



4. Other

- (1) Changes in principal subsidiaries during the term  
(Changes in the scope of consolidation of specific subsidiaries): No
- (2) Application of simplified methods of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements: Yes  
[Note: For details, please refer to the section entitled "Overview of Financial Statements 4.Other" on page 6.]
- (3) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements (significant changes pertaining to the preparation of quarterly consolidated financial statements)
  1. Changes owing to revisions in accounting standards: No
  2. Changes other than 1. above: No
- (4) Number of shares outstanding (common stock)
  1. Number of shares issued at the end of the period (including treasury stock):  
350,000,000 shares as of June 30, 2009, and 350,000,000 shares as of March 31, 2009
  2. Number of treasury stock at the end of the period:  
10,748,838 shares as of June 30, 2009, and 10,735,630 shares as of March 31, 2009
  3. Average number of shares during the period (calculated cumulatively from the beginning of the fiscal year)  
339,260,009 shares for the quarter ended June 30, 2009, and 340,327,479 shares for the quarter ended June 30, 2008

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

The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the company. For a variety of reasons, actual performance may differ substantially from these projections.

## [Overview of Financial Statements]

## 1. Consolidated Business Performance

During the first three months (from April 1, 2009 to June 30, 2009), the Kaneka Group reported consolidated net sales of ¥99,240 million (down 20.3% year on year), lower than for the first three months of the preceding fiscal year. Operating income was ¥4,261 million (down 19.4% year on year), and ordinary income was ¥4,312 million (down 30.0%). Net income amounted to ¥2,652 million (down 33.6%).

The Company posted year-on-year sales decreases in the all segments. In comparison to the preceding year, operating income rose in the Functional Plastics, Expandable Plastics and Products, and Foodstuffs Products segments. However, operating income declined in the Chemicals, Life Science Products, Electronic Products and Synthetic Fibers and Others segments, due to sluggish worldwide demand.

Operating performance by business segment was as follows.

## 1) Chemicals

In PVC resins, demand from China and other overseas markets recovered, but domestic demand remained lackluster. As a result, sales volumes and selling prices both fell, causing sales and income to decline. Although affected substantially by sluggish domestic demand for specialty PVC resins, successful efforts to reduce costs resulted in improvements in both sales and income. Domestic demand for caustic soda remained slow.

As a result of abovementioned factors, segment sales decreased ¥6,820 million (down 26.1%) compared with the corresponding period of the preceding fiscal year, resulted in net sales of ¥19,284 million. Operating income fell ¥899 million (down 63.8%), to ¥510 million.

## 2) Functional Plastics

Demand for modifiers recovered in Asian markets, but the pace of recovery in the European and U.S. markets was slow, while the Japanese market demand remained sluggish, resulting in lower sales. However, ongoing efforts to create a more robust profit structure through cost reductions resulted in higher profits. Housing demand remained in the doldrums in Japan, the United States and Europe, causing lower sales and income on modified silicone polymers.

As a result, in this segment sales fell ¥6,179 million (down 29.5%) from the first three months of the preceding fiscal year, to ¥14,739 million. The segment posted an operating income of ¥1,627 million, improving ¥12 million (up 0.7%) from the first three months of the preceding fiscal year.

## 3) Expandable Plastics and Products

Affected by lackluster domestic markets, sales volumes declined for expandable polystyrene, extruded polystyrene foam boards, polyolefin film by beads method, but managed to reduce production and overhead costs extensively.

As a result, segment sales fell ¥5,649 million (down 30.9%) from the first three months of the preceding fiscal year, to ¥12,655 million. However, the segment recorded an operating income of ¥846 million, improving ¥1,176 million from the first three months of the preceding fiscal year.

#### 4) Foodstuffs Products

Demand for foodstuffs struggled to expand, owing to a consumer tendency toward frugality and lower prices. These factors, combined with increasingly stringent competition, reduced sales volumes and selling prices. However, profitability increased, owing to cost-cutting efforts and expanded new product development.

As a result, in this segment sales fell ¥1,076 million (down 3.5%) from the first three months of the preceding fiscal year, to ¥29,957 million. The segment reported operating income of ¥2,158 million, improving ¥1,478 million (up 217.6%) from the first three months of the preceding fiscal year.

#### 5) Life Science Products

Sales and profits for medical devices grew, aided by robust sales from our intervention business. On the other hand, sales volumes of bulk and intermediate pharmaceuticals declined, causing sales and income to decline, compared with the same period of the preceding term. In functional foodstuffs, efforts to expand higher sales of high-performance products failed to offset the decrease in sales of existing products, resulting lower sales and income.

In this segment, sales were down ¥1,077 million (down 10.8%) from the same period of the preceding fiscal year, to ¥8,920 million. Operating income declined by ¥464 million (down 30.8%), to ¥1,045 million.

#### 6) Electronic Products

Although sales of ultra heat-resistant polyimide films moved into a recovery phase, these products were unable to exceed the levels recorded in the first quarter of the preceding fiscal year, prompting lower sales and income. The solar cell category experienced declines in sales and income, owing to lackluster European demand and increasing competition which resulted in lower selling prices.

In this segment, sales were down ¥2,567 million (down 23.0%) from the same period of the preceding fiscal year, to ¥8,602 million. The operating loss amounted to ¥950 million, ¥1,879 million down from the operating income figure recorded during the first quarter of the previous year.

#### 7) Synthetic Fibers and Others

Affected by the sluggish global economy, overseas demand for synthetic fibers decreased. This factor, combined with the effects of yen appreciation, resulted in lower sales and income.

In this segment, sales were down ¥1,842 million (down 26.6%) from the same period of the preceding fiscal year, to ¥5,078 million. Operating income declined ¥629 million (down 58.1%), to ¥454 million.

## 2. Consolidated Financial Position

### (1) Status of Assets, Liabilities and Equity

Total assets were ¥422,328 million as of June 30, 2009, up ¥3,838 million compared with March 31, 2009. Interest-bearing debts totaled ¥64,448 million, down ¥7,709 million. Net assets increased ¥4,258 million, to ¥253,787 million, owing to such factors as an increase in the net unrealized gain on available-for-sale securities.

### (2) Consolidated Cash Flows

Net cash provided by operating activities during the first three months was ¥18,409 million, due

to an increase in income before income taxes and depreciation expenses, while net cash used in investing activities amounted to ¥5,375 million, owing to payment for purchase of tangible fixed assets. Net cash used in financing activities came to ¥12,168 million, used mainly for debt repayment. As a result, cash and cash equivalents as of June 30, 2009, totaled ¥26,481 million.

### 3. Forecast for Consolidated Business Performance

Each of the Kaneka Group's business segments continues to be affected severely by the lackluster Japanese, European and U.S. economies. Under these conditions, the Group's efforts to bolster profitability by reducing production and overhead costs are beginning to take effect, and we are starting to see signs of recovery in China and other Asian markets. Consequently, we believe that we will be able to exceed our consolidated performance figures for the first half of the fiscal year.

At this stage, the Group makes no changes to its full-year performance forecasts it announced on April 28, 2009.

With regard to exchange rates and raw material prices, first-half figures assume an exchange rate of ¥90 to the U.S. dollar, ¥125 to the euro and a domestic naphtha price of ¥40,000 per kiloliter.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	190,000	4,000	3,500	2,000	5.90
Current forecast (B)	200,000	6,500	6,000	3,300	9.73
Change (B-A)	10,000	2,500	2,500	1,300	—
Percentage change (%)	5.3%	62.5%	71.4%	65.0%	—
(Reference: Year ended Sep. 30, 2008)	248,925	10,160	10,218	4,953	14.56

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

#### 4. Other

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

Nothing to report

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

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

As there was no substantial change in the bad debt loss ratio from March 31, 2009, to June 30, 2009, the actual bad debt loss ratio as of March 31, 2009, was used for estimating bad debt losses.

- 2) Method of valuing inventory assets

With regard to computing the balance of inventories as of June 30, 2009, in some cases physical inventory checks were omitted, but a rational calculation method was employed based on the actual inventory level as of March 31, 2009, for valuation of inventories.

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

- 3) Method of calculating depreciation on fixed assets

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

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

- 4) Method of calculating deferred and accrued account items

Estimated amounts were used, based on rational computation methods.

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

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

In determining the recoverability of deferred tax assets, the operating performance forecasts and tax planning methods used during the fiscal year ended March 31, 2009, were applied to the period under review, as no significant changes in the operating environment or sudden and significant changes in conditions were recognized.

- (3) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements

Nothing to report

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

(Millions of yen)

	1 <sup>st</sup> Quarter 2009 (As of June 30, 2009)	4 <sup>th</sup> Quarter 2008 (As of March 31, 2009)
<b>Assets</b>		
Current assets		
Cash and deposits	26,431	24,088
Notes receivable and accounts receivable	86,658	86,807
Marketable securities	422	422
Manufactured goods and merchandise	38,821	39,201
Work in progress	8,860	10,109
Raw materials and inventory goods	19,286	18,222
Others	13,499	13,760
Allowance for doubtful receivables	(407)	(391)
Total current assets	193,572	192,220
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	52,834	51,234
Machinery and equipment (net amount)	68,479	65,736
Others(net amount)	43,011	45,365
Total tangible fixed assets	164,325	162,336
Intangible fixed assets	2,117	2,186
Investments and other assets		
Investments in securities	44,617	39,981
Others	18,015	22,093
Allowance for doubtful receivables	(320)	(327)
Total investments and other assets	62,312	61,747
Total fixed assets	228,755	226,269
Total assets	422,328	418,489

(Millions of yen)

	1 <sup>st</sup> Quarter 2009 (As of June 30, 2009)	4 <sup>th</sup> Quarter 2008 (As of March 31, 2009)
<b>Liabilities</b>		
Current liabilities		
Notes payable and accounts payable	46,190	43,030
Short-term borrowings	28,532	40,304
Accrued corporate taxes	1,878	1,983
Reserve	—	72
Others	37,027	33,543
Total current liabilities	113,629	118,932
Long-term liabilities		
Bonds payable	5,000	5,000
Long-term debts	26,316	22,254
Employees' severance and retirement benefits	18,226	18,116
Reserve	258	265
Negative goodwill	1,003	—
Others	4,105	4,392
Total long-term liabilities	54,911	50,027
Total liabilities	168,540	168,960
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital	34,836	34,836
Retained earnings	188,295	188,357
Treasury stock	(9,591)	(9,583)
Total shareholders' equity	246,587	246,656
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	7,481	4,643
Loss on deferred hedge	1	1
Foreign currency translation adjustments	(7,296)	(7,996)
Total valuation and translation adjustments	186	(3,351)
Stock acquisition rights	75	75
Minority interests	6,937	6,148
Total net assets	253,787	249,529
Total liabilities and net assets	422,328	418,489



2) Quarterly Consolidated Statement of Income  
from April 1 to June 30

(Millions of yen)

	Term from April 1, 2008 to June 30, 2008	Term from April 1, 2009 to June 30, 2009
Net sales	124,454	99,240
Cost of sales	95,533	74,260
Gross profit	28,921	24,979
Selling, general and administrative expenses	23,634	20,718
Operating income	5,286	4,261
Non-operating income		
Dividends income	576	389
Foreign exchange gains	830	166
Others	294	427
Total non-operating income	1,700	983
Non-operating expenses		
Interest expense	306	263
Loss on disposal of property, plant and equipment	310	300
Others	213	367
Total non-operating expenses	829	931
Ordinary income	6,157	4,312
Income before income taxes	6,157	4,312
Corporate taxes, local taxes and business taxes	2,472	982
Income taxes deferred	(362)	459
Total corporate taxes	2,109	1,442
Minority interests	53	217
Net income	3,994	2,652

## (3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Term from April 1, 2008 to June 30, 2008	Term from April 1, 2009 to June 30, 2009
<b>Cash flows from operating activities</b>		
Net income before income taxes	6,157	4,312
Depreciation and amortization	6,421	6,273
Increase (decrease) in severance and retirement benefits	(546)	549
Increase in allowance for doubtful receivables	4	8
Interest and dividend income	(655)	(437)
Interest expense	306	263
Equity in losses of unconsolidated subsidiaries and affiliates	8	13
Loss on disposals of property, plant and equipment	209	401
Decrease in trade receivables	1,426	1,202
(Increase) decrease in inventories	(4,505)	1,111
Increase (decrease) in trade payables	(670)	1,929
Others	1,611	3,977
Subtotal	9,769	19,607
Interest and dividends received	673	465
Interest paid	(213)	(193)
Income taxes paid	(3,906)	(1,470)
Net cash provided by operating activities	6,323	18,409
<b>Cash flows from investing activities</b>		
Payment for purchase of tangible fixed assets	(5,403)	(5,248)
Payment for purchase of intangible assets	(259)	(67)
Purchase of investments in securities	(377)	(12)
Proceeds from investment in securities	93	154
Purchase of subsidiaries' stock	(39)	(161)
Increase in loans receivable	(10)	(145)
Decrease in loans receivable	100	107
Others	(214)	(2)
Net cash used in investing activities	(6,111)	(5,375)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowing	1,477	(11,951)
Proceeds from long-term debt	22	2,920
Repayment of long-term debt	(236)	(214)
Repayment of lease obligations	(139)	(117)
Dividends paid	(2,722)	(2,714)
Dividends paid to minority interests	(19)	(84)
Proceeds from minority interests	36	—
Purchase of treasury stock	(10)	(8)
Proceeds of reissuance of treasury stock	1	0
Net cash used in financing activities	(1,591)	(12,168)
Effect of exchange rate changes on cash and cash equivalents	109	290
Net increase (decrease) in cash and cash equivalents	(1,270)	1,155
Cash and cash equivalents at beginning of term	21,988	24,240
Increase in cash and cash equivalents due to changes in the scope of consolidation	—	1,085
Cash and cash equivalents at term end	20,718	26,481

(4) Notes on the premise of a going concern  
None(5) Segment Information  
Segment Information by Business Category  
Term from April 1, 2008 to June 30, 2008

(Millions of yen)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
Sales										
(1) Customers	26,104	20,919	18,305	31,034	9,998	11,169	6,921	124,454	—	124,454
(2) Intersegment	814	101	58	3	—	—	1,606	2,583	(2,583)	—
Total	26,919	21,020	18,364	31,037	9,998	11,169	8,527	127,038	(2,583)	124,454
Operating income (loss)	1,410	1,615	(329)	679	1,510	929	1,084	6,900	(1,613)	5,286

Term from April 1, 2009 to June 30, 2009

(Millions of yen)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
Sales										
(1) Customers	19,284	14,739	12,655	29,957	8,920	8,602	5,078	99,240	—	99,240
(2) Intersegment	621	60	0	2	—	111	750	1,547	(1,547)	—
Total	19,906	14,800	12,656	29,960	8,920	8,713	5,829	100,787	(1,547)	99,240
Operating income (loss)	510	1,627	846	2,158	1,045	(950)	454	5,693	(1,431)	4,261

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

2. The major products by business category are as follows:

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

International Sales  
Term from April 1, 2008 to June 30, 2008

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	18,735	9,017	14,663	4,458	46,874
II Consolidated net sales (Millions of yen)					124,454
III Ratio of international sales to consolidated net sales (%)	15.1	7.2	11.8	3.6	37.7

Term from April 1, 2009 to June 30, 2009

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	15,199	5,764	8,374	3,267	32,605
II Consolidated net sales (Millions of yen)					99,240
III Ratio of international sales to consolidated net sales (%)	15.3	5.8	8.5	3.3	32.9

Notes:

1. International sales are sales of the Company and its consolidated subsidiaries in countries and areas other than Japan.
2. Method of classifying countries or areas and the major countries or regions belonging to each classification are as follows.
  - (1) Method of classification of country or area: geographical proximity
  - (2) Major country or region belonging to each classification by location
    - Asia..... China, Korea, Taiwan
    - North America..... United States, Mexico
    - Europe..... Belgium, United Kingdom
    - Other regions..... Africa, Oceania

- (6) Notes in the event of significant changes in the amount of shareholders' equity  
No corresponding transactions