	5,276	9,065	6,617	40,950	(5,204)	35,745
II Assets, depreciation and amortization, impairment losses and capital expenditures										
Assets	78,918	58,118	57,760	65,495	61,163	52,158	19,655	393,270	59,349	452,620
Depreciation and amortization	3,888	3,865	3,201	2,420	3,775	5,212	1,423	23,787	943	24,730
Impairment losses	—	—	553	—	423	—	—	976	193	1,170
Capital expenditures	7,649	5,243	3,279	1,887	2,568	7,261	2,595	30,485	1,083	31,568

(2) Term from April 1, 2008 to March 31, 2009

(Millions of yen)

	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	92,308	67,042	69,223	125,109	39,854	33,566	22,480	449,585	—	449,585
(2) Intersegment	2,265	278	158	13	—	—	6,985	9,700	(9,700)	—
Total	94,573	67,320	69,382	125,123	39,854	33,566	29,465	459,285	(9,700)	449,585
Operating expenses	95,035	64,277	68,072	121,349	33,964	34,500	28,273	445,473	(3,492)	441,981
Operating income (loss)	(462)	3,042	1,310	3,773	5,889	(933)	1,192	13,812	(6,207)	7,604
II Assets, depreciation and amortization, impairment losses and capital expenditures										
Assets	61,713	54,592	45,276	62,971	57,696	46,583	28,115	362,950	55,539	418,489
Depreciation and amortization	5,081	3,997	3,302	2,801	3,380	5,539	2,100	26,203	959	27,163
Impairment losses	—	—	1,917	—	—	—	—	1,917	—	1,917
Capital expenditures	4,201	6,006	2,516	2,372	2,747	5,340	9,420	32,605	1,374	33,979

Notes : 1. The classification of businesses was determined according to comprehensive judgments based 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	Expandable polystyrene, Extruded polystyrene foam boards, Polyolefin foam by beads method
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 ¥5,328 million for the term ended March 31, 2008, and ¥6,207 million for the term ended March 31, 2009, respectively, consist of fundamental research and development expenses of the Company.

4. Eliminations and Corporate' includes corporate assets of ¥59,349 million for the term ended March 31, 2008 and ¥55,539 million for the term ended March 31, 2009, respectively, these consist principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the Company.

5. Changes in Accounting Methods

- Application of Accounting Standard for Valuing Inventory Assets

The "Accounting Standard for Valuing Inventory Assets" (Financial Accounting Standard No. 9, July 5, 2006) was applied from the consolidated fiscal term under review. As a result, the method of valuing these assets was changed from a cost basis to a cost basis (marking down the book value in line with profitability decreases). The impact of this change was to reduce operating income ¥148 million in the Chemicals segment, ¥124 million in the Functional Plastics segment, ¥0 million in the Expandable Plastics and Products segment, ¥14 million in the Life Science Products segment and ¥4 million in the Electronic Products segment.

- Application of the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

From the consolidated fiscal term under review, the Company began applying the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18, May 17, 2006), making the necessary adjustments to the consolidated financial statements. The effect of this change was to increase operating income ¥0 million in the Electronic Products segment, ¥4 million in the Synthetic Fibers and Others segment, reduce operating income ¥44 million in the Functional Plastics segment and ¥23 million in the Expandable Plastics and Products segment.

6. Additional information

- Method of depreciating important depreciable assets

In accordance with changes in the corporate tax code, the number of years of service life of certain fixed assets held by the Company and its domestic consolidated subsidiaries was changed, beginning from the consolidated fiscal term under review. The impact of this change was to increase operating income ¥11 million in the Chemicals segment, reduce operating income ¥16 million in the Functional Plastics segment, ¥2 million in the Expandable Plastics and Products segment, ¥115 million in the Foodstuffs Products segment, ¥4 million in the Life Science Products segment, ¥210 million in the Electronic Products segment and ¥10 million in the Synthetic Fibers and Others segment.

2. Segment Information by Geographic Area

(1) Term from April 1, 2007 to March 31, 2008

(Millions of yen)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
I Sales and operating profit/loss					
Sales					
(1) Customers	406,642	96,325	502,968	—	502,968
(2) Intersegment	20,472	8,704	29,177	(29,177)	—
Total	427,114	105,030	532,145	(29,177)	502,968
Operating expenses	392,218	99,333	491,552	(24,329)	467,222
Operating income	34,896	5,697	40,593	(4,847)	35,745
II Assets	336,885	73,191	410,077	42,543	452,620

(2) Term from April 1, 2008 to March 31, 2009

(Millions of yen)

	Japan	Other areas	Total	Eliminations and corporate	Consolidated
I Sales and operating profit/loss					
Sales					
(1) Customers	372,171	77,414	449,585	—	449,585
(2) Intersegment	18,759	7,522	26,282	(26,282)	—
Total	390,930	84,936	475,867	(26,282)	449,585
Operating expenses	377,740	84,362	462,103	(20,122)	441,981
Operating income	13,190	573	13,763	(6,159)	7,604
II Assets	311,094	66,159	377,254	41,235	418,489

Notes:

- The regions falling under the 'Other areas' category consist of North America, Europe and Asia. The sales and assets of each region account for less than 10% of the total sales of the sectors, so they are listed collectively as 'Other areas.'
 - Method of classification of country or area: geographic proximity
 - Major country or area belonging to each classification by area:
 - Other Areas North America United States
 - Europe Belgium
 - Asia Malaysia, Singapore
- Operating expenses included in the 'Eliminations and corporate' column of ¥5,328 million for the term ended March 31, 2008 and ¥6,207 million for the term ended March 31, 2009, respectively, consist of fundamental research and development of the Company.
- Eliminations and corporate includes corporate assets of ¥59,349 million for the term ended March 31, 2008 and ¥55,539 million for the term ended March 31, 2009, respectively, these consist principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the Company.
- Changes in Accounting Methods
 - Application of Accounting Standard for Valuing Inventory Assets
 The "Accounting Standard for Valuing Inventory Assets" (Financial Accounting Standard No. 9, July 5, 2006) was applied from the consolidated fiscal term under review. As a result, the method of valuing these assets was changed from a cost basis to a cost basis (marking down the book value in line with profitability decreases). The impact of this change was to reduce operating income ¥293 million in Japan.

- Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

From the consolidated fiscal term under review, the Company began applying the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006), making the necessary adjustments to the consolidated financial statements. The effect of this change was to reduce operating income ¥63 million in other areas.

5. Additional information

- Method of depreciating important depreciable assets

In accordance with changes in the corporate tax code, the number of years of service life of certain fixed assets held by the Company and its domestic consolidated subsidiaries was changed, beginning from the consolidated fiscal term under review. The impact of this change was to reduce operating income ¥349 million in Japan.

3. International Sales

(1) Term from April 1, 2007 to March 31, 2008

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	77,851	36,542	56,771	15,986	187,152
II Consolidated net sales (Millions of yen)					502,968
III Ratio of international sales to consolidated net sales(%)	15.5	7.2	11.3	3.2	37.2

(2) Term from April 1, 2008 to March 31, 2009

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	54,212	30,872	45,952	16,166	147,203
II Consolidated net sales (Millions of yen)					449,585
III Ratio of international sales to consolidated net sales(%)	12.0	6.9	10.2	3.6	32.7

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

- c. Transactions with related parties
No corresponding transactions

d. Tax Effective Accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	<u>Term ended March 31, 2008</u>	<u>Term ended March 31, 2009</u>
(Deferred tax assets)		
Retirement benefits	6,179	6,112
Loss carry forwards	6,347	7,458
Loss on valuation of investments in securities	1,643	3,179
Bonuses accrued	1,915	1,761
Impairment losses on fixed assets	2,886	3,430
Net unrealized holding losses on securities	1,453	624
Others	7,300	7,733
Sub-total	<u>27,726</u>	<u>30,301</u>
Valuation allowance	<u>(7,697)</u>	<u>(8,967)</u>
Total deferred tax assets	<u>20,029</u>	<u>21,334</u>
(Deferred tax liabilities)		
Net unrealized holding gains on securities	(8,781)	(3,867)
Others	(3,631)	(3,911)
Total deferred tax liabilities	<u>(12,413)</u>	<u>(7,778)</u>
Net deferred tax assets (liabilities)	<u>7,616</u>	<u>13,556</u>

2. Significant differences between the statutory tax rates and companies' effective tax rates

	<u>Term ended March 31, 2008</u>	<u>Term ended March 31, 2009</u>
Statutory tax rates	40.64 %	This information is omitted, as the Company posted a loss before income taxes during the period under review.
Valuation allowance	0.90	
Foreign tax credit	(5.86)	
Non-deductible expenses such as entertainment expenses	0.71	
Non-taxable income such as dividend received	(1.77)	
Elimination of dividends on consolidation	3.34	
Others	0.27	
Effective tax rate	<u>38.23</u>	

e. Securities

Term from April 1, 2007 to ended March 31, 2008

1. Other Securities with Market Value (March 31, 2008)

(Millions of yen)

	Acquisition Cost	Amount on balance sheet	Difference
Securities that amount exceeds acquisition cost on the consolidated balance sheet			
(1) Equity securities	11,055	32,684	21,628
(2) Bonds			
Government bonds and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
(3) Others	—	—	—
Subtotal	11,055	32,684	21,628
Securities that amount does not exceed acquisition cost on the consolidated balance sheet			
(1) Equity securities	13,527	9,962	(3,564)
(2) Bonds			
Government bonds and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
(3) Others	—	—	—
Subtotal	13,527	9,962	(3,564)
Total	24,582	42,647	18,064

2. Other Securities Sold during the Fiscal Year (April 1, 2007 - March 31, 2008)

(Millions of yen)

Sales	Gain on Sales	Loss on sales
1,268	940	—

3. Non-marketable Securities and their Amount on the Consolidated Balance Sheet (March 31, 2008)

(Millions of yen)

(1) Unconsolidated subsidiaries' stock and affiliates' stock	2,788
(2) Other securities	
Non-listed equity securities	6,929
Corporate bonds	250
Mutual funds invested in bonds	1,907
Others	892

4. Redemption Schedule for other Securities with Maturity and Bonds Held-to-Maturity (March 31, 2008)

(Millions of yen)

	Maturity within one year	Maturity over one year less than five years
(1) Bonds		
Government bonds and local government bonds, etc.	—	—
Corporate bonds	—	250
Others	—	—
(2) Others	—	—
Total	—	250

Term from April 1, 2008 to ended March 31, 2009

1. Other Securities with Market Value (March 31, 2009)

(Millions of yen)

	Acquisition Cost	Amount on balance sheet	Difference
Securities that amount exceeds acquisition cost on the consolidated balance sheet			
(1) Equity securities	8,127	17,668	9,540
(2) Bonds			
Government bonds and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
(3) Others	—	—	—
Subtotal	8,127	17,668	9,540
Securities that amount does not exceed acquisition cost on the consolidated balance sheet			
(1) Equity securities	11,440	9,926	(1,514)
(2) Bonds			
Government bonds and local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
(3) Others	—	—	—
Subtotal	11,440	9,926	(1,514)
Total	19,568	27,594	8,026

2. Other Securities Sold during the Fiscal Year (April 1, 2008 - March 31, 2009)

(Millions of yen)

Sales	Gain on Sales	Loss on sales
799	508	(0)

3. Non-marketable Securities and their Amount on the Consolidated Balance Sheet (March 31, 2009)

(Millions of yen)

(1) Unconsolidated subsidiaries' stock and affiliates' stock	4,009
(2) Other securities	
Non-listed equity securities	7,385
Corporate bonds	250
Mutual funds invested in bonds	422
Others	741

4. Redemption Schedule for other Securities with Maturity and Bonds Held-to-Maturity (March 31, 2009)

(Millions of yen)

	Maturity within one year	Maturity over one year less than five years
(1) Bonds		
Government bonds and local government bonds, etc.	—	—
Corporate bonds	—	250
Others	—	—
(2) Others	—	—
Total	—	250

f. Severance and Retirement Benefits

1. Outline of the System for Severance and Retirement Benefits

Defined benefit plans established by Kaneka and its domestic consolidated subsidiaries are: the employees' pension fund plans; tax exempted retirement pension scheme; and the retirement allowance plan. A premium severance payment system is being adopted in certain cases. Further, certain overseas consolidated subsidiaries have defined contribution plan.

2. Benefit Obligation

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
(1) Projected benefit obligation (Note)	(74,331)	(73,375)
(2) Fair value of pension assets	49,235	42,799
(3) Unfunded benefit obligation ((1) + (2))	(25,096)	(30,576)
(4) Unrecognized actuarial differences	9,530	15,005
(5) Unrecognized prior service cost	(54)	—
(6) Net amount on balance sheet ((3) + (4) + (5))	(15,620)	(15,570)
(7) Prepaid pension costs	2,597	2,545
(8) Severance and retirement benefits ((6) - (7))	(18,218)	(18,116)

Term ended
March 31, 2008

(Note) The subsidiaries use the simplified method in calculating the retirement benefit obligation.

Term ended
March 31, 2009

(Note) Same as at left

3. Components of Pension and Severance Costs

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
(1) Service costs (Note)	3,157	3,216
(2) Interest costs	1,713	1,750
(3) Expected return on plan assets	(1,263)	(1,197)
(4) Amortization of actuarial difference	1,106	1,756
(5) Amortization of prior service cost	(422)	(54)
(6) Severance and retirement benefit expenses((1)+(2)+(3)+(4)+(5))	4,291	5,471

Term from
April 1, 2007 to
March 31, 2008

(Note) Retirement benefit expenses of consolidated subsidiaries, which have adopted the simplified method, are included in (1) service costs.

Term from
April 1, 2008 to
March 31, 2009

(Note) Same as at left

4. Assumptions Used in the Calculation of Projected Benefit Obligation and Others

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
(1) Allocation method for projected benefits	Straight-line standard	Same as at left
(2) Discount rate	2.5%	Same as at left
(3) Expected rate of return on plan assets	2.5%	Same as at left
(4) Period of amortizing prior service cost	5 years (Calculated when incurred based on the straight line method for a fixed period of time within the average remaining service period of employees)	Same as at left
(5) Period of amortizing actuarial differences	10 years (Expenses calculated when incurred based on the straight line method for a fixed period of time within the average remaining service period of the employees are posted as expenses in the following fiscal year.)	Same as at left

g. Stock options

Term from April 1, 2008 to March 31, 2009

1. Amounts recorded as expenses during the consolidated fiscal period under review and line item names

Selling, general and administrative expenses: ¥45 million

2. Stock option details, scale and changes

(1) Details of stock options

Company name	Submitting company	Submitting company
Category and number of people granted stock options	Company directors, 13	Company directors, 13
Type and number of shares granted	57,000 shares of common stock	75,000 shares of common stock
Date granted	September 10, 2007	August 11, 2008
Conditions for ascertaining rights	No conditions for ascertaining rights are attached.	No conditions for ascertaining rights are attached.
Applicable service period	No applicable service period has been set.	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.	From August 12, 2008, through August 11, 2033. 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.

(2) Scale and changes in stock options

1) Number of stock options

Company name	Submitting company	Submitting company
Date of determination	August 8,2007	July 8,2008
Before determination of rights		
Beginning of term(shares)	—	—
Granted (shares)	—	75,000
Expired (shares)	—	—
Rights determined (shares)	—	75,000
Undetermined balance (shares)	—	—
After determination of rights		
Beginning of term (shares)	57,000	—
Rights determined (shares)	—	75,000
Rights exercised(shares)	22,000	—
Expired (shares)	—	—
Unexercised balance (shares)	35,000	75,000

2) Price information

Company name	Submitting company	Submitting company
Date of determination	August 8, 2007	July 8, 2008
Exercise price (yen)	1	1
Average share price at time of exercise (yen)	723	—
Fair unit value on date granted (yen)	883	600

3. Method of estimating fair value of stock options granted during the consolidated fiscal period under review

1) Method used

Black-Scholes model

2) Principal basic figures and estimation method employed

Share price volatility ¹	25.83%
Estimated period remaining ²	5 years
Forecast dividend ³	16 yen
Risk-free interest rate ⁴	1.018%

Notes: 1. Calculated based on weekly data from the week beginning August 11, 2003 through the week beginning August 4, 2008

2. Set on the basis of data indicating the service period of past directors who have retired and the service period of current directors

3. According to dividends distributed during the periods ended September 30, 2007 and March 31, 2008

4. Yields on government bonds with a remaining period that corresponds to the estimated remaining period on the stock options.

4. Method for estimating the number of rights determined

As making a rational estimate of future expiration is problematic, in principle only the actual number of expired rights are reflected.

h. Per-Share Information

item	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Net assets per share	¥767.68	¥717.15
Net income(loss) per share	¥55.10	(¥5.45)
Fully diluted net income per share	¥55.09	The potential for stock dilution exists, but as a net loss per share has been declared, such information is omitted here.

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

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Net income(loss) per share		
Net income (loss) (Millions of yen)	18,817	(1,850)
Net income (loss) ascribed to common stock (Millions of yen)	18,817	(1,850)
Average number of shares of common stock during the period (Thousands of shares)	341,518	339,864
Fully diluted net income per share		
Increase in shares of common stock (Thousands of shares)	31	—
(Of which, stock acquisition rights) (Thousands of shares)	(31)	(—)

i. Events

Nothing to report

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

5. Non-Consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
Assets		
Current assets		
Cash and deposits	12,689	15,256
Notes receivable	3,141	2,417
Accounts receivable	79,589	58,945
Merchandise and manufactured goods	25,696	23,479
Raw materials	6,700	—
Work in progress	6,962	7,710
Inventory goods	4,329	—
Raw materials and inventory goods	—	11,416
Prepaid expenses	655	620
Deferred tax assets	2,077	2,368
Short-term loan receivable-affiliated companies	10,269	9,260
Accrued revenue	5,754	8,173
Others	1,192	571
Allowance for doubtful receivables	(11)	(3)
Total current assets	159,049	140,215
Fixed assets		
Tangible fixed assets		
Buildings (net amount)	26,913	26,828
Structures (net amount)	5,373	5,807
Machinery and equipment (net amount)	43,470	39,562
Automotive equipment (net amount)	127	114
Tools, furniture and fixtures (net amount)	2,602	2,234
Land	17,364	21,972
Lease assets (net amount)	—	347
Construction in progress	5,641	9,252
Total tangible fixed assets	101,493	106,120
Intangible fixed assets		
Patent right	56	44
Trademark rights	1	1
Software	847	1,204
Lease assets	—	3
Others	83	70
Total intangible fixed assets	989	1,324

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
Investments and other assets		
Investments in securities	49,228	34,549
Investments in subsidiaries	31,749	35,066
Investments in capitals	95	95
Investment in affiliated companies	3,299	3,699
Long-term loans receivable	1,013	1,012
Long-term loans receivable—employees	235	168
Long-term loans receivable—affiliated companies	14,848	12,327
Long-term prepaid expenses	1,409	1,048
Deferred tax assets (non-current)	3,209	6,699
Guarantee money pledged	3,298	3,298
Others	3,311	3,206
Allowance for doubtful receivables	(1,090)	(1,030)
Total investments and other assets	110,608	100,143
Total fixed assets	213,091	207,587
Total assets	372,140	347,803
Liabilities		
Current liabilities		
Accounts payable	44,504	24,351
Short-term borrowings	25,131	42,431
Long-term debts repaid within 1 year	8	7
Bonds payable redeemed within 1 year	5,000	5,000
Lease obligations	—	177
Account liabilities	17,649	13,783
Accrued expenses	4,584	4,210
Accrued corporate taxes	3,146	100
Accrued consumption taxes	478	—
Deposits payable	309	286
Reserve for executive bonuses	100	65
Others	65	197
Total current liabilities	100,977	90,610
Long-term liabilities		
Bonds payable	10,000	5,000
Long-term debts	15,882	21,273
Lease obligations	—	173
Employees' severance and retirement benefits	15,280	15,336
Others	3,427	3,132
Total long-term liabilities	44,591	44,915
Total liabilities	145,568	135,526

(Millions of yen)

	Term ended March 31, 2008	Term ended March 31, 2009
Net assets		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital		
Capital surplus	34,821	34,821
Total additional paid in capital	34,821	34,821
Retained earnings		
Retained earnings reserve	5,863	5,863
Other retained earnings		
Reserve for special depreciation	231	79
Reserve for specified disasters prevention	3	9
Reserve for dividends	1,995	1,995
Funds for technical development	500	500
Funds for employee benefits	300	300
Reserves for replaced property	598	598
Reserves for advanced depreciation of replaced property	644	616
General reserve	128,427	132,427
Unappropriated retained earnings	18,709	6,939
Total retained earnings	157,273	149,329
Treasury stock	(9,017)	(9,573)
Total shareholders' equity	216,123	207,625
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	10,395	4,575
Deferred loss on hedges	3	1
Total valuation and translation adjustments	10,398	4,576
Stock acquisition rights	50	75
Total net assets	226,572	212,277
Total liabilities and net assets	372,140	347,803

(2) Non-consolidated Statement of Income

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Net sales		
Net sales	313,650	272,204
Cost of sales	232,556	215,458
Gross profit	81,094	56,746
Selling, general and administrative expenses	55,934	54,538
Operating income	25,160	2,208
Non-operating income		
Interest	372	370
Interest on marketable securities	0	4
Dividends income	3,791	3,057
Gain on sales of investments in securities	939	788
Others	33	86
Total non-operating income	5,135	4,307
Non-operating expenses		
Interest expense	469	579
Interest on corporate bonds	358	279
Loss on disposal of property, plant and equipment	1,176	924
Foreign exchange losses	—	430
Others	1,133	1,245
Total non-operating expenses	3,137	3,459
Ordinary income	27,158	3,056
Extraordinary loss		
Loss on valuation of investments in securities	—	4,189
Loss on investments in subsidiaries	3,268	99
Impairment losses	473	989
Total extraordinary loss	3,741	5,278
Income (loss) before income taxes	23,417	(2,222)
Corporate taxes, local taxes and business taxes	7,860	60
Income taxes deferred	395	204
Total corporate taxes	8,255	264
Net income (loss)	15,161	(2,487)

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

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Shareholders' equity		
Common stock		
Balance at beginning of fiscal year	33,046	33,046
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	33,046	33,046
Additional paid-in capital		
Capital surplus		
Balance at beginning of fiscal year	34,821	34,821
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	34,821	34,821
Other additional paid-in capital		
Balance at beginning of fiscal year	20	—
Changes during the accounting period		
Cancellation of treasury stock	(20)	—
Disposition of treasury stock	(0)	—
Total changes during the accounting period	(20)	—
Balance at end of fiscal year	—	—
Total additional paid-in capital		
Balance at beginning of fiscal year	34,842	34,821
Changes during the accounting period		
Cancellation of treasury stock	(20)	—
Disposition of treasury stock	(0)	—
Total changes during the accounting period	(20)	—
Balance at end of fiscal year	34,821	34,821
Retained earnings		
Retained earnings reserve		
Balance at beginning of fiscal year	5,863	5,863
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	5,863	5,863
Other retained earnings		
Reserve for special depreciation		
Balance at beginning of fiscal year	495	231
Changes during the accounting period		
Reversal of reserve for special depreciation	(264)	(152)
Total changes during the accounting period	(264)	(152)
Balance at end of fiscal year	231	79
Reserve for specified disasters prevention		
Balance at beginning of fiscal year	3	3
Changes during the accounting period		
Transfer to reserve for specified disasters prevention	—	6
Total changes during the accounting period	—	6
Balance at end of fiscal year	3	9

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Reserve for dividends		
Balance at beginning of fiscal year	1,995	1,995
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	1,995	1,995
Reserve for retirement payment		
Balance at beginning of fiscal year	525	—
Changes during the accounting period		
Reversal of reserve for retirement payments	(525)	—
Total changes during the accounting period	(525)	—
Balance at end of fiscal year	—	—
Funds for technical development		
Balance at beginning of fiscal year	500	500
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	500	500
Funds for employee benefits		
Balance at beginning of fiscal year	300	300
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	300	300
Reserves for property replacement		
Balance at beginning of fiscal year	598	598
Changes during the accounting period		
Total changes during the accounting period	—	—
Balance at end of fiscal year	598	598
Reserves for advanced depreciation of property replacement		
Balance at beginning of fiscal year	674	644
Changes during the accounting period		
Reversal of reserve for advanced depreciation of property replacement	(30)	(28)
Total changes during the accounting period	(30)	(28)
Balance at end of fiscal year	644	616
General reserve		
Balance at beginning of fiscal year	118,427	128,427
Changes during the accounting period		
Transfer to general reserve	10,000	4,000
Total changes during the accounting period	10,000	4,000
Balance at end of fiscal year	128,427	132,427

(Millions of yen)

	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Unappropriated retained earnings		
Balance at beginning of fiscal year	25,274	18,709
Changes during the accounting period		
Reversal of reserve for special depreciation	264	152
Transfer to reserve for specified disasters prevention	—	(6)
Reversal of reserve for retirement payments	525	—
Reversal of reserve for advanced depreciation of property replacement	30	28
Transfer to general reserve	(10,000)	(4,000)
Payment of dividends	(5,467)	(5,441)
Net income (loss)	15,161	(2,487)
Cancellation of treasury stock	(7,078)	—
Disposition of treasury stock	—	(14)
Total changes during the accounting period	(6,565)	(11,769)
Balance at end of fiscal year	18,709	6,939
Total retained earnings		
Balance at beginning of fiscal year	154,657	157,273
Changes during the accounting period		
Reversal of reserve for special depreciation	—	—
Transfer to reserve for specified disasters prevention	—	—
Reversal of reserve for retirement payments	—	—
Reversal of reserve for advanced depreciation of property replacement	—	—
Transfer to general reserve	—	—
Payment of dividends	(5,467)	(5,441)
Net income (loss)	15,161	(2,487)
Cancellation of treasury stock	(7,078)	—
Disposition of treasury stock	—	(14)
Total changes during the accounting period	2,615	(7,943)
Balance at end of fiscal year	157,273	149,329
Treasury stock		
Balance at beginning of fiscal year	(14,479)	(9,017)
Changes during the accounting period		
Purchase of treasury stock	(1,646)	(605)
Cancellation of treasury stock	7,098	—
Disposition of treasury stock	10	49
Total changes during the accounting period	5,461	(555)
Balance at end of fiscal year	(9,017)	(9,573)
Total shareholders' equity		
Balance at beginning of fiscal year	208,066	216,123
Changes during the accounting period		
Payment of dividends	(5,467)	(5,441)
Net income (loss)	15,161	(2,487)
Purchase of treasury stock	(1,646)	(605)
Cancellation of treasury stock	—	—
Disposition of treasury stock	9	35
Total changes during the accounting period	8,057	(8,498)
Balance at end of fiscal year	216,123	207,625

	(Millions of yen)	
	Term from April 1, 2007 to March 31, 2008	Term from April 1, 2008 to March 31, 2009
Valuation and translation adjustents, etc.		
Net unrealized gain on available-for-sales securities		
Balance at beginning of fiscal year	23,538	10,395
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	(13,143)	(5,819)
Total changes during the accounting period	(13,143)	(5,819)
Balance at end of fiscal year	10,395	4,575
Deferred loss on hedges		
Balance at beginning of fiscal year	0	3
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	3	(2)
Total changes during the accounting period	3	(2)
Balance at end of fiscal year	3	1
Total valuation and translation adjustents		
Balance at beginning of fiscal year	23,538	10,398
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	(13,140)	(5,821)
Total changes during the accounting period	(13,140)	(5,821)
Balance at end of fiscal year	10,398	4,576
Stock acquisition rights		
Balance at beginning of fiscal year	—	50
Changes during the accounting period		
Changes (net amount) of items other than shareholders' equity during the accounting period	50	25
Total changes during the accounting period	50	25
Balance at end of fiscal year	50	75
Total net assets		
Balance at beginning of fiscal year	231,605	226,572
Changes during the accounting period		
Payment of dividends	(5,467)	(5,441)
Net income (loss)	15,161	(2,487)
Purchase of treasury stock	(1,646)	(605)
Cancellation of treasury stock	—	—
Disposition of treasury stock	9	35
Changes (net amount) of items other than shareholders' equity during the accounting period	(13,090)	(5,796)
Total changes during the accounting period	(5,033)	(14,294)
Balance at end of fiscal year	226,572	212,277

- (4) Events or conditions calling into significant question the premise of a going concern
No corresponding transactions

6. Others

Sales by Business Sector

Business Sector	Term from April 1, 2007 to March 31, 2008		Term from April 1, 2008 to March 31, 2009		Increase (Decrease)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Increase (Decrease) ratio
	¥ million	%	¥ million	%	¥ million	%
Chemicals	78,874	25.1	69,221	25.4	(9,653)	(12.2)
Functional Plastics	32,661	10.4	27,807	10.2	(4,854)	(14.9)
Expandable Plastics and Products	38,969	12.4	36,974	13.6	(1,995)	(5.1)
Foodstuffs Products	57,265	18.3	57,011	21.0	(254)	(0.4)
Life Science Products	26,977	8.6	29,222	10.7	2,245	8.3
Electronic Products	48,898	15.6	30,589	11.2	(18,309)	(37.4)
Synthetic Fibers and Others	30,002	9.6	21,378	7.9	(8,624)	(28.7)
Total	313,650	100.0	272,204	100.0	(41,446)	(13.2)
Exports (out of total)	108,277	34.5	85,959	31.6	(22,318)	(20.6)