

Quarterly Financial Results for the Third Quarter, Ended December 2008



February 9, 2009

Name of Listed Company: Kaneka Corporation

Stock Exchange Listings: Tokyo, Osaka, Nagoya (First Sections)

Code Number: 4118

URL <http://www.kaneka.co.jp>

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Scheduled date for submitting financial statements : February 12, 2009

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

1. Consolidated Business Performance for the Third Quarter, Ended December 31, 2008
(from April 1, 2008 to December 31, 2008)

(1) Consolidated business performance (cumulative)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
Apr. 2008 – Dec. 2008	360,005	—	11,515	—	10,146	—	3,559	—
Apr. 2007 – Dec. 2007	381,407	7.4	29,541	2.6	29,346	(1.1)	16,985	(8.6)

	Net income per share	Fully diluted net income per share
Apr. 2008 – Dec. 2008	¥ 10.47	¥ 10.47
Apr. 2007 – Dec. 2007	49.70	49.70

Note: Beginning in the fiscal year ending March 31, 2009, the "Accounting Standard for Quarterly Financial Reporting" is employed to prepare financial information. Consequently, percentage changes comparing the quarter under review with the corresponding period of the preceding fiscal year are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Apr. 2008 – Dec. 2008	¥million 446,574	¥million 254,929	55.7 %	¥ 733.12
Apr. 2007 – Mar. 2008	452,620	267,598	57.7	767.68

(Reference) Shareholders' equity: ¥248,731 million as of December 31, 2008,
¥261,262 million as of March 31, 2008

2. Dividends

(Record date)	June 30	September 30	December 31	Year-end cash dividend per share	Annual cash dividend per share
Apr. 2007 – Mar. 2008	¥ —	¥ 8.00	¥ —	¥ 8.00	¥ 16.00
Apr. 2008 – Mar. 2009	—	8.00	—	—	—
Apr. 2008 – Mar. 2009 (Forecasts)	—	—	—	8.00	16.00

Note: Changes in dividend forecast during the quarter under review: No

3. Forecast for consolidated business performance in the term Ending March 31, 2009
(from April 1, 2008 to March 31, 2009)

(% indicates year-on-year change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
Full year	453,000	(9.9)	8,000	(77.6)	5,200	(84.6)	(3,500)	—	(10.32)

Note: Revisions to consolidated business performance forecasts during the quarter under review: Yes

4. Other

- (1) Changes in principal subsidiaries during the term
(Changes in the scope of consolidation of specific subsidiaries) : No
- (2) Application of simplified methods of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements : Yes
[Note: For details, please refer to the section entitled "Overview of Financial Statements 4.Other" on page 5.]
- (3) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements (significant changes pertaining to the preparation of quarterly consolidated financial statements)
 - 1. Changes owing to revisions in accounting standards : Yes
 - 2. Changes other than 1. above : Yes
 [Note: For details, please refer to the section entitled "Overview of Financial Statements 4. Other" on page 5.]
- (4) 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 December 31, 2008, and 350,000,000 shares as of March 31, 2008
 - 2. Number of treasury stock at the end of the period:
10,719,743 shares as of December 31, 2008, and 9,670,723 shares as of March 31, 2008
 - 3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)
340,057,559 shares for the quarter ended December 31, 2008, and 341,753,483 shares for the quarter ended December 31, 2007

Notes: Explanations or other items pertaining to appropriate use of operating result forecasts

- 1. In the current consolidated fiscal year, the Company began applying the "Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard Implementation Guidance No. 14). The quarterly consolidated financial statements were also prepared in accordance with the "Regulations on Quarterly Consolidated Financial Statements."
- 2. In a February 9, 2009, news release entitled "Notice of Revisions to Performance Forecasts," the Company revised its consolidated performance forecasts for the full fiscal year ending March 31, 2009, from the forecast announced on October 8, 2008.
- 3. 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 details concerning the assumptions and conditions related to these forecasts, please refer to the section entitled "3. Forecast for Consolidated Business Performance" under the "Overview of Financial Statements" section on page 5.

[Overview of Financial Statements]

1. Consolidated Business Performance

During the first nine months (from April 1, 2008, to December 31, 2008), the Kaneka Group posted consolidated net sales of ¥360,005 million (down 5.6% year on year), lower than for the first nine months of the preceding fiscal year. Operating income was ¥11,515 million (down 61.0% year on year), and ordinary income was ¥10,146 million (down 65.4%). After the posting of extraordinary losses, including a ¥2,550 million loss on valuation of investment securities and a ¥637 million loss on liquidation of business, net income amounted to ¥3,559 million (down 79.0%).

The Company posted year-on-year sales increases in the Foodstuffs Products and Life Science Products segments, but recorded decreases in the Chemicals, Functional Plastics, Expandable Plastics and Products, Electronic Products and Synthetic Fibers and Others segments.

Operating income rose year on year in the Expandable Plastics and Products, Foodstuffs Products and Life Science Products segments. However, operating income declined in the Chemicals, Functional Plastics, Electronic Products and Synthetic Fibers and Others segments, owing to such factors as higher raw materials prices and sluggish demand worldwide.

Operating performance by business segment was as follows.

1) Chemicals

Sales volumes for polyvinyl-chloride resins declined because of sluggish domestic demand and a sharp drop-off in demand from export markets, led by Asia. Further, appreciating raw material prices contributed to a decrease in profits. Performance by polyvinyl-chloride special resins was also adversely impacted by slow demand in Japan and from the United States and Asia, resulting in lower profits. Caustic soda remained firm overall, as a result of tightening supply and demand.

As a result of these factors, segment sales decreased ¥3,147 million (down 4.1%) compared with the corresponding period of the preceding fiscal year, to ¥73,433 million. Operating income fell ¥3,392 million (down 80.9%), to ¥798 million.

2) Functional Plastics

Modifier sales and profits were down as a result of a slump in sales to the U.S. housing market, lower demand from markets in the Far East and other parts of Asia, including Japan, and a sudden fall-off in demand from Europe. Sales and profits for modified silicone polymers also diminished, due to cuts in demand from Japan, the United States and Europe.

Sales in this segment fell ¥8,310 million (down 13.0%), to ¥55,619 million, while operating income dropped ¥5,851 million (down 60.7%), to ¥3,780 million.

3) Expandable Plastics and Products

We mounted a full-fledged effort to curtail costs in this area, which prompted improved sales and profits on expandable polystyrene and extruded polystyrene foam boards. Foamed plastics by beads method experienced a decrease in both sales and profits as a result of the sudden fall in production of automobiles and home electronic goods.

As a result, in this segment sales fell ¥734 million (down 1.3%) from the first nine months of the preceding fiscal year, to ¥56,068 million. The segment posted an operating income of ¥812 million, improving ¥461 million (up 131.1%) from the first nine months of the preceding fiscal year.

4) Foodstuffs Products

Despite a major hike in raw material prices, our focus on cutting costs and expanding sales of new products led to an upturn in profits.

Segment sales consequently rose ¥5,825 million (up 6.5%), to ¥94,969 million during the first nine months. Operating income, meanwhile, expanded ¥161 million (up 8.0%), to ¥2,187 million.

5) Life Science Products

Sales and profits for medical devices grew, aided by robust sales from our intervention business. Sales of bulk and intermediate pharmaceuticals were steady. Functional foodstuffs moved toward profitability, boosted by increased sales of high-performance products.

As a result, sales in this segment rose ¥5,276 million (up 20.2%), to ¥31,454 million, and operating income surged ¥1,355 million (up 34.0%), to ¥5,340 million.

6) Electronic Products

Electronic materials were impacted by a sudden drop-off in demand for electronic products, with substantial sales volume decreases for ultra heat-resistant polyimide films and optical films, leading to declines sales and profits. Although solar cells benefited from robust exports, spurred by continued steady demand led by Europe, the high yen resulted in lower profits.

Owing to these factors, sales in this segment during the first nine months fell ¥14,958 million (down 33.3%), to ¥29,926 million. Operating income dropped ¥6,420 million (down 82.6%), to ¥1,347 million.

7) Synthetic Fibers and Others

Synthetic fibers suffered a decline in overseas demand, exacerbated by the rising yen, leading to decreases in sales and profits.

In this segment, sales were down ¥5,351 million (down 22.4%) from the same period of the preceding fiscal year, to ¥18,533 million. Operating income declined ¥3,481 million (down 63.8%), to ¥1,978 million.

Year-on-year comparisons are provided for reference purposes.

2. Consolidated Financial Position

(1) Status of Assets, Liabilities and Equity

Total assets were ¥446,574 million on December 31, 2008, down ¥6,045 million from March 31, 2008. Interest-bearing debts totaled ¥70,912 million, an increase of ¥16,683 million. Net assets decreased ¥12,668 million, to ¥254,929 million, owing to such factors as a decline in the net unrealized gain on available-for-sale securities.

(2) Consolidated Cash Flows

Net cash provided by operating activities during the first nine months was ¥7,774 million, due to depreciation expenses, while net cash used in investing activities amounted to ¥19,344 million, owing to payment for purchase of tangible fixed assets. Net cash provided by financing activities amounted to ¥11,007 million, as a result of such factor as proceeds from debt. As a result, cash and cash equivalents on December 31, 2008, totaled ¥20,989 million.

3. Forecast for Consolidated Business Performance

Beginning in the quarter ended December 31, 2008, each of the Kaneka Group's business segments has been affected by substantial downturns in demand, strong price pressure resulting from a sudden decline in raw materials prices and ongoing yen appreciation.

Amid these conditions, the Group has sought to speed its pace of inventory reductions through such measures as adjusting production levels, seeking to recovering its ability to generate revenue and profits to some degree by redoubling cuts in production and overhead costs. Nevertheless, for the full fiscal year ending March 31, 2009, the Group has made the following downward revisions from its previous forecasts.

With regard to exchange rates and raw material prices, fourth-quarter figures assume an exchange rate of ¥90 = US\$1.00 and a domestic naphtha price of ¥25,000 per kiloliter.

	Net sales	Operating income	Ordinary income	Net income (loss)	Net income (loss) per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	507,000	24,000	23,000	12,500	36.78
Current forecast (B)	453,000	8,000	5,200	(3,500)	(10.32)
Change (B–A)	(54,000)	(16,000)	(17,800)	(16,000)	—
Percentage change (%)	(10.7%)	(66.7%)	(77.4%)	—	—
(Reference: Year ended March 31, 2008)	502,968	35,745	33,866	18,817	55.10

Note: The above performance forecasts are regarded as reasonable on the basis of information available at the time of announcement, therefore, readers should be aware that actual results may vary from these forecasts due to various uncertainties.

4. Other

(1) Changes in principal subsidiaries during the term (Changes in the scope of consolidation of specific subsidiaries)

Nothing to report

(2) Application of simplified methods of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements

1) Method of computing estimated bad debt losses on general credit obligations

As there was no substantial change in the bad debt loss ratio from March 31, 2008, to December 31, 2008, the actual bad debt loss ratio as of March 31, 2008, was used for estimating bad debt losses.

2) Method of valuing inventory assets

With regard to computing the balance of inventories as of December 31, 2008, in some cases physical inventory checks were omitted, but a rational calculation method was employed based on the actual inventory level as of March 31, 2008, for valuation of inventories.

With regard to marking down the book value of inventory assets, the lower of cost or market method was employed for the inventories on which values had clearly declined.

3) Method of calculating depreciation on fixed assets

For assets using the declining balance method, a pro rata portion for the period under review of applicable depreciation expenses for the consolidated fiscal year was used.

For certain consolidated subsidiaries, a pro rata amount for the period under review based on the estimated amount of fixed assets to be acquired, sold and disposed of during the fiscal year was used as the basis for calculating depreciation on fixed assets.

4) Method of calculating deferred and accrued account items

Estimated amounts were used, based on rational computation methods.

5) Method of calculating corporate taxes, deferred corporate taxes and other deferred tax assets, as well as deferred tax liabilities.

In computing corporate and other tax expenses, calculations take into account net changes in line items and tax credit items. Negligible items are omitted.

In determining the recoverability of deferred tax assets, the operating performance forecasts and tax planning methods used during the fiscal year ended March 31, 2008, were applied to the period under review, as no significant changes in the operating environment or sudden and significant changes in conditions were recognized.

(3) Changes in Accounting Principles, Processes, Presentation Methods, etc., related to the Preparation of Quarterly Consolidated Financial Statements

In the current consolidated fiscal year, the Company began applying the "Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (Financial Accounting Standard Implementation Guidance No. 14). The quarterly consolidated financial statements were also prepared in accordance with the "Regulations on Quarterly Consolidated Financial Statements."

1) 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 first quarter. 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, ordinary income and income before income taxes each by ¥87 million in the first nine months.

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

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

In the first quarter of the current fiscal year, 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 raise operating income ¥40 million and to increase ordinary income and income before income taxes each ¥63 million in the first nine months.

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

3) Application of accounting standards for lease transactions

In the consolidated fiscal term of first quarter that commenced on April 1, 2008, the Company applied the "Accounting Standard for Lease Transactions" (Financial Accounting Standard No. 13 (issued June 17, 1993 by Section 1 of the Business Accounting Deliberation Council, revised March 30, 2007) and the Guidance on Accounting Standard for Lease Transaction, Guidance No. 16 (issued January 18, 1994 by the Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, revised March 30, 2007). The method of accounting for finance leases 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 acquisition amount and posted as lease assets. This method added ¥996 million to tangible fixed assets and ¥101 million to intangible fixed assets. This change had no effect on quarterly operating income, ordinary income and income before income taxes.

(Additional information)

4) 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 first quarter of the current fiscal year. The impact of this change was to decrease operating income, ordinary income and income before income taxes each ¥251 million in the first nine months.

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

5) Loss on liquidation of business, which is accounted for as an extraordinary loss in the Consolidated Statements of Income for the period under review and as cash flow from operating activities in the Consolidated Statements of Cash Flows, refers to loss on the withdrawal of a consolidated North American consolidated subsidiary from expandable plastics and products operations. This includes extraordinary loss and impairment losses under cash flow from operating activities in the consolidated results for the first half.

5. Quarterly Consolidated Financial Statement
 (1) Quarterly Consolidated Balance sheets

(Millions of yen)

	As of December 31, 2008	As of March 31, 2008
Assets		
Current assets		
Cash and deposits	20,839	20,379
Notes receivable and accounts receivable	111,274	113,224
Marketable securities	421	1,907
Manufactured goods and merchandise	45,162	42,880
Work in progress	10,351	9,436
Raw materials and inventory goods	20,626	18,996
Others	11,476	12,062
Allowance for doubtful receivables	(467)	(448)
Total current assets	219,685	218,439
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	51,932	51,626
Machinery and equipment (net amount)	67,901	68,924
Others(net amount)	38,605	40,064
Total tangible fixed assets	158,440	160,615
Intangible fixed assets	2,087	2,822
Investments and other assets		
Investments in securities	42,453	53,506
Others	24,202	17,535
Allowance for doubtful receivables	(294)	(298)
Total investments and other assets	66,361	70,743
Total fixed assets	226,889	234,181
Total assets	446,574	452,620

(Millions of yen)

	As of December 31, 2008	As of March 31, 2008
Liabilities		
Current liabilities		
Notes payable and accounts payable	62,293	67,921
Short-term borrowings	39,165	22,020
Accrued corporate taxes	1,532	4,946
Reserve	—	107
Others	37,624	39,186
Total current liabilities	140,616	134,182
Long-term liabilities		
Bonds payable	5,000	10,000
Long-term debts	21,747	17,207
Employees' severance and retirement benefits	17,998	18,218
Reserve	255	234
Others	6,027	5,179
Total long-term liabilities	51,028	50,840
Total liabilities	191,644	185,022
Net assets		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital	34,836	34,836
Retained earnings	193,653	194,740
Treasury stock	(9,577)	(9,017)
Total shareholders' equity	251,959	253,607
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	4,914	10,625
Loss on deferred hedge	2	3
Foreign currency translation adjustments	(8,144)	(2,974)
Total valuation and translation adjustments	(3,227)	7,655
Stock acquisition rights	75	50
Minority interests	6,122	6,285
Total net assets	254,929	267,598
Total liabilities and net assets	446,574	452,620

(2) Quarterly Consolidated Statement of Income
 [Term from April 1, 2008 to December 31, 2008]

	(Millions of yen)
	Term from April 1, 2008 to December 31, 2008
Net sales	360,005
Cost of sales	279,963
Gross profit	80,041
Selling, general and administrative expenses	68,526
Operating income	11,515
Non-operating income	
Dividends income	1,101
Gain on sales of marketable securities	505
Others	970
Total non-operating income	2,577
Non-operating expenses	
Interest expense	977
Loss on disposal of property, plant and equipment	914
Foreign exchange losses	505
Others	1,548
Total non-operating expenses	3,946
Ordinary income	10,146
Extraordinary loss	
Loss on valuation of investment securities	2,550
Loss on liquidation of business	637
Total extraordinary loss	3,188
Income before income taxes	6,958
Corporate taxes, local taxes and business taxes	2,817
Income taxes deferred	378
Total corporate taxes	3,196
Minority interests	202
Net income	3,559

(3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)
	Term from April 1, 2008 to December 31, 2008
Cash flows from operating activities	
Net income before income taxes	6,958
Depreciation and amortization	20,352
Loss on liquidation of business	637
Decreases in severance and retirement benefits	(707)
Increase in allowance for doubtful receivables	27
Interest and dividend income	(1,326)
Interest expense	977
Equity in losses of unconsolidated subsidiaries and affiliates	164
Loss on disposals of property, plant and equipment	658
Loss on valuation of investment securities	2,550
Decrease in trade receivables	26
Increase in inventories	(7,213)
Decrease in trade payables	(4,739)
Others	(3,722)
Subtotal	14,642
Interest and dividends received	1,352
Interest paid	(966)
Income taxes paid	(7,254)
Net cash provided by operating activities	7,774
Cash flows from investing activities	
Payment for purchase of tangible fixed assets	(18,512)
Payment for purchase of intangible assets	(709)
Purchase of investments in securities	(441)
Proceeds from investment in securities	835
Purchase of subsidiaries' stock	(761)
Increase in loans receivable	(70)
Decrease in loans receivable	77
Others	238
Net cash used in investing activities	(19,344)
Cash flows from financing activities	
Net increase in short-term borrowing	18,141
Proceeds from long-term debt	5,014
Repayment of long-term debt	(635)
Payment for the redemption of bonds	(5,000)
Repayment of lease obligations	(419)
Dividends paid	(5,441)
Dividends paid to minority interests	(119)
Proceeds from minority interests	36
Purchase of treasury stock	(597)
Proceeds of reissuance of treasury stock	27
Net cash used in financing activities	11,007
Effect of exchange rate changes on cash and cash equivalents	(435)
Net decrease in cash and cash equivalents	(998)
Cash and cash equivalents at beginning of term	21,988
Cash and cash equivalents at term end	20,989

In the current consolidated fiscal year, the Company began applying the “Accounting Standard for Quarterly Financial Reporting” (Financial Accounting Standard No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (Financial Accounting Standard Implementation Guidance No. 14). The quarterly consolidated financial statements were also prepared in accordance with the “Regulations on Quarterly Consolidated Financial Statements.”

- (4) Notes on the premise of a going concern
Term from October 1, 2008 to December 31, 2008:
No corresponding transactions

- (5) Segment Information
[Segment Information by Business Category]
Term from April 1, 2008 to December 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
Sales										
(1) Customers	73,433	55,619	56,068	94,969	31,454	29,926	18,533	360,005	—	360,005
(2) Intersegment	2,036	239	159	11	—	—	4,198	6,644	(6,644)	—
Total	75,469	55,859	56,227	94,980	31,454	29,926	22,731	366,650	(6,644)	360,005
Operating income	798	3,780	812	2,187	5,340	1,347	1,978	16,246	(4,731)	11,515

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

2. The major products by business are as follows:

- (1) Chemicals..... PVC resins, PVC compounds, Caustic soda, Chlorinated products, Specialty PVC resins
- (2) Functional Plastics Modifier, Modified silicone polymers, Weather-resistant acrylic film
- (3) Expandable Plastics and ProductsExpandable polystyrene, Extruded polystyrene foam boards, Polystyrene foam sheet, Polyolefin foam by beads method
- (4) Foodstuffs ProductsMargarine, Shortening, Quality fats for confectionery, Bakery yeast, Spices
- (5) Life Science Products Pharmaceutical bulk, Pharmaceutical intermediates, Functional foodstuffs, Medical devices
- (6) Electronic ProductsUltra heat-resistant polyimide film, Optical films, Bonded magnetic materials, Magnet wires, Solar cell
- (7) Synthetic Fibers and Others Modacrylic fibers (Kanecaron), Engineering operations

3. 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 first quarter. 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 in the third quarter under review ¥5 million in the Chemicals segment, ¥62 million in the Functional Plastics segment, ¥0 million in the Foodstuffs Products segment and ¥17 million in the Life Science Products segment.

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

In the first quarter of the current fiscal year, 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 in the third quarter under review ¥35 million in the Functional Plastics segment, ¥2 million in the Expandable Plastics and Products segment and ¥2 million in the Synthetic Fibers and Others segment.

• Method of depreciating important depreciable assets

(Additional information)

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 first quarter of the current fiscal year. The impact of this change was to increase operating income in the third quarter under review ¥7 million in the Chemicals segment, ¥1 million in the Life Science Products segment, reduce operating income ¥12 million in the Functional Plastics segment, ¥1 million in the Expandable Plastics and Products segment, ¥83 million in the Foodstuffs Products segment, ¥155 million in the Electronic Products segment and ¥7 million in the Synthetic Fibers and Others segment.

[International Sales]

Term from April 1, 2008 to December 31, 2008

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	43,249	25,935	39,727	13,191	122,104
II Consolidated net sales (Millions of yen)					360,005
III Ratio of international sales to consolidated net sales (%)	12.0	7.2	11.0	3.7	33.9

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

(6) Notes in the event of significant changes in the amount of shareholders' equity

Term from April 1, 2008 to December 31, 2008:

No corresponding transactions

(Reference)

Previous Quarterly Consolidated Statement of Income (summary)

Account Items	Term from April 1, 2007 to December 31, 2007
	¥million
I. Net sales	381,407
II. Cost of sales	283,105
Gross profit	98,301
III. Selling, general and administrative expenses	68,760
Operating income	29,541
IV. Non-operating income	3,032
Interest and dividend income	1,432
Others	1,599
V. Non-operating expenses	3,227
Interest expense	1,145
Others	2,082
Ordinary income	29,346
VI. Extraordinary loss	628
Income before income taxes	28,717
Tax expense	11,396
Minority interests	336
Net income	16,985

Previous Quarterly Consolidated Statement of Cash Flows (summary)

	Term from April 1, 2007 to December 31, 2007
Item	¥million
I. Cash flows from operating activities	
Net income before income taxes	28,717
Depreciation and amortization	18,423
Extraordinary loss	628
Increase in trade receivables	(6,099)
Increase in inventories	(8,184)
Increase in trade payables	6,450
Others	(15,195)
Net cash provided by operating activities	24,741
II. Cash flows from investing activities	
Payment for purchase of tangible fixed assets	(24,560)
Payment for purchase of intangible assets	(441)
Purchase of investments in securities	(2,333)
Proceeds from investments in securities	1,213
Others	156
Net cash used in investing activities	(25,965)
III. Cash flows from financing activities	
Increase in short-term borrowing	4,763
Proceeds from long-term debt	127
Repayment of long-term debt	(883)
Dividends paid	(5,467)
Purchase of treasury stock	(1,005)
Others	(111)
Net cash used in financing activities	(2,577)
IV. Effect of exchange rate changes on cash and cash equivalents	(277)
V. Net decrease in cash and cash equivalents	(4,078)
VI. Cash and cash equivalents at beginning of term	22,635
VII. Cash and cash equivalents at term end	18,556

Segment Information

[Segment Information by Business Category]

Term from April 1, 2007 to December 31, 2007

(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
Sales										
(1) Customers	76,581	63,930	56,803	89,143	26,178	44,885	23,885	381,407	—	381,407
(2) Intersegment	2,142	322	668	8	—	—	3,801	6,943	(6,943)	—
Total	78,723	64,252	57,472	89,152	26,178	44,885	27,686	388,350	(6,943)	381,407
Operating income	4,191	9,632	351	2,025	3,985	7,768	5,460	33,414	(3,873)	29,541

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

2. The major products by business are as follows:

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

[International Sales]

Term from April 1, 2007 to December 31, 2007

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	59,599	27,551	43,105	11,867	142,123
II Consolidated net sales (Millions of yen)					381,407
III Ratio of international sales to consolidated net sales (%)	15.7	7.2	11.3	3.1	37.3

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