



Quarterly Financial Results for the Second Quarter, Ended September 2009

October 29, 2009

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

Representative: Name: Kimikazu Sugawara Title: President, Representative Director
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Scheduled date for submitting financial statements: November 12, 2009
Scheduled date for dividend payment: December 4, 2009

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

1. Consolidated Business Performance for the Second Quarter, Ended September 30, 2009
(from April 1, 2009 to September 30, 2009)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Apr. 2009 – Sep. 2009	201,810	(18.9)	8,020	(21.1)	7,227	(29.3)	3,987	(19.5)
Apr. 2008 – Sep. 2008	248,925	—	10,160	—	10,218	—	4,953	—

	Net income per share	Fully diluted net income per share
	¥	¥
Apr. 2009 – Sep. 2009	11.75	11.75
Apr. 2008 – Sep. 2008	14.56	14.55

The “Accounting Standard for Quarterly Financial Reporting” was first applied in preceding fiscal year. Consequently, percentage changes comparing the quarter under review with the corresponding period of the preceding fiscal year are not indicated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
Apr. 2009 – Sep. 2009	422,280	254,339	58.5	728.70
Apr. 2008 – Mar. 2009	418,489	249,529	58.1	717.15

(Reference) Shareholders' equity: ¥247,219 million as of September 30, 2009
¥243,305 million as of March 31, 2009

2. Dividends

	June 30	September 30	December 31	Year-end cash dividend per share	Annual cash dividend per share
	¥	¥	¥	¥	¥
Apr. 2008 – Mar. 2009	—	8.00	—	8.00	16.00
Apr. 2009 – Mar. 2010	—	8.00			
Apr. 2009 – Mar. 2010 (Forecasts)			—	8.00	16.00

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

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

% indicates year-on-year change

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	410,000	(8.8)	13,000	71.0	11,000	88.2	6,000	—	17.69

Note: Revisions to consolidated business performance forecasts during the quarter under review: No
No percentage change is indicated here, as the Group posted a net loss for the previous fiscal year (the year ended March 31, 2009).

4. Other

- (1) Changes in principal subsidiaries during the term
(Changes in the scope of consolidation of specific subsidiaries): No
- (2) Application of simplified methods of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
[Note: For details, please refer to the section entitled "Overview of Financial Statements 4. Other" on page 5.]
- (3) Changes in accounting principles, processes, presentation methods, etc., related to the preparation of quarterly consolidated financial statements (significant changes pertaining to the preparation of quarterly consolidated financial statements)
 1. Changes owing to revisions in accounting standards: 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 September 30, 2009, and 350,000,000 shares as of March 31, 2009
 2. Shares of treasury stock at the end of the period:
10,741,462 shares as of September 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)
339,259,628 shares for the six months ended September 30, 2009, and 340,291,567 shares for the six months ended September 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 half (from April 1, 2009 to September 30, 2009), the Kaneka Group posted consolidated net sales of ¥201,810 million (down 18.9% year on year). Operating income was ¥8,020 million (down 21.1% year on year), and ordinary income was ¥7,227 million (down 29.3%). Net income amounted to ¥3,987 million (down 19.5%).

The Company posted year-on-year sales decreases in 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, owing to delayed recovery in Japanese and overseas demand.

Operating performance by business segment was as follows.

1) Chemicals

Although demand for PVC resins began to recover in China and other overseas markets, domestic demand was lackluster. While we endeavored to adjust selling prices in line with higher raw materials costs, sales and income both declined. Domestic demand for specialty PVC resins remained slack. Overseas market conditions for caustic soda worsened sharply, and domestic demand remained sluggish.

As a result of the abovementioned factors, segment sales decreased ¥12,257 million (down 24.1%) compared with the corresponding period of the preceding fiscal year, resulting in net sales of ¥38,540 million. Operating income fell ¥1,282 million (down 71.2%), to ¥519 million.

2) Functional Plastics

Modifier sales saw no true recovery in Asian, European or U.S. markets, and the Japanese market remained slack, leading to a sales decline. However, we succeeded in boosting income through profitability-enhancement measures, such as revising selling prices to accommodate raw materials costs and reducing other costs. The U.S. market for modified silicone polymers was firm, but sales and income decreased as a result of depressed demand for housing-related products in Japan and Europe.

As a result, in this segment sales fell ¥10,659 million (down 25.5%) from the first half of the preceding fiscal year, to ¥31,168 million. The segment posted operating income of ¥4,796 million, improving ¥1,115 million (up 30.3%) from the first half of the preceding fiscal year.

3) Expandable Plastics and Products

In expandable plastics, slumping domestic markets caused sales volumes to decline for expandable polystyrene and extruded polystyrene foam boards. This situation, combined with our withdrawal from the polystyrene paper business, led to lower sales, but we managed to reduce production and overhead costs substantially.

As a result, segment sales fell ¥11,502 million (down 30.2%) from the first half of the preceding fiscal year, to ¥26,533 million. However, the segment recorded operating income of ¥2,417 million, improving ¥2,539 million from the first half of the preceding fiscal year.

4) Foodstuffs Products

Reflecting consumers' efforts to curtail expenditures and shift to lower-priced items, demand for foodstuffs failed to rise and price competition increased. Although sales volumes and selling prices fell, we sought to recover sales through cost reductions and by expanding sales of new products.

Nevertheless, in this segment sales fell ¥2,442 million (down 4.0%) from the first half of the preceding fiscal year, to ¥59,127 million. At the same time, the segment reported operating income of ¥4,176 million, improving ¥3,270 million (up 360.8%) from the first half of the preceding fiscal year. This increase reflected the delayed effect of price adjustments and a rebound from the major downturn during the preceding term.

5) Life Science Products

Medical device sales and income increased, owing to steadily expanding sales from our intervention business. On the other hand, sales volumes of bulk and intermediate pharmaceuticals declined, causing sales and income to fall, compared with the same period of the preceding term. In functional foodstuffs, the sales volume of high-performance products trended upward, but competition resulted in lower sales volumes and selling prices for pre-existing products, causing sales and income to drop.

In this segment, sales were down ¥2,715 million (down 13.2%) from the same period of the preceding fiscal year, to ¥17,900 million. Operating income declined ¥1,426 million (down 42.5%), to ¥1,929 million.

6) Electronic Products

Ultra heat-resistant polyamide films and optical films saw higher sales volumes, as the market for electronic products recovered. Nevertheless, all product categories except optical films fell short of the levels posted in the same period of the preceding term, and sales and income decreased. Owing to faltering European demand, solar cell sales volumes were down year on year, and heightened competition forced down prices, leading to lower sales and income.

In this segment, sales were down ¥4,611 million (down 20.5%) from the same period of the preceding fiscal year, to ¥17,841 million. The operating loss amounted to ¥3,478 million, ¥5,484 million down from the operating income figure recorded during the first half of the previous year.

7) Synthetic Fibers and Others

Owing to lackluster global market conditions, overseas market demand for synthetic fibers remained low. This situation, coupled with yen appreciation, resulted in lower sales and income. Sales from other businesses also decreased, as a result of our decision to liquidate an engineering subsidiary.

In this segment, sales were down ¥2,925 million (down 21.5%) from the same period of the preceding fiscal year, to ¥10,698 million. Operating income declined ¥1,078 million (down 61.9%), to ¥664 million.

2. Consolidated Financial Position

(1) Status of Assets, Liabilities and Equity

Total assets were ¥422,280 million as of September 30, 2009, up ¥3,790 million compared with March 31, 2009. Interest-bearing debts totaled ¥63,929 million, down ¥8,228 million. Net assets increased ¥4,809 million, to ¥254,339 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 half was ¥30,994 million, due to an increase in income before income taxes and depreciation expenses, while net cash used in investing activities amounted to ¥11,655 million, owing to payment for purchase of tangible fixed assets. Net cash used in financing activities came to ¥12,384 million, used mainly for debt repayment. As a result, cash and cash equivalents as of September 30, 2009, totaled ¥32,483 million.

3. Forecast for Consolidated Business Performance

Although demand is recovering in Japan, as well as in Asia, Europe, the United States and other overseas markets, conditions remain uncertain. Furthermore, because of concerns of potentially higher prices on such raw materials as crude oil and naphtha, combined with ongoing yen appreciation, we are unable to make reasonable adjustments to the forecast figures. Consequently, at present our consolidated operating performance forecasts for the full fiscal year remain unchanged.

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 September 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 September 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)

	As of September 30, 2009	As of March 31, 2009
Assets		
Current assets		
Cash and deposits	25,436	24,088
Notes receivable and accounts receivable	89,317	86,807
Marketable securities	7,322	422
Manufactured goods and merchandise	36,407	39,201
Work in progress	9,554	10,109
Raw materials and inventory goods	18,427	18,222
Others	10,700	13,760
Allowance for doubtful receivables	(419)	(391)
Total current assets	196,746	192,220
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	51,836	51,234
Machinery and equipment (net amount)	65,081	65,736
Others (net amount)	44,123	45,365
Total tangible fixed assets	161,042	162,336
Intangible fixed assets	1,996	2,186
Investments and other assets		
Investments in securities	44,855	39,981
Others	17,962	22,093
Allowance for doubtful receivables	(323)	(327)
Total investments and other assets	62,494	61,747
Total fixed assets	225,533	226,269
Total assets	422,280	418,489

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009
Liabilities		
Current liabilities		
Notes payable and accounts payable	47,924	43,030
Short-term borrowings	19,307	40,304
Accrued corporate taxes	2,918	1,983
Reserve	—	72
Others	29,040	33,543
Total current liabilities	99,190	118,932
Long-term liabilities		
Bonds payable	20,000	5,000
Long-term debts	25,021	22,254
Employees' severance and retirement benefits	18,518	18,116
Reserve	259	265
Negative goodwill	951	—
Others	3,998	4,392
Total long-term liabilities	68,750	50,027
Total liabilities	167,940	168,960
Net assets		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital	34,836	34,836
Retained earnings	189,626	188,357
Treasury stock	(9,582)	(9,583)
Total shareholders' equity	247,928	246,656
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	7,489	4,643
Loss on deferred hedge	—	1
Foreign currency translation adjustments	(8,198)	(7,996)
Total valuation and translation adjustments	(708)	(3,351)
Stock acquisition rights	109	75
Minority interests	7,009	6,148
Total net assets	254,339	249,529
Total liabilities and net assets	422,280	418,489

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

(Millions of yen)

	Term from April 1, 2008 to September 30, 2008	Term from April 1, 2009 to September 30, 2009
Net sales	248,925	201,810
Cost of sales	191,907	151,981
Gross profit	57,018	49,828
Selling, general and administrative expenses	46,857	41,807
Operating income	10,160	8,020
Non-operating income		
Dividend income	726	674
Gain on sales of investments in securities	495	—
Foreign exchange gains	656	—
Others	821	670
Total non-operating income	2,700	1,344
Non-operating expenses		
Interest expense	647	489
Loss on disposal of property, plant and equipment	702	609
Foreign exchange losses	—	318
Others	1,292	721
Total non-operating expenses	2,642	2,138
Ordinary income	10,218	7,227
Extraordinary loss		
Loss on valuation of investments in securities	1,350	—
Impairment losses on fixed assets	474	—
Total extraordinary loss	1,824	—
Income before income taxes and minority interests	8,394	7,227
Corporate taxes, local taxes and business taxes	3,808	1,876
Income taxes--deferred	(521)	962
Total corporate taxes	3,286	2,838
Minority interests	154	400
Net income	4,953	3,987

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Term from April 1, 2008 to September 30, 2008	Term from April 1, 2009 to September 30, 2009
Cash flows from operating activities		
Income before income taxes and minority interests	8,394	7,227
Depreciation and amortization	13,300	12,851
Impairment losses on fixed assets	474	—
Increase (decrease) in provision for severance and retirement benefits	(473)	1,571
Increase (decrease) in allowance for doubtful receivables	(22)	31
Interest and dividend income	(891)	(759)
Interest expense	647	489
Equity in (gains) losses of unconsolidated subsidiaries and affiliates	12	(49)
Loss on disposals of property, plant and equipment	423	762
Loss on valuation of investments in securities	1,350	41
(Increase) decrease in trade receivables	1,169	(1,927)
(Increase) decrease in inventories	(10,196)	3,283
Increase in trade payables	563	3,898
Others	(976)	2,481
Subtotal	13,775	29,901
Interest and dividends received	891	767
Interest paid	(713)	(493)
Income taxes paid	(4,351)	818
Net cash provided by operating activities	9,600	30,994
Cash flows from investing activities		
Purchases of property, plant and equipment	(13,734)	(11,189)
Purchases of intangible assets	(514)	(147)
Purchases of investments in securities	(391)	(133)
Proceeds from sales of investments in securities	730	306
Purchases of subsidiaries' stock	(760)	(431)
Payments for loans receivable	(15)	(162)
Proceeds from collections of loans receivable	68	107
Others	(248)	(4)
Net cash used in investing activities	(14,864)	(11,655)

(Millions of yen)

	Term from April 1, 2008 to September 30, 2008	Term from April 1, 2009 to September 30, 2009
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	6,752	(21,695)
Proceeds from long-term debt	5,016	2,865
Repayment of long-term debt	(465)	(437)
Proceeds from the issuance of corporate bonds	—	15,000
Payment for the redemption of corporate bonds	(5,000)	(5,000)
Repayment of lease obligations	(285)	(225)
Dividends paid	(2,722)	(2,714)
Dividends paid to minority shareholders	(117)	(163)
Proceeds from minority shareholders	36	—
Purchases of treasury stock	(305)	(15)
Proceeds from reissuance of treasury stock	6	1
Net cash used in financing activities	2,914	(12,384)
Effect of exchange rate changes on cash and cash equivalents	(142)	202
Net increase (decrease) in cash and cash equivalents	(2,491)	7,157
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 end of term	19,496	32,483

- (4) Notes on the premise of a going concern
No corresponding transactions

- (5) Segment Information
Segment Information by Business Category
Term from April 1, 2008 to September 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	50,797	41,827	38,035	61,570	20,616	22,453	13,624	248,925	—	248,925
(2) Intersegment	1,575	188	115	7	—	—	3,137	5,023	(5,023)	—
Total	52,372	42,015	38,151	61,577	20,616	22,453	16,761	253,949	(5,023)	248,925
Operating income (loss)	1,802	3,680	(121)	906	3,355	2,006	1,742	13,372	(3,211)	10,160

Term from April 1, 2009 to September 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	38,540	31,168	26,533	59,127	17,900	17,841	10,698	201,810	—	201,810
(2) Intersegment	1,385	134	0	5	—	250	1,040	2,817	(2,817)	—
Total	39,926	31,302	26,534	59,132	17,900	18,092	11,738	204,627	(2,817)	201,810
Operating income (loss)	519	4,796	2,417	4,176	1,929	(3,478)	664	11,026	(3,005)	8,020

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 are as follows:

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

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

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	33,698	18,511	29,994	9,342	91,546
II Consolidated net sales (Millions of yen)					248,925
III Ratio of international sales to consolidated net sales (%)	13.5	7.4	12.1	3.8	36.8

Term from April 1, 2009 to September 30, 2009

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	30,278	11,726	17,420	7,012	66,438
II Consolidated net sales (Millions of yen)					201,810
III Ratio of international sales to consolidated net sales (%)	15.0	5.8	8.6	3.5	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