

Operating Results

During fiscal 2008, the term under review, a global economic recession caused a substantial decline in demand for the Company's products. This was accompanied by a rapid appreciation of the yen against other major currencies amid downward pressure on product prices, causing profitability of the Company's business to worsen significantly in the second half of the term. Continued high material and fuel prices in the first half also contributed to the deterioration in the Company's business performance.

We posted extraordinary losses due to a full-scale restructuring of our acrylic fiber business and valuation losses on available-for-sale securities due to plunging stock prices. As a result, sales decreased 17.5% to ¥345,048 million (US\$3,513 million) on a consolidated basis. We recorded an operating loss of ¥7,612 million (US\$77 million), compared with operating income of ¥37,508 million for the previous period, and a substantial net loss of ¥28,950 million (US\$295 million), compared with net income of ¥14,274 million (US\$145 million).

Beginning with fiscal 2005, expenses for amortization of actuarial gain or loss recognized during the term are charged in lump sum to income in the following year. Operating losses excluding such actuarial gain/loss (a ¥2,050 million loss for the previous term, and a ¥5,899 million loss for the term under

review) came to ¥1,712 million (US\$17 million), compared with operating income of ¥39,558 million for the previous term.

Financial Position

Total assets fell 9.4% year-on-year to ¥408,933 million (US\$4,163 million) as of the balance sheet date. Current assets fell 5.3% to ¥167,736 million (US\$1,708 million), due primarily to declines in trade receivables and inventories, which more than offset a rise in cash and time deposits.

Non-current assets fell 12.0% to ¥241,197 million (US\$2,455 million). A rise in construction-in-progress was more than offset by decreases in investment securities, and machinery and equipment.

Short-term bank loans and bonds at the term end rose 40.8% to ¥153,028 million (US\$1,558 million).

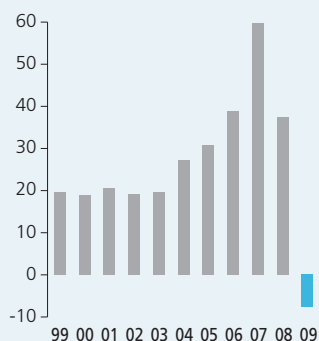
Net assets declined 25.4% year-on-year to ¥160,995 million (US\$1,639 million), attributable to a decrease in retained earnings and a decline in market values, including foreign currency translation adjustments. The term-end equity ratio was 36.1%.

Cash Flows

Net cash provided by operating activities declined 32.8% to ¥21,359 million (US\$217 million). This was due to the posting of a loss before income taxes and minority interests, and a

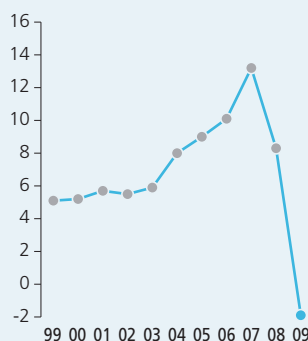
Operating income

(¥ billion)



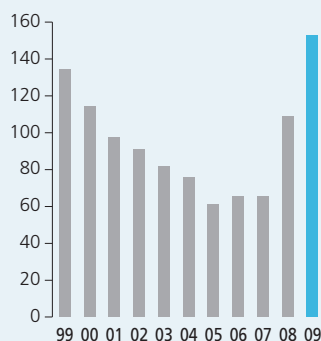
Operating income to total assets ratio

(%)



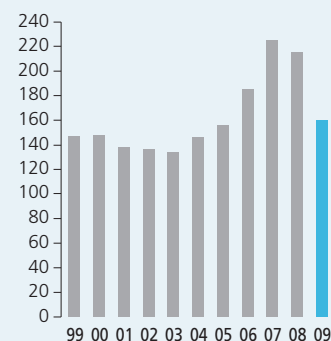
Total debt

(¥ billion)



Total net assets

(¥ billion)



decline in trade payables, which more than offset the posting of depreciation expenses, declines in trade receivables, and the posting of losses on valuation of investment securities and impairment losses.

Net cash used in investing activities shrank 32.5% year-on-year to ¥34,305 million (US\$349 million). Purchases of property, plant and equipment were partially offset by proceeds from the sale of investment securities.

Net cash provided by financing activities increased 67.3% year-on-year to ¥44,350 million (US\$451 million). An increase in short-term borrowings and new long-term loans exceeded the repayment of long-term loans and the payment of dividends.

As a result, the year-end balance of cash and cash equivalents rose 162.0% to ¥45,491 million (US\$463 million).

Net Overseas Sales by Customer Location

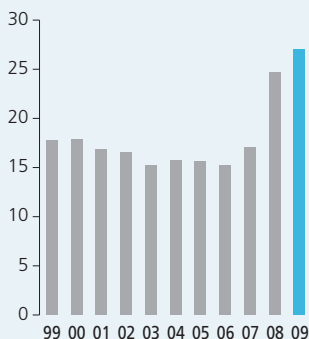
Overseas sales of the Company and its consolidated subsidiaries decreased by 25.0% to ¥148,395 million (US\$1,511 million), accounting for 43.0% of total sales on a consolidated basis. Sales in Asia (primarily China, Thailand, and Indonesia) declined 27.3% to ¥101,661 million (US\$1,035 million). Sales in other areas (mainly the North America and Europe) fell 19.4% to ¥46,733 million (US\$476 million).

R&D Expenses

Research and development expenses rose 18.4% to ¥14,823 million (US\$151 million) year-on-year. Our focus remained on innovation and refinement of production technologies and new product development, in our core competences of organic and polymer synthesis, polymer precision design and bio-technologies, enabling us to create the unique specialties that will drive our growth in the 21st century.

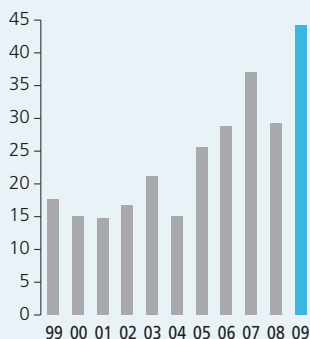
Depreciation

(¥ billion)



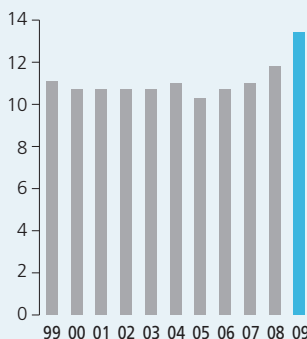
Capital expenditures

(¥ billion)



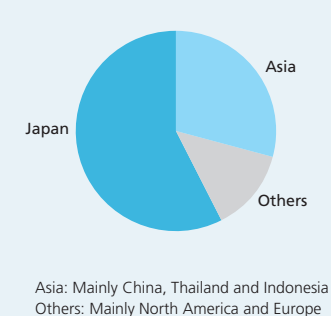
R&D expenses*

(¥ billion)



Sales breakdown by area

(%)



* For the term ended March 2006 and subsequent terms, the figures represent amounts prior to amortization of differences arising from changes in actuarial assumptions.