kaneka

KANEKA CORPORATION

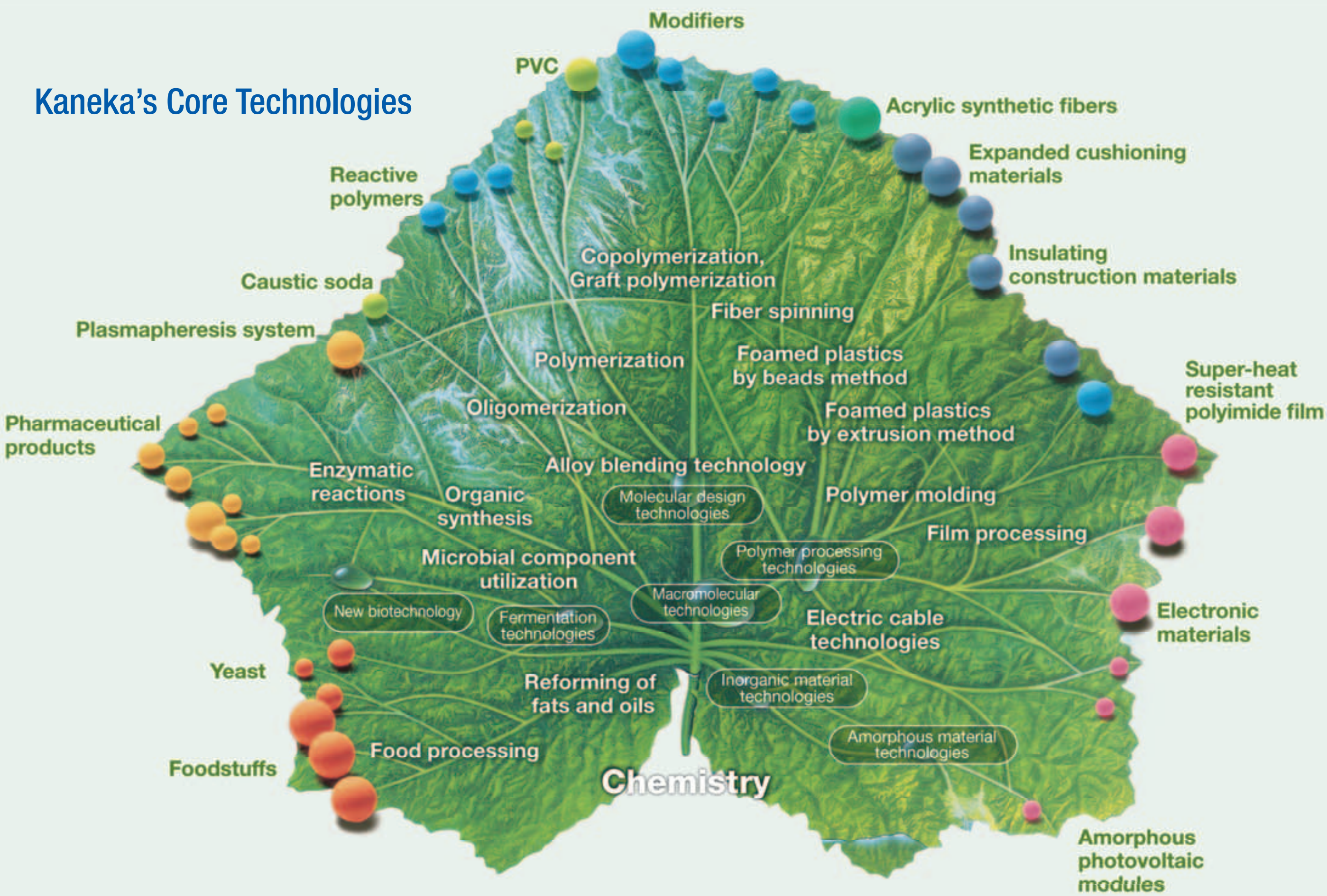
Annual Report 2009

Year Ended March 31, 2009

Profile

Kaneka Corporation was established in 1949 as a spin-off from the Kanegafuchi Spinning Co., Ltd. Initially, Kaneka's main products included caustic soda, soap, cosmetics, edible oils and electrical wires. Later the Company diversified into polymers, fermentation, biotechnology and electronics, as well as other fields. Business activities now span a broad spectrum of markets ranging from plastics, EPS resins, chemicals and foodstuffs to pharmaceuticals, medical devices, electrical and electronic materials and synthetic fibers. The Company has been a leader among Japanese chemical companies in establishing overseas operations, beginning in 1970 with a subsidiary in Belgium. Kaneka now has overseas subsidiaries in Belgium, the United States, Singapore, Malaysia, China, Australia and Vietnam.

Kaneka's Core Technologies



Contents

Consolidated Financial Highlights

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31

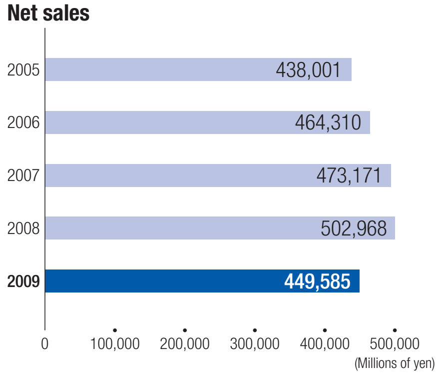
	Millions of yen					Thousands of U.S. dollars
	2009	2008	2007	2006	2005	**2009**
Net Sales	**¥ 449,585**	¥ 502,968	¥ 473,171	¥ 464,310	¥ 438,001	**$ 4,576,860**
Net Income (loss)	**(1,851)**	18,817	18,364	28,100	24,746	**(18,844)**
Capital expenditures	**33,979**	31,569	35,569	34,716	23,150	**345,912**
Depreciation	**27,163**	24,731	24,461	22,265	22,197	**276,524**
Total assets	**418,490**	452,620	467,110	453,159	397,124	**4,260,307**
Net assets	**249,529**	267,598	271,280	260,735	224,143	**2,540,252**
Per share of common stock:	Yen					U.S. dollars
Net income (basic)	**¥ (5.45)**	¥ 55.10	¥ 53.48	¥ 80.80	¥ 70.65	**$ (0.06)**
Net income (diluted)	**—**	55.09	—	—	69.33	**—**
Cash dividends	**16.00**	16.00	16.00	16.00	14.00	**0.16**
Net assets	**717.15**	767.68	774.71	756.96	645.13	**7.30**
Shareholders' equity ratio	**58.1%**	57.7%	56.8%	57.5%	56.4%	**58.1%**
Return on equity	**(0.7%)**	7.1%	7.0%	11.6%	11.5%	**(0.7%)**
Return on assets	**(0.4%)**	4.2%	3.9%	6.2%	6.2%	**(0.4%)**

Note 1) The conversion of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the prevailing exchange rate on March 31, 2009, which was ¥98.23 to US$1.00.

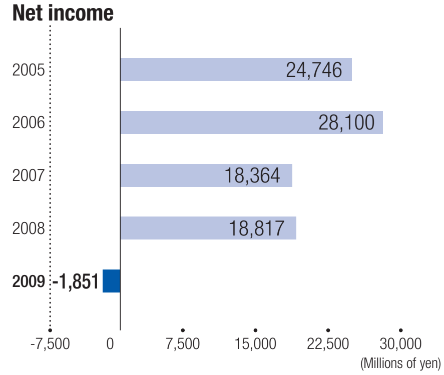
Note 2) Effective from the year ended March 31, 2007, net assets are calculated based on the new accounting standard, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan). Prior year figures have not been restated.

Note 3) Return on equity is calculated on the basis of the average shareholders' equity at the current and previous fiscal year-ends.

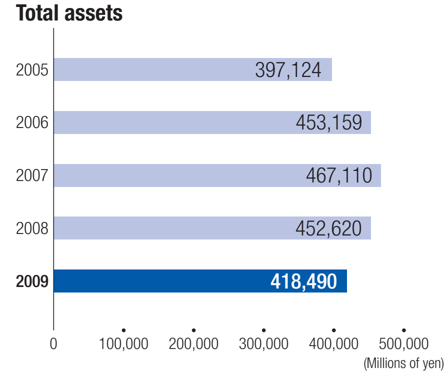
Net sales



Net income



Total assets



Disclaimer

This report contains the Company's views regarding the business environment and its own future performance, in addition to current and historical facts about the Company, its subsidiaries and affiliates ("the Kaneka Group"). These views represent the expectations and judgments of the Company's management, based on the best knowledge at the time they were made. However, unknown risks and uncertainties may arise, and future business performance may differ materially from what is stated herein. Therefore, the Kaneka Group assumes no liability or responsibility for any losses, damages or problems that may be incurred by relying on any view stated herein

To Our Shareholders

Putting Structural Reform into High Gear under "Kaneka United" and Aiming for a Leap Forward as a New Kaneka

Performance during the current term

Affected by the global economic downturn, net sales dropped 10.6% compared to previous year; first net loss in 31 years

During FY 2009, ended March 31, 2009, 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.

Under these conditions, the Kaneka Group mounted an initiative to transform its business structure, research and development, and human resources. These efforts call for us to reform our business portfolio. We are withdrawing 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 sought to bring down inventory levels and engaged in efforts 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. As a result, consolidated net sales fell 10.6% year on year, to ¥449,585 million, and operating income dropped 78.7%, to ¥7,604 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 ¥925 million loss on liquidation of business, while liquidating ¥1,536 million in deferred tax assets, the Group recorded a net loss of ¥1,851 million (net income for the year ended March 31, 2008, was ¥18,817 million), making this the first time in 31 years it has ended in the red. Despite the net loss this year, priority was placed on maintaining steady dividends, so the annual dividends for the year ending March 31, 2009, will be ¥16 per share. Additionally, we acquired 1 million shares of treasury stock from the market to add to the 1.827 million shares acquired last year.

Direction of the Company's efforts

Transforming into a "modernized Kaneka"

Our aim is to contribute greatly to the betterment of society and become a research-and-development-oriented company that is active on the global stage by confidently improving our specialized technologies and steadily introducing new products for emerging industries to markets around the world. The forecast for the year ending March 31, 2010, is for continued harsh economic conditions worldwide, but we are going to take this as an opportunity to transform into a "modernized Kaneka" and bring together the strengths of the group under "Kaneka United" to accelerate the structural reforms that have been taking place up until now and make this year a turning point for a new Kaneka.

- Business structure reform: We recognize information/communications, environment/energy, security/safety and health as areas with a high potential for growth. Therefore, our strategic focus is on becoming a distinguished, innovative manufacturer of electronics products, life science products and functional plastics. We will make a short list of the promising core technologies and businesses that fall within our specialties and accelerate bold and concentrated investment of management resources from a global perspective, including M&A.

- Shifting from a diversified to a complementary management approach: We are working on a major rebinding of business segments and research systems to develop a platform. This will allow us to put the technologies and business models we have developed up to this point together in new combinations and bring in outside resources to create new business domains.
- Research and development reform: We will greatly accelerate the development of new businesses and products by reforming our research and development system. By flattening the organizational structure, authority will be shifted to the front lines, and we will be able to develop deeper relationships with outside research institutes and improve our specialty technologies. At the same time, we will break away from our go-it-alone approach and make use of M&A and alliances to expand and improve our technological platform.
- Promotion of globalization: We will strengthen our efforts to expand our business not only in Europe and the United States, where we have already established a foundation, but also in BRICs and other emerging markets.
- Strengthening of Group management: In order to succeed in reforming our business structure, we have to supplement and reinforce our value chain in more downstream business domains and will work together with affiliated companies as independent and equal partners to strengthen the Group.
- Reengineering of existing businesses: Core and mature businesses provide the necessary foundation for supporting growth areas, so we will step up our efforts at business revitalization and reengineering.

Forecast for next year

Performance to be turned around in the midst of harsh circumstances to quickly put the Group back on a path of growth

There are currently no signs of a full-scale global economic recovery, but we are focusing all our efforts on putting the brakes on declining profits and turning our performance around to quickly get back on a path of growth through such actions as lowering the break-even point and accelerating the implementation of action plans designed to reform the structure of each business segment. The consolidated forecasts for the year ending March 31, 2010 include net sales of ¥410 billion (an 8.8% decrease from the year ended March 31, 2009), operating income of ¥13 billion (a 71.0% increase from the year ended March 31, 2009) and net income of ¥6 billion (compared with a net loss of ¥1.8 billion in the year ended March 31, 2009). We consider these figures reasonable in light of the information that is currently available to the Kaneka Group, but uncertainties are inherent in our forecasts. Therefore, actual results could differ substantially from these forecasts.

Thank you in advance for your continued understanding and confidence in the Kaneka Group.

June 2009

M. Takeda

Masatoshi Takeda
Chairman of the Board

K. Sugawara

Kimikazu Sugawara
President

Feature

Ongoing Innovations

— Kaneka's market-oriented research and development —

Electronics

Thin-Film Photovoltaic Modules — Production Innovation and Product Development

The photovoltaic market is expected to grow significantly, even among new energies that effectively resolve environmental problems. Beginning in Germany, a purchasing system for electric power generated by photovoltaic modules has been widely adopted across Europe, which has grown to account for more than 50% of the global market. In Japan, the Order for Enforcement of the Act on Special Measures for the Promotion of New Energy Use, etc., focused on expectations of growing household demand, introducing a target of five million kW (one million homes) by 2010.

Kaneka boasts the highest level of technology and achievement for thin-film silicon photovoltaic (PV) modules among Japanese companies, and is technically superior in the PV module market. Compared to conventional crystalline silicon PV modules, thin-film silicon PV modules require less silicon, enabling mass production at lower cost. They generate stable and efficient power even under high temperatures, which is a performance advantage that should contribute to sales growth.

In April 2008, wholly owned subsidiary Kaneka Solartech Corporation (KST) began commercial production and shipment of thin-film silicon PV modules using a tandem technology that enables a conversion efficiency of 12%, the highest in the world for thin-film silicon PV modules.

Kaneka aims to significantly reduce the production costs of its tandem thin-film PV cell by using originally engineered equipment that substantially reduces capital expenditure, significantly increasing productivity by using a proprietary filming technology to reduce the materials costs, and by enlarging the module. Expecting to put these new manufacturing technologies into operation in the summer of 2010, we have resolved to increase tandem thin-film PV cell production capacity from 70 to 150 megawatts, and are investing more than ¥10 billion in new equipment at KST. In the future, we are considering applying the new technology, to be practically proved with the capacity coming on 2010, to our new manufacturing bases (in the places such as Europe) and gradually stepping up production capacity to 1 gigawatt by 2015.

In March 2009, Kaneka established the Photovoltaic & Thin Film Device Research Laboratories as part of its effort to create new PV module technologies and in recognition of the need to reduce costs through innovation. At this facility, we will conduct research and development of high-efficiency next-generation tandem modules. We will pursue the development of organic thin-film PV modules using organic EL technologies through joint research with Osaka University with the aim of achieving high conversion efficiency.

Kaneka will establish a competitive position in the world electric power market by further accelerating its cost-cutting initiatives and maintaining its leading world position in the photovoltaic module market in terms of quality and cost competitiveness.

Functional Plastics
Enhancing the Development of Thermal Solution Materials

Accelerating demand for electronic devices that offer higher performance and are more compact and thinner has prompted a pressing need for “thermal solutions” to transport and remove heat efficiently. Kaneka, which considers electronics an area of strategic importance, has promoted the development of thermal solution materials that can resolve such heat issues.

As a first step, we succeeded in developing a graphite sheet with the world’s highest level of thermal conductivity, approximately three times that of copper and five times that of aluminum. We will develop this product as a thermal diffusion material for mobile phones and other portable devices. Some customers have already decided to use these materials.

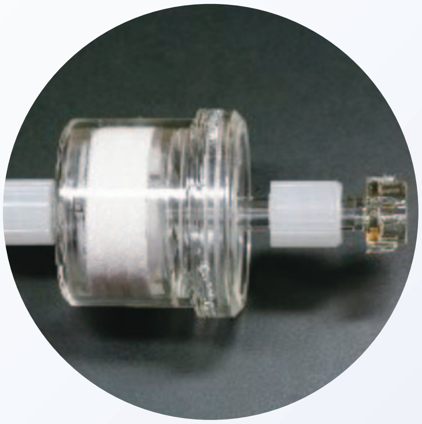
As a second step, we combined our proprietary synthesized non-silicone reactive oligomers and thermally conductive fillers to develop a non-silicone type of single-component room-temperature vulcanizing thermally conductive elastomers that are characterized by high thermal conductivity, room-temperature vulcanization and electrical insulation properties.

These elastomers’ excellent thermal conductivity and electrical insulation properties allow the heat sink to be joined to the substrate by filling the unevenness caused by multiple electrical parts of different heights being placed on a circuit board. Kaneka aims to commercialize this elastomer, primarily as a thermal solution material for the electronic parts of personal computers, home electronics, electrical equipment for automobiles—which employ an increasing number of electronic materials, and LED components.

Kaneka will continue to develop products from new materials that contribute to thermal solutions, expanding its product range through the effective use of various basic technologies based on proprietary technologies, while anticipating market needs in a timely manner.

Life Science

Development of Regenerative Medicine-Related Devices That Contribute to Next-Generation Medical Treatment



Life Science is a business segment of strategic importance for Kaneka. The medical device business within this segment has two core product lines—intravascular catheter products and extracorporeal blood purification products.

To expand this business, we have conducted research and development on innovative products, targeting the growing field of regenerative medicine. One outcome of these efforts was a device that efficiently isolates mesenchymal stem cells (MSCs) from bone marrow fluid, which we developed through collaborative research with Professor Junya Toguchida of Kyoto University.

Until now, MSCs were isolated through repeated centrifugation using specific gravity. However, the centrifuge method involves the risk of contamination. Other disadvantages are that the operation is time-consuming (requiring 90–150 minutes) and relies on the operator's proficiency.

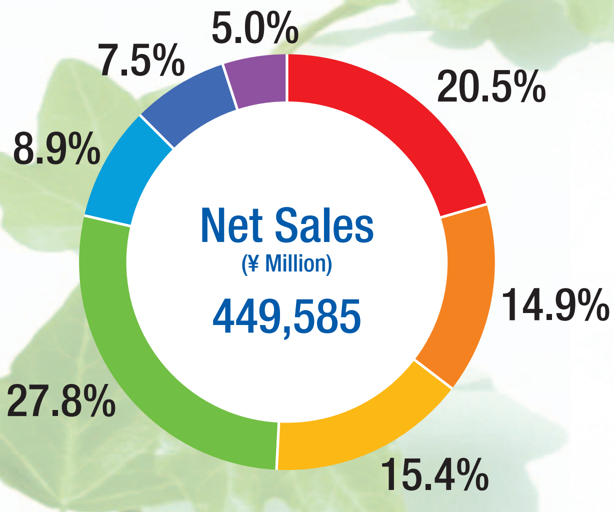
Kaneka's newly developed method employs a special non-woven fabric filter to isolate MSCs, bringing many clinical benefits such as safer operation, reduced operation time (at 20 minutes, only 1/5–1/7 that of the conventional method) and a higher recovery ratio (up to five times that of the conventional method). The new method accordingly requires smaller bone marrow fluid samples, reducing the burden on patients and donors.

Recovered MSCs are expected to be useful in regenerative medicine applications involving bone, skin and heart failure. We anticipate that our device and technology will accelerate the development of regenerative medicine by improving the efficiency of the MSC isolation process and reducing the burden on bone marrow donors.

Kaneka plans to begin selling the device for research applications in October 2009, and aims for approval by Japan's Ministry of Health, Labour and Welfare by the end of 2010.

Review of Operations

KANEKA at a Glance

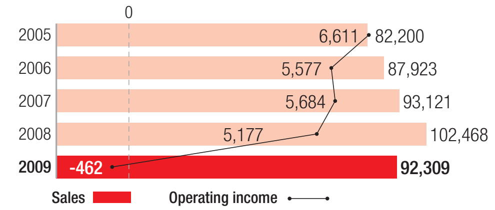


- Chemicals
- Functional Plastics
- Expandable Plastics and Products
- Foodstuffs Products
- Life Science Products
- Electronic Products
- Synthetic Fibers and Others

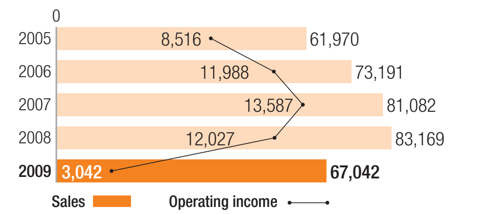
	Major Products
Chemicals	•Polyvinyl chloride (PVC) •Caustic soda •Hydrochloric acid •Flexible PVC compounds •Rigid PVC compounds •Paste PVC •Chlorinated PVC
Functional Plastics	•Modifier •Modified silicone polymer (MS Polymer) •Weather-resistant acrylic film •Allyl (Silyl) terminated polyisobuthylenes (EPION®)
Expandable Plastics and Products	•Extruded polystyrene foam boards •Polyolefin foam (beads and moldings) •Expandable polystyrene
Foodstuffs Products	•Margarine and shortening •Confectionary fats •Bakery yeast
Life Science Products	•Ubidecarenone (Coenzyme Q10) •Ubiquinol (Active form of Coenzyme Q10) •Anti-hypertensive drug intermediates •Intermediates for antibiotics •Liposorber system (LDL-cholesterol adsorption system) •Lixelle® (Adsorption column for dialysis-related amyloidosis
Electronic Products	•Ultra heat-resistant polyimide film •Bonded magnets •PVC pipes for underground cables •Solar cells •Optical films
Synthetic Fibers and Others	•Modacrylic fibers

Sales and Operating Income (Million of yen)

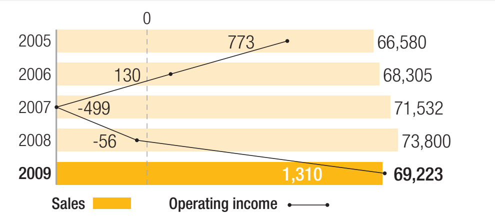




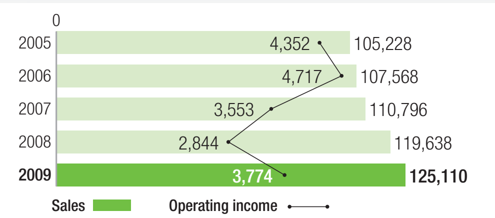




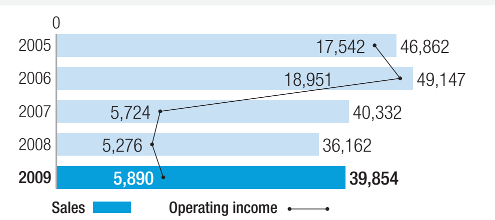


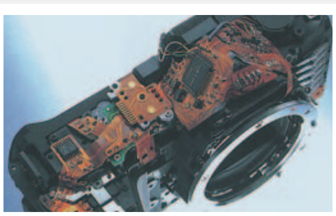


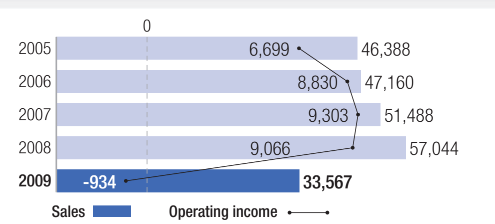


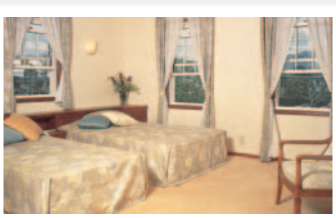


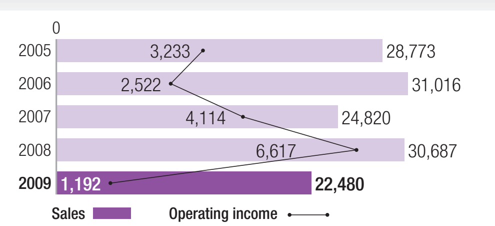












Chemicals

Net sales fell 9.9% from the previous fiscal year, to ¥92,309 million (US$939.7 million), and we posted an operating loss of ¥462 million (US$4.7 million).

In fiscal 2008, domestic sales of polyvinyl chloride were sluggish, and exports dropped substantially. Ongoing stagnation in the U.S. housing market hampered sales of housing products, and sales of polyvinyl chloride special resins were lackluster. Demand for caustic soda decreased as a result of the global economic slowdown. Although the Group revised sales prices to reflect major shifts in raw material costs, profitability still worsened. As a result, the Chemicals segment's sales and profits decreased, and the segment failed to post a profit.

Functional Plastics

Net sales dropped 19.4% from the previous fiscal year, to ¥67,042 million (US$682.5 million), and operating income decreased 74.7%, to ¥3,042 million (US$31.0 million).

Sales of modifiers were affected by lackluster sales in the U.S. housing market, combined with lower sales volumes in Asia and Europe. U.S., European and Japanese demand for modified silicone polymers decreased. Consequently, segment sales and revenues declined year on year.

Expandable Plastics and Products

Net sales decreased 6.2% from the previous fiscal year, to ¥69,223 million (US$704.7 million), but operating income grew to ¥1,310 million (US$13.3 million).

Facing continued sluggish demand for expandable polystyrene, molded items and extruded polystyrene foam boards, we adjusted selling prices and lowered costs. Sales volumes in foamed plastics made by the beads method dropped significantly, owing to lower demand and our withdrawal from the U.S. market. As a result of these factors, sales declined year on year, but the segment still achieved a profit.

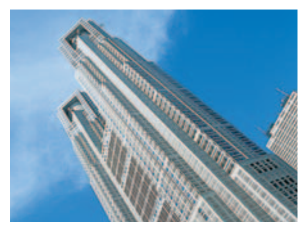
Topics

Low Salted Sodium Hypochlorite Developed

Kaneka led the industry in developing an improved low salted sodium hypochlorite under the product name Hyperchlor. Low salted sodium hypochlorite is essential for the disinfection and sterilization of the water supply. In 2008, Japanese water supply quality standards regulating chlorate levels were tightened from less than 0.6 mg per liter to less than 0.5 mg per liter, and this level is slated for reduction to less than 0.4 mg per liter in 2011. Amid increasing demand for a low salted sodium hypochlorite that conforms to the regulatory standards, Kaneka has developed a low salted sodium hypochlorite with significantly lower levels of bromate and chlorate using proprietary technology to manufacture non-bromine chlorine gas and is devising conditions for chloric acid manufacturing and temperature control for product storage and delivery. Sales began in April 2008, and the product is currently used in many water supplies, mainly in the Osaka and Hyogo areas. We will contribute to further improvements in the water supply quality in response to market demand.

Topics

New MS Polymer Plant Begins Operation in the United States



Combined with existing annual capacities of 15,000 tons at Takasago, Japan, and Kaneka Belgium N.V. (a European subsidiary), Kaneka has augmented its annual supply capacity to 40,000 tons of MS Polymer. Following Japan and Europe, demand for MS Polymer is growing steadily in the U.S. market for construction, DIY and automotive applications. By adding a U.S. manufacturing base to its facilities in Japan and Europe, Kaneka has created a global business structure through which it can meet the needs of customers around the world.

Topics

Polyolefin Foam Facilities and Equipment at the China Plant (in Suzhou) to Increase 250%

Kaneka's wholly-owned subsidiary, Kaneka Eperan (Suzhou) Co., Ltd., has significantly expanded its capacity to produce polyolefin foam sold under the product name Eperan®. The plant expanded capacity from 2,400 to 6,000 tons per year, commencing operations in fall 2008. The move was in response to increased demand in China for automobile parts and cushioning materials. At the same time, Kaneka Eperan added wholesale functionality and expanded its sales network with new branches functioning as main sales offices in Shanghai and Guangzhou, which have particularly large numbers of automobile and IT manufacturers. Capital expenditure for this expansion amounted to ¥500 million. Furthermore, the company has aggressive plans to sell automotive parts to Japanese automakers. In addition to beads manufactured in-house, the company plans to sell molded parts made from beads produced through outsourced production.

Foodstuffs Products

Net sales rose 4.6% from the previous fiscal year, to ¥125,110 million (US$1,273.6 million), and operating income grew 32.7%, to ¥3,774 million (US$38.4 million).

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

Life Science Products

Net sales increased 10.2% from the previous fiscal year, to ¥39,854 million (US$405.7 million), and operating income rose 11.6%, to ¥5,890 million (US$60.0 million).

Sales of medical devices expanded favorably, and firm bulk and intermediate pharmaceutical volumes resulted in sales and profit increases. In functional foodstuffs, despite higher sales volume due to increased U.S. demand and expanded sales of highly functional products, lower selling prices caused profitability to remain nearly level with the preceding fiscal year.

Electronic Products

Net sales fell 41.2% from the previous fiscal year, to ¥33,567 million (US$341.7 million), and the segment posted an operating loss of ¥934 million (US$9.5 million).

Affected severely by the yen's appreciation, sales and profits for solar cells decreased. A major decline in demand for mobile phones and electronic parts resulted in lower sales of ultra-heat-resistant polyimide films and LCD-related products. As a result, sales and profits fell, and the segment was unprofitable.

Synthetic Fibers and Others

Net sales decreased 26.7% from the previous fiscal year, to ¥22,480 million (US$228.9 million) and operating income declined 82.0%, to ¥1,192 million (US$12.1 million).

Topics

Business Partnership with Major Producer of Fractionated Palm Oil

To enhance its competitiveness in the edible processed oils and fats business, Kaneka has officially reached an agreement for an extensive business alliance with IOI Loders Croklaan Sdn. Bhd. (LC) of Malaysia, a subsidiary of IOI Corporation Berhad (IOI). IOI is involved in palm oil production, from plantation development to refining and processing. The business alliance between Kaneka and the IOI subsidiary will involve the procurement and outsourcing of palm-based raw materials. The original equipment manufacturing (OEM) relationship with LC, a global manufacturer of cocoa butter equivalent, should enhance the competitiveness of Kaneka's products and allow the Company to supply its products to Japanese customers in southeast Asia. Technological exchanges between Kaneka and LC will facilitate improved product quality and production techniques related to specialty fats and their raw materials and enable Kaneka to develop new functional products.

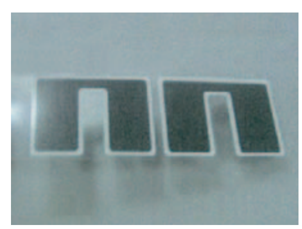
Topics

Full-Fledged Sales Launch of an Antioxidant Form of Coenzyme Q10

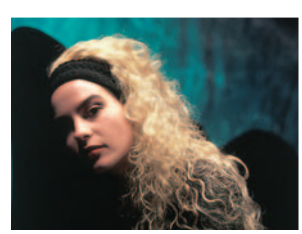
Kaneka has begun full-fledged sales of an antioxidant form of coenzyme Q10 (Kaneka QH™) alongside the previously available oxidized coenzyme Q10 (Kaneka Coenzyme Q10™). An antioxidant form of coenzyme Q10 (Kaneka QH™) has long been a promising ingredient of health food for middle-aged and senior people who are physically less able to convert oxidized forms to antioxidant forms. Because of its unstable character in air, Kaneka needed to develop an advanced stabilization technology to making commercialization of the antioxidant form possible. Kaneka was the first manufacturer in the world to succeed in developing stabilization technology for an antioxidant form of coenzyme Q10 bulk and soft capsules. Sales of the product began in 2006 in the United States, and preliminary sales commenced in autumn of 2007 in Japan. European sales started at the beginning of 2008, completing the global roll-out. A trilateral approach, consisting of Europe, Japan and the United States, targets business expansion in the new functional food segment, aiming for sales of ¥20 billion within several years.

Topics

Newly Developed Thermally Conductive Graphite Sheet



Kaneka has succeeded in developing a graphite sheet based on high-temperature sintering and polymer design technology using as raw materials polyimides that have the highest thermal conductivity in the world. This new graphite sheet, which is composed entirely of carbon atoms, has a high level of crystallization and thermal conductivity approximately three times that of copper and five times that of aluminum. The sheet provides a high level of thermal diffusion even in small spaces, such as inside cellular phones and precision devices. In addition, it is highly flexible and easy to punch and bend. Superior electromagnetic shielding shuts out electromagnetic radiation over a range of wavelengths. Furthermore, different from normal graphite sheets, the newly developed sheet contains no degassing compounds or other impurities. We will actively develop this sheet as a thermal diffusion material for mobile devices, focusing on cellular phones and precision devices. We aim for this product to generate sales of around ¥10 billion in five years.



As overseas demand for synthetic fibers plunged, the Group concentrated on sales of high-value-added products. Sales volumes still fell, however. Moreover, yen appreciation had a major impact on this segment, contributing to lower sales and profits. In other business fields, sales and profits declined, as the business climate worsened. As a result, this segment recorded lower sales and profits than the previous year.

Corporate Governance

Basic Approach to Corporate Governance

Kaneka believes that corporate governance is key to increasing corporate value based on its corporate philosophy of "In harmony with people, society and the environment, we strive to create a broad spectrum of life-enhancing products and services by using innovative technologies."

Corporate Organization and Status of Internal Control System

1. Corporate Organization

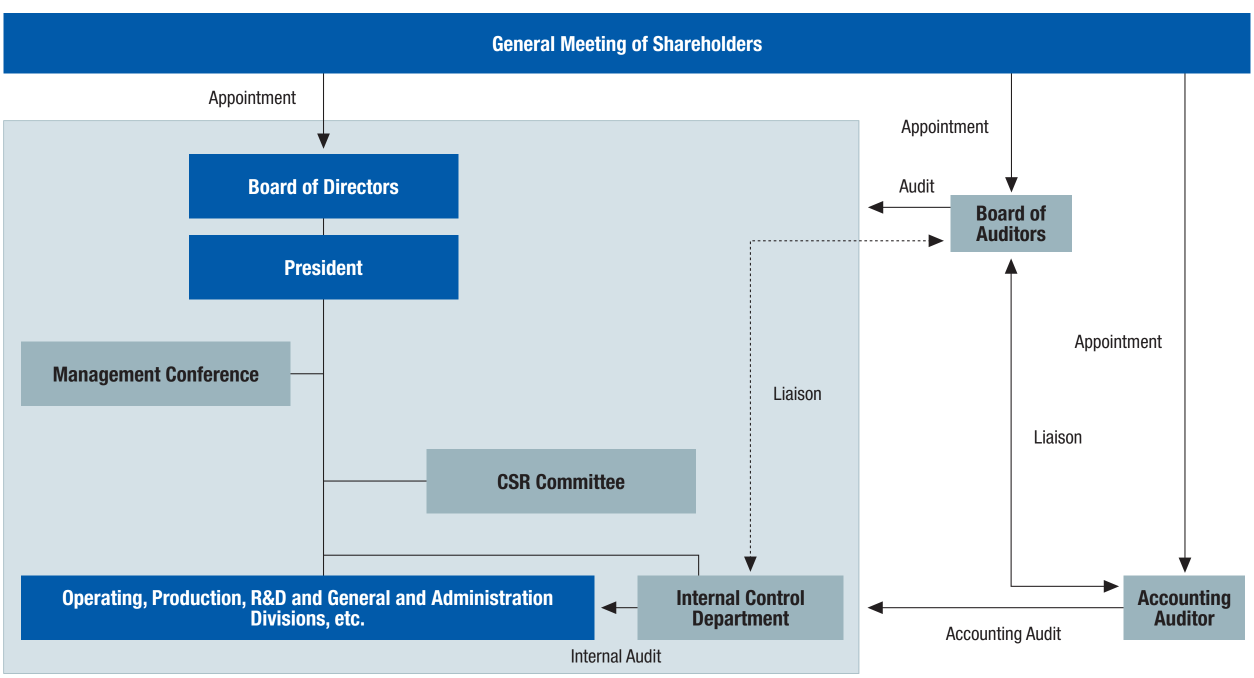
Important issues affecting the management of the Company are first discussed at a Management Conference that includes the president and are then approved by the Board of Directors.

On June 29, 2006, the Company resolved to reform its management framework, with a focus on reforming the Board of Directors and introducing an executive officer system to enhance the execution of operation according to changes in the business environment. To reform the Board of Directors, approval for amendments to the Articles of Incorporation was obtained at the Ordinary General Meeting of Shareholders on June 29, 2006. The amendments were aimed at (1) reducing the maximum number of directors from 21 to 13 to invigorate the Board of Directors and make the decision-making process more responsive to changes in the business environment, (2) shorten the term of office of directors to one year to clarify their managerial responsibilities, and (3) abolish the director titles of Senior Executive Director and Executive Director, on June 29, 2006.

The Company's executives conduct business in a manner suitable to each business type and category and based on its basic strategy of running diversified businesses. In terms of organization, we have adopted a system of divisions. While division managers are given extensive authority over daily business operations, senior officers are responsible for multiple divisions to ensure operational consistency on a Companywide scale. Division managers hold monthly meetings to report on the status of operations in their respective divisions directly to all directors and auditors. The Internal Control Department under the direct control of the President independently monitors the operations of each division.

2. Status of Internal Control System

The Company's internal control system, its "system to ensure operational appropriateness" has been implemented based on the Companies Act and the Companies Act Enforcement Regulations.



1) System to Ensure that Duties Performed by Directors and Employees Comply with Laws, Regulations and the Articles of Incorporation

a. To reinforce initiatives aimed at fulfilling our corporate social responsibility, we have established the CSR Committee, chaired by the president. The committee will restructure our system for promoting responsible care and take overall charge of CSR activities, including compliance.

b. Regarding corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, supervises the promotion and auditing of essential activities, such as overseeing plans on a Companywide scale, tracking rates of progress, confirming the actual status of compliance and establishing and maintaining appropriate inquiry and notification functions.

c. The supervisory departments* develop rules on functions under their control in regards to compliance, plan and implement individual training programs, plan and promote specific activities including encouragement of self-assessment, and conduct inspections and audits to confirm the status of compliance.

* Supervisory departments are departments that supervise specific business functions of the Company and the overall Group, such as the Personnel Department, the General Affairs Department and the Finance and Accounting Department.

d. Concerning cross-divisional issues outside the scope of the supervisory departments, the Company has established organizations with specific missions to oversee the promotion of plans and related matters. Such organizations, which are subordinate to the CSR Committee, include the Global Environment Committee, the Central Committee on Environment, Safety and Human Health, the Product Safety Examination Committee, and the Plant Management Conference. This also applies to Items b and c.

e. We maintain absolutely no relationships with antisocial forces, and we take a firm companywide stand to thoroughly counter any illegal or inappropriate demands from such forces. We have also established an internal department to take overall charge of gathering and managing information related to such forces, and communicating and cooperating with police and other outside organizations and foundations. Through these efforts, we are working to enhance the corporate structure for extirpating anti-social forces.

f. To ensure the reliability of our financial reporting, we have established and are enhancing internal controls related to such financial reporting. These activities are supervised by the Internal Control Department.

2) Regulations and Other Systems to Manage Risk of Loss

Risks that significantly influence the Company's businesses and financial position are addressed as follows:

a. Fundamentally, individual operating divisions and the supervisory departments concerned with certain risks take appropriate preventive measures and deal with the situation appropriately in the event that such risks are realized.

b. Based on these actions, the Compliance Committee oversees measures to prevent potential risks, and the Risk Management Committee works with the division concerned in a timely fashion to deal with risks that have been realized and risks that are specifically deemed likely to be realized.

3) System to Ensure Efficient Performance by Directors

a. Dynamic execution is ensured by giving division managers extensive authority over daily business operations, while senior directors are in charge of multiple operating departments and divisions and supervise the execution of operations.

b. Important issues are first discussed at a Management Conference in accordance with internal proposal and decision making procedures based on the decision-making standards, and then are resolved and implemented by the Board of Directors.

c. The Board of Directors convenes a regular meeting once a month, at which important issues are decided and the status of the performance of the directors' duties and related matters are reported.

d. Division managers convene a meeting on a monthly basis, at which management policies, corporate performance and other matters are announced, and business plans and status of progress are reported by designated division managers.

4) System to Store and Manage Information on Directors' Performance of Duties

Information on decision making and execution of operations in the Company, not limited to the actions of directors, is stored and managed together with other relevant materials pursuant to the provisions of laws, regulations and internal rules, regardless of whether in paper or electronic document format.

5) System to Ensure Appropriate Operations within the Enterprise Group Consisting of the Company and Its Subsidiaries

Items a through d above also apply to the Company's subsidiaries. The divisions, supervisory departments and subsidiaries work together to further develop and improve the effectiveness of the system (basic policies, rules, responsibility framework, etc.).

6) System for Directors and Employees to Report to the Auditors and Other Systems to Report to the Auditors

a. The auditors attend the meetings of the Board of Directors, division manager meetings, Management Conferences and other important meetings.

b. Directors and others report to the auditors on the execution of important operations, such as the results of environment and safety inspections, internal audit results, monthly operations and financial overviews.
c. Important decision related documents are passed on to the auditors, such as proposal documents, resolution notices regarding matters decided by the President and matters decided by officers in charge.

7) Matters Concerning Employees Assisting Auditors in Their Duties and the Independence of Such Assistants from Directors in Case Such Assistants are Appointed

a. A secretariat will be established within the Board of Auditors to allocate assistants to aid auditors in performing their duties.
b. The appointment, transfer and evaluation of such assistants are decided with the approval of the auditors to ensure independence of such assistants from the directors.

8) Other Systems to Ensure that Audits Are Conducted Effectively by the Auditors

a. The representative director and the auditors periodically meet to exchange opinions.
b. The auditors interview directors about the execution status of operations whenever necessary.
c. The auditors interview the Internal Control Department concerning the execution status of audits.
d. The auditors periodically receive reports from and liaise with the accounting auditor to exchange opinions.
e. The auditors investigate the execution status of operations and the asset management status whenever necessary at the Company's places of business, including its head office and plants, as well as at its major subsidiaries.

3. Basic Approach to and Status of Advancement of the Removal of Antisocial Forces

The Group has established a Basic Policy on Corporate Activities and Ethical Behavior Standards provide the basic standards the Company's officers and employees are to adhere to in conducting business activities. These policies require that absolutely no relationships with antisocial forces, that demands from antisocial forces are dealt with resolutely, and that unlawful or unjust demands are opposed on an individual level as well. The executive directors and others in top management discipline themselves to set an example in upholding these standards of behavior, working to develop internal structures and increase awareness within the Company.

To address this issue, the Company has established a division to collect and manage information on a daily basis and coordinate with law enforcement and other outside entities and related organizations. The Company remains committed to developing and reinforcing its internal structure for eliminating antisocial forces.

4. Status of Internal Audit and Auditors' Audit

The Company employs an auditor system. There are four auditors, two of whom are external auditors. There is no noteworthy information regarding any personal, equity, business or other special-interest relationship between the external auditors and the Company. One replacement auditor is also appointed in case the number of auditors falls below that required by law.

The Board of Auditors conducts audits in coordination with other parties concerned, such as requiring the Internal Control Department to report as necessary on the status of internal audits and the accounting auditors to provide explanations on accounting audits.

5. Status of Accounting Audit

The certified public accountants who provided the Company with accounting audit services during the year are Koichi Inoue, Masahiro Nishio, and Yoshitaka Yamaguchi, all belonging to KPMG AZSA & Co. Other personnel who assisted in accounting audit tasks include four certified public accountants and 13 junior certified public accountants.

6. Relationship with External Auditors

External directors Hiroaki Tsukamoto and Kouji Hirokawa were appointed because of their high degree of insight as attorneys and their abundant experience applicable to audit activities. Their independence is ensured by their lack of any noteworthy special interest relationship with the Company.

7. Breakdown of Executive Compensation

Executive compensation for the fiscal year under review was as follows.

Positions	People Compensated	Total Compensation
Directors	16	¥547 million
Auditors (Of whom, external auditors)	4 (2)	¥82 million (¥34 million)

Notes:
1. Amounts less than the specified unit have been rounded off.
2. Total compensation includes compensation paid to three directors who retired from their positions at the close of the 84th Ordinary General Meeting of Shareholders on June 27, 2008.
3. The above mentioned total compensation includes a payment of executive compensation approved and passed at the 85th Ordinary General Meeting of Shareholders. This amount includes scheduled payments to directors of ¥65 million.
4. The above mentioned total compensation includes ¥45 million in expenses posted in the fiscal year under review for stock acquisition rights (stock option equity compensation) granted to 13 directors.
5. Maximum compensation to directors is ¥46 million per month (resolved at the 76th Ordinary General Meeting of Shareholders on June 29, 2000), and annual stock option equity compensation of ¥75 million (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).
6. Maximum compensation to auditors is ¥7.8 million per month (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).

8. Requirements for Determination of Director Appointments

The Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the General Meeting of Shareholders shall attend the meeting and determine the appointment of directors based on a majority vote. The Articles of Incorporation further specify that the appointment of directors shall not be resolved by cumulative voting.

9. Resolutions of the General Meeting of Shareholders that May Be Determined by the Board of Directors

In order to ensure an expeditious capital and profit redistribution policy, it was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006, to stipulate in the Articles of Incorporation that any of the items provided in Article 459, Paragraph 1 (each item) of the Companies Act, including those concerning payment of dividends from retained earnings, may be determined by a resolution of the Board of Directors and that none of the items provided in Paragraph 1 of the same Article are to be determined by a resolution of the General Meeting of Shareholders.

10. Requirements for Special Resolutions at the General Meeting of Shareholders

To ensure a smooth General Meeting of Shareholders, the Company's Articles of Incorporation stipulates that shareholders possessing at least one-third of the shareholder voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at general meetings of shareholders" provided in Article 309, Paragraph 2 of the Companies Act.

11. Compensation for Audits

1) Compensation for Audits and Other Activities by Certified Public Accountants

The certified public accountants who provided the Company with accounting audit services during the year belonged to KPMG AZSA & Co. Compensation paid by the Company and its consolidated subsidiaries to KPMG AZSA & Co. was as follows.

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2009	
	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)
Kaneka	—	—	67	—
Consolidated subsidiaries	—	—	7	—
Total	—	—	75	—

2) Other Significant Compensation

Kaneka Texas Corporation and other consolidated subsidiaries pay compensation for tax-related activities to KMPG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

3) Compensation for Activities Other than Audits by Certified Public Accountants

Nothing to report.

4) Method of Determining Compensation for Audits

Nothing to report.

Takeover Defense Measures

At its Board of Directors meeting held on April 6, 2007, the Company adopted the Basic Policy regarding Persons Who Control the Company's Decisions on Financial Matters and Business Policies (hereinafter the "Basic Policy"). The Policy Regarding Countermeasures to Large-Scale Acquisitions of Kaneka Shares, under which the Basic Policy is subsumed, was approved at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007. An overview is provided below.

1. Content of the Basic Policy

As a publicly held corporation, the Company recognizes that its shares should be freely traded. Thus, even in the event of a hostile takeover without the consent of the Board of Directors, the Company will not necessarily resist such an action, provided the takeover promises to enhance the corporate value of the Company and the collective interests of its shareholders. However, we consider it necessary to ensure that adequate information is provided to shareholders when attempts are made to acquire a large number of the Company's shares. We also believe necessary and proper measures must be taken to protect the corporate value of the Company and the collective interests of its shareholders in the event that the Company is subject to a hostile and abusive takeover bid that threatens to harm corporate value and collective shareholder interests, such as any takeover bid that is intended solely to advance the personal gain of the bidder.

2. Measures to Effectively Utilize the Company's Resources, Form an Appropriate Corporate Group and Realize Other Fundamental Policies

The Company adheres to the guidelines set forth below in contributing to the realization of the Basic Policy provisions to secure and enhance the corporate value of the Company and the collective interests of its shareholders.

- Achievement of rapid growth and strong earnings by combining high-growth and high-value-added businesses with those that generates stable revenues, based on diversified management
- Concentration of investment on management resources in growth sectors, making efforts to improve profitability through continual cost improvement activities
- Focusing the driving force of management on "research and development targeting next-generation growth sectors," "further reinforcement of overseas business operations" and the common foundation of each of these: "personnel who aggressively take on challenges toward high targets"

Moreover, the new medium-term plan beginning from FY 2009 emphasizes the ideal of a corporation centered on technology and the pursuit of qualitative reforms. Seeking to raise corporate value through business and personal development, the Company will work to implement the following priority management policies.

- We will place technology at the core of management to unite business policy with technology strategy so that technology will become the driver of corporate growth.
- We will implement qualitative reforms in three areas: business structure, R&D and human resources. Recognizing the Company's strengths in technology, we will reform the business structure to substantially improve our position as a cutting-edge leader in growth areas. We will also reform R&D to develop innovative technologies with greater speed and practical applicability and reform human resources to cultivate employees imbued with the strong spirit of challenge to realize such reforms.
- We will continue to invest our management resources intensively in functional plastics, electronics products and life science products as the key strategic fields in which we can capitalize on our specialized technologies.

The Company is implementing the following takeover defense measures to prevent the Company's decisions on financial and business policies from being controlled by entities regarded as inappropriate according to the Basic Policy.

a. The Company shall stipulate in advance procedures to be observed in case of an attempted large-scale purchase of the Company's shares and other securities (hereinafter, "Large-Scale Purchase Rules"), demanding disclosure of necessary and adequate information regarding such a purchase, collecting and examining information related to the purchase and securing the opportunity and necessary time for the Board of Directors of the Company to present its opinion and alternative plans to shareholders or to negotiate with the purchaser.
b. Whether or not the purchaser observes the Large-Scale Purchase Rules, provisions to protect the corporate value of the Company and the collective interests of its shareholders may be taken against such purchases if they are deemed to cause irreparable damage to the Company or otherwise significantly harm the corporate value of the Company or the collective interests of its shareholders.

3. Compliance with Requirements, Judgment and Reasoning of the Board of Directors

The Board of Directors of the Company judge that the measures in the preceding item comply with the following three requirements: they are in line with this Basic Policy, they do not harm the common interests of the Company's shareholders and they are not intended to maintain the positions of the corporate officers of the Company. The reasoning behind this judgment is as follows.

a. The measures satisfy the requirements of the policies of the Ministry of Economy, Trade and Industry and the Ministry of Justice concerning takeover defense measures.
b. The measures will be implemented with the aim of securing and improving the common interests of the shareholders.
c. The measures place emphasis on the will of the shareholders.
d. The measures place emphasis on the judgment of highly independent external parties.
e. The measures provide rational and objective requirements.
f. The measures allow for the procurement of opinions from third party experts.
g. The measures are not "dead-hand" takeover defense measures.

Global Network

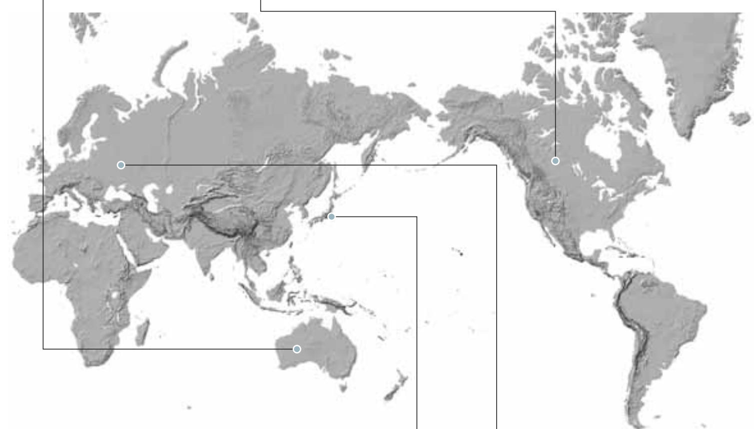
- Major Overseas Consolidated Subsidiaries
- Major Overseas Non-Consolidated Subsidiaries
- Major Domestic Consolidated Subsidiaries
- Equity Method Affiliates

Asia outside of Japan / Oceania

- **Kaneka Singapore Co. (Pte.) Ltd. <Singapore>**
  Sales and manufacture of pharmaceutical intermediates
- **Kaneka (Malaysia) Sdn. Bhd. <Malaysia>**
  Sales and manufacture of functional plastics
- **Kaneka Electec Sdn. Bhd. <Malaysia>**
  Sales and manufacture of electronic products
- **Kaneka Eperan Sdn. Bhd. <Malaysia>**
  Sales and manufacture of expandable plastics and products
- **Kaneka Paste Polymers Sdn. Bhd. <Malaysia>**
  Sales and manufacture of specialty PVC resins
- **Kaneka Eperan (Suzhou) Co., Ltd. <P.R. China>**
  Manufacture of expandable plastics and products
- **Hihua Fiber Co., Ltd. <P.R. China>**
  Manufacture of synthetic fibers
- **Kaneka Consulting (Shanghai) Co., Ltd. <P.R. China>**
  Technical consulting for Kaneka products
- **Kaneka Technical Service Co., Ltd. Shanghai <P.R.China>**
  Technical service for functional plastics
- **TGA Pastry Company Pty Ltd. <Australia>**
  Sales and manufacture of foodstuffs products
- **Kaneka Pharma Vietnam Co., Ltd. <Vietnam>**
  Manufacture of medical devices

U.S.A.

- **Kaneka Texas Corporation**
  Sales and manufacture of functional plastics and electronic products
- **Kaneka Nutrients L.P.**
  Sales and manufacture of functional foodstuffs
- **Kaneka America LLC**
  Marketing and technical consulting for Kaneka products
- **Kaneka Pharma America LLC**
  Sale of medical devices
- **Kaneka New York Holding Company, Inc.**
  Holding company for Kaneka Nutrients L.P., Kaneka America LLC and Kaneka Pharma America LLC
- **Kaneka Functional Foods LLC**
  Holding company for Kaneka Nutrients L.P.



Japan

- **Hane Co., Ltd.**
  Sale of expandable plastics and products
- **Hokkaido Kaneka Co., Ltd.**
  Sales and manufacture of expandable plastics and products
- **Hokkaido Kanepearl Co., Ltd.**
  Sales and manufacture of expandable and products and products
- **Osaka Synthetic Chemical Laboratories, Inc.**
  Sales and manufacture of pharmaceuticals
- **Sanwa Kasei Kogyo Co., Ltd.**
  Sales and manufacture of plastic products
- **Sunpolymer Corporation**
  Sales and manufacture of expandable plastics and products
- **Monbetsu Kasei Co., Ltd.**
- **Shibetsu Kasei Co., Ltd.**
- **Koto Co., Ltd.**
- **Miyagi Jushi Co., Ltd.**
- **Tsukasa Co., Ltd.**
- **Kanto Styrene Co., Ltd.**
- **Kitaura Jushi Co., Ltd.**
- **Cosmo Kasei Co., Ltd.**
- **Toyo Styrol Co., Ltd.**
- **Hanepack Co., Ltd.**
  Manufacture of expandable plastics
- **Tochigi Kaneka Corporation**
  Manufacture of expandable plastics and products and electronic products
- **Kaneka Kentech Co., Ltd.**
  Sale of construction materials
- **Kanepearl Service Co., Ltd.**
  Sale of expandable plastics and products
- **Tokyo Kaneka Shokuhin Co., Ltd.**
- **Tokai Kaneka Shokuhin Co., Ltd.**
- **Kaneka Shokuhin Co., Ltd.**
- **Kyushu Kaneka Shokuhin Co., Ltd.**
  Sale of foodstuffs products
- **Kaneka Food Co., Ltd.**
- **Tokyo Kaneka Food Co., Ltd.**
  Manufacture of oils and fats
- **Kaneka Sun Spice Co., Ltd.**
  Sales and manufacture of spices
- **Kaneka Medix Corporation**
  Sales and manufacture of medical devices
- **Kaneka Engineering Corporation**
  Chemical-plant engineering
- **Kyushu Kanelite Co., Ltd.**
  Manufacture of expandable plastics and products
- **Showa Kaseikogyo Co., Ltd.**
  Sales and manufacture of PVC compounds
- **Taiyo Yushi Co., Ltd.**
  Sales and manufacture of oils and fats
- **Kaneka Solartech Co., Ltd.**
  Manufacture of solar cells
- **Tatsuta Chemical Co., Ltd.**
  Sales and manufacture of PVC products
- **Kaneka Eperan Marketing Co., Ltd.**
  Sale of expandable plastics and products
- **Kaneka Takasago Service Center Co., Ltd.**
  Providing services related to Takasago Plant
- **SC Housing System Corporation**
  Architectural construction method licensing and sales of construction materials
- ▲ **Ibiden Jyushi Co., Ltd.**
  Manufacture of expandable plastics and products
- ▲ **EPE Co., Ltd.**
  Sale and manufacture of expandable plastics and products
- ▲ **Cemedine Co., Ltd.**
  Processing and sales of functional plastics

Europe

- **Kaneka Belgium N.V. <Belgium>**
  Sales and manufacture of functional plastics and expandable plastics and products, and sales of solar cells
- **Kaneka Pharma Europe N.V. <Belgium>**

Financial Review

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sales

The Kaneka Group's net sales for FY 2009 (April 1, 2008 to March 31, 2009) decreased 10.6% from the previous fiscal year to ¥449,585 million. International sales fell 21.3% to ¥147,204 million, owing to a downturn in the performance of its subsidiaries in the United States, Europe and Asia, as well as lower exports from Japan. The ratio of international sales to total sales fell from 37.2% to 32.7%.

By geographical area, sales in Japan decreased 8.5% to ¥372,171 million. Overseas sales fell in almost all regions, creating a 19.6% drop in overseas sales to ¥77,414 million.

Sales grew in two out of our seven business segments, but contracted in the remaining five. In the Foodstuffs Products segment, efforts to introduce distinctive products and improve costs resulted in a 4.6% sales increase, and expanded sales of medical devices and other products boosted sales in the Life Science Products segment 10.2%. However, sluggish markets, the impact of an appreciation of the yen and other factors caused sales declines in the Chemicals, Functional Plastics, Expandable Plastics and Products, Electronic Products, and Synthetic Fibers and Others segments.

Cost of Sales and SG&A Expenses

During FY 2009, factors such as lower selling volumes reduced cost of sales 6.1% to ¥353,179 million. However, as net sales fell by a larger percentage, 10.6%, the cost of sales ratio rose from 74.8% to 78.6%.

SG&A expenses edged down 2.6% to ¥88,802 million, but the ratio of SG&A expenses to sales increased 1.6 percentage points to 19.8%.

Operating Income

Operating income during FY 2009 decreased 78.7% to ¥7,604 million. By region, operating income decreased 62.2% in Japan, to ¥13,190 million and 89.9% in other areas to ¥574 million. Operating income increased in three out of seven segments, but decreased in the remaining four.

The Chemicals segment posted an operating loss, down ¥5,639 million from the operating profit recorded in the preceding term, owing to lackluster Japanese and overseas markets for PVC and specialty PVC resins and made worse by the inability to revise prices in time with rapid fluctuations in raw material prices.

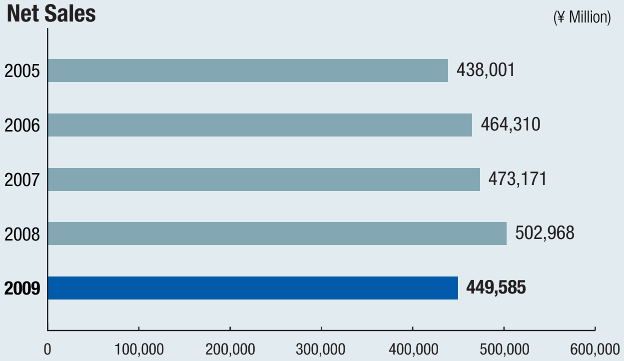
In the Functional Plastics segment, operating income dropped 74.7%, as sales of modifiers decreased due to a slump in sales in the U.S. housing market, compounded by lower sales volumes in Asia and Europe. In addition, demand for modified silicone fibers fell in Japan, the United States and Europe.

The Expandable Plastics and Products segment moved into the black on an operating basis. Although demand for expandable polystyrene and extruded polystyrene foam boards fell, we succeeded in raising operating income ¥1,367 million compared with the preceding term through selling price adjustments and cost improvements.

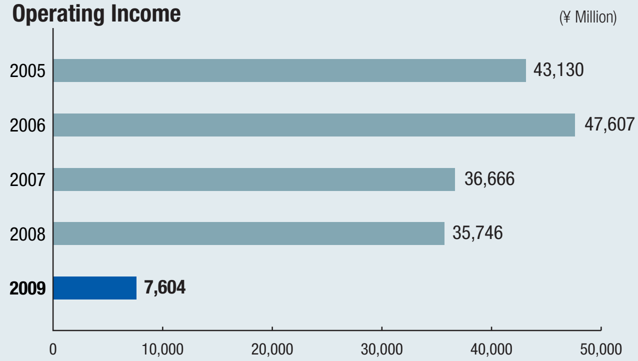
Operating income in the Foodstuffs Products segment grew 32.7%, as we expanded sales by introducing distinctive products while curtailing costs. In addition, we revised selling prices to reflect sharply higher raw material costs.

In the Life Science Products segment, a higher sales volume of functional foodstuffs in the United States expanded sales of highly functional products. However, lower selling prices caused operating profits to remain at a level similar to the preceding year. In the market for medical devices, sales

Net Sales



Operating Income



expanded favorably, and bulk and intermediate pharmaceuticals sales volumes were firm. Consequently, the segment posted an 11.6% increase in operating income.

Affected severely by the appreciation of the yen, profits on solar cells decreased, and a major decline in demand for mobile phones and electronic parts resulted in lower sales of ultra heat-resistant polyimide films and LCD-related products. Because of these factors, operating level performance in the Electronic Products segment dropped ¥10,000 million, resulting in an operating loss.

The Synthetic Fibers and Others segment faced substantially lower overseas demand. In the synthetic fibers business, the Group concentrated on sales of high value added products. Sales volumes fell nevertheless, and the appreciation of the yen had a major impact on this business, causing an 82.0% drop in operating income.

Net Income

During the year, the Group posted an extraordinary loss stemming from a ¥4,207 million loss on the valuation of investments in securities, impairment losses of ¥1,467 million and a ¥925 million loss on liquidation of business. In addition, the Kaneka Group liquidated ¥1,536 million in deferred tax assets. As a result, the Group recorded a net loss of ¥1,851 million, compared with net income of ¥18,817 million in the preceding fiscal year.

Financial Condition

Total assets for the year shrank 7.5%, to ¥418,490 million. Current assets fell 12.0% to ¥192,221 million, due in part to a decrease in notes and accounts receivable.

Tangible fixed assets were ¥162,336 million, up 1.1%. Primary capital expenditures for the period included the acquisition of land for the Takasago Plant and construction of facilities to expand synthetic fiber production. Investments and other assets contracted 12.7% to ¥61,747 million as the result of a decrease in the market valuation of investment securities because of lower share prices.

Current liabilities amounted to ¥118,933 million, a 11.4% decrease, due to a decline in notes payable and accounts receivable. Fixed liabilities shrank 1.6% to ¥50,028 million.

A decrease in retained earnings and falling share prices reduced unrealized gains on available-for-sale securities, reducing net assets 6.8% to ¥249,529 million.

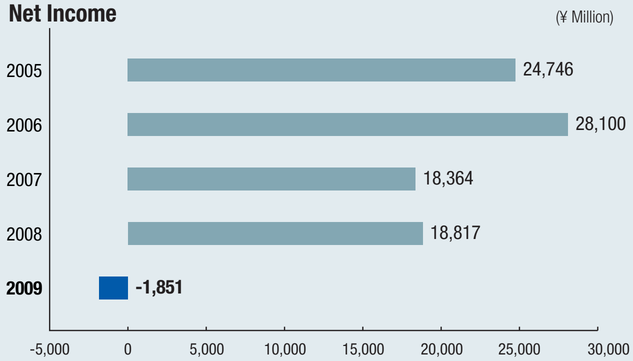
As a result, return on assets (ROA) was –0.4%, compared to 4.2% for the previous year; the shareholders' equity ratio increased from 57.7% to 58.1%; and the debt-to-equity ratio rose from 0.21 to 0.30.

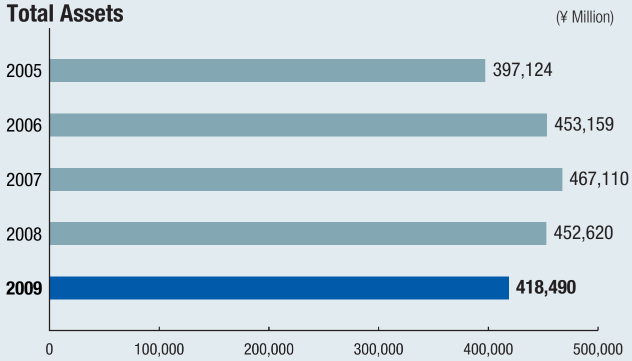
Cash flows

Net cash provided by operating activities totaled ¥26,465 million, consisting principally of depreciation and amortization of ¥27,353 million. Compared with the preceding fiscal year, cash required for working capital and tax payments decreased. However, owing to the loss before income taxes, net cash provided by operating activities was ¥12,954 million lower than in the previous year.

The principal component of net cash used in investing activities of ¥36,349 million was ¥35,328 million for the purchase of property, plant and equipment.

Net cash provided by financing activities was ¥12,308 million. Increases in debt provided ¥23,953 million, while uses of cash included ¥5,442 million in dividends paid and a





Financial Index Trends

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year 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.

¥5,000 million payment for the redemption of bonds. As a result, cash and cash equivalents at the end of the current fiscal year was ¥24,241 million, up ¥2,253 million from the end of the previous fiscal year.

Business Risks and Uncertainties

Factors that may significantly affect the performance and the financial position of the Kaneka Group include those described below.

Please note that the matters described are only those that we considered risks as of March 31, 2009; this is not an exhaustive list of risks borne by the Group.

(1) Risks related to the Group's ability to maintain operational advantages and trends in the Japanese and overseas economic environments

The Kaneka Group maintains its operational advantages by developing and commercializing high value added products in a host of fields and consistently cultivating new markets with its ability to integrate its expertise in core polymer and fermentation technologies. At the same time, we are working to ensure a corporate structure that is not affected by the entry of competitors into these markets, a situation that could result in increasingly severe price competition, reduced profitability and the growth of generic products, which could cause the demand for the Group's products to decrease and push the Group toward withdrawing from or restructuring certain operations, and are working to mitigate the potential effects of changes in the economic environment. However, such measures may not be sufficient to withstand a sudden downturn in the economic environment, obsolescence of the Company's technologies, or an unexpectedly rapid drop-off in demand for the Company's products. Such circumstances could seriously affect the Group's financial position and performance.

(2) Risks associated with the globalization of our business (fluctuations in foreign exchange rates and overseas business development)

For the Kaneka Group, globalization is a key element of its management strategy. Accordingly, international sales accounted for 32.7% of total sales in the current fiscal year. However, overseas business operations face various risks, including unexpected changes in laws, regulations and tax systems, transfer price taxation, and social and political disturbances resulting from terrorism and warfare. If these risks materialize, they may adversely affect the Group's performance and financial position. Meanwhile, fluctuations in foreign exchange rates have the potential to significantly affect the Group's performance because of its revenue structure. Therefore, we employ foreign exchange forward contracts and other hedges in connection with foreign trade transactions, as appropriate, to minimize the risk of foreign exchange rate fluctuations. However, sharp fluctuations in exchange rates beyond the coverage of hedge instruments may seriously affect the performance and financial position of the Group.

(3) Risks of price fluctuations of raw materials and fuels

Through combinations of medium- to long-term forward contracts and spot market purchases, the Kaneka Group has adopted a purchasing framework to achieve the most favorable purchasing cost for raw materials and fuels. However, since most of these commodities are subject to price fluctuations in the international market, there are still some risks involved, as there may be sharp fluctuations in prices beyond expectations which cannot be offset by cost reductions or price revisions. In particular, price fluctuations in petrochemical materials, fuels and edible oils and fats affect the production of PVC/caustic soda, modifier, expandable plastics and products, and foodstuffs, which may in turn significantly impact the Group's financial position and performance.

(4) Risks associated with product liability, industrial accidents and large-scale disasters

The Kaneka Group implements comprehensive strategies to ensure the safe distribution of products that are safe to use. Furthermore, we maintain liability insurance covering the whole Group in order to be prepared should a product related accident occur. However, the possibility remains that unexpected problems with product quality may cause a large-scale product related accident. Moreover, despite our best efforts to ensure safety and prevent accidents by placing the highest priority on safety, risks remain. Major disasters, such as an industrial accident or an earthquake, could destroy manufacturing facilities and losses could be incurred beyond the coverage of property insurance. In such circumstances, it is possible that the Group's financial position and performance could be significantly affected.

(5) Risks associated with the protection of intellectual property rights

To maintain its business advantages the Kaneka Group attaches strategic importance to the protection of its patents on newly developed technologies. However, with globalization and the development of IT technologies, it is not possible for us to completely avoid the risk of external leaks of our proprietary technologies and expertise. Nor is it possible to avoid all disputes with other parties in connection with the conveyance of our intellectual property or with our use of other companies' intellectual property. In such circumstances, it is possible that the Group's competitiveness could be undermined and its financial position and performance significantly affected.

(6) Impact of environment related regulations

To minimize the impact of its business activities on the global environment and the ecosystem, the Kaneka Group puts forth its best effort to reduce any burden on the environment and to save resources and energy throughout the life cycle of its products. Environmental regulations are tightened every year, and depending on the nature of the regulations, expenses may be incurred in connection with the manufacture, storage and disposal of products that significantly impact the Group's financial position and performance.

(7) Risks associated with legal action

The Group attaches importance to compliance management regarding the observance of laws and social rules. There are risks, however, of the Group becoming the subject of litigation and administrative measures in connection with operations in Japan and abroad. If a significant action is filed against the Group, it is possible that the Group's financial position and performance would be significantly affected.

(8) Other risks

To promote long-term business relationships, the Kaneka Group holds shares in its business partners and financial institutions. In the event that the market value of these shares decreased significantly at the end of the fiscal year, the Group could record impairment losses pursuant to the Accounting Standard for Financial Instruments. With regard to fixed assets, a substantial worsening in the operating environment could cause further declines in the market value of idle land held by the Group. Consequently, the Group could record impairment losses with the application of the Accounting Standard for Impairment of Fixed Assets.

For retirement benefit obligations and retirement benefit expenses, actuarial calculations are made each year to determine the discount rate and other core ratios, incorporating the expected rate of investment return on core assets. However, a reduction in the discount rate or a decrease in investment yields on pension assets could affect the Kaneka Group's financial position and performance.

Deferred tax assets are posted against future temporary differences under the assumption that they can be recovered by offsetting future taxable income. However, if actual taxable income differs from what was expected, the liquidation of deferred tax assets could affect the Group's financial position and performance.

The Group's financial position and performance may otherwise be significantly affected by such factors as fluctuations in the markets for its products, changes in laws and regulations, delays in research and development and technical innovations.

Consolidated Balance Sheets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2009 and 2008

Assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current assets:			
Cash and cash equivalents (Note 2)	¥ 24,241	¥ 21,988	$ 246,778
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	936	1,407	9,529
Other	85,871	111,817	874,183
Inventories (Note 6)	67,534	71,314	687,509
Loans to unconsolidated subsidiaries and affiliates	409	244	4,164
Deferred tax assets (Note 11)	4,738	4,769	48,234
Other current assets	8,883	7,348	90,430
Allowance for doubtful receivables	(391)	(448)	(3,981)
Total current assets	192,221	218,439	1,956,846
Property, plant and equipment (Notes 7 and 12):			
Land	27,302	22,729	277,940
Buildings and structures	139,238	132,841	1,417,469
Machinery and equipment	424,049	435,684	4,316,899
Construction in progress	13,923	13,499	141,739
Other	3,072	1,819	31,273
	607,584	606,572	6,185,320
Less accumulated depreciation	445,248	445,957	4,532,709
Property, plant and equipment, net	162,336	160,615	1,652,611
Intangible assets	2,186	2,822	22,254
Investments and other assets:			
Investments in securities (Note 4):			
Unconsolidated subsidiaries and affiliates	4,409	3,188	44,884
Other	35,972	50,719	366,202
Loans receivable	1,302	1,410	13,254
Deferred tax assets (Note 11)	9,389	4,441	95,582
Other	11,003	11,284	112,013
Allowance for doubtful receivables	(328)	(298)	(3,339)
Total investments and other assets	61,747	70,744	628,596
	¥ 418,490	¥ 452,620	$ 4,260,307

See accompanying notes.

Liabilities and net assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term borrowings (Note 12)	¥ 39,761	¥ 21,278	$ 404,774
Long-term debt due within one year (Note 12)	5,543	5,743	56,429
Notes and accounts payable:			
Trade	43,030	67,921	438,054
Construction	6,681	9,000	68,014
Other	11,321	14,042	115,250
Accrued income taxes	1,984	4,947	20,197
Accrued expenses	7,841	8,821	79,823
Other current liabilities	2,772	2,430	28,219
Total current liabilities	118,933	134,182	1,210,760
Long-term liabilities:			
Long-term debt due after one year (Note 12)	27,254	27,208	277,451
Employees' severance and retirement benefits (Note 13)	18,116	18,218	184,424
Retirement benefits for directors and statutory auditors	265	234	2,698
Deferred tax liabilities (Note 11)	445	1,593	4,530
Other long-term liabilities	3,948	3,587	40,192
Total long-term liabilities	50,028	50,840	509,295
Contingent liabilities (Note 14)			
Net assets (Note 16):			
Shareholders' equity:			
Common stock			
Authorized — 750,000,000 shares			
Issued — 350,000,000 shares	33,047	33,047	336,425
Capital surplus	34,837	34,837	354,647
Retained earnings	188,357	194,741	1,917,510
Less treasury stock, at cost — 9,670,723 shares in 2008 10,735,620 shares in 2009	(9,584)	(9,018)	(97,567)
Total shareholders' equity	246,657	253,607	2,511,015
Valuation and translation adjustments:			
Unrealized gains on available-for-sale securities	4,644	10,626	47,277
Unrealized gains on hedging derivatives	1	3	10
Foreign currency translation adjustments	(7,997)	(2,974)	(81,411)
Total valuation and translation adjustments	(3,352)	7,655	(34,124)
Stock acquisition rights (Note 17)	76	50	773
Minority interests	6,148	6,286	62,588
Total net assets	¥ 249,529	¥ 267,598	$ 2,540,252
	418,490	452,620	4,260,307

See accompanying notes.

Consolidated Statements of Operations

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net sales	¥ 449,585	¥ 502,968	¥ 473,171	$ 4,576,860
Cost of sales	353,179	376,031	344,520	3,595,429
Gross profit	96,406	126,937	128,651	981,431
Selling, general and administrative expenses	88,802	91,191	91,985	904,021
Operating income	7,604	35,746	36,666	77,410
Other income (expenses):				
Interest and dividend income	1,455	1,601	1,164	14,812
Interest expense	(1,258)	(1,488)	(1,719)	(12,807)
Gain on sales of investments in securities	850	940	1,661	8,653
Loss on disposals of property, plant and equipment	(909)	(1,292)	(1,429)	(9,254)
Foreign exchange gains (losses), net	31	(413)	854	316
Equity in gains (losses) of unconsolidated subsidiaries and affiliates	(489)	60	5	(4,978)
Loss on valuation of investments in securities	(4,207)	–	–	(42,828)
Impairment losses on fixed assets (Note 7)	(1,467)	(1,171)	(1,864)	(14,934)
Loss on liquidation of business (Note 8)	(925)	(1,458)	–	(9,417)
Expenses to restructure functional foodstuffs business (Note 9)	–	–	(4,447)	–
Settlement of U.S. class action lawsuit (Note 10)	–	–	(697)	–
Gain on sales of subsidiaries' stock	–	–	2,726	–
Other, net	(1,439)	(1,288)	(263)	(14,649)
Income (loss) before income taxes and minority interests	(754)	31,237	32,657	(7,676)
Income taxes (Note 11)				
Current	3,069	11,316	14,183	31,243
Deferred	(2,181)	628	(526)	(22,203)
Minority interests	209	476	636	2,128
Net income (loss)	¥ (1,851)	¥ ¥18,817	¥ ¥18,364	$ (18,844)

	Yen			U.S. dollars (Note 1)
Net income (loss) per share — basic	¥ (5.45)	¥ ¥55.10	¥ ¥53.48	$ (0.06)
Net income per share — diluted	–	55.09	–	–
Cash dividends applicable to the year	16.00	16.00	16.00	0.16

See accompanying notes.

Consolidated Statements of Changes in Net Assets

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Shareholders' equity				
Common stock				
Balance at beginning of fiscal year	¥ 33,047	¥ 33,047	¥ 33,047	$ 336,425
Changes during the accounting period				
Total changes during the accounting period	–	–	–	–
Balance at end of fiscal year	33,047	33,047	33,047	336,425
Capital surplus				
Balance at beginning of fiscal year	34,837	34,857	34,857	354,647
Changes during the accounting period				
Cancellation of treasury stock	–	(20)	–	–
Disposition of treasury stock	–	–	–	–
Total changes during the accounting period	–	(20)	–	–
Balance at end of fiscal year	34,837	34,837	34,857	354,647
Retained earnings				
Balance at beginning of fiscal year	194,741	188,417	177,759	1,982,500
Increase for unification of accounting policies applied to foreign subsidiaries	808	–	–	8,226
Changes during the accounting period				
Payment of dividends — ¥16.00 per share	(5,442)	(5,467)	(5,500)	(55,401)
Bonuses to directors and statutory auditors			(141)	–
Net income (loss)	(1,851)	18,817	18,364	(18,844)
Decrease due to expansion of the scope of consolidated subsidiaries			(1,936)	–
Decrease in retained earnings due to change in accounting standards at overseas subsidiaries			(129)	–
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	115	52	–	1,171
Cancellation of treasury stock	–	(7,078)	–	–
Disposition of treasury stock	(14)	–	–	(142)
Total changes during the accounting period	(7,192)	6,324	10,658	(73,216)
Balance at end of fiscal year	188,357	194,741	188,417	1,917,510
Treasury stock				
Balance at beginning of fiscal year	(9,018)	(14,479)	(12,354)	(91,805)
Changes during the accounting period				
Purchase of treasury stock	(616)	(1,647)	(2,130)	(6,271)
Cancellation of treasury stock	–	7,098	–	–
Disposition of treasury stock	50	10	5	509
Total changes during the accounting period	(566)	5,461	(2,125)	(5,762)
Balance at end of fiscal year	(9,584)	(9,018)	(14,479)	(97,567)
Valuation and translation adjustments, etc.				
Net unrealized gain on available-for-sales securities				
Balance at beginning of fiscal year	10,626	24,116	30,237	108,175
Changes during the accounting period				
Changes (net amount) of items other than shareholders' equity during the accounting period	(5,982)	(13,490)	(6,121)	(60,898)
Total changes during the accounting period	(5,982)	(13,490)	(6,121)	(60,898)
Balance at end of fiscal year	4,644	10,626	24,116	47,277
Unrealized gains on hedging derivatives				
Balance at beginning of fiscal year	3	–	–	31
Changes during the accounting period				
Changes (net amount) of items other than shareholders' equity during the accounting period	(2)	3	–	(21)
Total changes during the accounting period	(2)	3	–	(21)
Balance at end of fiscal year	1	3	–	10
Foreign currency translation adjustments				
Balance at beginning of fiscal year	(2,974)	(827)	(2,811)	(30,276)
Changes during the accounting period				
Changes (net amount) of items other than shareholders' equity during the accounting period	(5,023)	(2,147)	1,984	(51,135)
Total changes during the accounting period	(5,023)	(2,147)	1,984	(51,135)
Balance at end of fiscal year	(7,997)	(2,974)	(827)	(81,411)

Consolidated Statements of Changes in Net Assets

Years ended March, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Stock acquisition rights				
Balance at beginning of fiscal year	¥ 50	¥ –	¥ –	$ 509
Changes during the accounting period				
Changes (net amount) in items other than shareholders' equity during the accounting period	26	50	–	264
Total changes during the accounting period	26	50	–	264
Balance at end of fiscal year	76	50	–	773
Minority interests				
Balance at beginning of fiscal year	6,286	6,149	5,667	63,993
Changes during the accounting period				
Changes (net amount) in items other than shareholders' equity during the accounting period	(138)	137	482	(1,405)
Total changes during the accounting period	(138)	137	482	(1,405)
Balance at end of fiscal year	6,148	6,286	6,149	62,588
Total net assets				
Balance at beginning of fiscal year	267,598	271,280	266,402	2,724,198
Increase for unification of accounting policies applied to foreign subsidiaries	808	–	–	8,226
Changes during the accounting period				
Payment of dividends — ¥16.00 per share	(5,442)	(5,467)	(5,500)	(55,401)
Bonuses to directors and statutory auditors			(141)	–
Net income (loss)	(1,851)	18,817	18,364	(18,844)
Decrease due to expansion of the scope of consolidated subsidiaries			(1,936)	–
Decrease in retained earnings due to change in accounting standards at overseas subsidiaries			(129)	–
Change in retained earnings based on generally accepted accounting procedures in the United States used for U.S. subsidiaries	115	52	–	1,171
Purchase of treasury stock	(616)	(1,647)	(2,130)	(6,271)
Cancellation of treasury stock	–	–	–	–
Disposition of treasury stock	36	10	5	366
Changes (net amount) in items other than shareholders' equity during the accounting period	(11,119)	(15,447)	(3,655)	(113,193)
Total changes during the accounting period	(18,877)	(3,682)	4,878	(192,172)
Balance at end of fiscal year	¥ 249,529	¥ 267,598	¥ 271,280	$ 2,540,252

Consolidated Statements of Cash Flows

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009, 2008, and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ (754)	¥ 31,237	¥ 32,657	$ (7,676)
Adjustments to reconcile net income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	27,353	24,911	24,584	278,459
Impairment losses on fixed assets	1,467	1,171	1,864	14,934
Increase (decrease) in provision for severance and retirement benefits	6	(1,635)	(1,308)	61
Increase (decrease) in allowance for doubtful receivables	(25)	95	4	(254)
Interest and dividend income	(1,455)	(1,601)	(1,164)	(14,812)
Interest expense	1,258	1,488	1,719	12,807
Loss on sells and disposals of property, plant and equipment	2,999	770	1,400	30,530
Gain on sales of subsidiaries' stock	–	–	(2,726)	–
Loss on valuation of investments in securities	4,207	–	–	42,828
Loss on liquidation of business	925	1,458	–	9,417
Gain on sales of investments in securities	(850)	(940)	(1,661)	(8,653)
Expenses to restructure functional foodstuffs business	–	–	4,447	–
Settlement of U.S. class action lawsuit	–	–	697	–
Equity in losses (gains) of unconsolidated subsidiaries and affiliates	489	(60)	(5)	4,978
Decrease (increase) in trade receivables	24,595	4,110	(9,220)	250,382
Decrease (increase) in inventories	1,688	(7,236)	(9,324)	17,184
Increase (decrease) in trade payables	(23,814)	(322)	8,316	(242,431)
Other, net	(3,909)	(539)	1,138	(39,795)
Subtotal	34,180	52,907	51,418	347,959
Interest and dividends received	1,465	1,605	1,159	14,914
Interest paid	(1,342)	(1,584)	(1,648)	(13,662)
Income taxes paid	(7,838)	(13,510)	(18,186)	(79,792)
Net cash provided by operating activities	26,465	39,418	32,743	269,419
Cash flows from investing activities:				
Proceeds from sales of marketable securities	–	–	1,600	–
Purchases of property, plant and equipment	(35,328)	(32,991)	(34,879)	(359,646)
Purchases of intangible assets	(969)	(684)	(769)	(9,864)
Purchases of investments in securities	(4,489)	(2,867)	(4,886)	(45,699)
Proceeds from sales investments in securities	4,675	1,853	2,893	47,592
Purchases of subsidiaries' stock	(761)	–	(57)	(7,747)
Proceeds from sales of subsidiaries' stock	550	–	2,860	5,599
Payments for loans receivable	(199)	(67)	(401)	(2,026)
Proceeds from collections of loans receivable	96	300	376	977
Other, net	76	(532)	(632)	774
Net cash used in investing activities	(36,349)	(34,988)	(33,895)	(370,040)
Cash flows from financing activities:				
Increase in short-term borrowings	18,947	3,166	6,653	192,884
Proceeds from long-term debt	5,842	867	6,915	59,473
Repayment of long-term debt	(836)	(1,152)	(7,822)	(8,511)
Payment for the redemption of bonds	(5,000)	–	–	(50,901)
Repayment of lease obligations	(543)	–	–	(5,528)
Dividends paid	(5,442)	(5,467)	(5,500)	(55,401)
Dividends paid to minority shareholders	(119)	(211)	(203)	(1,211)
Purchases of treasury stock	(605)	(1,647)	(2,130)	(6,159)
Proceeds from reissuance of treasury stock	29	10	5	295
Other, net	35	–	–	357
Net cash provided by financing activities	12,308	(4,434)	(2,082)	125,298
Effect of exchange rate changes on cash and cash equivalents	(171)	(644)	301	(1,741)
Net increase (decrease) in cash and cash equivalents	2,253	(648)	(2,933)	22,936
Effect of changes in consolidated subsidiaries	–	–	524	–
Cash and cash equivalents at beginning of year	21,988	22,636	25,045	223,842
Cash and cash equivalents at end of year	¥ 24,241	¥ 21,988	¥ 22,636	$ 246,778

See accompanying notes.

1. Basis of presenting consolidated financial statements

Kaneka Corporation (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations and accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries were based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. As discussed in Note 3 (1), the accounts of consolidated overseas subsidiaries for the year ended March 31, 2009 were prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for six specified items as applicable.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2009 which was ¥98.23 to U.S. $1.00. The translations should not be construed as representations that the Japanese yen amounts have been could have been or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant accounting policies

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies (the "Companies") over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control. Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method, except for insignificant investments which are recorded at cost.

The Company has 51 consolidated subsidiaries (52 in 2008 and 2007) and 3 affiliates accounted for by the equity method (2 in 2008 and 2007). Four of the Company's subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions occurring during the January 1 to March 31 period are adjusted for in these consolidated financial statements.

Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary. The difference between the cost of an investment in a subsidiary and the equity in the net assets at the date of acquisition is, with minor exceptions, amortized over five years.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Allowance for investments in unconsolidated subsidiaries and affiliates

Allowance for investments in unconsolidated subsidiaries and affiliates is provided for possible losses from the investments based on an assessment of the financial and other conditions of the respective subsidiary or affiliates.

Securities

The Company and its consolidated domestic subsidiaries hold equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Securities with no available fair value are stated at moving average cost.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Company and its consolidated domestic subsidiaries defer recognition of gain or loss resulting from changes in the fair value of the derivative financial instruments until the related loss or gain on the hedged item is recognized. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories

Prior to April 1, 2008, inventories were stated at cost, determined principally by the average method. As discussed in Note 3 (2), effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for measurement of inventories and stated the inventories at the lower of average cost or net realizable value at March 31, 2009.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment losses have been deducted from acquisition costs. Depreciation is principally computed over the estimated useful life of the asset on the declining balance method. However the straight-line method is applied to buildings. Repairs, maintenance and minor renewals are charged to expense as incurred. Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life or the lease term of the respective asset.

Effective from the year ended March 31, 2009, the Company and consolidated domestic subsidiaries changed the useful lives of their assets based on the reassessment of useful lives in the Corporation Tax Law of Japan. As a result, operating income decreased by ¥349 million ($3,553 thousand) and loss before income taxes and minority interests increased by ¥349 million ($3,553 thousand) in the year ended March 31, 2009, compared to what would have been reported under the previous method. See note 18 for the effect of this change on segment information.

As for property, plant and equipment acquired on or before March 31, 2007, the difference between 5% of the acquisition cost, which is the depreciable limit under the former Corporation Tax Law of Japan, and the memorandum value is depreciated equally over 5 years from the year following the year the asset was depreciated to the depreciable limit. As a result of this change, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥526 million compared to what would have been reported under the previous method. See note 18 for the effect of this change on segment information.

Employees' severance and retirement benefits

The Company has an unfunded lump-sum benefit plan generally covering all employees. Under the terms of the plan, eligible employees are entitled upon mandatory retirement at age 60 or earlier voluntary termination to a lump-sum severance payment based on compensation at the time of severance and years of service.

In addition to the unfunded lump-sum plan, the Company participates in a noncontributory funded pension plan, which covers substantially all employees. Domestic consolidated subsidiaries have similar lump-sum benefit plans and pension plans. Certain overseas consolidated subsidiaries have defined contribution plans.

The Companies provides employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets. Prior service costs are recognized as an expense using the straight-line method over 5 years, which was determined to be within the average of the estimated remaining service years. Actuarial gains and losses are recognized using the straight-line method over 10 years, which was determined to be within the average of the estimated remaining service years commencing with the following period.

Retirement benefits for directors and statutory auditors

Directors and statutory auditors leaving certain domestic subsidiaries are entitled to receive retirement benefits based on compensation and years of service, subject to the approval of shareholders. Certain domestic subsidiaries accrue the liability for their plans in amounts sufficient to provide for benefits arising from services performed through the balance sheet date.

The Company abolished the directors and statutory auditors entitlement to retirement benefits prospectively by the resolution of the shareholders' meeting on June 28, 2007. Upon this resolution, the Company recognized the corresponding amounts of the previous years' benefits as other long-term liabilities.

Research and development expenses

Expenses relating to research and development activities are charged to income as incurred.

Research and development expenses for the years ended March 31, 2009, 2008 and 2007 were ¥17,203 million ($175,130 thousand), ¥16,611 million and ¥16,870 million, respectively.

Finance leases

Finance leases that do not transfer ownership to the lessee are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

As discussed in Note 3, the Company and its consolidated domestic subsidiaries have adopted a new accounting standard and now capitalize finance leases which commenced after March 31, 2008, except for certain immaterial or short-term finance leases which are accounted for as operating leases.

Income taxes

The tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized as deferred income taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Net income (loss) per share

The computations of net income (loss) per share of common stock are based on the weighted average number of shares outstanding during each period. Although the potential for stock dilution exists, diluted net income per share for 2009 was not indicated because the Company posted a net loss. Diluted net income per share in 2007 was not disclosed because there was no latent stock that diluted net income per share at March 31, 2007.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2009 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Changes in accounting policies

(1) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances be, in principle, unified for the preparation of the consolidated financial statements. As a tentative measure, however, PITF No. 18 allows a parent company to prepare consolidated financial statements using its foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the six specified items are required in the consolidation process so that their impact on net income (loss) can be accounted for in accordance with Japanese GAAP, unless the impact is not material. As a result of adopting PITF No. 18 effective April 1, 2008, operating income decreased by ¥63 million ($641 thousand), and loss before income taxes and minority interests increased by ¥37 million ($377 thousand) for the year ended March 31, 2009, compared to what would have been reported under the previous method. See note 18 for the effect of this change on segment information.

(2) Inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. As a result of adopting ASBJ Statement No. 9, operating income decreased by ¥294 million ($2,993 thousand) and loss before income taxes and minority interests increased by ¥294 million ($2,993 thousand) for the year ended March 31, 2009, compared to what would have been reported under the previous method. See note 18 for the effect of this change on segment information.

(3) Property, plant and equipment and depreciation

Effective from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed the accounting method for the depreciation of property, plant and equipment acquired on and after April 1, 2007, in accordance with the amendment in Corporation Tax Law of Japan. As a result of this change, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥924 million compared to what would have been reported under the previous method. See note 18 for the effect of this charge on segment information.

(4) Finance leases

On March 30, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions," and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance leases transactions be treated as capital leases.

Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalize assets used under such leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases. As permitted, finance leases that commenced prior to April 1, 2008 and have been accounted for as operating leases continue to be accounted for as operating leases.

The effects of adopting the new standards on the consolidated balance sheet as of March 31, 2009 were to increase property, plant and equipment and intangible assets by ¥912 million ($9,284 thousand) and ¥99 million ($1,008 thousand), respectively. Adopting the new standards had no effect on the consolidated statement of operations for the year ended March 31, 2009 and no material effect on segment information.

4. Securities

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2009:

Securities with book values exceeding acquisition costs:	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2009			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 8,128	¥ 17,668	¥ 9,540	$ 82,745	$ 179,864	$ 97,119
Bonds	–	–	–	–	–	–
	¥ 8,128	¥ 17,668	¥ 9,540	$ 82,745	$ 179,864	$ 97,119

Securities with book values not exceeding acquisition costs:	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2009			2009		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 11,441	¥ 9,927	¥ (1,514)	$ 116,472	$ 101,059	$ (15,413)
Bonds	–	–	–	–	–	–
	¥ 11,441	¥ 9,927	¥ (1,514)	$ 116,472	$ 101,059	$ (15,413)

The following table summarizes book values of securities with no available fair values as of March 31, 2009:

(1) Investments in unconsolidated subsidiaries and affiliated companies

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2009	2009
	¥ 4,009	$ 40,812

(2) Available-for-sale securities:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2009	2009
Non-listed equity securities	¥ 7,386	$ 75,191
Bonds	250	2,545
Investment trust	422	4,296
Other	742	7,554
	¥ 8,800	$ 89,586

Available-for-sale securities with maturities were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2009			2009		
	Within one year	Within five years	Total	Within one year	Within five years	Total
Bonds	¥ –	¥ 250	¥ 250	$ –	$ 2,545	$ 2,545

Total sales of available-for-sale securities for the year ended March 31, 2009 amounted to ¥799 million ($8,134 thousand), and the related gains amounted to ¥508 million ($5,172 thousand).

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2008:

Securities with book values exceeding acquisition costs:

	Millions of yen		
	2008		
	Acquisition cost	Book value	Difference
Equity securities	¥ 11,056	¥ 32,684	¥ 21,628
Bonds	–	–	–
	¥ 11,056	¥ 32,684	¥ 21,628

Securities with book values not exceeding acquisition costs:

	Millions of yen		
	2008		
	Acquisition cost	Book value	Difference
Equity securities	¥ 13,527	¥ 9,963	¥ (3,564)
Bonds	–	–	–
	¥ 13,527	¥ 9,963	¥ (3,564)

The following table summarizes book values of securities with no available fair values as of March 31, 2008:

(1) Investments in unconsolidated subsidiaries and affiliated companies

Millions of yen
2008
¥ 2,788

(2) Available-for-sale securities:

	Millions of yen
	2008
Non-listed equity securities	¥ 6,929
Bonds	250
Investment trust	1,907
Other	893
	¥ 9,979

Available-for-sale securities with maturities were as follows:

	Millions of yen		
	2008		
	Within one year	Within five years	Total
Bonds	¥ –	¥ 250	¥ 250

Total sales of available-for-sale securities for the year ended March 31, 2008 amounted to ¥1,269 million and the related gains amounted to ¥940 million.

5. Derivative financial instruments and hedging transactions

The Companies utilize forward foreign currency exchange contracts and currency swaps to hedge foreign currency risk exposure related to foreign currency denominated trade receivables, trade payables, securities and loans receivables. Interest rate swaps are used to convert fixed and variable interest rates on bonds and borrowings in order to manage and reduce net interest costs.

The Companies do not enter into derivative transactions for speculative purposes. The Companies have established rules and policies to control and minimize credit and market risk, including using highly rated financial institutions as counterparties, restricting the scope and purpose of the transactions, designating the departments responsible for the transactions, and establishing reporting and review requirements.

6. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Finished products	¥ 39,202	¥ 42,881	$ 399,084
Work-in-process	10,109	9,436	102,912
Raw materials and supplies	18,223	18,997	185,513
	¥ 67,534	¥ 71,314	$ 687,509

7. Impairment losses on fixed assets

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 and Kashima plant	Production facility for polyolefin foam by beads method	Machinery and equipment, buildings, etc.
Sanwa Kasei Industrial Corporation	Production facility for shape molding of polyolefin foam by beads method	Machinery and equipment, buildings, etc.

Because of 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 impairment loss in other expenses of ¥1,467 million ($14,934 thousand). Of this amount, machinery and equipment accounted for ¥974 million ($9,916 thousand) and buildings for ¥287 million ($2,922 thousand). As the recoverable value was estimated at value in use, future cash flows were discounted at a rate of 2.5%.

The Companies recognized impairment losses for the following group of fixed assets in the year ended March 31, 2008.

Location	Use	Type
Ikoma City, Nara Prefecture	Idle land	Land
Kaneka Nutrients L.P.	Functional foodstuffs production equipment and facilities	Machinery and equipment, buildings, etc.
Kaneka Corporation's Osaka plant	Polystyrene foam sheet production facilities	Machinery and equipment
Sunpolymer Corporation	Polystyrene foam sheet production facilities	Machinery and equipment, etc.

Land owned by the Company in Ikoma City, Nara Prefecture was acquired for the purpose of building research laboratories, but this land is currently idle and its price has declined. Therefore, its book value was written down to the recoverable value, and the write-down amount of ¥194 million was accounted for as an impairment loss in other expenses. The recoverable value of the land was appraised according to the net selling price based on the road rating evaluation of the National Tax Agency.

As a result of lower profitability from increasingly fierce competition, the book value of the functional foodstuffs production equipment and facilities of Kaneka Nutrients L.P. was reduced to its recoverable value, and write-down of ¥423 million was accounted for an impairment loss in other expenses. The primary components of this amount was machinery and equipment of ¥291 million and buildings of ¥107 million. As the recoverable value is estimated at value in use, future cash flows have been discounted at the rate of 10%.

As profitability of the polystyrene foam sheet production facilities at the Kaneka Corporation's Osaka plant and Sunpolymer Corporation worsened as a result of sharply higher raw material prices, the book values of these facilities were reduced to their recoverable values, and ¥554 million was recorded an impairment loss in other expenses. The primary component of this amount was machinery and equipment of ¥539 million. As the recoverable value was estimated at value in use, future cash flows were discounted at a rate of 2.5%.

The Companies recognized impairment losses for the following group of fixed assets in the year ended March 31, 2007.

Location	Use	Type
Kaneka Texas Corporation, Jackson Plant	Production facility for shape molding of polyolefin foam by beads method	Machinery, equipment, buildings and other

As future cash flows from the facility at the Kaneka Texas Corporation's Jackson Plant that manufacturers products using the polyolefin foams by beads method became unlikely, the Company reduced to zero the entire book value of the related assets and recorded ¥1,864 million impairment loss in other expenses. Of this loss, machinery and equipment accounted for ¥1,402 million, buildings for ¥453 million and other assets for ¥7 million.

The Kaneka Group groups its assets mainly according to the business units of the Company. Leased assets and idle assets are accounted for individually in their respective asset groups.

8. Loss on liquidation of business

The primary components of the loss on liquidation of business in 2009 were a loss of ¥475 million ($4,836 thousand) 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	Production facility for polyolefin foam by beads method	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 the related assets and recorded as loss on liquidation of business of other expenses ¥450 million ($4,581 thousand). Machinery and equipment accounted for the majority of this amount, ¥385 million ($3,919 thousand).

The primary components of the loss on liquidation of business in 2008 were a loss of ¥552 million upon a sale of a part of the expandable plastics and products molding business of a North American consolidated subsidiary, a ¥589 million loss on the disposal of fixed assets and ¥273 million in early retirement costs involving the withdrawal from business of a consolidated subsidiary in the Electronic Products segment.

9. Expenses to restructure functional foodstuffs business

A consolidated subsidiary generated ¥3,813 million in impairment losses, and ¥634 million in losses resulted from expenses related to business restructuring at the Company.

Impairment losses were recorded for the following assets of a consolidated subsidiary.

Location	Use	Type
Kaneka Nutrients L.P.	Functional foodstuffs production facility	Machinery and equipment and buildings

As a result of increasingly severe competition, the profitability of the functional foodstuffs production facility of Kaneka Nutrients L.P. worsened, and an extraordinary loss was posted when writing down the book value of the facility to the recoverable value. Machinery and equipment accounted for ¥2,838 million of this amount and buildings for 974 million. The recoverable value in use of the facility was calculated by discounting future cash flows at an interest rate of 10%.

10. Settlement of U.S. class action lawsuit

The Company recognized the settlement of a class action lawsuit in the United States in the Modifier business as other expenses.

11. Income taxes

The Companies are subject to a number of taxes based on income which in the aggregate, indicate a statutory rate in Japan of approximately 40.64% for the years ended March 31, 2009, 2008 and 2007 .

The following table summarizes the significant differences between the statutory tax rates and the Companies' effective tax rates for financial statement purposes for the years ended March 31, 2009, 2008 and 2007.

	2009	2008	2007
Statutory tax rate	This information is omitted as the Company posted a loss before income taxes during the period.	40.64%	40.64%
Valuation allowance		0.90%	6.01%
Foreign tax credit		(5.86%)	(5.85%)
Nondeductible expenses		0.71%	0.69%
Nontaxable dividends received		(1.77%)	(1.58%)
Elimination of dividends on consolidation		3.34%	3.78%
Other		0.27%	(1.87%)
Effective tax rate		38.23%	41.82%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Deferred tax assets:			
Retirement benefits	¥ 6,113	¥ 6,180	$ 62,231
Loss carryforwards	7,459	6,348	75,935
Loss on valuation of investments in securities	3,180	1,643	32,373
Excess bonuses accrued	1,762	1,916	17,937
Impairment losses on fixed assets	3,430	2,887	34,918
Unrealized gains on available-for-sale securities	625	1,453	6,363
Other	7,733	7,300	78,723
Subtotal	30,302	27,727	308,480
Valuation allowance	(8,967)	(7,697)	(91,286)
Total deferred tax assets	21,335	20,030	217,194
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	3,867	8,782	39,367
Other	3,911	3,631	39,814
Total deferred tax liabilities	7,778	12,413	79,181
Net deferred tax assets (liabilities)	¥ 13,557	¥ 7,617	$ 138,013

12. Short-term borrowings and long-term debt

Short-term borrowings are generally represented by unsecured notes, generally for three months, with average interest rates of 1.09% and 2.03% at March 31, 2009 and 2008, respectively. Such borrowings are generally renewable at maturity.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Secured:			
Loans principally from banks and insurance companies, interest rates from 1.28% to 2.35% (1.07% to 2.80% in 2008), maturing serially through 2013	¥ 457	¥ 666	$ 4,652
Unsecured:			
Loans from banks and insurance companies, interest rates from 0.00% to 4.82% (0.78% to 5.52% in 2008) maturing serially through 2019	22,340	17,285	227,426
Bonds, interest rate of 2.66%, due September 9, 2008	–	5,000	–
Bonds, interest rate of 2.09%, due July 27, 2009	5,000	5,000	50,901
Bonds, interest rate of 2.45%, due July 27, 2011	5,000	5,000	50,901
	32,797	32,951	333,880
Less amounts due within one year	5,543	5,743	56,429
	¥ 27,254	¥ 27,208	$ 277,451

At March 31, 2009, assets pledged as collateral for secured long-term debt, short-term borrowings and trade payables totaling ¥2,689 million ($27,375 thousand) were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Property, plant and equipment, net	¥ 2,283	$ 23,241
Land	498	5,070
	¥ 2,781	$ 28,311

The aggregate annual maturities of long-term debt were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 1)
2010	¥ 5,543	$ 56,429
2011	1,330	13,540
2012	5,786	58,903
2013	5,712	58,149
2014	7,375	75,078
2015 and thereafter	7,051	71,781
	¥ 32,797	$ 333,880

13. Employees' severance and retirement benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Projected benefit obligation	¥ 73,376	¥ 74,332	$ 746,981
Less fair value of pension assets	(42,800)	(49,236)	(435,712)
Less unrecognized actuarial differences	(15,005)	(9,530)	(152,754)
Less unrecognized prior service cost (credit)	–	55	–
Prepaid pension cost	2,545	2,597	25,909
Severance and retirement benefits	¥ 18,116	¥ 18,218	$ 184,424

Certain subsidiaries used the simplified method in calculating the retirement benefit obligation.

Included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 were severance and retirement benefit expenses that comprised the following:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Service costs — benefits earned during the year	¥ 3,217	¥ 3,158	¥ 3,123	$ 32,750
Interest costs on projected benefit obligation	1,750	1,714	1,664	17,815
Expected return on plan assets	(1,197)	(1,264)	(1,152)	(12,186)
Amortization of actuarial differences	1,757	1,106	1,142	17,887
Amortization of prior service cost (credit)	(55)	(423)	(423)	(560)
Severance and retirement benefit expenses	¥ 5,472	¥ 4,291	¥ 4,354	$ 55,706

Assumptions used in the calculation of retirement benefit obligations were as follows:

	2009	2008	2007
Allocation method for projected benefits:	straight-line	straight-line	straight-line
Discount rate:	2.5%	2.5%	2.5%
Expected rate of return:	2.5%	2.5%	2.5%
Period of amortizing prior service cost:	5 years	5 years	5 years
Period of amortizing actuarial differences:	10 years	10 years	10 years

14. Contingent liabilities

At March 31, 2009 and 2008, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Notes endorsed	¥ 123	¥ 151	$ 1,252
Notes discounted	959	745	9,763
Guarantees	446	223	4,540
Letters of awareness	390	327	3,970
	¥ 1,918	¥ 1,446	$ 19,525

15. Leases

The Companies lease certain machinery, vehicles and other equipment.

Information for non-capitalized finance leases was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Non-capitalized finance leases at March 31, 2009 and 2008:			
Original lease obligations, including interest	¥ –	¥ 2,891	$ –
Payments to date	–	(1,556)	–
	¥ –	¥ 1,335	$ –
Future lease payments including interest at March 31, 2009 and 2008:			
Due within one year	¥ –	¥ 517	$ –
Due thereafter	–	818	–
	¥ –	¥ 1,335	$ –
Lease payments for the years ended March 31, 2009 and 2008:	¥ –	¥ 536	$ –

Information for operating leases was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Operating leases at March 31, 2009 and 2008:	2009	2008	2009
Future lease payments			
Due within one year	¥ –	¥ 86	$ –
Due thereafter	–	55	–
	¥ –	¥ 141	$ –

16. Net assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the nonconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

On May 13, 2009, the Board of Directors authorized cash dividends to shareholders of record at March 31, 2009, on the shares of stock then outstanding, at the rate of ¥8.0 ($0.08) per share or a total of ¥2,714 million ($27,629 thousand). The appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they are approved by the directors.

17. Stock options

The Company has implemented a stock option plan by which stock acquisition rights were granted to directors of the Company.

The following table summarized the Company's stock option plan:

Stock options granted in FY 2008

Category and number of people granted stock options	Company directors, 13
Number of stock options granted, by category of stock	75,000 shares of common stock
Date granted	August 11, 2008
Vesting conditions	No provision
Exercise period	From August 12, 2008, through August 11, 2033 (*)

Stock options granted in FY 2007

Category and number of people granted stock options	Company directors, 13
Number of stock options granted, by category of stock	57,000 shares of common stock
Date granted	September 10, 2007
Vesting conditions	No provision
Exercise period	From September 11, 2007 through September 10, 2032 (*)

(*) In case 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.

The following table summarizes the movements and prices of stock acquisition rights:

	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Beginning of term	–	57,000
Vested	75,000	–
Exercised	–	22,000
Expired or forfeited	–	–
Unexercised balance	75,000	35,000
Exercise price (yen)	1	1
Weighted average market value per stock at the dates exercised (yen)	–	723
Fair value per stock at the date granted (yen)	600	883
Exercise price (US$)	0.01	0.01
Weighted average market value per stock at the dates exercised (US$)	–	7.36
Fair value per stock at the date granted (US$)	6.11	8.99

Expenses relating to stock options were included in selling, general and administrative expenses and amounted to ¥45 million ($458 thousand) and ¥50 million for the year ended March 31, 2009 and 2008, respectively.

The fair value of options granted was estimated using the Black-Scholes model with the following assumptions:

Stock options granted on August 11, 2008

Expected volatility	25.83%
Expected holding period	5 years
Expected dividend	16 yen
Riskfree interest rate	1.018%

18. Segment information

The Companies' businesses are divided into the following segments;

The "Chemicals" segment principally includes caustic soda and polyvinyl chloride (PVC).

The "Functional Plastics" segment principally includes modifier and modified silicone polymers.

The "Expandable Plastics and Products" segment principally includes extruded polystyrene foam boards, expandable polystyrene and polyolefin foam by beads method.

The "Foodstuffs Products" segment primarily consists of margarine, shortening and bakery yeast.

The "Life Science Products" segment primarily consists of pharmaceutical intermediates, functional foodstuffs and medical devices.

The "Electronic Products" segment primarily consists of ultra heat-resistant polyimide film, optical films and solar cells.

The "Synthetic Fibers and Others" segment primarily consists of modacrylic fibers and a diversified line of businesses such as engineering services.

By business category:

	Millions of yen								
	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Corporate and Eliminations	Consolidated
2009									
Net sales:									
Customers	¥ 92,309	¥ 67,042	¥ 69,223	¥ 125,110	¥ 39,854	¥ 33,567	¥ 22,480	¥ –	¥ 449,585
Intersegment	2,265	278	159	13	–	–	6,985	(9,700)	–
	94,574	67,320	69,382	125,123	39,854	33,567	29,465	(9,700)	449,585
Costs and expenses	95,036	64,278	68,072	121,349	33,964	34,501	28,273	(3,492)(1)	441,981
Operating income (loss)	¥ (462)	¥ 3,042	¥ 1,310	¥ 3,774	¥ 5,890	¥ (934)	¥ 1,192	¥ (6,208)	¥ ¥7,604
Identifiable assets	¥ 67,714	¥ 54,593	¥ 45,277	¥ 62,971	¥ 57,696	¥ 46,583	¥ 28,116	¥ 55,540(2)	¥ 418,490
Depreciation	5,081	3,997	3,303	2,802	3,380	5,540	2,100	960	27,163
Impairment loss on fixed assets	–	–	1,917	–	–	–	–	–	1,917
Capital expenditures	4,202	6,006	2,516	2,372	2,747	5,341	9,421	1,374	33,979
2008									
Net sales:									
Customers	¥ 102,468	¥ 83,169	¥ 73,800	¥ 119,638	¥ 36,162	¥ 57,044	¥ 30,687	¥ –	¥ 502,968
Intersegment	2,803	415	799	13	–	–	5,626	(9,656)	–
	105,271	83,584	74,599	119,651	36,162	57,044	36,313	(9,656)	502,968
Costs and expenses	100,094	71,557	74,655	116,807	30,886	47,978	29,696	(4,451)(1)	467,222
Operating income (loss)	¥ 5,177	¥ 12,027	¥ (56)	¥ 2,844	¥ 5,276	¥ 9,066	¥ 6,617	¥ (5,205)	¥ 35,746
Identifiable assets	¥ 78,919	¥ 58,118	¥ 57,760	¥ 65,495	¥ 61,164	¥ 52,159	¥ 19,656	¥ 59,350(2)	¥ 452,621
Depreciation	3,888	3,866	3,202	2,420	3,775	5,213	1,424	943	24,731
Impairment loss on fixed assets	–	–	553	–	424	–	–	194	1,171
Capital expenditures	7,649	5,244	3,280	1,888	2,568	7,261	2,595	1,084	31,569
2007									
Net sales:									
Customers	¥ 93,121	¥ 81,082	¥ 71,532	¥ 110,796	¥ 40,332	¥ 51,488	¥ 24,820	¥ –	¥ 473,171
Intersegment	2,306	313	1,142	12	–	-	6,659	(10,432)	–
	95,427	81,395	72,674	110,808	40,332	51,488	31,479	(10,432)	473,171
Costs and expenses	89,743	67,808	73,173	107,255	34,607	42,185	27,365	(5,631)(1)	436,505
Operating income (loss)	¥ 5,684	¥ 13,587	¥ (499)	¥ 3,553	¥ 5,725	¥ 9,303	¥ 4,114	¥ (4,801)	¥ 36,666
Identifiable assets	¥ 78,561	¥ 55,538	¥ 61,973	¥ 68,738	¥ 59,043	¥ 52,160	¥ 19,237	¥ 71,860(2)	¥ 467,110
Depreciation	4,578	3,446	3,329	2,347	4,147	4,384	1,406	824	24,461
Impairment loss on fixed assets	–	–	1,864	–	3,813	–	–	–	5,677
Capital expenditures	7,522	6,646	3,641	4,092	3,978	6,588	2,161	941	35,569

2009	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Corporate and Eliminations	Consolidated
	Thousands of U.S. dollars (Note 1)								
Net sales:									
Customers	$ 939,723	$ 682,500	$ 704,703	$ 1,273,644	$ 405,721	$ 341,718	$ 228,851	$ –	$ 4,576,860
Intersegment	23,058	2,830	1,619	132	–	–	71,109	(98,748)	–
	962,781	685,330	706,322	1,273,776	405,721	341,718	299,960	(98,748)	4,576,860
Costs and expenses	967,484	654,362	692,986	1,235,356	345,760	351,227	287,824	(35,549) (1)	4,499,450
Operating income (loss)	$ (4,703)	$ 30,968	$ 13,336	$ 38,420	$ 59,961	$ (9,509)	$ 12,136	$ (63,199)	$ 77,410
Identifiable assets	$ 689,341	$ 555,767	$ 460,928	$ 641,057	$ 587,356	$ 474,224	$ 286,226	$ 565,408 (2)	$ 4,260,307
Depreciation	51,726	40,690	33,625	28,525	34,409	56,398	21,378	9,773	276,524
Impairment loss on fixed assets	–	–	19,515	–	–	–	–	–	19,515
Capital expenditures	42,767	61,142	25,613	24,147	27,965	54,372	95,918	13,988	345,912

(1) Operating expenses included in the 'Corporate and Eliminations' column of ¥5,328 million for the term ended March 31, 2008, and ¥6,208 million ($63,199 thousand) for the term ended March 31, 2009, consist of fundamental research and development expenses of the Company.

(2) 'Corporate and Eliminations' includes corporate assets of ¥59,350 million for the term ended March 31, 2008 and ¥55,540 million ($565,408 thousand) for the term ended March 31, 2009, consisting principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the Company.

(3) As discussed in Note 3(1), the Company and its consolidated subsidiaries adopted a new accounting standard for "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" in the year ended March 31, 2009. As a result of this change, costs and expenses in the Electronic Products and Synthetic Fibers and Others segments decreased by ¥0 million ($0 thousand) and ¥5 million ($51 thousand), respectively, and costs and expenses in the Functional Plastics and Expandable Plastics and Products segments increased by ¥44 million ($448 thousand)and ¥24 million ($244 thousand), respectively, for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in each segment increased or decreased by corresponding amounts.

As discussed in Note 3(2), the Company and its consolidated domestic subsidiaries adopted the new accounting standard for inventories in the year ended March 31, 2009. As a result of this change, costs and expenses in the Chemicals, Functional Plastics, Expandable Plastics and Products, Life Science Products and Electronic Products segments increased by ¥149 million ($1,517 thousand), ¥124million ($1,262 thousand), ¥1 million ($10 thousand), ¥15 million ($153 thousand) and ¥5 million ($51 thousand), respectively, for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in each segment decreased by the corresponding amounts.

As discussed in Note 3(3), effective from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed the accounting method for depreciation of property, plant and equipment acquired on and after April 1, 2007, in accordance with the amendment in the Corporation Tax Law of Japan. As a result of this change, costs and expenses in the Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products and Synthetic Fibers and Others segments increased by ¥112 million, ¥118 million, ¥139 million, ¥50 million, ¥80 million, ¥316 million and ¥109 million, respectively, for the year ended March 31, 2008, compared to what would have been reported under the previous method. Operating income in each segment decreased by the corresponding amounts.

As discussed in Note 2, the Company and its consolidated domestic subsidiaries changed useful lives for the year ended March 31, 2009, based on the reassessment of useful lives in the Corporation Tax Law of Japan. As a result of this change, costs and expenses in the Chemicals segment decreased by ¥11 million ($112 thousand), and costs and expenses in the Functional Plastics, Expandable Plastics and Products , Foodstuffs Products, Life Science Products, Electronic Products and Synthetic Fibers and Others segments increased by ¥16 million ($163 thousand), ¥2 million ($20 thousand), ¥116 million ($1,181 thousand), ¥5 million ($51 thousand), ¥211 million ($2,148 thousand) and ¥10 million ($102 thousand), respectively, for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in each segment increased or decreased by corresponding amounts.

In addition, as discussed in Note 2, the difference between 5% of the acquisition cost for property, plant and equipment acquired on or before March 31, 2007, which is the depreciable limit under the former Corporation Tax Law of Japan, and the memorandum value is depreciated equally over 5 years from the year after such assets are depreciated to the depreciable limit. As a result of this change, costs and expenses in the Chemicals, Functional Plastics, Expandable Plastics and Products, Foodstuffs Products, Life Science Products, Electronic Products and Synthetic Fibers and Others segments increased by ¥94 million, ¥40 million, ¥171 million, ¥55 million, ¥45 million, ¥46 million and ¥75 million, respectively, for the year ended March 31, 2008, compared to what would have been reported under the previous method. Operating income in each segment decreased by the corresponding amounts.

By geographic area:

	Japan	Other areas	Corporate and eliminations	Consolidated
	Millions of yen			
2009				
Net sales:				
Customers	¥ 372,171	¥ 77,414	¥ –	¥ 449,585
Intersegment	18,760	7,522	(26,282)	–
	390,931	84,936	(26,282)	449,585
Costs and expenses	377,741	84,362	(20,122) (1)	441,981
Operating income	¥ 13,190	¥ 574	¥ (6,160)	¥ 7,604
Identifiable assets	¥ 311,095	¥ 66,159	¥ 41,236 (2)	¥ 418,490
2008				
Net sales:				
Customers	¥ 406,642	¥ 96,326	¥ –	¥ 502,968
Intersegment	20,473	8,704	(29,177)	–
	427,115	105,030	(29,177)	502,968
Costs and expenses	392,219	99,333	(24,330) (1)	467,222
Operating income	¥ 34,896	¥ 5,697	¥ (4,847)	¥ 35,746
Identifiable assets	¥ 336,886	¥ 73,191	¥ 42,544 (2)	¥ 452,621
2007				
Net sales:				
Customers	¥ 379,519	¥ 93,652	¥ –	¥ 473,171
Intersegment	23,235	5,670	(28,905)	–
	402,754	99,322	(28,905)	473,171
Costs and expenses	365,559	94,875	(23,929) (1)	436,505
Operating income	¥ 37,195	¥ 4,447	¥ (4,976)	¥ 36,666
Identifiable assets	¥ 337,024	¥ 72,732	¥ 57,354 (2)	¥ 467,110

2009	Japan	Other areas	Corporate and eliminations	Consolidated
	Thousands of U.S. dollars (Note 1)			
Net sales:				
Customers	$ 3,788,771	$ 788,089	$ –	$ 4,576,860
Intersegment	190,980	76,575	(267,555)	–
	3,979,751	864,664	(267,555)	4,576,860
Costs and expenses	3,845,475	858,821	(204,846) (1)	4,499,450
Operating income	$ 134,276	$ 5,843	$ (62,709)	$ 77,410
Identifiable assets	$ 3,167,006	$ 673,511	$ 419,790 (2)	$ 4,260,307

The main countries included in Other areas are as follows:
North America: United States of America
Europe: Belgium
Asia: Malaysia and Singapore

(1) Operating expenses included in the 'Corporate and Eliminations' column of ¥5,328 million for the term ended March 31, 2008 and ¥6,208 million ($63,199 thousand) for the term ended March 31, 2009, consist of fundamental research and development of the Company.

(2) 'Corporate and Eliminations' includes corporate assets of ¥59,350 million for the term ended March 31, 2008 and ¥55,540 million ($565,408 thousand) for the term ended March 31, 2009, these consist principally of cash and marketable securities, investments in securities, administrative facilities and fundamental research and development facilities of the Company.

(3) As discussed in Note 3(1), the Company and its consolidated subsidiaries adopted a new accounting standard for "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" in the year ended March 31, 2009. As a result of this change, costs and expenses in other areas increased by ¥63 million ($641 thousand) for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in other areas decreased by a corresponding amount.

As discussed in Note 3(2), the Company and its consolidated domestic subsidiaries adopted the new accounting standard for inventories in the year ended March 31, 2009. As a result of this change, costs and expenses in Japan increased by ¥294 million ($2,993 thousand) for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in Japan decreased by a corresponding amount.

As discussed in Note 3(3), effective from April 1, 2007, the Company and its domestic consolidated subsidiaries have changed the accounting method for depreciation of property, plant and equipment acquired on and after April 1, 2007, in accordance with the amendment in Corporation Tax Law of Japan. As a result of this change, costs and expenses in Japan increased by ¥924 million for the year ended March 31, 2008, compared to what would have been reported under the previous method. Operating income in Japan decreased by a corresponding amounts.

As discussed in Note 2, the Company and its consolidated domestic subsidiaries changed useful lives for the year ended March 31,2009 based on the reassessment of useful lives in the Corporation Tax Law of Japan. As a result of this change, costs and expenses in Japan increased by ¥349 million ($3,553 thousand) for the year ended March 31, 2009, compared to what would have been reported under the previous method. Operating income in Japan decreased by a corresponding amount.

As discussed in Note 2, the difference between 5% equivalent of the acquisition cost for property, plant and equipment acquired on or before March 31, 2007, which is the depreciable limit under the former Corporation Tax Law of Japan, and the memorandum value is depreciated equally over 5 years from the year after such assets are depreciated to the depreciable limit. As a result of this change, costs and expenses in Japan increased by ¥526 million for the year ended March 31, 2008, compared to what would have been reported under the previous method. Operating income in Japan decreased by a corresponding amounts.

Overseas sales:

For the years ended March 31, 2009, 2008 and 2007 overseas sales by geographic area were as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Asia	¥ 54,212	¥ 77,852	¥ 68,601	$ 551,888
North America	30,873	36,543	42,088	314,293
Europe	45,952	56,772	50,061	467,800
Others	16,167	15,986	11,019	164,583
	¥ 147,204	¥ 187,153	¥ 171,769	$1,498,564

Overseas sales include overseas subsidiaries' sales to overseas third parties as well as the Company's and its domestic subsidiaries' export sales to third parties.

The main countries included in Asia, North America, Europe, and Others are as follows:
Asia: China, Korea and Taiwan
North America: United States of America and Mexico
Europe: Belgium and United Kingdom
Others: Australia and Togo

Independent Auditors' Report

To the Board of Directors of Kaneka Corporation:

We have audited the accompanying consolidated balance sheets of Kaneka Corporation (the "Company") and its consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kaneka Corporation and its consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.,
Osaka, Japan

June 26, 2009

Corporate Data

Kaneka Corporation

■ Head office
3-2-4, Nakanoshima, Kita-ku
Osaka 530-8288, Japan
Telephone: +81-6-6226-5050
Facsimile: +81-6-6226-5037

■ Date of establishment
September 1, 1949

■ Number of employees (as of March 31, 2009)
3,288 (Kaneka Corporation)
7,321 (including consolidated subsidiaries)

■ Offices
Tokyo Head office:
1-12-32, Akasaka, Minato-ku
Tokyo 107-6025, Japan
Telephone: +81-3-5574-8000
Facsimile: +81-3-5574-8121

■ Plants
Takasago: Takasago, Hyogo
Osaka: Settsu, Osaka
Shiga: Otsu, Shiga
Kashima: Kamisu, Ibaraki

■ Research institutes
Frontier Materials Development Laboratories
Frontier Biochemical & Medical Research Laboratories
Photovoltaic & Thin Film Device Research Laboratories
Process Technology Laboratories
Molding & Processing Development Center

■ Directors, Corporate Auditors and Executive Officers

•Board of Directors

Chairman of the Board:
Masatoshi Takeda*

President:
Kimikazu Sugawara*

Member of the Board and Senior Managing Executive Officer:
Masatoshi Hatori
Toshihiro Suzuki
Tetsuro Hara

Member of the Board and Managing Executive Officer:
Satomi Takahashi
Toshiji Kanou
Nobuyuki Koyama
Tetsuo Ikuno
Hirosaku Nagano
Shigeru Kamemoto
Masami Kishine

•Corporate Auditors

Standing Corporate Auditors:
Sataro Inui
Yasuo Inoguchi

Outside Corporate Auditors:
Hiroaki Tsukamoto
Kouji Hirokawa

•Executive Officers

Senior Managing Executive Officer:
Mikio Hatta
Kennosuke Ogura

Managing Executive Officer:
Masakazu Kajiwara
Masao Nakagawa

Executive Officer:
Atsushi Ikenaga
Hideyuki Matsui
Kouji Sanpei
Toshio Nakamura
Tohru Yoshinari
Koichi Nakamura
Haruo Tomita
Akihiko Iguchi
Akira Iwazawa
Yoshimi Uchida
Shinji Mizusawa
Yasuyoshi Ueda

*Representative Directors (as of June 26, 2009)

Investor Information (as of March 31, 2009)

■ Common stock traded
Tokyo, Osaka, Nagoya

■ Transfer agent
Mitsubishi UFJ Trust and Banking Corporation, Osaka Branch
1-1-5, Dojimahama, Kita-ku, Osaka 530-0004, Japan

■ Certified public accountants
KPMG AZSA & Co.
Ginsen Bingomachi Bldg. 6-5, 3-chome, Kawara-machi,
Chuo-ku, Osaka 541-0048, Japan

■ Authorized capital
750,000,000 shares

■ Issued shares
350,000,000 shares

■ Number of shareholders
22,122

■ Common stock price range (Tokyo Stock Exchange: in yen)

Fiscal Year	2003	2004	2005	2006	2007	2008	**2009**
High	975	1,055	1,231	1,606	1,450	1,209	**820**
Low	519	501	922	1,071	963	573	**334**

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