



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 December 31, 2009, and 350,000,000 shares as of March 31, 2009
  2. Shares of treasury stock at the end of the period:  
10,750,039 shares as of December 31, 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)  
339,258,465 shares for the nine months ended December 31, 2009, and 340,057,559 shares for the nine months ended December 31, 2008

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

- As announced in a news release entitled "Notice Concerning Revisions to Operating Results Forecasts for the Year Ending March 31, 2010," on February 8, 2010, the Company revised its consolidated forecasts from those announced on April 28, 2009.
- The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the Company. For a variety of reasons, actual performance may differ substantially from these projections. For information on the assumptions and conditions behind these forecasts, refer to page 5, "3. Forecast for Consolidated Business Performance," in the "Overview of Financial Statements" section.

[Overview of Financial Statements]

1. Consolidated Business Performance

During the first nine months (from April 1, 2009 to December 31, 2009), the Kaneka Group posted consolidated net sales of ¥306,752 million (down 14.8% year on year). Despite lower net sales, operating income was ¥13,392 million (up 16.3% year on year), and ordinary income was ¥12,509 million (up 23.3%). Net income amounted to ¥7,132 million (up 100.4%).

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

Operating performance by business segment was as follows.

1) Chemicals

Although domestic demand for PVC resins remained sluggish, prices on products for export improved, and selling prices were adjusted to reflect higher raw materials prices. Consequently, although sales declined, income increased. Domestic demand for specialty PVC resins remained slack. Overseas market conditions for caustic soda worsened significantly, and domestic demand was slack.

As a result of the abovementioned factors, segment sales decreased ¥15,479 million (down 21.1%) compared with the corresponding period of the preceding fiscal year, resulting in net sales of ¥57,954 million. The segment posted operating income of ¥947 million, improving ¥148 million (up 18.6%) from the first nine months of the preceding fiscal year.

2) Functional Plastics

Modifier sales have not yet fully recovered 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 higher raw materials costs and reducing other costs. Sales of modified silicone polymers fell, owing to depressed construction-related demand in Japan and Europe, but owing to successful efforts to revise selling prices and measures to curtail cost of sales, income remained on a par with the same nine months of the preceding fiscal year.

As a result, in this segment sales fell ¥10,071 million (down 18.1%) from the first nine months of the preceding fiscal year, to ¥45,548 million. The segment posted operating income of ¥6,949 million, improving ¥3,168 million (up 83.8%) from the first nine months 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 we sought to sustain profitability.

As a result, segment sales fell ¥14,887 million (down 26.6%) from the first nine months of the preceding fiscal year, to ¥41,181 million. However, the segment recorded operating income of ¥4,093 million, improving ¥3,280 million (up 403.6%) from the first nine months of the preceding fiscal year.

#### 4) Foodstuffs Products

Reflecting consumers' efforts to curtail expenditures and preferences for lower-priced items, demand for foodstuffs failed to rise. 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 ¥4,481 million (down 4.7%) from the first nine months of the preceding fiscal year, to ¥90,487 million. At the same time, the segment reported operating income of ¥6,792 million, improving ¥4,605 million (up 210.5%) from the first nine months 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 and income from bulk and intermediate pharmaceuticals declined, owing to disappointing sales volumes, 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 ¥4,105 million (down 13.1%) from the same period of the preceding fiscal year, to ¥27,349 million. Operating income declined ¥2,533 million (down 47.4%), to ¥2,806 million.

#### 6) Electronic Products

Optical films saw higher sales volumes, as the market for electronic products recovered, leading to increased sales and income. Performance for ultra heat-resistant polyimide film fell short of its level during the first nine months of the preceding year, and sales and income decreased. In Japan, the sales volume of solar cells increased, but sluggish demand in Europe and increasingly severe competition caused selling prices to fall, resulting in lower sales and income.

In this segment, sales were down ¥3,085 million (down 10.3%) from the same period of the preceding fiscal year, to ¥26,840 million. The operating loss amounted to ¥4,931 million, ¥6,279 million down from the operating income figure recorded during the first nine months 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 remained at the same level as during the same period of the preceding term, but income decreased, as a result of our decision to liquidate an engineering subsidiary.

In this segment, sales were down ¥1,142 million (down 6.2%) from the same period of the preceding fiscal year, to ¥17,391 million. Operating income declined ¥651 million (down 32.9%), to ¥1,327 million.

## 2. Consolidated Financial Position

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

Total assets were ¥428,816 million as of December 31, 2009, up ¥10,326 million compared with March 31, 2009. Interest-bearing debts totaled ¥63,867 million, down ¥8,290 million. Net assets increased ¥5,839 million, to ¥255,368 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 nine months was ¥39,571 million, due to an increase in income before income taxes and depreciation expenses, while net cash used in investing activities amounted to ¥19,308 million, owing to payment for purchase of tangible fixed assets. Net cash used in financing activities came to ¥16,261 million, used mainly for debt repayment. As a result, cash and cash equivalents as of December 31, 2009, totaled ¥29,735 million.

## 3. Forecast for Consolidated Business Performance

In the Japanese market, the rate of demand recovery remains slow. In overseas markets, although demand from China and other Asian countries is recovering, recovery in the European and U.S. markets remains lackluster. Furthermore, crude oil and naphtha prices have begun to rise again, presenting the specter of resurgent raw material costs. Under these circumstances, the Kaneka Group has introduced extensive measures to recover profitability, including measures to boost sales volumes and curtail production and overhead costs for each of its businesses. As a result, we expect to surpass the previously announced performance forecasts for the full fiscal year.

With regard to exchange rates and raw material prices, forecast figures assume an exchange rate of ¥90 to the U.S. dollar, ¥130 to the euro and a domestic naphtha price of ¥48,000 per kiloliter.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	410,000	13,000	11,000	6,000	17.69
Current forecast (B)	410,000	17,000	15,000	7,500	22.11
Change (B–A)	0	4,000	4,000	1,500	
Percentage change (%)	0.0%	30.8%	36.4%	25.0%	
(Reference: Year ended March 31, 2009)	449,585	7,604	5,844	(1,850)	(5.45)

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, the actual bad debt loss ratio as of March 31, 2009, was applied to estimate bad debt losses as of December 31, 2009.

- 2) Method of valuing inventory assets

With regard to computing the balance of inventories as of December 31, 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 December 31, 2009	As of March 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	29,857	24,088
Notes receivable and accounts receivable	97,774	86,807
Marketable securities	422	422
Manufactured goods and merchandise	37,303	39,201
Work in progress	8,852	10,109
Raw materials and inventory goods	19,473	18,222
Others	9,490	13,760
Allowance for doubtful receivables	(465)	(391)
Total current assets	<u>202,708</u>	<u>192,220</u>
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	51,567	51,234
Machinery and equipment (net amount)	62,982	65,736
Others (net amount)	47,162	45,365
Total tangible fixed assets	<u>161,712</u>	<u>162,336</u>
Intangible fixed assets	1,940	2,186
Investments and other assets		
Investments in securities	45,513	39,981
Others	17,286	22,093
Allowance for doubtful receivables	(345)	(327)
Total investments and other assets	<u>62,454</u>	<u>61,747</u>
Total fixed assets	<u>226,107</u>	<u>226,269</u>
Total assets	<u>428,816</u>	<u>418,489</u>
<b>Liabilities</b>		
Current liabilities		
Notes payable and accounts payable	55,263	43,030
Short-term borrowings	18,891	40,304
Accrued corporate taxes	2,751	1,983
Reserve	-	72
Others	27,521	33,543
Total current liabilities	<u>104,427</u>	<u>118,932</u>
Long-term liabilities		
Bonds payable	20,000	5,000
Long-term debts	25,375	22,254
Employees' severance and retirement benefits	18,517	18,116
Reserve	269	265
Negative goodwill	899	-
Others	3,957	4,392
Total long-term liabilities	<u>69,019</u>	<u>50,027</u>
Total liabilities	<u>173,447</u>	<u>168,960</u>
<b>Net assets</b>		
Shareholders' equity		
Common stock	33,046	33,046
Additional paid-in capital	34,836	34,836
Retained earnings	190,057	188,357
Treasury stock	(9,587)	(9,583)
Total shareholders' equity	<u>248,353</u>	<u>246,656</u>
Valuation and translation adjustments, etc		
Net unrealized gain on available for sales securities	7,354	4,643
Loss on deferred hedge	-	1
Foreign currency translation adjustments	(8,130)	(7,996)
Total valuation and translation adjustments	<u>(776)</u>	<u>(3,351)</u>
Stock acquisition rights	109	75
Minority interests	7,681	6,148
Total net assets	<u>255,368</u>	<u>249,529</u>
Total liabilities and net assets	<u>428,816</u>	<u>418,489</u>

(2) Quarterly Consolidated Statement of Income  
from April 1 to December 31

(Millions of yen)

	Term from April 1, 2008 to December 31, 2008	Term from April 1, 2009 to December 31, 2009
Net sales	360,005	306,752
Cost of sales	279,963	230,268
Gross profit	80,041	76,483
Selling, general and administrative expenses	68,526	63,091
Operating income	11,515	13,392
Non-operating income		
Dividends income	1,101	911
Gain on sales of investments in securities	505	-
Others	970	1,039
Total non-operating income	2,577	1,951
Non-operating expenses		
Interest expense	977	719
Loss on disposal of property, plant and equipment	914	933
Foreign exchange losses	505	24
Others	1,548	1,157
Total non-operating expenses	3,946	2,834
Ordinary income	10,146	12,509
Extraordinary income		
Gain on sale of fixed assets	-	191
Total extraordinary income	-	191
Extraordinary loss		
Loss on valuation of investments in securities	2,550	-
Loss on liquidation of business	637	-
Total extraordinary loss	3,188	-
Income before income taxes and minority interests	6,958	12,700
Corporate taxes, local taxes and business taxes	2,817	3,184
Income taxes--deferred	378	1,708
Total corporate taxes	3,196	4,892
Minority interests	202	675
Net income	3,559	7,132



## (3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Term from April 1, 2008 to December 31, 2008	Term from April 1, 2009 to December 31, 2009
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	6,958	12,700
Depreciation and amortization	20,352	19,550
Loss on sale of fixed assets	-	(191)
Loss on business liquidation	637	-
Increase (decrease) in provision for severance and retirement benefits	(707)	2,239
Increase in allowance for doubtful receivables	27	93
Interest and dividend income	(1,326)	(1,029)
Interest expense	977	719
Equity in (gains) losses of unconsolidated subsidiaries and affiliates	164	(126)
Loss on disposals of property, plant and equipment	658	877
Loss on valuation of investments in securities	2,550	47
(Increase) decrease in trade receivables	26	(9,992)
(Increase) decrease in inventories	(7,213)	2,169
Increase (decrease) in trade payables	(4,739)	11,014
Others	(3,722)	1,812
Subtotal	<u>14,642</u>	<u>39,882</u>
Interest and dividends received	1,352	1,073
Interest paid	(966)	(633)
Income taxes paid	(7,254)	(750)
Net cash provided by operating activities	<u>7,774</u>	<u>39,571</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(18,512)	(18,293)
Proceeds from sale of tangible fixed assets	-	191
Purchases of intangible assets	(709)	(258)
Purchase of investments in securities	(441)	(1,161)
Proceeds from sales of investments in securities	835	311
Purchases of subsidiaries' stock	(761)	(449)
Proceeds from subsidiaries' stock	-	479
Payments for loans receivable	(70)	(227)
Proceeds from collections of loans receivable	77	93
Others	238	7
Net cash used in investing activities	<u>(19,344)</u>	<u>(19,308)</u>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	18,141	(22,202)
Proceeds from long-term debt	5,014	2,808
Repayment of long-term debt	(635)	(918)
Proceeds from the issuance of corporate bonds	-	15,000
Payment for the redemption of corporate bonds	(5,000)	(5,000)
Repayment of lease obligations	(419)	(331)
Dividends paid	(5,441)	(5,428)
Dividends paid to minority shareholders	(119)	(169)
Proceeds from minority shareholders	36	-
Purchases of treasury stock	(597)	(21)
Proceeds from reissuance of treasury stock	27	1
Net cash used in financing activities	<u>11,007</u>	<u>(16,261)</u>
Effect of exchange rate changes on cash and cash equivalents	(435)	387
Net increase (decrease) in cash and cash equivalents	<u>(998)</u>	<u>4,388</u>
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	-	1,106
Cash and cash equivalents at end of term	<u>20,989</u>	<u>29,735</u>

- (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 December 31, 2008

(Millions of yen)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
Sales										
(1) Customers	73,433	55,619	56,068	94,969	31,454	29,926	18,533	360,005	—	360,005
(2) Intersegment	2,036	239	159	11	—	—	4,198	6,644	(6,644)	—
Total	75,469	55,859	56,227	94,980	31,454	29,926	22,731	366,650	(6,644)	360,005
Operating income	798	3,780	812	2,187	5,340	1,347	1,978	16,246	(4,731)	11,515

Term from April 1, 2009 to December 31, 2009

(Millions of yen)

	Chemicals	Functional Plastics	Expandable Plastics and Products	Foodstuffs Products	Life Science Products	Electronic Products	Synthetic Fibers and Others	Total	Eliminations and Corporate	Consolidated
Sales										
(1) Customers	57,954	45,548	41,181	90,487	27,349	26,840	17,391	306,752	—	306,752
(2) Intersegment	2,235	224	1	7	—	431	1,169	4,070	(4,070)	—
Total	60,189	45,772	41,183	90,495	27,349	27,272	18,560	310,822	(4,070)	306,752
Operating income (loss)	947	6,949	4,093	6,792	2,806	(4,931)	1,327	17,985	(4,593)	13,392

## Notes:

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

International Sales  
Term from April 1, 2008 to December 31, 2008

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

Term from April 1, 2009 to December 31, 2009

	Asia	North America	Europe	Other Areas	Total
I International sales (Millions of yen)	43,587	16,895	26,456	11,223	98,162
II Consolidated net sales (Millions of yen)					306,752
III Ratio of international sales to consolidated net sales (%)	14.2	5.5	8.6	3.7	32.0

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