



Fiscal Year 2005

Semi - Annual Report

(April 1, 2005 through September 30, 2005)

SANYO CHEMICAL INDUSTRIES, LTD

PERFORMANCE CHEMICALS

Cautionary Statement with Respect to Forward-Looking Statement

This semi-annual report contains forward-looking statements that are based on Sanyo Chemical Group's current plans, strategies and results. These forward-looking statements were formulated by managers based on currently-available information, but actual results may vary significantly depending on the economic environment where Sanyo Chemical Group conduct its business, competitive conditions, change in the states of product development, relevant laws and regulations, and fluctuations in the currency exchange rate. Moreover, the factors that can affect these forward-looking statements are not limited to those listed here.

The following summary of the business results that Sanyo Chemical Group submitted Tokyo & Osaka Stock Exchange is unaudited.

CONSOLIDATED FINANCIAL HIGHLIGHTS (Unaudited)

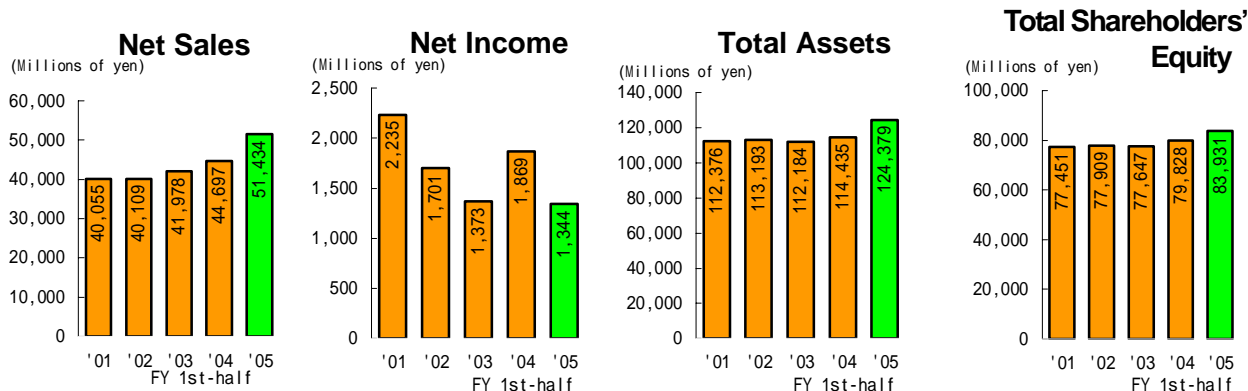
Six months ended September 30, each Fiscal Year	Millions of yen			Thousands of U.S. dollars
	FY 2005 1st-half	FY 2004 1st-half	FY 2003 1st-half	FY 2005 1st-half
Net sales	¥51,434	¥ 44,697	¥ 41,978	\$454,333
Operating income	3,139	2,882	1,875	27,735
Income before income taxes and minority interests	2,745	3,182	2,174	24,248
Net income	1,344	1,869	1,373	11,872
Return on equity	3.25%	4.71%	3.53%	3.25%
Investment in plant and equipment	4,434	3,798	3,497	39,174
Depreciation and amortization	3,161	3,028	3,118	27,926

As of September 30, each Fiscal Year	Millions of yen			Thousands of U.S. dollars
	FY 2005 1st-half	FY 2004 1st-half	FY 2003 1st-half	FY 2005 1st-half
Total assets	¥124,379	¥ 114,435	¥ 112,184	\$1,098,666
Shareholders' equity	83,931	79,828	77,647	741,379
Shareholders' equity ratio	67.5%	69.7%	69.2%	67.5%

Per share	Yen			U.S. dollars
	FY 2005 1st-half	FY 2004 1st-half	FY 2003 1st-half	FY 2005 1st-half
Net income	¥12.18	¥ 16.93	¥ 12.29	\$0.11
Cash dividends	7.5	7.5	7.5	0.07
Shareholders' equity	760.59	723.16	703.26	6.718

Note: 1. U.S. dollars have been converted at the rate of ¥113.21 to US\$1, the effective rate of exchange at September 30, 2005.

2. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.
3. The portion of net income unavailable to common shareholders, such as directors' bonuses, is deducted from net income for the calculation at net income per share. The same method is applied to the calculation of total shareholders' equity per share.



Business and Financial Results (Unaudited)

(1) Business Results

The Japanese economy has been expanding during the interim period led by private business investment and personal consumption. Although the pace of expansion has been moderate, it gained momentum after some pause, with increasing sustainability.

On the other hand, concern over further increases in crude oil prices and the business climate in the United States and China made the prospects for the economy uncertain.

In the chemical industry, while both domestic and export demand was robust, our business environment has been difficult as the surge in petrochemical materials had a negative impact on profits.

Under such circumstances, we focused on expanding our business through the expansion of strategically developed products (strategic products) and promoting globalization, such as full-fledged local production in China and enhancement of overseas business offices.

Our results for this interim period have been strong in terms of sales of polyurethane chemicals, information technology equipment, and super-absorbent polymers. Sales steadily increased by 15.1% compared with the same period the previous fiscal year to ¥51,434 million resulting from the growth in sales of strategic products, such as thermoplastic polyurethane beads (TUB) for skin material in the interior parts of automobiles and polyester beads (PEB) as a core component of polymerization toners, and the increase in sales from existing business as well as the contribution from domestic and overseas subsidiaries.

In terms of profit, despite the significant negative impact from the surge in petrochemical materials prices due to the rise in crude oil and naphtha prices, we achieved an increase in operating income to ¥3,139 million (a 8.9% increase from the same period the previous fiscal year) and ordinary income to ¥3,438 million (a 6.4% increase from the same period the previous fiscal year) through higher sales revenue, price increases, and cost cutting efforts.

Interim net income decreased to ¥1,344 million (a 28.1% decrease from the same period the previous fiscal year) due to the loss on assets impairment of ¥920 million, of which ¥626 million was included as extraordinary loss, attributable to the loss from some subsidiaries' business and significantly declined real estate value owned by some affiliates.

The interim sales results by product groups are as follows:

<Surfactants>

Sales of industrial surfactants increased with favorable growth in raw materials for environment-friendly cleaning agents (higher alcohol-based nonionic surfactants), the base material for hair care products and pharmaceutical MACROGOL products.

Sales of surfactants for textiles were dull. Although sales of surfactants for air bags and seatbelts were robust, domestic and export demand for the surfactants for clothing manufacturers, as well as domestic demand for processing, decreased.

As a result, sales for the entire sector amounted to ¥10,802 million (a 0.8% decrease from the same period the previous fiscal year).

<Polyurethane Chemicals>

Domestic and overseas sales of raw materials for polyurethane foam achieved significant growth due to strong sales of raw materials for high-performance polyurethane and expansion of sealant materials as well as price increases in response to the higher cost for raw materials.

For polyurethane resins, TUB for skin material in the interior parts of automobiles, which is one of the

strategic products, achieved significant sales growth because of increased domestic demand and expanded a range of automobile models adopted overseas. Environment-friendly paint materials for cars and resins for printing ink were also strong and achieved increased sales.

As a result, sales in this entire sector amounted to ¥11,907 million (a 24.6% increase from the same period the previous year).

<Lipophilic High-molecular Agents>

Strong sales growth was achieved for toner resins used in office machine-related products. PEBs used as the core component of polymerization toners, which is one of the strategic products, showed significant sales growth with a favorable trend in toners for black and white copiers and the launch of PEBs for color copiers.

Sales of lubricating oil and machine-related products were strong with increased sales of lubrication improvers for diesel fuels due to the fundamental sulfur reduction in diesel fuels, as well as increased sales of other lubricating oil and machine-related products.

Sales of coating and adhesive-related products increased through expanded sales of UV curing resins. Furthermore, sales of adhesives for medical equipment and for glass fibers also grew.

As a result, sales in this entire sector amounted to ¥11,623 million (a 15.9% increase from the same period the previous year).

<Hydrophilic High-molecular Agents>

For superabsorbent polymers, sales of hygiene use materials, such as disposable diapers, were strong supported by active demand and implementation of a price increase in response to higher raw material prices, San-Dia Polymer (Nantong) Co., Ltd., also achieved significant sales growth with better than expected sales. Sales for non-hygiene use, mainly pet sheets, were also favorable.

Sales of water treatment products were somewhat weak due to increased competition in the market.

As a result, sales in this entire sector amounted to ¥10,195 million (a 24.1% increase from the same period the previous year).

<Specialty Products>

Resin and polymer modifiers showed favorable results with increased sales of high-molecular-weight permanent antistatic agents, which are strategic products, especially in electronic component-related applications.

For electric/electronic-related products, sales of electrolytes for electric double-layer capacitors, which are also strategic products, showed strong growth. In addition, the favorable impact of placing new products, including cleaning agents for precision electronic components, such as chemical mechanical planarization (CMP) cleaner and processing agents for silicon wafers, contributed to the sales increase.

Catalysts for polyurethane and raw materials for pharmaceutical enteric-soluble coating agent also showed favorable results.

As a result, sales in this entire sector amounted to ¥6,033 million (an 18.1% increase from the same period the previous fiscal year).

Although the Japanese economy is likely to maintain sustainability, the prospect is still not clear given the concern for the renewed price surge in petrochemical materials. In order to overcome this challenging environment and grow into the *unique, excellent corporate group through growth with profit*, we will initiate the following measures to improve corporate quality and strengthen the corporate structure:

- i) Implement appropriate actions to handle the surging raw material prices,
- ii) Expand sales and improve profitability of the strategic products, and
- iii) Improve the profitability of each overseas company of the Group.

For fiscal 2005, while there are some uncertain factors, such as lower profitability due to surging raw material prices, given the improved results of the affiliated companies with contribution from the strategic products, we expect ¥108 billion in sales, ¥7.2 billion in operating income, ¥8 billion in ordinary income, and ¥4 billion in net income.

(2) Financial Condition

	Millions of yen		
	FY 2005 1st-half	FY 2004 1st-half	Increase (or decrease)
Net cash provided by operating activities	2,956	5,474	(2,517)
Net cash used in investing activities	(4,361)	(3,762)	(598)
Net cash used in financing activities	(965)	(1,171)	206
Effects of exchange rate changes on cash and cash equivalents	99	0	99
Net increase (decrease) in cash and cash equivalents	(2,270)	540	(2,810)
Cash and cash equivalents at the end of the interim period	11,519	16,250	(4,730)

Cash flow provided by operating activities

The increase in cash and cash equivalents (“funds”) amounted to ¥2,956 million. The main factor of the increase is higher in funds of interim net income before income taxes and minority interests of ¥2,745 million., and the depreciation and amortization of ¥3,171 million exceeded the decrease in funds resulting from the increase in accounts receivable of ¥1,530 million and the increase in inventory of ¥1,434 million. Compared with the same period the previous fiscal year, funds decreased by ¥2,517 million due to the decrease in interim net income before income taxes and the increase in the payment for corporate taxes and others.

Cash flow used in investing activities

Net cash for investment activities totaled ¥4,361 million, which included payments for the purchase of property, plants, and equipment at ¥4,324 million.

Cash flow used in financing activities

Cash balance was negative for financing activities with net cash of ¥965 million used, which included payments for dividends of ¥827 million.

As a result of the above, funds at the end of the interim period decreased by ¥2,270 million to ¥11,519 million.

The trend for the cash flow index of our Group is as follows:

	FY 2002 1st-half	FY 2003 1st-half	FY 2004 1st-half	FY 2005 1st-half
Shareholders' equity ratio (%)	68.8	69.2	69.7	67.5
Shareholders' equity ratio based on market price (%)	84.8	73.9	72.4	79.8
Years to maturity for obligation (years)	0.1	0.4	0.2	0.4
Interest coverage ratio	308.4	124.0	147.2	70.4

Note: Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market price: Aggregate market value of the shares / Total assets

Years to maturity of obligations: Interest bearing obligations / Operating cash flow

Interest coverage ratio: Operating cash flow / interest payment

* Each indicator is calculated based on consolidated financial figures.

* Aggregate market value of the shares is calculated as the closing price of shares as of the end of the period times the number of issued shares excluding treasury shares as of the end of the period.

* Operating cash flow uses the cash flow provided by operating activities on the consolidated interim statements of cash flows. Interest bearing obligations cover all obligations that pay interest and are posted on the consolidated interim balance sheet. Interest payments refer to the amounts on the consolidated interim statements of cash flows.

* Years to maturity of the obligations are calculated by converting operating cash flow into annual base figures.

Consolidated Financial Statements (Unaudited)

Consolidated Balance Sheets (Assets)

ASSETS	Millions of yen		
	FY 2005 1st-Half Sep. 30, 2005	FY 2004 1st-Half Sep. 30, 2004	FY 2004 Mar. 31, 2005
Current assets	55,827	54,007	54,626
Cash and cash equivalents	11,519	16,250	13,790
Notes and accounts receivable-trade	28,462	24,581	26,882
Inventories	13,845	11,432	12,353
Deferred tax assets	807	765	902
Other current assets	1,215	997	723
Allowance for doubtful accounts	(22)	(19)	(24)
Fixed assets	68,552	60,428	66,238
Property, plant and equipment	44,982	40,221	44,034
Building and structures	13,280	11,736	12,729
Machinery and equipment	19,307	17,053	17,389
Land	7,167	6,665	7,082
Construction in progress	3,386	3,364	4,917
Other	1,842	1,401	1,914
Intangible assets	2,186	3,013	2,459
Capitalized computer software costs	980	1,296	1,144
Consolidated goodwill	993	1,213	1,118
Other	211	503	197
Investments and other assets	21,383	17,192	19,744
Investments in securities	19,683	13,822	16,946
Long-term loans	81	100	90
Deferred tax assets	495	2,156	1,610
Other	1,212	1,308	1,199
Allowance for doubtful accounts	(89)	(195)	(101)
Total assets	124,379	114,435	120,865

Consolidated Balance Sheets (Liabilities and shareholders' equity)

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		
	FY 2005 1st-half Sep. 30,	FY 2004 1st-half Sep. 30,	FY 2004 Mar. 31,
Current liabilities	28,810	23,064	27,573
Notes and accounts payable-trade	17,993	14,732	16,652
Short-term debt	595	492	476
Current portion of long-term debt	294	330	279
Accrued expenses	2,442	2,112	2,370
Accrued income taxes	1,322	1,217	1,544
Allowance for bonuses	1,271	1,171	1,530
Notes payable-plant and equipment	2,642	1,495	1,262
Other current liabilities	2,248	1,512	3,457
Long-term liabilities	9,744	9,757	10,065
Long-term debt	1,500	1,291	1,634
Accrued severance indemnities	6,119	6,339	6,246
Directors' and corporate auditors' retirement allowances	1,175	1,239	1,293
Deferred tax liabilities	31	72	29
Other liabilities	917	814	861
Total liabilities	38,555	32,822	37,638
Minority interests	1,893	1,784	1,829
Shareholders' equity	83,931	79,828	81,397
Common stock	13,051	13,051	13,051
Additional paid-in capital	12,191	12,191	12,191
Retained earnings	59,642	58,290	59,191
Unrealized gains on securities	5,380	2,689	3,563
Foreign currency translation adjustments	(665)	(756)	(947)
Treasure stock, at cost	(5,668)	(5,636)	(5,652)
Total liabilities and shareholders' equity	124,379	114,435	120,865

Consolidated Statements of Income

	Millions of yen		
	FY 2005 1st-half Apr., 2005 through Sep., 2005	FY 2004 1st-half Apr., 2004 through Sep., 2004	FY 2004 Apr., 2004 through Mar., 2005
Net sales	51,434	44,697	93,454
Cost of sales	39,628	33,582	71,054
Gross profit	11,806	11,115	22,399
Selling, general and administrative expenses	8,667	8,232	16,411
Operating income	3,139	2,882	5,988
Non-operating income	546	512	1,001
Interest income	14	14	25
Dividend income	125	83	141
Equity in earnings of unconsolidated affiliates	-	111	348
Other	405	303	485
Non-operating expenses	247	163	555
Interest expenses	38	34	54
Equity in losses of unconsolidated affiliates	51	-	-
Other	157	129	501
Ordinary income	3,438	3,232	6,433
Extraordinary profit	-	15	17
Gain on sales of fixed assets	-	-	2
Receipts of subsidies	-	15	15
Extraordinary expenses	693	64	495
Loss on assets impairment	626	-	-
Loss on disposal of fixed assets	63	52	477
Loss on valuation of investment securities	3	6	6
Provision for doubtful accounts	-	-	5
Loss on valuation of other investment	-	5	5
Income before income taxes and minority interests	2,745	3,182	5,955
Income taxes - current	1,310	1,159	2,314
Income taxes - deferred	(15)	100	(42)
Minority interests	106	53	84
Net income	1,344	1,869	3,598

Consolidated Statements of Capital Surplus and Retained Earnings

	Millions of yen		
	FY 2005 1st-half Apr., 2005 through Sep., 2005	FY 2004 1st-half Apr., 2004 through Sep., 2004	FY 2004 Apr., 2004 through Mar., 2005
Capital Surplus			
. Balance at the beginning of period	12,191	12,191	12,191
. Increase in capital surplus	0	-	-
Gain on sales of treasury stock	0	-	-
. Balance at the end of period	12,191	12,191	12,191
Retained Earnings			
. Retained earnings at the beginning of period	59,191	57,305	57,305
. Increase in retained earnings	1,344	1,869	3,598
Net income	1,344	1,869	3,598
. Decrease in retained earnings	893	884	1,712
Cash dividends paid	827	828	1,655
Bonuses paid to directors and corporate auditors	65	56	56
Loss on disposal of treasury stock	-	0	0
. Balance at the end of period	59,642	58,290	59,191

Consolidated Statements of Cash Flows

	Millions of yen		
	1H/FY 2005 Apr., 2005 through Sep., 2005	1H/FY 2004 Apr., 2004 through Sep., 2004	FY 2004 Apr., 2004 through Mar., 2005
Operating Activities			
Income before income taxes and minority interests	2,745	3,182	5,955
Depreciation and amortization	3,171	3,035	6,479
Net loss on disposal of fixed assets	63	52	477
Loss on assets impairment	626	-	-
Amortization of difference between investment costs and equity in net assets acquired	89	92	185
Increase (decrease) in allowance for doubtful accounts	(14)	1	(86)
Increase (decrease) in allowance for bonuses	(259)	(186)	173
Net increase (decrease) in accrued severance indemnities	(127)	(59)	(152)
Increase (decrease) in Directors' and corporate auditors' retirement allowances	(118)	(224)	(171)
Interest and dividend income	(140)	(98)	(167)
Interest expenses	38	34	54
Equity in losses (earnings) of unconsolidated affiliates	51	(111)	(348)
Gain on sales of fixed assets	-	-	(2)
Loss on valuation of investments in securities	3	6	6
Other, non-operating income	(405)	(315)	(503)
Other, non-operating expenses	114	75	330
Decrease (increase) in notes and accounts receivable	(1,530)	(1,264)	(3,582)
Decrease (increase) in inventories	(1,434)	(532)	(1,484)
Decrease (increase) in other assets net	(470)	(198)	262
Increase (decrease) in notes and accounts payable	1,249	1,693	3,656
Increase (decrease) in consumption tax payable	135	(331)	(413)
Decrease (increase) in consumption tax receivable	50	-	(50)
Increase (decrease) in other liabilities	197	412	764
Directors' and corporate auditors' bonuses paid	(65)	(61)	(62)
Sub-total	3,970	5,203	11,321
Interest and cash dividends received	499	260	385
Interest paid	(42)	(37)	(53)
Other, non-operating proceeds	212	312	473
Other, non-operating payments	(131)	(85)	(370)
Income taxes paid	(1,553)	(178)	(1,306)
Net cash provided by operating activities	2,956	5,474	10,450
Investing activities			
Payments for purchase of fixed assets	(4,324)	(3,663)	(9,297)
Proceeds from sales of fixed assets	0	0	15
Payments for purchase of investments in securities	(4)	(75)	(1,613)
Disbursements for loans	(30)	(151)	(211)
Payments received on loans	51	166	207
Other, investing proceeds	69	99	340
Other, investing payments	(123)	(139)	(208)
Net cash used in investing activities	(4,361)	(3,762)	(10,767)
Financing Activities			
Proceeds from short-term debt	1,158	392	1,068
Repayments of short-term debt	(1,060)	(476)	(1,166)
Proceeds from long-term loans	25	-	532
Repayments of long-term loans	(168)	(173)	(381)
Proceeds from stock issuances to minority shareholders	-	-	94
Purchase of treasury stock	(16)	(13)	(31)
Proceeds from sale of treasury stock	0	1	4
Dividends paid	(827)	(828)	(1,656)
Payments of cash dividends to minority shareholders	(79)	(73)	(139)
Net cash used in financing activities	(965)	(1,171)	(1,675)
Effects of exchange rate changes on cash and cash equivalents	99	0	72
Net increase (decrease) in cash and cash equivalents	(2,270)	540	(1,919)
Cash and cash equivalents at beginning of period	13,790	15,709	15,709
Cash and cash equivalents at the end of period	11,519	16,250	13,790

Material basis for presenting Consolidated Interim Financial Statements

1. Scope of consolidation

Consolidated subsidiaries: 9

San-Dia Polymers, Ltd., San Chemical Co., Ltd., Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co., Ltd. and other five subsidiaries

Non-consolidated subsidiaries: 6

Sanyo Transport Co., Ltd., San Nopco (Shanghai) Trading Co., Ltd. and other four subsidiaries

Sanyo Chemical Texas Inc. has been excluded from the above non-consolidated subsidiaries. Although the company was established during the interim period, it has not started operations and did not have a material effect on business performance for the Group. Other non-consolidated subsidiaries were excluded from consolidation as they are all small in size and do not have any material impact on the interim results even as a whole.

2. Application of the Equity Method

Non-consolidated subsidiaries applying the equity method: 3

Sanyo Transport Co., Ltd. and two other subsidiaries

Affiliated companies applying the equity method: 3

San-Petrochemicals Co., Ltd. and two other affiliated companies

Non-consolidated subsidiaries not applying the equity method: 3

San Nopco (Shanghai) Trading Co., Ltd. and two other subsidiaries

Affiliated companies not applying the equity method: 2

Dah Shyang Chemical Co., Ltd. and one other affiliated company

Sanyo Texas Incorporated has been excluded from the above equity method. Although the company was established during the interim period, it has not started operations and did not have a material effect on the interim results. Other non-consolidated subsidiaries were excluded from application of the equity method as they are all small in size and do not have any material impact on the interim results even as a whole.

3. Account settlement date of consolidated subsidiaries

The companies with different account settlement dates from the company filing the interim financial statements include the following five: Sanyo Chemical & Resins Inc., Sanyo Kasei (Thailand) Ltd., SANAM Corporation, Sanyo Kasei (Nantong) Co., Ltd., and San-Dia Polymers (Nantong) Co., Ltd., for which the interim account settlement date is June 30.

The consolidated interim financial statements are based on figures from the interim financial statements as of the interim account settlement date for each company. For material transactions that occurred between such date and the interim account settlement date, necessary adjustments for consolidation were made.

4. Accounting Standards

(1) Valuation standards and valuation method for material assets

i) Securities

Other securities

With market price: Market method based on market prices as of the consolidated interim account settlement date. The difference from the book value is transferred directly into capital. Sales cost is calculated by the moving average method.

Without market price: Moving average cost method

ii) Inventory

Monthly gross average cost method

(2) Depreciation method for material depreciable assets

i) Property, plant and equipment

Depreciation is computed by the declining-balance method for the Company and its domestic consolidated subsidiaries, except for depreciation of buildings acquired by the Company on or after April 1, 1998, which is computed by the straight-line method. Depreciation of the Company's overseas consolidated subsidiaries is computed principally by the straight-line method.

The principal estimated useful lives for computing depreciation are as follows:

Buildings and structures: 3 – 50 years

Machinery, equipment and vehicles: 4 – 8 years

ii) Intangible assets

Depreciation is calculated by the straight-line method. Computer software for internal use is depreciated over five years as the estimated internal useful life of computer software using the straight-line method.

(3) Accounting standard for material allowances

i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover any bad-debt losses for accounts receivable and loans. Estimated non-recoverable amounts are provided as an allowance based on the historical bad debt rate for general debt and based on individual consideration of recoverability for doubtful debts.

ii) Allowance for bonuses

The allowance for employees' bonuses are provided based on the estimated amount of the bonus payment.

iii) Accrued severance indemnities

Accrued severance indemnities are provided in an amount recognized as accrued at the end of the interim period. Such amounts are calculated based on the projected benefit obligation reduced by pension plan assets at fair value at the end of the interim period. Past service liability is provided as an expense for the amount calculated by the straight-line method over a specific number of years within the employees' average number of remaining service years (14 years) at the time of occurrence of such obligation. Any actuarial difference is provided as an expense from the fiscal year following such difference for pro rata amounts calculated by the straight-line method over a specific number of years within the employees' average remaining service period (14 years) at the time of accrual of such differences.

iv) Directors' and corporate auditors' retirement allowance

The Company, with respect to directors and corporate auditors, provides for lump-sum severance benefits at the end of the interim period based on the Code for Directors' Corporate and Corporate Auditors Retirement benefit (the internal code).

(4) Translation standard for material foreign currency denominated assets into Japanese yen

The monetary assets and liabilities in foreign currency are translated into Japanese yen at the relevant exchange rates prevailing as of the account settlement date for the interim period. The resulting gains or losses are charged to income. The assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the relevant exchange rates prevailing as of the account settlement date for the interim period of such subsidiaries and affiliates. Revenues and expenses of such companies are translated into Japanese yen at the average exchange rate during the relevant period. Resulting translation gains or losses are included in minority interest and cumulative translation adjustment in the shareholders' equities section.

(5) Material Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the terms of the leases, the lease property is not capitalized and the related lease expenses are charged to income in the period incurred, as per the statements issued by the Business Accounting Deliberation Council.

(6) Other Material matters for preparation of the consolidated financial statements

i) Consumption taxes

Amounts provided represent the net of national and local consumption taxes where applicable.

ii) Amortization of consolidation differences

Consolidation differences are amortized by the straight-line method over ten years. In case of insignificant amounts, however, the full amount is amortized in the year when it occurred.

5. Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalent) in the consolidated interim statements of cash flows refer to cash on hand and bank deposits that can be withdrawn or converted to cash on demand and short-term investments with insignificant risk of changes in value and original maturities of three months or less at the date of acquisition.

Change of fundamental matters for preparation of the consolidated financial statements

Accounting standard for impairment of fixed assets

The Company has adopted the "Accounting Standard for Impairment of Fixed Assets" ("Statement concerning establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council in Japan on August 9, 2002) and "Application Guidance for Accounting Standard for Impairment of Fixed Assets" (Application Guidance for Accounting Standard No. 6, October 31, 2003) from this consolidated interim period. Due to this adoption, income before income taxes and minority interests decreased by ¥860 million, of which ¥293 million is attributable to applying the equity method for companies, and is included in the "Investment loss through equity method" on the consolidated interim statements of income.

Cumulative impairment losses are directly deducted from each asset according to the revised rules for consolidated interim financial statements.

For Consolidated Interim Statements of Cash flows

1. Relationship between cash and cash equivalents at the end of the interim period (year end) and the amount of items shown on the consolidated interim balance sheet

(Millions of yen)

	FY 2005 1st-half	FY 2004 1st-half	FY 2004
Cash and deposits at the end of the period	11,519	16,250	13,790
Term deposits over three months	-	-	-
Cash and cash equivalents at the end of the period	11,519	16,250	13,790

Leases

The comments are not provided here as they are disclosed by EDINET.

Per share information

(Yen)

	FY 2005 1st-half	FY 2004 1st-half	FY 2004
Net assets per share	760.59	723.16	736.91
Net income for the interim period per share	12.18	16.93	32.01

Net income for the interim period per share after adjustments for potential dilution is not provided as no potential shares with diluting effects exist.

Segment Information

1. Industry Segments

The Companies' main operations are manufacturing and distributing chemical products. The Companies' operations by business segment for the interim period are not disclosed since most of the products have common characteristics, manufacturing methods, and markets.

2. Geographic Segments

The Companies' operation by geographical segment for the interim period are not disclosed since the ratios of business outside Japan described above with respect to sales are not material, being less than 10%.

3. Sales to Foreign Customers For the interim period (From April 1, 2005 to September 30, 2005)

(Millions of yen)

	Asia	America	Other	Total
I. Overseas sales	6,030	2,403	2,854	11,287
II. Consolidated net sales	-	-	-	51,434
III. Overseas sales ratio to consolidated net sales	11.7%	4.7%	5.5%	21.9%

For the interim period of the previous fiscal year (From April 1, 2004 to September 30, 2004)

(Millions of yen)

	Asia	America	Other	Total
I. Overseas sales	5,552	2,383	2,059	9,995
II. Consolidated net sales	-	-	-	44,697
III. Overseas sales ratio to consolidated net sales	12.4%	5.3%	4.6%	22.3%

For the previous fiscal year (from April 1, 2004 to March 31, 2005)

(Millions of yen)

	Asia	America	Other	Total
I. Overseas sales	11,276	4,583	4,184	20,044
II. Consolidated net sales	-	-	-	93,454
III. Overseas sales ratio to consolidated net sales	12.0%	4.9%	4.5%	21.4%

Notes:

1. Areas included in each country or region are determined based on their degree of proximity.
2. Main countries or regions included in the areas other than Japan.
 - (1) Asia: Korea, China, Indonesia, Thailand, and others
 - (2) America: U.S.A., Mexico, Brazil, and others
 - (3) Other: Australia, Europe, Middle East, and others
3. Overseas sales include sales generated in any place other than Japan by the Company and its consolidated subsidiaries.

Investment Securities

At the end of the FY2005 1st-half (As of September 30, 2005)

1. Held-to maturity debt securities with market price

There are no items to report.

2. Other investment securities with market price

(Millions of yen)

	Carrying amounts	Book value per interim balance sheet	Difference
(1) Shares	7,130	16,146	9,016
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	7,130	16,146	9,016

3. The main investment securities without market price, excluding the 1 above, and their amount shown on the consolidated interim balance sheet.

(1) Held-to maturity debt securities

There are no items to report.

(2) Other investment securities

Non-listed shares: ¥3,536 million

Non-listed foreign bonds: -

Note:

For this interim period, ¥3 million of other investment securities without market prices were treated as an impairment loss.

At the end of the FY2004 1st-half (As of September 30, 2004)

1. Held-to maturity debt securities with market price

There are no items to report.

2. Other investment securities with market price

(Millions of Yen)

	Carrying amounts	Book value per interim balance sheet	Difference
(1) Shares	5,582	10,090	4,507
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	5,582	10,090	4,507

Note:

For the interim period, ¥3 million of other investment securities with market prices were treated as an impairment loss.

3. The main investment securities without market price, excluding the 1 above, and their amount shown on the consolidated interim balance sheet.

(1) Held-to maturity debt securities

There are no items to report.

(2) Other investment securities

Non-listed shares: ¥3,732 million
(excluding OTC shares)

Non-listed foreign bonds: -

Note:

For the interim period, ¥3 million of other investment securities without market prices were treated as an impairment loss.

At the end of the previous fiscal year (As of March 31, 2005)

1. Held-to maturity debt securities with market price

There are no items to report.

2. Other investment securities with market prices

(Millions of Yen)

	Carrying amounts	Book value per interim balance sheet	Difference
(1) Shares	7,125	13,098	5,973
(2) Bonds	-	-	-
(3) Other	-	-	-
Total	7,125	13,098	5,973

Note:

For the fiscal year ended March 31, ¥2 million of other investment securities with market prices were treated as an impairment loss. Any impairment of value of the shares, which is 30% or more compared with their cost, is treated as an impairment loss.

3. The main investment securities without market price, excluding the 1 above, and their amount shown on the consolidated interim balance sheet.

(1) Held-to maturity debt securities

There are no items to report.

(2) Other investment securities

Non-listed shares: ¥3,847 million

Non-listed foreign bonds: -

Note:

For the fiscal year ended March 31, 2005, ¥3 million of other investment securities without market prices were treated as an impairment loss.

Derivative Financial Instruments

There are no items to report.